

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 001-34919

Kabushiki Kaisha Mitsui Sumitomo Financial Group

(Exact name of Registrant as specified in its charter)

SUMITOMO MITSUI FINANCIAL GROUP, INC.

(Translation of registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
(Address of principal executive offices)

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Telephone: +81-3-3282-8111 Facsimile: +81-3-4333-9954

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of Each Class

Name of Each Exchange on which Registered

Common stock, without par value

The New York Stock Exchange*

* Not for trading, but only in connection with the listing of the American Depositary Shares, each American Depositary Share representing 1/5 of one share of the registrant's common stock.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At March 31, 2013, the following shares of capital stock were outstanding: 1,414,055,625 shares of common stock (including 60,179,376 shares of common stock held by the registrant and its consolidated subsidiaries and equity-method associates as treasury stock).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

TABLE OF CONTENTS

	<u>Page</u>
Certain Defined Terms, Conventions and Presentation of Financial Information	1
Cautionary Statement Regarding Forward-Looking Statements	2
Part I	3
Item 1. Identity of Directors, Senior Management and Advisers	3
Item 2. Offer Statistics and Expected Timetable	3
Item 3. Key Information	3
3.A. Selected Financial Data	3
3.B. Capitalization and Indebtedness	5
3.C. Reasons for the Offer and Use of Proceeds	5
3.D. Risk Factors	5
Item 4. Information on the Company	18
4.A. History and Development of the Company	18
4.B. Business Overview	19
4.C. Organizational Structure	50
4.D. Property, Plant and Equipment	52
Item 4A. Unresolved Staff Comments	53
Item 5. Operating and Financial Review and Prospects	53
5.A. Operating Results	63
5.B. Liquidity and Capital Resources	106
5.C. Research, Development, Patents and Licenses	111
5.D. Trend Information	111
5.E. Off-Balance Sheet Arrangements	111
5.F. Tabular Disclosure of Contractual Obligations	115
5.G. Safe Harbor	115
Item 6. Directors, Senior Management and Employees	116
6.A. Directors and Senior Management	116
6.B. Compensation	124
6.C. Board Practices	124
6.D. Employees	127
6.E. Share Ownership	129
Item 7. Major Shareholders and Related Party Transactions	131
7.A. Major Shareholders	131
7.B. Related Party Transactions	131
7.C. Interests of Experts and Counsel	132
Item 8. Financial Information	132
8.A. Consolidated Statements and Other Financial Information	132
8.B. Significant Changes	133
Item 9. The Offer and Listing	133
9.A. Offer and Listing Details	133
9.B. Plan of Distribution	135
9.C. Markets	135
9.D. Selling Shareholders	135
9.E. Dilution	135
9.F. Expenses of the Issue	136
Item 10. Additional Information	136
10.A. Share Capital	136
10.B. Memorandum and Articles of Incorporation	136
10.C. Material Contracts	146
10.D. Exchange Controls	146

	<u>Page</u>
10.E. Taxation	147
10.F. Dividends and Paying Agents	151
10.G. Statement by Experts	151
10.H. Documents on Display	151
10.I. Subsidiary Information	152
Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk	152
Item 12. Description of Securities other than Equity Securities	165
12.A. Debt Securities	165
12.B. Warrants and Rights	165
12.C. Other Securities	165
12.D. American Depositary Shares	165
Part II	167
Item 13. Defaults, Dividend Arrearages and Delinquencies	167
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	167
Item 15. Controls and Procedures	167
Item 16A. Audit Committee Financial Expert	168
Item 16B. Code of Ethics	168
Item 16C. Principal Accountant Fees and Services	169
Item 16D. Exemptions from the Listing Standards for the Audit Committee	169
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	170
Item 16F. Change in Registrant’s Certifying Accountant	170
Item 16G. Corporate Governance	170
Item 16H. Mine Safety Disclosure	172
Part III	173
Item 17. Financial Statements	173
Item 18. Financial Statements	173
Item 19. Exhibits	173
Signatures	174
Selected Statistical Data	A-1
Index to Consolidated Financial Statements	F-1

CERTAIN DEFINED TERMS, CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION

As used in this annual report, unless the context otherwise requires, “SMFG,” the “Company,” “we,” “us,” “our” and similar terms refer to Sumitomo Mitsui Financial Group, Inc. as well as to its subsidiaries, as the context requires. References to the “Group” are to us and our subsidiaries and affiliates taken as a whole. “SMBC” and “the Bank” refer to Sumitomo Mitsui Banking Corporation or to Sumitomo Mitsui Banking Corporation and its subsidiaries taken as a whole, depending on the context. The Bank is our main subsidiary.

In this annual report, all of our financial information is presented on a consolidated basis, unless we state otherwise. As used in this annual report, “IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Boards (“IASB”) and “Japanese GAAP” means accounting principles generally accepted in Japan. Our consolidated financial information in this annual report has been prepared in accordance with IFRS, except for the risk-weighted capital ratios, the segment results of operation and some other specifically identified information, which are prepared in accordance with Japanese banking regulations or Japanese GAAP. Unless otherwise stated or the context otherwise requires, all financial information contained in this annual report is expressed in Japanese yen.

Our fiscal year ends on March 31.

Unless otherwise specified or required by the context: references to “days” are to calendar days; references to “years” are to calendar years and to “fiscal years” are to our fiscal years ending on March 31; references to “\$,” “dollars” and “U.S. dollars” are to United States dollars; references to “euros” and “€” are to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union; references to “£” and “British pounds sterling” are to the currency of the United Kingdom; and references to “yen” and “¥” are to Japanese yen. Unless otherwise specified, when converting currencies into yen we use our median exchange rates for buying and selling spot dollars, or other currencies, by telegraphic transfer against yen as determined at the end of the relevant fiscal period.

Unless otherwise indicated, in this annual report, where information is presented in millions, billions or trillions of yen or thousands, millions or billions of dollars, amounts of less than one thousand, one million, one billion or one trillion, as the case may be, have been rounded. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. Except for capital ratios, which have been truncated, percentage data, unless we state otherwise have been subject to rounding adjustments for the convenience of the reader.

We implemented a 100-for-1 stock split of shares of our common stock and adopted a unit share system effective on January 4, 2009, pursuant to which one hundred shares constitutes one unit of shares. The 100-for-1 stock split and the adoption of the unit share system do not apply to shares of our preferred stock. Numbers of shares of our common stock and per share information for our common stock, for example historical dividend information, in this annual report have been retroactively adjusted to reflect the 100-for-1 stock split effective on January 4, 2009.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934, as amended (“Securities Exchange Act of 1934”). When included in this annual report, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions, among others, identify forward-looking statements. You can also identify forward-looking statements in the discussions of strategy, plans or intentions. Such statements, which include, but are not limited to, statements contained in “Item 3. Key Information—Risk Factors,” “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk,” reflect our current views with respect to future events and are inherently subject to risks, uncertainties and assumptions, including the risk factors described in this annual report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described here as anticipated, believed, estimated, expected or intended.

The U.S. Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors, and the differences may be material. Potential risks and uncertainties include, without limitation, the following:

- deterioration of Japanese and global economic conditions and financial markets;
- constraints on our operations due to capital adequacy requirements;
- declines in the value of our securities portfolio;
- changes in the level or volatility of market rates or prices;
- incurrence of significant credit-related costs;
- a significant downgrade of our credit rating;
- our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners;
- exposure to new risks as we expand the scope of our business;
- the industry specific risks of the consumer finance industry;
- the recoverability of deferred tax assets;
- litigation and regulatory proceedings;
- insufficient liquidity;
- problems of other financial institutions; and
- adverse regulatory developments or changes in government policies.

Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of the filing of this annual report. We expressly disclaim any obligation to update or to announce publicly any revision to any of the forward-looking statements contained in this annual report to reflect any changes in events, conditions, circumstances or other developments upon which any such statement is based. The information contained in this annual report identifies important factors in addition to those referred to above that could cause differences in our actual results.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A. SELECTED FINANCIAL DATA

Selected Financial Data

The following selected financial data at and for each of the five fiscal years ended March 31, 2013, 2012, 2011, 2010 and 2009 have been derived from our consolidated financial statements. You should read this data together with “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements included elsewhere in this annual report.

	For the fiscal year ended and at March 31,				
	2013	2012	2011	2010	2009
	(In millions, except per share data)				
Consolidated income statement data:					
Interest income	¥1,725,723	¥1,710,331	¥1,720,181	¥1,766,047	¥2,164,048
Interest expense	339,520	313,631	311,056	346,810	676,293
Net interest income	<u>1,386,203</u>	<u>1,396,700</u>	<u>1,409,125</u>	<u>1,419,237</u>	<u>1,487,755</u>
Fee and commission income	948,685	869,407	806,704	650,437	570,603
Fee and commission expense	127,099	132,562	132,560	121,716	116,240
Net fee and commission income	<u>821,586</u>	<u>736,845</u>	<u>674,144</u>	<u>528,721</u>	<u>454,363</u>
Net trading income	179,750	182,296	324,479	330,130	134,298
Net income (loss) from financial assets at fair value through profit or loss	15,794	33,734	30,116	75,579	(17,951)
Net investment income	216,967	239,365	235,911	178,552	159,511
Other income	324,404	245,563	204,470	232,334	193,119
Total operating income	<u>2,944,704</u>	<u>2,834,503</u>	<u>2,878,245</u>	<u>2,764,553</u>	<u>2,411,095</u>
Impairment charges on financial assets	267,243	284,310	433,928	258,641	1,240,710
Net operating income	<u>2,677,461</u>	<u>2,550,193</u>	<u>2,444,317</u>	<u>2,505,912</u>	<u>1,170,385</u>
General and administrative expenses	1,443,196	1,366,705	1,293,546	1,096,957	992,487
Other expenses	288,307	239,292	212,292	236,760	261,770
Operating expenses	<u>1,731,503</u>	<u>1,605,997</u>	<u>1,505,838</u>	<u>1,333,717</u>	<u>1,254,257</u>
Share of post-tax profit (loss) of associates and joint ventures	19,593	(25,004)	(5,796)	(37,461)	(54,318)
Profit (loss) before tax	<u>965,551</u>	<u>919,192</u>	<u>932,683</u>	<u>1,134,734</u>	<u>(138,190)</u>
Income tax expense (benefit)	274,795	461,194	361,165	488,041	(56,166)
Net profit (loss)	<u>¥ 690,756</u>	<u>¥ 457,998</u>	<u>¥ 571,518</u>	<u>¥ 646,693</u>	<u>¥ (82,024)</u>

							For the fiscal year ended and at March 31,									
							2013	2012	2011	2010	2009					
							(In millions, except per share data)									
Profit (loss) attributable to:																
Shareholders of Sumitomo Mitsui Financial Group, Inc.							¥	572,916	¥	345,430	¥	464,007	¥	528,692	¥	(154,954)
Non-controlling interests								117,840		112,568		107,511		118,001		72,930
Earnings per share:																
Basic							¥	423	¥	249	¥	328	¥	512	¥	(214)
Diluted								423		248		328		482		(260)
Weighted average number of common shares in issue (in thousands of shares)								1,353,926		1,387,405		1,394,391		1,017,066		772,349
Dividends per share in respect of each fiscal year:																
Common stock							¥	100	¥	100	¥	105	¥	65	¥	140
							\$	1.06	\$	1.22	\$	1.26	\$	0.70	\$	1.43
Preferred stock (Type 4) ⁽¹⁾ :																
First series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Second series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Third series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Fourth series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Ninth series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Tenth series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Eleventh series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Twelfth series							¥	—	¥	—	¥	—	¥	135,000	¥	135,000
							\$	—	\$	—	\$	—	\$	1,451	\$	1,374
Preferred stock (Type 6) ⁽²⁾							¥	—	¥	44,250	¥	88,500	¥	88,500	¥	88,500
							\$	—	\$	539	\$	1,064	\$	951	\$	901
Consolidated statement of financial position data:																
Total assets							¥	148,007,726	¥	141,874,426	¥	136,470,927	¥	122,992,929	¥	119,334,876
Loans and advances								75,987,057		72,536,813		71,020,329		71,634,128		74,669,294
Total liabilities								139,265,076		134,259,035		128,919,722		115,431,259		114,418,861
Deposits								101,021,413		92,853,566		90,469,098		85,697,973		83,231,234
Borrowings								6,475,543		10,412,858		12,548,358		7,321,484		6,423,003
Total equity								8,742,650		7,615,391		7,551,205		7,561,670		4,916,015
Capital stock								2,337,896		2,337,896		2,337,896		2,337,896		1,370,777

(1) All shares of the Type 4 preferred stock were converted to common stock by January 28, 2010.

(2) On April 1, 2011, we acquired and cancelled all of the outstanding Type 6 preferred stock.

Exchange Rates

We maintain our accounts in yen. The following table sets forth for the indicated periods the median exchange rates for buying and selling spot dollars by telegraphic transfer against yen as determined by the Bank, expressed in Japanese yen per \$1.00.

	<u>High</u>	<u>Low</u>	<u>Period end</u>	<u>Average⁽¹⁾</u>
	(Yen per dollar)			
Fiscal year ended March 31,				
2009	¥110.29	¥87.47	¥ 98.23	¥100.68
2010	100.76	86.31	93.05	92.61
2011	94.43	79.31	83.15	85.22
2012	85.47	75.99	82.13	78.98
2013	96.45	77.57	94.01	83.31
Most recent six months:				
January	91.14	87.15	91.14	89.24
February	94.27	91.75	92.51	93.24
March	96.45	92.67	94.01	94.80
April	99.80	92.91	97.92	97.73
May	103.51	97.18	101.12	101.10
June	100.46	94.61	98.58	97.46
July (through July 10, 2013)	101.37	99.43	101.17	100.46

(1) Average exchange rates have been calculated by using the average of the exchange rates on the last day of each month during a fiscal year, except for the monthly average rates, which represent the averages of the exchange rates for each day of the relevant months.

The median exchange rate quotation by the Bank for buying and selling spot dollars by telegraphic transfer against yen on July 10, 2013 was ¥101.17 = \$1.00.

These exchange rates are reference rates and are neither necessarily the rates used to calculate ratios nor the rates used to convert dollars to yen in the consolidated financial statements included elsewhere in this annual report.

3.B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D. RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described below as well as all the other information in this annual report, including, but not limited to, our consolidated financial statements and related notes included elsewhere in this annual report and “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.” Our business, operating results and financial condition could be adversely affected by any factors, including, but not limited to, those discussed below. The trading prices of our securities could also decline due to any of these factors including, but not limited to, those discussed below. Moreover, this annual report contains forward-looking statements that involve risks and uncertainties. Our actual results could also differ from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the risks faced by us described below and elsewhere in this annual report. See “Cautionary Statement Regarding Forward-Looking Statements.” Forward-looking statements in this section are made only as of the filing date of this annual report.

Risks Related to the Economic and Financial Environment

We may be adversely affected if Japanese and global economic conditions and financial markets deteriorate.

Our financial condition and results of operations are materially affected by general economic conditions and financial markets in Japan and foreign countries, which would be influenced by the changes of various factors such as fiscal and monetary policies, and laws and regulations. Those factors include, for example, the Japanese consumption tax rate. The Japanese consumption tax rate will be increased under the revision of the Consumption Tax Act in August 2012 from the current rate of 5% to 8% in April 2014, and to 10% in October 2015, with a provision referring to the potential suspension of the consumption tax rate increase after comprehensive review of the economic conditions by the Government of Japan, through economic indicators such as nominal and real economic growth rates and price trends. Furthermore, geopolitical instability in various parts of the world, including North Africa, the Middle East and Asia, could also contribute to economic instability in those and other regions and that could affect Japanese and global economic conditions.

The deterioration of Japanese and global economic conditions, or financial market turmoil, could result in a worsening of our liquidity and capital conditions, an increase in our credit costs, and an increase in impairment of our investment securities and, as a result, adversely affect our business, financial condition and results of operations.

Risks Related to Our Business

Failure to satisfy capital adequacy requirements could constrain our and the Bank's operations.

We and the Bank are subject to capital adequacy requirements established by the Financial Services Agency of Japan ("FSA"). The FSA has promulgated new capital adequacy requirements, which are being phased in from March 2013 to March 2019. The new requirements reflect the principal risk-weighted capital measures of the Basel III rules text published by the Basel Committee on Banking Supervision ("BCBS") in December 2010. Under the new requirements, both the quality and quantity of the risk-weighted capital base are increased.

With respect to the quality of the capital base, certain capital instruments, including existing preferred securities and subordinated debt, are eligible for inclusion as Tier 1 capital or Tier 2 capital only for the phase out period. Furthermore, deferred tax assets that arise from timing differences will be recognized as part of the common equity component of Tier 1, with recognition capped at 10% of the bank's common equity component under certain conditions, while deferred tax assets that arise from net loss carry forwards will be deducted from the common equity component of Tier 1.

With respect to the quantity of the capital base, the minimum Common Equity Tier 1 risk-weighted capital ratio applicable to us and the Bank will increase incrementally beginning in March 2013 to 4.5% in March 2015. Moreover, we and the Bank will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress, and failure to maintain capital at the full buffer levels will result in restrictions on bonuses and capital distributions. The capital conservation buffer will be phased in from March 2016 to March 2019. As a result, the total minimum Common Equity Tier 1 risk-weighted capital ratio will be increased to 7%, and the total minimum risk-weighted capital ratio will be increased to 10.5%. At March 31, 2013, on a consolidated basis, our total risk-weighted capital ratio was 14.71% compared to the minimum required total risk-weighted capital ratio of 8.0%. Out of our total risk-weighted capital ratio, our Tier 1 risk-weighted capital ratio was 10.93%, including 9.38% of Common Equity Tier 1 risk-weighted capital ratio, compared to the minimum required ratios of 4.5% and 3.5%, respectively.

In addition, on November 1, 2012, we and other organizations were identified by the Financial Stability Board ("FSB") as Global Systemically Important Financial Institutions ("G-SIFIs"). The list of G-SIFIs is updated each year in November, and the requirements for additional loss absorption capacity above the Basel III minimum requirement will apply from 2016, initially to those financial institutions identified in November 2014 as G-SIFIs.

Our and the Bank's capital ratios could decline as a result of decreases in Tier 1 and Tier 2 capital or increases in risk-weighted assets. The following circumstances, among others, could reduce our risk-weighted capital ratio and that of the Bank:

- declines in the value of securities;
- inability to refinance subordinated debt obligations or preferred securities with those qualified as regulatory capital under the new capital adequacy requirements which phased in from March 2013; and
- increases in risk-weighted assets resulting from business growth, strategic investments, borrower downgrades or changes in parameters such as probability of default ("PD").

We and the Bank have adopted the advanced internal rating-based ("IRB") approach for measuring exposure to credit risk and the advanced measurement approach ("AMA") to measure exposure to operational risk. If the FSA revokes its approval of such implementation or otherwise changes its approach to measure capital adequacy ratios, our and the Bank's ability to maintain capital at the required levels may be adversely affected.

If our capital ratios fall below required levels, the FSA may require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our and the Bank's operations, which may indirectly affect our or the Bank's ability to fulfill our and the Bank's contractual obligations or may result in restrictions on our and the Bank's businesses. In addition, some of the Bank's domestic and overseas subsidiaries are also subject to local capital ratio requirements. Failure of those subsidiaries to meet local requirements may result in administrative actions or sanctions imposed by local regulatory authorities.

Future declines of securities prices on Japanese stock markets or other global markets could cause us to experience impairment losses and unrealized losses on our equity securities portfolio, which could negatively affect our financial condition, results of operations and regulatory capital position.

The reported value of our available-for-sale equity instruments accounted for 2.7% of our total assets at March 31, 2013, approximately 87.8% of which were Japanese equity securities. This value depends mainly on prices of the instruments in the stock market. A listed equity security is impaired primarily based on its market price. If we conclude that a particular security is impaired, we calculate the impairment loss based on the market price of that security at the end of the relevant period. Declines in the Japanese stock markets or other global markets could result in further losses from impairment of the securities in our equity securities portfolio or sales of these securities, adversely affecting our results of operations and financial condition.

Our regulatory capital position and that of the Bank depend in part on the fair value of our equity securities portfolio. Substantial declines in the Japanese stock markets or other global markets would negatively affect our and the Bank's capital positions, and limit the Bank's ability to make distributions to us.

We may further reduce our holdings of equity securities in order to reduce financial risks. Any disposal by us of equity holdings of our customers' shares could adversely affect our relationships with those customers.

Changes in the levels or volatility of market rates or prices could adversely affect our financial condition and results of operations.

We engage in trading and investing activities dealing with various kinds of financial instruments such as bonds, equities, currencies, derivatives and funds. Our financial condition and results of operations could be adversely affected by actual changes or volatility in interest rates, foreign exchange rates and market prices of other investment securities. For example, we have substantial investments in debt securities. In particular, Japanese government bonds represent a significant part of our fixed income portfolio. At March 31, 2013, we had ¥20 trillion of Japanese government bonds classified as available-for-sale financial assets, which accounted for

approximately 13.2% of our total assets. Increases in interest rates could substantially decrease the value of our fixed income portfolio, and any unexpected changes in yield curves could adversely affect the value of our bond and interest rate derivative positions, resulting in lower-than-expected revenues from trading and investment activities. Market volatility may also result in significant unrealized losses or impairment losses on such instruments. Furthermore, the downgrading of investment securities by credit rating agencies may also cause declines in the value of our securities portfolio.

Adverse economic conditions and deterioration of the financial conditions of our customers could increase our credit costs.

Our non-performing loans (“NPLs”) and credit costs for corporate and individual customers may increase significantly if:

- domestic or global economic conditions worsen or do not improve;
- our customers do not repay their loans, due to reasons including deterioration of their financial conditions; and
- the value of collateral declines.

We have substantial exposure to corporate customers in the following sectors: real estate and goods rental and leasing, manufacturing, wholesale and retail, transportation, communications and public enterprises, and services, including electric utilities, and to individual customers mainly through housing loans. The financial conditions of those customers may be subject to changes in the industry-specific economic conditions as well as general economic conditions. In addition, adverse region-specific economic conditions could worsen our customers’ financial conditions or could decrease the value of our collateral provided to us in such regions. As a result, we may be required to record increases in our allowance for loan losses.

Moreover, for certain borrowers, we may choose to engage in debt-for-equity swaps or provide partial debt write-offs, additional financing or other forms of assistance as an alternative to exercising our full legal rights as a creditor if we believe that doing so may increase our ultimate recoverable amount of the loan. We may be required to, or choose to, provide new or additional financing to customers who may incur unexpected liabilities, have difficulty in the future in continuing operations, encounter difficulties or need to devote significant resources to repair their infrastructures, as a result of natural disasters or other calamities.

In addition, changes in laws or government policies may have an adverse impact on the rights of creditors. For example, the Government of Japan has provided or may provide in the future government guarantees and other government support measures in response to the financial crisis or other unexpected incidents such as the Great East Japan Earthquake of March 2011 and collateral events. Even if our current or future loans to borrowers have received or will receive any government support measures, it is unclear to what extent those loans will benefit, directly or indirectly, from the current or any future government guarantees or support measures.

In addition, our NPLs may increase and there may be additional credit costs if we fail to accurately estimate the incurred losses in our loan portfolio. These estimates require difficult, subjective and complex judgments such as credit evaluation of our borrowers, valuation of collateral and forecasts of economic conditions.

The ratio of impaired loans and advances to the total loans and advances, both net of allowance for loan losses, were 1.8%, 1.9% and 1.8% at March 31, 2013, 2012 and 2011, respectively. For further information, see “Item 5.A. Operating Results—Loans and Advances.”

A significant downgrade of our credit ratings could have a negative effect on us.

At the date of this annual report, SMFG has the issuer credit ratings of A/A-1 from Standard & Poor’s Ratings Japan K.K., (“S&P”), and the long-term foreign and local currency issuer default ratings (“IDRs”) of A- and the short-term foreign and local currency IDRs of F1 from Fitch Ratings Japan Limited (“Fitch”). There can be no assurance that these ratings will be maintained.

On May 22, 2012, Fitch announced that it had downgraded the Government of Japan's long-term foreign and local currency IDRs to A+ with negative outlook. On July 20, 2012, Fitch downgraded by one notch the long-term foreign and local currency IDRs of the major Japanese banking groups and their subsidiaries, including SMFG and the Bank, in connection with the sovereign downgrade.

A material downgrade of our credit ratings may have various effects including, but not limited to, the following:

- we may have to accept less favorable terms in our transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions;
- foreign regulatory bodies may impose restrictions on our overseas operations;
- existing agreements or transactions may be cancelled; and
- we may be required to provide additional collateral in connection with derivatives transactions.

Any of these or other effects of a downgrade of our credit ratings could have a negative impact on the profitability of our treasury and other operations, and could adversely affect our regulatory capital position, financial condition and results of operations. For more information about our credit ratings, see "Item 5.B. Liquidity and Capital Resources."

We face significant challenges in achieving the goals of our business strategy, and our business may not be successful.

In May 2011, we and the Bank launched a new medium-term management plan through March 2014. We believe that we have targeted appropriate business areas. However, our initiatives to offer new products and services and to increase sales of our existing products and services may not succeed, if current market conditions do not stabilize, market opportunities develop more slowly than expected, our initiatives have less potential than we envisioned originally or the profitability of these products and services is undermined by competitive pressures. Consequently, we may be unable to achieve or maintain profitability in our targeted business areas.

In order to implement our business strategy successfully, we need to hire and train qualified personnel continuously and in a proactive manner, as well as to attract and retain employees with professional experience and specialized product knowledge. However, we face competition from other commercial banks, investment banks, consumer finance companies and other financial services providers in hiring highly competent employees. There can be no assurance that we will succeed in attracting, integrating and retaining appropriately qualified personnel.

We are exposed to new risks as we expand our businesses, the range of our products and services, and geographic scope of our businesses overseas.

As part of our business strategies we have expanded and may continue to expand our businesses or our range of products and services beyond our core business, commercial banking. This could expose us to new risks, such as adverse regulatory changes, more competition or deterioration in the operating environments that affect those businesses, products and services. Some of those risks could be types with which we have no or only limited experience. As a result, our risk management systems may prove to be insufficient and may not be effective in all cases or to the degree required.

In accordance with our strategy to further increase our presence in the international financial markets, we may continue to expand the scale of our overseas businesses, especially in emerging economies, notably Asian countries and regions. The expansion of our overseas businesses may further increase our exposure to risks of adverse developments in foreign economies and markets, including interest rate and foreign exchange rate risk, regulatory risk and political risk. Our overseas expansion also exposes us to the compliance risks and the credit and market risks specific to the countries and regions in which we operate, including the risk of deteriorating conditions in the credit profile of overseas borrowers.

Failure of our business strategies through our subsidiaries, affiliates and other business alliance partners could negatively affect our financial condition and results of operations, including impairment losses on goodwill or investments.

Aligned with our business strategies, we have made and may undertake acquisition of a subsidiary, investments in affiliates and other business alliance partners, and reorganization within our group. It is uncertain whether we will receive the expected benefits from those business strategies, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors that may negatively affect the related business activities. Furthermore, unanticipated costs and liabilities may be incurred in connection with those business strategies, including liabilities from the claims related to the businesses prior to our business alliances, and cost from actions by regulatory authorities.

When we acquire a subsidiary, we may recognize goodwill and intangible assets. Impairment losses on goodwill or intangible assets in connection with acquisitions must be recognized when the recoverable amount of goodwill or intangible assets of the business is lower than the carrying amount at the time of impairment testing, which is performed annually or whenever there is an indication that the goodwill or intangible assets may be impaired.

We account for some of our investments in affiliates under the equity method. Therefore, net losses incurred by equity method investees may cause us to record our share of the net losses. Furthermore, we may lose the capital which we have invested in business alliances or may incur impairment losses on securities acquired in such alliances. We may also be required under contractual or other arrangements to provide financial support, including credit support and equity investments, to business alliance partners in the future. Additionally, we may also incur credit costs from our credit exposure to such partners.

We are exposed to the industry specific risks of the consumer finance industry.

Changes in the legal environment have severely adversely affected the business performance of consumer lending and credit card companies. We have exposures to the risks specific to the consumer finance industry through our subsidiaries, including Cedyne Financial Corporation (“Cedyne”) and SMBC Consumer Finance Co., Ltd. (“SMBC Consumer Finance”).

Consumer lending and credit card companies had offered unsecured personal loans, which included so-called “gray zone” interest on loans in excess of the maximum rate prescribed by the Interest Rate Restriction Act (ranging from 15% to 20%) up to the 29.2% maximum rate permitted under the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates (“Contributions Act”). However, as a result of court decisions unfavorable to those companies, claims for refunds of amounts paid in excess of the applicable maximum allowed rate by the Interest Rate Restriction Act have increased substantially. Although Cedyne, SMBC Consumer Finance and other subsidiaries have each recorded a provision for claims for refunds of gray zone interest on loans, we may be required to recognize additional losses if such provisions are determined to be insufficient.

Amendments to laws regulating moneylenders, which were promulgated in 2006 and which became fully effective in June 2010, increased the authority of government regulators, prohibited gray zone interest and introduced an upper limit on aggregate credit extensions to an individual by moneylenders at one-third of the borrower’s annual income. After the promulgation of such amendments, Cedyne, SMBC Consumer Finance and other companies engaged in related business reduced their interest rates on loans in preparation for the prohibition of gray zone interest. As a consequence, margins earned by those companies, as well as the amounts of loans extended, have decreased.

Inability to generate sufficient future taxable profits or adverse changes to tax laws, regulatory requirements or accounting standards could have a negative impact on the recoverability of certain deferred tax assets.

We recognize deferred tax assets relating to tax losses carried forward and deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the temporary differences can be utilized. Net deferred tax assets amounted to ¥274 billion and ¥563 billion at March 31, 2013 and 2012, respectively. Net deferred tax assets are quantified on the basis of current tax rates and accounting standards and are subject to change as a result of changes to future tax rates or the rules for computing taxable profits and allowable losses. Failure to generate sufficient future taxable profits or changes in tax laws or accounting standards may reduce our estimated recoverable amount of net deferred tax assets. Such a reduction could have an adverse effect on our financial condition and results of operations.

Declines in returns on our plan assets or revised actuarial assumptions for retirement benefits may adversely affect our financial condition and results of operations.

The Bank and some of our subsidiaries have various defined benefit plans. We have experienced in the past, and may experience in the future, declines in returns on plan assets and changes in the discount rates and other actuarial assumptions. If returns on plan assets decrease, or if we revise the discount rates and other assumptions, the deficit of the impacted defined benefit plan may increase and adversely affect our financial condition and results of operations. Because approximately half of our plan assets are composed of equity instruments, the plan assets are greatly affected by volatility in the prices of equity securities. Substantial declines in the prices for publicly traded Japanese stocks would negatively affect our plan assets. For further information, see Note 23 “Retirement Benefits” to our consolidated financial statements included elsewhere in this annual report.

Our business relies on our information technology systems, and their failure could harm our relationships with customers or adversely affect our provision of services to customers.

In all aspects of our business, we use information technology systems to deliver services to and execute transactions on behalf of our customers as well as for back-office operations. We therefore depend on the capacity and reliability of the electronic and information technology systems supporting our operations. We may encounter service disruptions in the future, owing to failures of these information technology systems. Our information technology systems are subject to damage or incapacitation as a result of quality problems, human errors, natural disasters, power losses, sabotage, computer viruses, acts of terrorism and similar events. While we have taken steps to protect information technology systems from those risks, including by establishing data recovery capability and functionality, these measures may not be sufficient. In addition, we may not be prepared to address all contingencies that could arise in the event of a major disruption of services. The failure to address such contingencies could harm our relationships with customers or adversely affect our provision of services to customers.

We handle personal information obtained from our individual and corporate customers in relation to our banking, securities, consumer lending, credit card and other businesses. The systems we have implemented to protect the confidentiality of personal information, including those designed to meet the strict requirements of the Act on the Protection of Personal Information (Act No. 57 of 2003, as amended), may not be effective in preventing disclosure of personal information by unauthorized access from a third party. Leakage of personal information could expose us to demands for compensation or lawsuits for ensuing economic losses or emotional distress, administrative actions or sanctions, additional expenses associated with making necessary changes to our systems and reputational harm. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.

We are exposed to a variety of operational, legal and regulatory risks throughout our organization. Management of these risks requires, among other things, policies and procedures to properly record and verify

large numbers of transactions and events. However, these policies and procedures may not be fully effective or sufficient. We have devoted significant resources to strengthening our risk management policies and procedures and expect to continue doing so in the future. Nevertheless, particularly in light of the continuing evolution of our operations and expansion into new areas, our policies and procedures designed to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based upon our use of observed historical market behavior and thus may not accurately predict future risks. Violations of laws including the Japanese antitrust and fair trade laws by us or by the Bank may result in administrative sanctions. Furthermore, investigations, administrative actions or litigation could commence in relation to violations, which may involve costs and may result in deterioration of our reputation.

Fraud or other misconduct by directors, officers and employees or third parties could subject us to losses and regulatory sanctions.

We are exposed to potential losses resulting from fraud, misconduct and other unlawful behavior by directors, officers and employees. Directors, officers and employees may bind us to transactions that exceed authorized limits or present unacceptable risks, hide from us and from our customers unauthorized activities, improperly use confidential information or otherwise abuse customer confidences. Third parties may engage in fraudulent activities, including fraudulent use of bank accounts or the use of false identities to open accounts for money laundering, tax evasion or other illegal purposes. Third parties could also use stolen or forged ATM cards or engage in credit card fraud, and we may be required to indemnify victims of such fraud for related losses. In the broad range of businesses in which we engage, fraud, misconduct and other unlawful behavior are difficult to prevent or detect. In addition, with or without actual fraud, misconduct and other unlawful behavior by directors, officers and employees, investigations, administrative actions or litigation could commence in relation to them. Furthermore, we may not be able to recover the losses caused by these activities, including possible deterioration of our reputation.

Transactions with counterparties in Iran and other countries designated by the U.S. Department of State as state sponsors of terrorism or that are subject to other U.S. economic sanctions may lead some potential customers and investors to avoid doing business with us or investing in our securities or may limit our business operations.

U.S. law generally prohibits or substantially restricts U.S. persons from doing business with countries designated by the U.S. Department of State as state sponsors of terrorism (“Designated Countries”), which currently are Cuba, Iran, Sudan and Syria. Under U.S. law, there are similar prohibitions or restrictions on countries that are the subject of other U.S. economic sanctions administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) or other agencies (collectively with the Designated Countries, the “Restricted Countries”). We maintain a Group-wide policy designed to ensure compliance with applicable U.S. laws and regulations. This policy, which covers the Bank and our banking subsidiaries that provide financial services globally, prohibits the new extension of credit to Iranian entities. Our non-U.S. offices engage in transactions relating to the Restricted Countries on a limited basis and in compliance with applicable laws and regulations. These activities include remittance of Japanese yen with respect to our customers’ export or import transactions, maintenance of correspondent banking accounts with Iranian banks, including the Central Bank of Iran, and the payment of fees in Japanese yen to certain Iranian Banks in connection with performance bonds issued in the past by the Bank through these Iranian banks related to our customers’ projects in Iran. In addition, we maintain a representative office in Iran that mainly performs an information-collecting function.

We do not believe that our operations relating to the Restricted Countries materially affect our business, financial condition or results of operations. A limited number of the Bank’s transactions with Cuba, Iran, Sudan and certain other countries that are the subject of U.S. economic sanctions were identified and voluntarily disclosed to OFAC. These transactions resulted from inadvertent operational errors or the lack of familiarity of some personnel of the Bank with the requirements of the relevant regulations in the past, or from the inherent limitation on information about underlying transactions that can be obtained in the course of normal banking

operations. Since the discovery of these potential violations we have further strengthened our Group-wide OFAC compliance program in an effort to prevent the recurrence of such potential violations. We settled some of the voluntarily disclosed potential violations with OFAC while others remain unsettled. However, in light of the inadvertent nature of such potential violations and the degree to which our strengthened OFAC compliance program aims to mitigate the risk of potential violations, we do not believe that our settlement with OFAC, or any possible penalties that OFAC may impose with respect to the other potential violations that remain unsettled, will have a material impact on our reputation, financial condition or results of operations, or on the prices of our securities.

We are aware of initiatives by U.S. states and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities engaged in certain business with Iran and other Designated Countries. It is possible that such laws and initiatives may result in our inability to enter into transactions with those entities that are subject to such prohibitions or to retain or acquire such entities as customers or investors in our securities.

In recent years, the U.S. Government has implemented a number of sanctions targeting non-U.S. companies that engage in certain Iran-related transactions. The Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (“CISADA”) may lead to the imposition of sanctions against non-U.S. financial institutions, such as us, if they are determined by the Secretary of the Treasury to have facilitated “significant transactions” or provided “significant financial services” for certain Iran-linked individuals or entities, or the Iranian Revolutionary Guard Corps. In addition, the National Defense Authorization Act for Fiscal Year 2012 (“2012 NDAA”) of December 31, 2011, Executive Order 13622 of July 30, 2012, and the Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRA”) of August 10, 2012 broadened the range of sanctionable Iran-related transactions. Further, under the Iran Freedom and Counter-Proliferation Act of 2012 (“IFCA”) and Executive Order 13645, wide-ranging sanctions against the energy, shipping, shipbuilding, and automotive sectors of Iran, as well as Iranian port operators and Iranian currency, became effective on July 1, 2013. For a description of the laws and Executive Orders described in this paragraph, see “Item 4.B. Business Overview—Regulations in United States—Laws Prohibiting Money Laundering and Terrorist Financing.”

The U.S. Secretary of State announced on March 20, 2012 that Japan was among a number of countries that had significantly reduced the volume of crude oil purchases from Iran, and that therefore the 2012 NDAA sanctions would not apply to Japanese financial institutions for a period of 180 days, which period may be renewed based on ongoing reductions in crude oil purchases from Iran. Japan’s exception under the 2012 NDAA was renewed on September 14, 2012 and again on March 13, 2013. The exception also exempts Japanese financial institutions from sanctions under certain provisions of Executive Order 13622, the IFCA, and Executive Order 13645. The exception applies only if the financial transactions conducted or facilitated by a Japanese financial institution are solely for trade in goods and services between Japan and Iran and any funds owed to Iran as a result of such trade are credited to an account in Japan and not repatriated to Iran. In addition, under Executive Order 13645, the exception applies only if the financial transaction is for the purchase of petroleum or petroleum products from Iran. There is no guarantee that the U.S. Secretary of State will continue to renew this waiver with respect to Japanese financial institutions.

The laws and Executive Orders referenced above or similar legislative or regulatory developments may further limit our business operations. If we were determined to have engaged in activities targeted by certain U.S. statutes or Executive Orders, we could lose our ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential sanctions. In addition, depending on sociopolitical developments, our reputation may suffer due to our association with the Designated Countries. The above circumstances could have a significant adverse effect on our business or the prices of our securities.

Our business could be adversely affected by litigation and regulatory proceedings globally.

We conduct business in many locations in and outside of Japan. We face the risk of litigation and regulatory proceedings in connection with our operations. For example, if we engage in activities targeted by CISADA, the

2012 NDAA, or other related U.S. statutes or Executive Orders, this could result in the imposition of sanctions by the U.S. government against us. Lawsuits and regulatory actions may result in sanctions of very large indeterminate amounts or limit our operations, and costs to defend either could be substantial. Moreover, the Bank and one of its subsidiaries contribute to financial benchmarks such as the Tokyo Interbank Offered Rate (“TIBOR”) and the London Interbank Offered Rate (“LIBOR”) for certain specific currencies. These benchmarks are widely referenced in jurisdictions in which we operate and do not operate. We face or may face some investigations, litigation and regulatory proceedings, and an adverse regulatory decision, judgment or ruling, including in jurisdictions we do not operate in, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Industry

Our liquidity could be adversely affected by actual or perceived weaknesses in our businesses and by factors we cannot control, such as a general decline in the level of business activity in the financial services sector.

We need liquidity to pay our operating expenses, pay interest on and principal of debt and dividends on capital stock, maintain our lending activities and meet deposit withdrawals. Adverse market and economic conditions in the domestic and global economies may limit or adversely affect our access to liquidity required to operate our business. If our counterparties or the markets are reluctant to finance our operations due to factors including actual or perceived weaknesses in our businesses as a result of large losses, changes in our credit ratings, or a general decline in the level of business activity in the financial services sector, we may be unable to meet our payment obligations when they become due or only be able to meet them with funding obtained on unfavorable terms. Circumstances unrelated to our businesses and outside of our control, such as, but not limited to, adverse economic conditions, disruptions in the financial markets or negative developments concerning other financial institutions perceived to be comparable to us, may also limit or adversely affect our ability to replace maturing liabilities in a timely manner. Without sufficient liquidity, we will be forced to curtail our operations, which could adversely affect our business, results of operations and financial condition.

We may incur losses as a result of financial difficulties of counterparties and other financial institutions.

We regularly execute transactions with counterparties in the financial services industry. Many of these transactions expose us to credit risk in the event of deterioration of creditworthiness of a counterparty or client. With respect to secured transactions, our credit risk may be exacerbated when the collateral cannot be foreclosed on or is liquidated at prices not sufficient to recover the full amount of the loan or other exposures due to us. Losses from our investments in and loans to other financial institutions could materially and adversely affect our business, financial condition and results of operations. We may also be requested to participate in providing assistance to distressed financial institutions that are not our subsidiaries. In addition, if the funds collected by the Deposit Insurance Corporation of Japan (“DIC”) are insufficient to insure the deposits of failed Japanese banks, the insurance premiums that we pay to the DIC will likely be increased, which could adversely affect our business and results of operations.

Adverse regulatory developments or changes in government policies could have a negative impact on our results of operations.

Our businesses are subject to extensive regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other jurisdictions in which we operate. Those changes and their effects on us are unpredictable and beyond our control.

Changes in the regulatory environment may adversely affect our financial condition and results of operations. In particular, the financial crisis has led to calls for significant financial reform measures, and various governments are at different stages of enacting legislation that will affect financial institutions.

In response to the financial and economic turmoil, regulatory authorities have been reviewing and revising capital adequacy guidelines, particularly in relation to quality of capital and accounting standards; such revisions could adversely affect our capital ratios. In December 2010, the BCBS published the Basel III rules text, setting out certain changes to capital requirements which include raising the quality of banks' capital bases, enhancing risk coverage, inhibiting leverage, reducing pro-cyclicality and introducing liquidity regulation. The changes that the FSA made to its capital adequacy guidelines in response to Basel III, have been generally applied from March 31, 2013.

The FSA's Financial Inspection Manual for financial institutions and related guidelines are revised or amended from time to time. Our implementation of any such changes could result in an increase in our administrative expenses, which could have an adverse effect on the results of operations and financial condition of us and the Bank.

The FSA and regulatory authorities in the United States and other jurisdictions, along with the United Nations, have in recent years made sanctions as a means to promote the prevention of money laundering and terrorism financing a focus of governmental policy relating to financial institutions. Any regulatory action or change in regulatory focus, whether as a result of inspections or regulatory developments, may negatively affect our banking operations and may require expensive remediation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which was enacted in July 2010, provides a broad framework for significant regulatory changes across most areas of U.S. financial regulations. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions, over-the-counter ("OTC") derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, and securitization. Implementation of the Dodd-Frank Act is taking place through detailed rulemaking over multiple years by various regulators. Although the final details, impact and timing of certain of the rules remain uncertain, they could result in additional costs, or restrict or otherwise affect the way we conduct our business.

These and similar, or any other kind of significant regulatory developments could adversely affect our capital ratios and results of operations. For further details, see "Item 4.B. Business Overview—Regulations in Japan," "Item 4.B. Business Overview—Regulations in United States," "Item 4.B. Business Overview—Regulations in Other Jurisdictions." Since those changes in regulation or fiscal or other policies and their effects are unpredictable and beyond our control, we may not be able to comply with those changes at all times, despite our efforts. Any such failures could result in administrative or judicial proceedings against us, including suspension of our business and financial penalties, which could materially adversely affect our business, reputation, results of operations and financial condition.

We operate in the highly competitive financial services industry.

Deregulation of the financial system, consolidation among financial institutions, diversification within the financial services industry, and the expanded presence of foreign financial institutions and investors have made the Japanese financial services market highly competitive. Moreover, competition in overseas markets has intensified due to global consolidation, convergence and alliances among financial institutions. We compete with various types of financial services companies, including:

- banking groups, including Japan's other major banking groups;
- government-controlled and government-affiliated entities;
- regional banking institutions;
- major investment banks; and
- non-bank financial institutions.

Government actions, such as those taken to stabilize the market and to alter the regulatory framework, may affect our competitive position. In response to the recent financial crisis, the Government of Japan has taken and may adopt policies, including providing fiscal stimulus or extending credit support to other Japanese financial institutions, which adversely affect our competitive position. Under the Postal Privatization Act (Act No. 97 of 2005, as amended), the Japan Post Bank Co., Ltd., (“Japan Post Bank”) one of the world’s largest deposit-taking financial institutions, is allowed to expand its business with prior approval of the government. Increased competition in Japan may put downward pressure on prices for our financial services, cause us to lose market share or require us to incur additional expenses in order to remain competitive. Internationally, various forms of financial support provided by foreign governments to foreign banks and other financial institutions during the current financial crisis may reduce the cost of capital to those institutions and otherwise give them competitive advantages. There can be no assurance that we will be able to respond effectively to current or future competition.

Damage to our reputation may have an adverse effect on our business and results of operations.

Maintaining our reputation is vital to our ability to attract and maintain customers, investors and employees. Our reputation could be damaged through a variety of circumstances, including, among others, fraud or other misconduct or unlawful behavior by directors, officers or employees, systems failures, compliance failures, investigations, adverse litigation judgments or regulatory decisions, or unfavorable outcomes of governmental inspections. Negative media coverage of Japan’s financial services industry or us, even if inaccurate or not applicable to us, may have a materially adverse effect on our brand image and may undermine depositor confidence, thereby affecting our businesses and results of operations. For example, actual or rumored investigations of us or our directors, officers or employees, or actual or rumored litigation or regulatory proceedings, or media coverage of the same, may have a material adverse effect on our reputation and could negatively affect the prices of our securities. Actions by the financial services industry generally or by certain members in the industry can also adversely affect customers’ confidence on the financial services industry. Such reputational harm could also lead to a decreased customer base, reduced revenues and higher operating costs.

Other Risks

Our failure to establish, maintain and apply adequate internal controls over financial reporting could negatively impact investor confidence in the reliability of our financial statements.

In order to operate as a global financial institution, it is essential for us to have effective internal controls, corporate compliance functions, and accounting systems to manage our assets and operations.

As a New York Stock Exchange (“NYSE”)-listed company and a registrant with the U.S. Securities and Exchange Commission (“SEC”) under section 404 of the U.S. Sarbanes-Oxley Act of 2002, our management is required to assess the effectiveness of our internal control over financial reporting and disclose whether such internal controls are effective. Our independent registered public accounting firm has to conduct an audit to evaluate and then render an opinion on the effectiveness of our internal control over financial reporting. The Financial Instruments and Exchange Act of Japan (“FIEA”) also requires us, as a company listed on a Japanese stock exchange, to file, together with our annual securities reports required by the FIEA, audited internal control reports assessing the effectiveness of our internal controls over financial reporting.

We have established internal controls over financial reporting, as well as rules for evaluating those controls, in order to provide reasonable assurance of the reliability of our financial reporting and the preparation of financial statements. However, these controls may not prevent or detect errors. Any evaluation of effectiveness to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. To the extent any issues are identified through the foregoing processes, there can be no assurance that we will be able to resolve them in a timely manner or at all. If this occurs, our reputation may be damaged, which could lead to a decline in investor confidence in us.

Our business operations are exposed to risks of natural disasters, terrorism, pandemics and other calamities.

Our business operations are subject to the risks of natural disasters, terrorism, pandemics, blackouts, geopolitical incidents and other calamities, any of which could impair our business operations. Despite our preparation of operation manuals and other backup measures and procedures, such calamities could cause us to suspend operations and could adversely affect our businesses, financial condition and results of operations. Massive natural disasters such as the Great East Japan Earthquake and any subsequent collateral events, may adversely affect economic conditions in general, the financial conditions of our corporate and individual customers and stock market prices, or cause other negative effects, any or all of which could materially and adversely affect our financial condition and results of operations owing to, for example, an associated increase in the amount of credit-related costs or an increase in losses related to our holdings of securities.

Sales of our shares by us or the Bank may have an adverse effect on the market price of our shares and may dilute existing shareholders.

We may issue shares from the unissued portion of our authorized share capital and sell shares held as treasury stock, generally without a shareholder vote. In addition, the Bank may sell any of our shares that it holds. Sales of shares in the future may be at prices below prevailing market prices and may be dilutive.

It may not be possible for investors to effect service of process within the United States upon us or our directors, corporate auditors or senior management, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws.

We are a joint stock corporation incorporated under the laws of Japan. Almost all of our directors, corporate auditors and senior management reside outside the United States. Many of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to affect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal or state securities laws. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of claims predicated solely upon the U.S. federal or state securities laws mainly because the Civil Execution Act of Japan requires Japanese courts to deny requests for the enforcement of judgments of foreign courts if foreign judgments fail to satisfy the requirements prescribed by the Civil Execution Act, including requirements that:

- the jurisdiction of the foreign court be recognized under laws, regulations, treaties or conventions;
- proper service of process be made on relevant defendants, or relevant defendants be given appropriate protection if such service is not received;
- the judgment and proceedings of the foreign court not be repugnant to public policy as applied in Japan; and
- there exist reciprocity as to the recognition by a court of the relevant foreign jurisdiction of a final judgment of a Japanese court.

Judgments obtained in U.S. courts, predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not satisfy these requirements.

As a holder of our American Depositary Shares (“ADSs”), you have fewer rights than a shareholder of record in our shareholder register because you must act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions such as voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and

exercising appraisal rights are available only to our shareholders of record. Because the depositary, through its custodian, is the record holder of the shares underlying the ADSs, only the depositary can exercise shareholder rights relating to the deposited shares. ADS holders will not be able to directly bring a derivative action, examine our accounting books and records or exercise appraisal rights.

Pursuant to the deposit agreement among us, the depositary and the holders and beneficial owners of ADSs, the depositary will endeavor to exercise voting and other rights associated with shares underlying ADSs in accordance with instructions given by ADS holders, and the depositary will also pay to ADS holders dividends and distributions collected from us. However, the depositary is permitted under the deposit agreement to exercise reasonable discretion in carrying out those instructions or in making distributions, and is not liable for failure to carry out instructions or make distributions as long as it acts in good faith. Therefore, ADS holders may not be able to exercise voting or other rights associated with the shares underlying ADSs in the manner that they intend, or may lose some or all of the value of dividends or distributions collected from us. Moreover, the deposit agreement may be amended or terminated by us and the depositary without any reason, or consent from or notice to ADS holders. As a result, ADS holders may not be able to exercise rights in connection with the deposited shares exercised in the way they wish or at all.

ADS holders are dependent on the depositary for certain communications from us. We send to the depositary most of our communications to ADS holders in Japanese. ADS holders may not receive all of our communications in the same manner as or on an equal basis with shareholders of record in our shareholder register.

Item 4. Information on the Company

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

Legal and Commercial Name

Our legal name is Sumitomo Mitsui Financial Group, Inc. Our commercial name is Sumitomo Mitsui Financial Group.

Date of Incorporation

We were established in December 2002.

Domicile and Legal Form

We are a joint stock corporation incorporated with limited liability under the laws of Japan. Our address is: Sumitomo Mitsui Financial Group, Inc., 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan. Our telephone number is: +81-3-3282-8111.

History and Development

We were established in December 2002 as a holding company for the Group through a statutory share transfer (*kabushiki-iten*) of all of the outstanding equity securities of the former SMBC in exchange for our newly issued securities. Upon our formation and completion of the statutory share transfer, the former SMBC became our direct, wholly owned subsidiary. The Bank was established in March 2003 through the merger of the former SMBC with Wakashio Bank, which was established in 1996 as a subsidiary of Sakura Bank. The former SMBC was established in April 2001 through the merger of Sumitomo Bank and Sakura Bank, which was established through the merger of Taiyo Kobe Bank and Mitsui Bank in 1990. Mitsui and Sumitomo started their banking businesses in 1876 and 1895, respectively. The origins of both banking businesses can be traced back to the seventeenth century.

Information Concerning the Principal Capital Expenditures and Divestitures

In May 2010, our wholly owned subsidiary, SMFG Card & Credit, Inc. (“SMFG Card & Credit”), subscribed for a third-party allotment of newly issued shares of Cedyne’s common stock for a total price of approximately ¥50 billion. As a result, Cedyne, previously our equity-method associate, became our subsidiary. In May 2011, SMFG Card & Credit completed a share exchange to acquire the remaining outstanding shares of Cedyne, and Cedyne became our wholly owned subsidiary.

In December 2011, the Bank made SMBC Consumer Finance, formerly known as Promise Co., Ltd. (“Promise”), its subsidiary with the completion of a tender offer for an aggregate ¥71 billion. Following the tender offer, in the same month, we subscribed for a third-party allotment of newly issued shares of SMBC Consumer Finance’s common stock for a total price of ¥120 billion. On April 1, 2012, SMBC Consumer Finance became our wholly owned subsidiary upon the completion of a share exchange of our common stock for SMBC Consumer Finance’s common stock, including the shares which the Bank owned.

On June 1, 2012, the Bank, Sumitomo Mitsui Finance and Leasing Company, Limited (“SMFL”) and Sumitomo Corporation, a non-affiliate, acquired the aircraft leasing business of The Royal Bank of Scotland Group plc, and commenced its operation as SMBC Aviation Capital. The business which we acquired for a total price of ¥93 billion, comprises companies including SMBC Aviation Capital Limited (former RBS Aerospace Limited), SMBC Aviation Capital (UK) Limited (former RBS Aerospace (UK) Limited), and SMBC Aviation Capital Australia Leasing Pty Limited (former RBS Australia Leasing Pty Limited).

On June 29, 2012, the Bank transferred all of its shares of ORIX Credit Corporation (“ORIX Credit”), a consumer finance provider which became a subsidiary of the Bank in July 2009, to ORIX Corporation (“ORIX”). As a result, ORIX Credit is no longer our subsidiary.

Public Takeover Offers

Not applicable.

4.B. BUSINESS OVERVIEW

Overview

We are a holding company that directly owns 100% of the issued and outstanding shares of the Bank, one of the largest commercial banks in Japan. We are one of the three largest banking groups in Japan with an established presence across all of the consumer and corporate banking sectors. We have four main business segments, consisting of Commercial Banking, Leasing, Securities and Consumer Finance. We changed our business segment information for the fiscal year ended March 31, 2013 in connection with making SMBC Consumer Finance, formerly known as Promise, our wholly owned subsidiary through a share exchange on April 1, 2012. The business segment previously reported as Credit Card is now reported as Consumer Finance, together with SMBC Consumer Finance and other consumer finance companies. For further information on our business segments, see “Item 5.A. Operating Results—Business Segment Analysis.”

Our subsidiaries in our Commercial Banking segment include, in addition to SMBC, Kansai Urban Banking Corporation (“KUBC”), THE MINATO BANK, LTD. (“The Minato Bank”), Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC Europe”), and Sumitomo Mitsui Banking Corporation (China) Limited (“SMBC (China)”). Our subsidiaries also include SMFL in our Leasing segment; SMBC Nikko Securities Inc. (“SMBC Nikko Securities”) and SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”) in our Securities segment; and Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”), Cedyne and SMBC Consumer Finance in our Consumer Finance segment. See “Item 4.C. Organizational Structure.”

Management Philosophy

Our Group-wide management philosophy is as follows:

- to found our own prosperity on providing valuable services which help our customers to build their prosperity;
- to create sustainable value for our shareholders founded on growth in our business; and
- to provide a challenging and professionally rewarding work environment for our dedicated employees.

In addition to our Group-wide management philosophy, we have also established a code of conduct. Our code of conduct is designed to be a guideline for the conduct of our directors, officers and employees in the realization of our Group-wide management philosophy in all areas. Our code of conduct is as follows:

- to strive to increase shareholder value whilst also maintaining healthy relationships with customers, employees and other stakeholders. To give utmost consideration to the trust which people have in the Bank, to abide by all laws and regulations, to maintain a high ethical standard, and to act fairly and sincerely;
- to continue improving our knowledge and capability and, at the same time, to raise our productivity in order to provide superior financial services at competitive prices;
- to be selective and focused in the implementation of our business strategy, to define and develop the competitive advantages which we have over our competitors and, by allocating managerial resources strategically to those businesses, to become a top player in our selected markets;
- to be creative, proactive and courageous in order to be in a leading position in all business areas and always a step ahead of our competitors;
- to build a strong organization based on market practice and sound principles whilst reflecting our diverse values. To delegate internal authority under an efficient and effective management system which facilitates speedy decision-making and execution; and
- to support the growth of our business by setting challenging targets for our staff and employing results-based evaluation and compensation systems.

Environment

We recognize preservation of the environment as one of our most important management objectives and strive to achieve harmony with the natural environment in our corporate activities.

Basic Philosophy Regarding the Group's Environmental Activities

Recognizing the importance of realizing a sustainable society as one of our most important tasks, we make continuous efforts to harmonize environmental preservation and corporate activities in order to support the economy and contribute to the general well-being of society as a whole.

We and our principal Group companies have obtained ISO 14001 certification, the international standard for environmental management systems. Every year we set environmental objectives which we systematically pursue through environmental activities based on a PDCA (Plan, Do, Check and Act) cycle. We officially signed the "Statement by Financial Institutions on the Environment and Sustainable Development" of the United Nations Environment Programme in 2002.

The Bank made its head office "carbon neutral" and requires land pledged as collateral to undergo soil contamination and asbestos risk assessment. In addition, we also apply the "Equator Principles," a set of guidelines for financial institutions to assess and manage social and environmental impacts related to the financing of large-scale development projects, when we finance such projects.

Description of Operations and Principal Activities

Commercial Banking

We offer commercial banking services to a wide range of customers including individuals, mid-sized companies, small and medium-sized enterprises (“SMEs”), large corporations, governments and governmental entities mainly through the Bank. The Bank has solid franchises in both corporate and consumer banking in Japan. The Bank has long-standing and close business relationships with many companies listed on the First Section of the Tokyo Stock Exchange and long historical relationships with the so-called Sumitomo Group and Mitsui Group companies.

The Bank provides an extensive range of consumer and corporate banking services in Japan and wholesale banking services overseas. In Japan, the Bank accepts deposits from, makes loans to, extends guarantees to and provides other products and services to corporations, individuals, governments and governmental entities. The Bank offers financing solutions through loan syndication, structured finance and project finance to large corporate customers in the domestic and overseas markets, as well as a variety of financing options to domestic mid-sized companies, SMEs and individuals. The Bank also underwrites and deals in bonds issued by or guaranteed by the Government of Japan and local government authorities, and acts in various administrative and advisory capacities for select types of corporate and government bonds. Internationally, the Bank operates through a network of branches, representative offices, subsidiaries and affiliates to provide loan syndication, project finance and cash management services and participate in international securities markets.

The Bank conducts its primary banking business through its five business units: the Consumer Banking Unit, the Middle Market Banking Unit, the Corporate Banking Unit, the International Banking Unit and the Treasury Unit. The Bank’s Investment Banking Unit, Corporate Advisory Division, Private Advisory Division and Transaction Business Division operate across these business units. Further, the Bank has a Corporate Staff Unit, a Corporate Services Unit, a Compliance Unit, a Risk Management Unit and an Internal Audit Unit.

The Bank’s Consumer Banking Unit

The Bank’s Consumer Banking Unit provides financial services to consumers residing in Japan. It offers a wide array of financial services including, but not limited to, personal bank accounts, investment trusts, pension-type insurance products, life insurance products and housing loans.

The operations are mainly conducted through a large and well developed branch network. The Bank had a domestic network consisting of 439 branch offices at March 31, 2013, most of which were located in the Tokyo and Osaka regions. At March 31, 2013, 74 of these branches had “SMBC Consulting Plazas” that provide financial consulting services for asset management and housing loans during extended hours, including weekday evenings, weekends and national holidays, for the convenience of individual customers.

The Bank also operates an extensive network of ATMs in Japan. At March 31, 2013, the Bank offers its customers’ access to 47,084 ATMs, some of which are the Bank’s ATMs and the majority of which are ATMs made available through arrangements with other ATM providers such as convenience store chains.

The Consumer Banking Unit also offers internet banking services for consumers. At March 31, 2013, the Bank’s internet banking services had approximately 12 million registered users. The users are able to transfer funds, perform balance inquiries, make time deposits and foreign currency deposits, and buy and sell investment trusts over the internet, as well as over the mobile phone or the traditional telephone.

This business unit offers deposit products, including ordinary deposits and time deposits, and the following products and services through various channels:

- *Housing Loans.* Housing loans, which are principally secured by collateral or supported by guarantees, are one of the primary products offered by this business unit. The Bank provides housing loans with a variety of terms and interest rates, including 2- to 35-year term, fixed-rate loans, to meet diversified

customer needs. For instance, the Bank offers a housing loan combined with an insurance policy that covers the repayment of the outstanding loan balance in the event the borrower is diagnosed with certain serious diseases.

- *Investment Trust.* The Bank, as a broker, provides a variety of investment trust products with varying risk-return profiles that are developed and managed by experienced asset management companies within Japan and overseas.
- *Insurance Products.* The Bank, as an agent, offers pension-type insurance, whereby customers who make all premium payments are able to receive annuity payments when they reach a certain age. The Bank, as an agent, also sells a wide range of insurance products, including medical insurance, juvenile insurance, home fire insurance, single-premium whole life insurance and level-premium life insurance.
- *Securities Intermediary Services for Individuals.* The Bank offers a variety of financial products, including foreign currency bonds and structured bonds, to its individual customers to complement its lineup of investment trusts in collaboration with its subsidiary SMBC Nikko Securities.
- *Consumer Finance Services.* The Bank offers a variety of consumer loan products such as unsecured card loan products to its individual customers.

The Bank also offers the wealth management services to its customers in collaboration with SMBC Nikko Securities and Barclays PLC (“Barclays”). See “—Other Major Group Companies and Alliances—Alliance with Barclays PLC.”

The Bank’s Middle Market Banking Unit

The Bank’s Middle Market Banking Unit focuses on building a solution business and responding to various issues which mid-sized companies and SMEs face. This business unit, together with certain of our Group companies, offers its customer lending, cash management, settlement, leasing, factoring, management information systems consulting, collection and investment banking services, through 221 sales channels of the Bank at March 31, 2013. This business unit also provides the following products and services to mid-sized companies and SMEs:

- *Loan Products and Services to Promote Socially Responsible Activities.* The Bank provides a variety of loan products and services designed for corporate clients engaging in socially responsible activities. These activities include environmentally friendly activities, improvement of eating habits, development of agricultural and fishery industries, and development of risk management systems for emergency situations. The Bank evaluates their socially responsible activities and offers loans with certain conditions incorporating the results of its evaluation. Furthermore, in connection with these loans, the Bank provides advice in relation to the client’s socially responsible initiatives.
- *Services for Globalizing Corporations.* In light of the recent overseas expansion trend among mid-sized companies and SMEs, the Bank focuses on offering products and services whereby the Bank assists those customers entering new markets, especially in China and other Asian countries, and accommodates an increase in their international trade operations.
- *Services to Promote B-to-B Transactions.* The Bank, with its subsidiaries and affiliates, provides various internet settlement services to meet its customers’ needs. The Bank has promoted these services to stimulate greater demand for its solutions business for mid-sized companies and SMEs. Using these services, corporate customers are able to transfer money more easily and effectively, and also utilize foreign exchange services to transfer funds to and from their overseas counterparts in foreign currencies.

The Bank's Corporate Banking Unit

The Bank's Corporate Banking Unit provides a wide range of financial products and services such as loans, deposits and settlement services, targeting large Japanese corporations and listed companies. This business unit also offers business solutions for the increasingly complex and diverse management issues which large Japanese corporations are currently facing, and supports their active business expansion plans.

This business unit, with the Bank's Investment Banking Unit, provides products and services such as loan syndication, structured finance, commitment lines and non-recourse loans. As part of its solutions services, the Bank intends to promote opportunities for the capital markets to respond to its customers' funding and corporate restructuring needs, particularly through SMBC Nikko Securities.

The Bank's International Banking Unit

The Bank's International Banking Unit mainly supports companies, financial institutions, sovereign/quasi-sovereign entities outside Japan, and multinational companies operating in Japan. This business unit provides a variety of tailored products and services to meet customer and market requirements, including loans, deposits, clearing services, trade finance, project finance, loan syndication and global cash management services.

At March 31, 2013, the Bank's international network consisted of 16 branches, 12 sub-branches and 8 representative offices. Together with the network of its subsidiaries such as SMBC Europe and SMBC (China), the Bank seeks to meet customers' needs globally.

Based on our strategy of expanding our businesses globally, the Bank has been promoting strategic alliances to enhance products and services with leading financial institutions such as Barclays, The Bank of East Asia Limited, Kookmin Bank and Kotak Mahindra Bank Limited. Additionally, in order to further expand our business in the U.S., we and the Bank obtained financial holding company status under the U.S. Bank Holding Company Act on May 7, 2013, which allows the expansion of the scope of services to provide in the U.S., including underwriting and trading of securities and providing other investment banking services.

The Bank's Treasury Unit

The Bank's Treasury Unit operates in the domestic and international money, foreign exchange, securities and derivatives markets to serve customer needs and the Bank's own asset and liability management requirements.

To further expand the Bank's customer base, this business unit also seeks to provide specialized solutions and enhance customer service capabilities in market transactions through the following activities:

- providing a variety of products from traditional money and foreign exchange transactions to derivative transactions; and
- developing channels such as an internet banking site providing foreign exchange transactions to satisfy a variety of requirements and orders from customers.

Others

The Bank also engages in the following business activities through its business units:

- *Payment Services.* The Bank handles money remittances for municipalities, public and private corporations and individuals in Japan and overseas. Domestic remittance services are significant in Japan, where checks are rarely used and money remittance is a major means of payment. The Bank also handles the collection for its customers of promissory notes, bills of exchange and checks.
- *Foreign Exchange.* The Bank engages in a variety of foreign exchange transactions, including foreign currency exchange, overseas transfers and trade finance for export and import activities.

Following unit or divisions operate across the five business units discussed above and in cooperation with our Group companies, including SMBC Nikko Securities.

- *Investment Banking Unit.* The Investment Banking Unit provides a broad range of sophisticated financial products and services, as follows:
 - *Customized Financial Services and Financing Solutions.* The Bank provides a wide range of innovative financial services and financing solutions to its corporate clients, including loan syndication, structured finance, project finance, acquisition financing such as LBO and MBO financing, non-recourse real estate finance, securitization, derivatives and M&A advisory.
 - *Securities Intermediary Services for Corporate Clients.* The Bank provides corporate clients with securities intermediary services, and offers structured bonds, subordinated bonds and other products to corporate clients in cooperation with SMBC Nikko Securities.
 - *Corporate Bond Trust Services.* The Bank serves as a trustee or co-trustee of corporate mortgage bonds. The Bank also serves as a commissioned company for bondholders and as a fiscal and paying agent for unsecured bonds that are issued and publicly offered by domestic and foreign customers. In this role, the Bank also advises issuers about market conditions and provides administrative services on behalf of issuers.
 - *Other Trust Services.* The Bank offers other trust services to its customers, including monetary claims trusts for asset securitizations and trusts for structured finance.
 - *Principal Investments.* The Bank, directly or through private equity funds, invests in corporate customers seeking to restructure or reorganize themselves or expand their businesses.
 - *Solutions Related to Growing Industrial Sectors.* The Bank provides a wide range of solutions to corporate customers addressing businesses related to growing industrial sectors, such as environmental, natural resources, water and new energy industries. As for the environmental industry, we undertake trade of emission credits and provide financing for solar photovoltaics.
- *Corporate Advisory Division.* The Corporate Advisory Division complements our service lineup for both listed and non-listed companies, providing financial solutions for the increasingly sophisticated and diverse management issues faced by corporate clients. This division provides a centralized information platform that maintains the Bank's accumulated information and knowledge concerning a wide range of industries. Leveraging this centralized information platform, this division provides the Bank's customers with proposals for strategic initiatives to help enhance their corporate value. This division establishes a separate team for each project and works in cooperation with the Bank's other departments and our Group companies, including SMFL and SMBC Nikko Securities. This division aims to offer comprehensive solutions for M&A, strategic investment, business alliances and other management issues.
- *Private Advisory Division.* The Private Advisory Division addresses areas where the needs of individuals and corporate clients overlap, including private banking, corporate employees business, business succession and asset succession consulting for business owners and high net worth individuals.
- *Transaction Business Division.* The Transaction Business Division complements our transaction and financing services, including cash management, settlement, foreign exchange and supply chain finance for our corporate clients. This division aims to offer a variety of products and services to capture customers' cash flows and business flows.

In addition to the Bank, our domestic banking subsidiaries include local financial institutions, such as KUBC and The Minato Bank, as well as The Japan Net Bank, Limited ("The Japan Net Bank"). KUBC and The Minato Bank, as regional financial institutions based in Kansai area, provide commercial banking services to corporations and individuals. The Japan Net Bank, as an internet bank, provides internet-based services such as deposits, loans and investment products.

Our foreign banking subsidiaries include SMBC Europe, SMBC (China), Manufacturers Bank, Sumitomo Mitsui Banking Corporation of Canada, Banco Sumitomo Mitsui Brasileiro S.A., ZAO Sumitomo Mitsui Rus Bank, PT Bank Sumitomo Mitsui Indonesia and Sumitomo Mitsui Banking Corporation Malaysia Berhad. At March 31, 2013, in China there are 15 offices which are composed of 9 branches including the head office and 4 sub-branches of SMBC (China), and one branch and one representative office of the Bank.

Our foreign banking associates include Vietnam Export Import Commercial Joint Stock Bank and PT Bank Tabungan Pensiunan Nasional Tbk, a commercial bank in Indonesia, which became our associate in May 2013.

Leasing

Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited (“SMFL”), one of the major leasing companies in Japan, provides a variety of leasing services including equipment lease, operating lease, leveraged lease and aircraft operating lease. In 2007, SMFL was formed as a result of the merger of SMBC Leasing and Sumisho Lease. We have a 60% equity interest in SMFL, while the remaining 40% is held by Sumitomo Corporation, a non-affiliate.

In November 2010, SMFL established SFI Leasing Company, Limited, a joint business with Sony Corporation, in order to further develop our leasing and rental business.

On June 1, 2012, the Bank, SMFL and Sumitomo Corporation acquired the aircraft leasing business of The Royal Bank of Scotland Group plc, and commenced its operation as SMBC Aviation Capital. In March 2013, the integration of the existing aircraft leasing businesses of SMFL and Sumitomo Corporation into SMBC Aviation Capital was completed. We and Sumitomo Corporation intend to further expand and develop the aircraft leasing business in Asia and other emerging markets.

Others

In addition to the above companies, our U.S. subsidiary SMBC Leasing and Finance, Inc. engages in the leasing business, and our associate Sumitomo Mitsui Auto Service Company, Limited engages in the auto leasing business.

Securities

SMBC Nikko Securities Inc.

As one of the major Japanese securities companies, SMBC Nikko Securities Inc. (“SMBC Nikko Securities”), our wholly owned subsidiary, offers a wide range of financial products and investment consultation and administrative services to its individual and corporate customers in Japan. For individual customers, SMBC Nikko Securities provides consulting services to meet diversified asset management needs at 109 branches nationwide at March 31, 2013, and a widely used online trading tool. For corporate customers, it also offers trading capabilities and financial products, debt and equity underwriting, and M&A advisory services, mainly in Japan.

SMBC Nikko Securities, together with its overseas network, SMBC Nikko Securities (Hong Kong) Limited, SMBC Nikko Securities (Singapore) Pte. Ltd., SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc. (“SMBC Nikko Securities America”), seeks to provide financial services such as brokerage services of Japanese stocks and M&A advisory services to clients on a global basis. To strengthen our cross border M&A and other advisory services to Japanese companies, SMBC Nikko Securities, the Bank and Moelis & Company, a global investment bank headquartered in New York, established a business alliance in March 2011. In February 2012, we invested approximately \$93 million in Moelis & Company to enhance the existing business alliance.

SMBC Friend Securities Co., Ltd.

SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”), our wholly owned subsidiary, is a full-line securities company focusing on retail business. SMBC Friend Securities has a nationwide network that offers services tailored to the needs of its clients and offers online financial consulting services.

Business Alliance with Citigroup Inc.

In May 2009, we entered into a strategic business alliance with Citigroup Inc. (“Citigroup”) centering on a variety of collaborative activities between SMBC Nikko Securities and Citigroup. As part of this alliance, Citigroup provides us with access to its global corporate and investment banking networks, including sales and trading and M&A services. The long-standing relationship between Citigroup and the former Nikko Cordial Securities Inc. in the origination and distribution of financial products in Japan and globally is being upheld with SMBC Nikko Securities.

Consumer Finance

Sumitomo Mitsui Card Company, Limited

Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”) is a leading company in Japan’s credit card industry, having introduced the Visa brand into the Japanese market. Sumitomo Mitsui Card conducts a comprehensive credit card business with a strong brand, and offers a variety of settlement and finance services to meet diverse customer needs.

We, Sumitomo Mitsui Card, the Bank and NTT DoCoMo, Inc. (“NTT DoCoMo”) formed a strategic business and capital alliance in credit payment service. We have a 66% equity interest in Sumitomo Mitsui Card, while the remaining 34% is held by NTT DoCoMo. Pursuant to the alliance, Sumitomo Mitsui Card offers a credit payment service using NTT DoCoMo’s mobile phones equipped with contactless IC chips.

In addition, Sumitomo Mitsui Card issues a variety of affiliated credit cards in cooperation with partners including, but not limited to, railway companies, airline companies, department stores and retailers to satisfy both these partners’ and cardholders’ needs. Sumitomo Mitsui Card also provides services for customers such as travelers and retailers both in Japan and China, in alliance from 2005, with China UnionPay Co., Ltd., a bankcard association in China.

Cedyna Financial Corporation

Cedyna Financial Corporation (“Cedyna”) conducts credit card, installment (such as shopping credit and automobile loan) and solution (such as collection outsourcing and factoring) businesses.

Cedyna became our subsidiary after SMFG Card & Credit subscribed to Cedyna’s third-party share allotment in May 2010. Subsequently, in May 2011, Cedyna became our wholly owned subsidiary when SMFG Card & Credit completed a share exchange to acquire the remaining outstanding shares of Cedyna.

In March 2012, Cedyna made SMBC Finance Service Co., Ltd. (“SMBC Finance Service”) a wholly owned subsidiary. SMBC Finance Service, which had been a subsidiary of the Bank before the reorganization, provides collection outsourcing services and has a strong customer base and internet settlement know-how. Cedyna transferred its own solution business to SMBC Finance Service in order to strengthen its competitive edge by taking advantage of scale and promoting streamlining.

SMBC Consumer Finance Co., Ltd.

SMBC Consumer Finance Co., Ltd. (“SMBC Consumer Finance”), which changed its company name from Promise on July 1, 2012, is a core entity in our consumer lending business. It provides consumer loans that consist mainly of unsecured loans to individuals, and conducts other business including loan guarantee business. SMBC Consumer Finance guarantees certain consumer loans made by the Bank.

We decided to make SMBC Consumer Finance our wholly owned subsidiary in order to reinforce its consumer lending business, to enhance our earnings generation capacity and to better achieve the expansion of our consumer lending business centered on SMBC Consumer Finance. In December 2011, the Bank made SMBC Consumer Finance its subsidiary with the completion of a tender offer. Following the tender offer, we subscribed for a third-party allotment of newly issued shares of SMBC Consumer Finance's common stock. On April 1, 2012, SMBC Consumer Finance became our wholly owned subsidiary upon the completion of a share exchange of shares of our common stock for SMBC Consumer Finance's common stock, including the shares which the Bank owned.

ORIX Credit Corporation

In July 2009, the Bank acquired a 51% equity interest in ORIX Credit Corporation ("ORIX Credit") as part of a collaborative initiative with ORIX, and ORIX Credit became a subsidiary of the Bank. ORIX Credit offered a wide range of card loan products, focusing on a card loan with a low interest rate and large credit line, and has expanded its business operation by gaining as customers high-income individuals. However, on June 29, 2012, the Bank transferred all of its shares of ORIX Credit to ORIX and as a result, ORIX Credit is no longer our subsidiary.

Others

In addition to the above companies, our subsidiary Sakura Card Co., Ltd. and our associate Pocket Card Co., Ltd. engage in the credit card business, and our subsidiary SMM Auto Finance, Inc. engages in automobile sale financing.

Other Major Group Companies and Alliances

The Japan Research Institute, Limited

The Japan Research Institute, Limited ("The Japan Research Institute") is our wholly owned subsidiary that provides financial consultation services on management reform, IT, the planning and development of strategic information systems and outsourcing. It also conducts diverse activities including domestic and international economic research and analysis, policy recommendations and business incubation.

Alliance with Barclays PLC

Barclays PLC ("Barclays") and the Bank have allied to explore joint business development opportunities, and in April 2010, Barclays, the Bank and SMBC Nikko Securities established a division in SMBC Nikko Securities to provide wealth management services to high-net-worth individuals in Japan. In May 2010, the Bank entered into a business alliance agreement with Absa Bank Limited, a group company of Barclays, regarding collaboration on services to Japanese companies in South Africa and other African countries. We have intensified our management-level communications with Barclays regarding, for example, the effects of strengthened regulation of the global banking industry. The Bank believes these initiatives will yield mutual benefits and will facilitate business expansion for us in targeted growth business areas, both foreign and domestic.

Credit Loss Protection Agreement with Goldman Sachs

To expand its overseas portfolio and revenue, the Bank entered into agreements with Goldman Sachs in 2003 to provide credit protection to Goldman Sachs' extension of credit to their investment grade clients in exchange for receiving a proportion of the fees and interest income from the borrowers. In connection with the agreements, Goldman Sachs established certain wholly owned subsidiaries ("William Street Entities") that might make credit commitments and extensions. Goldman Sachs entered into credit loss protection arrangements with the Bank in order to hedge in part the credit risk to its investment in the William Street Entities. The Bank, through its Cayman Islands branch, would issue letters of credit in exchange for fees equal to a portion of the fees and interest to be paid by the borrowers to the William Street Entities. The first letter of credit ("FLC"), was

issued in 2003 in a maximum available amount of \$1 billion, and is available over a 20-year period, subject to early termination or extension. Also, from time to time over a 20-year period, subject to early termination or extension and other conditions, upon the request of Goldman Sachs, the Bank has issued letters of credit and may issue one or more additional letters of credit (each a second letter of credit (“SLC Series”) exposing the Bank to risk rated BBB/Baa2 or higher in an aggregate maximum available amount of \$1.125 billion). Goldman Sachs may draw on the letters of credit in the event that Goldman Sachs realizes certain losses (“Specified Losses”), with respect to loan commitments or loans extended thereunder that Goldman Sachs has entered into with specified borrowers approved by the Bank and Goldman Sachs.

Under the FLC, Goldman Sachs is entitled to draw from time to time amounts equal to approximately 95% of Specified Losses, up to an aggregate stated amount of \$1 billion. Under the SLC Series, Goldman Sachs is entitled, subject to certain conditions, to draw from time to time amounts equal to approximately 70% of Specified Losses above specified loss thresholds, up to an aggregate stated amount of \$1.125 billion. Goldman Sachs has made a small number of draw downs under the FLC in accordance with its terms.

In connection with these credit arrangements, the Bank pays Goldman Sachs an administration fee based on the aggregate amount of commitments covered by the FLC.

The credit loss protection arrangements contain a number of provisions that give the Bank some control over the determination of borrowers to which it has potential exposure under the FLC and any SLC Series:

- Goldman Sachs may make credit commitments covered by the arrangements only to borrowers approved by the Bank.
- Unless the Bank and Goldman Sachs agree otherwise, the borrowers covered by the FLC and any SLC Series that are rated by both of the two major rating agencies must be rated investment grade by at least one, and borrowers that are rated only by one of the two major rating agencies must be rated investment grade by that rating agency. If neither of the two major rating agencies rates a borrower, then further credit to the borrower shall no longer be covered by the FLC or any SLC Series, if the Bank and Goldman Sachs determine the borrower’s credit conditions are lower than investment grade.
- If the ratings of an approved borrower fall below investment grade in the judgment of both major rating agencies (or, if a borrower is rated investment grade by only one agency, and that agency downgrades the borrower below investment grade), further credit to that borrower will no longer be covered by these arrangements, unless the Bank and Goldman Sachs otherwise agree.
- On the fifth, tenth and fifteenth anniversaries of the transaction, the Bank has the right to cause Goldman Sachs to stop extending new credit to borrowers the Bank deems to have become “unbankable.” Unbankable borrowers are those who have investment grade ratings from the two major rating agencies but are deemed by the Bank to be below BB- and below Ba3 based on the Bank’s application of rating agency methodologies and criteria. If Goldman Sachs disagrees with the Bank, the matter is to be referred to arbitration, and a suspension is effective unless and until an arbitrator rules in favor of Goldman Sachs.

The Bank, through a separate bankruptcy-remote Cayman Islands subsidiary, has collateralized the obligations on the FLC and a portion of the SLC Series by buying \$1.330 billion of Goldman Sachs demand notes and pledging those demand notes to Goldman Sachs. If Goldman Sachs activates an SLC Series that is not collateralized, the Bank through its Cayman Islands subsidiary will be required to purchase and pledge additional Goldman Sachs demand notes with a principal amount equal to the stated amount of that SLC Series. Subject to certain conditions, the Bank has the right to substitute as collateral high quality liquid securities for the Goldman Sachs demand notes.

These arrangements are designed to collateralize the Bank’s obligations in the event the Bank’s Cayman Islands branch fails to perform on the FLC or any SLC Series, including as a result of our insolvency or the insolvency of the Bank or the Bank’s Cayman Islands branch.

If Goldman Sachs' credit rating, as determined by either of the two major credit rating agencies, falls below investment grade, Goldman Sachs is obligated to provide collateral to the Bank to support Goldman Sachs' obligations under the Goldman Sachs demand notes. After an initial 15-year period under the letters of credit, the Bank and Goldman Sachs will negotiate in good faith to extend the terms of the letter of credit arrangements for one additional five-year term. Before the expiration of the initial 20-year term, in certain circumstances, the letter of credit arrangements with the Bank may be terminated by the Bank or Goldman Sachs, in which event Goldman Sachs would be obligated to prepay any outstanding demand notes. In circumstances related primarily to the creditworthiness of the Bank or a breach of its representations or covenants, Goldman Sachs may draw on the letters of credit for early termination amounts of up to the remaining undrawn or available amount on the letters of credit. In connection with draws on the letters of credit of early termination amounts, Goldman Sachs would have to prepay any outstanding demand notes. Goldman Sachs also would be obligated to pay the Bank on the originally scheduled expiration date of the letter of credit arrangements an amount equal to the early termination amounts minus the losses that would have been reimbursed under the letters of credit had they not terminated early.

At the time the Bank entered into the above credit protection agreements, SMFG issued Type 4 preferred stock amounting to ¥150.3 billion to Goldman Sachs and SMFG and the Bank entered into a business cooperation agreement with Goldman Sachs. However all the Type 4 preferred stock has been converted to common stock and the business cooperation agreement has expired, except for certain rights which will expire in January 2014.

Management Policies

We aim to be a globally competitive and trusted financial services group by maximizing our strength of Spirit of Innovation, Speed and Solution & Execution. We launched a medium-term management plan in May 2011 for the three years from the fiscal year ended March 31, 2012 to the fiscal year ending March 31, 2014, with the two management objectives as follows:

- Aim for top quality in strategic business areas; and
- Establish a solid financial base and corporate infrastructure to meet the challenges of financial regulations and the highly competitive environment.

The following four financial objectives and targets were set with the aim of improving and seeking a balance between financial soundness, profitability and growth:

Financial Soundness.

- Achieve sufficient Common Equity Tier 1 capital ratio as required for a global player;

Profitability.

- Enhance risk-return profile by improving asset quality;
- Aim for top-level cost efficiency among global players; and

Growth.

- Expand international business especially in Asia by capturing business opportunities in growth markets.

Our basic policy for the fiscal year ending March 31, 2014 is to proactively support the revitalization of Japanese economy through financing and to respond to changes in the financial needs of our clients and business environment in order to achieve medium- to long-term growth. We also intend to continue to implement following initiatives for the two strategies—"Proactively contribute to the revitalization of Japanese economy, and as a result, achieve the growth of SMFG" and "Create new business models and challenge for 'innovation' in order to make the next leap forward."

Initiatives for retail customers.

We aim to enhance the client base by expanding investment products and services and advertising aggressively. Specifically, we intend to strengthen asset management services through trial of banking-securities integrated operation in the Bank and SMBC Nikko Securities. In addition, through utilizing the Bank's trust business function, we aim to provide one-stop inheritance services to business owners and individuals. Furthermore, we plan to promote Group-wide collaboration in consumer finance business, including overseas operations.

Initiatives for corporate clients.

We intend to further promote corporate-consumer banking and banking-securities collaboration. We also aim to effectively meet solution providing needs on business restructuring and financial products and services mainly of our medium-sized and small corporate clients, thereby contributing to the revitalization of Japanese economy, as well as continue to accommodate clients' needs after the expiration of the Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc (Act No. 96 of 2009, as amended). Furthermore, we intend to enhance advisory functions mainly for large corporations through collaboration of departments with expert knowledge of industries globally.

Initiatives for international business.

We plan to expand businesses in growing areas of worldwide needs including infrastructure finance and trade finance, as well as settlement business and finance business associated with settlement, mainly in Asia where commercial flows are increasing in step with the economic development of the region. We also intend to continue our efforts to secure stable foreign-currency funding in order to accommodate the increase in overseas assets of the Group.

Other initiatives.

We intend to strengthen our non-asset businesses through measures such as collaboration with asset management companies within our group as well as those overseas. In addition, we plan to examine businesses utilizing IT and internet on a Group-wide basis.

In order to strengthen our corporate infrastructure to support sustainable development of our business, we aim to expand personnel exchange on a Group-wide basis. We also continue to make effort to proactively develop human resource management for women and locally hired overseas employees.

Revenues by Region

The following table sets forth the percentage of our total operating income under IFRS for the fiscal years ended March 31, 2013, 2012 and 2011, based on the total operating income of our offices in the indicated regions. For each of the periods presented, we earned most of our total operating income in Japan, where we compete with other major Japanese banking groups and financial service providers. We earned the remainder in the Americas, Europe and Middle East, and Asia and Oceania, where we mainly compete with global financial institutions.

	For the fiscal year ended March 31,		
	2013	2012	2011
Region:			
Japan	82%	88%	90%
Foreign:			
Americas	4%	3%	4%
Europe and Middle East	7%	4%	2%
Asia and Oceania (excluding Japan)	7%	5%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Seasonality

Our business is not materially affected by seasonality.

Sources and Availability of Raw Materials

We are not reliant on any particular source of raw materials.

Marketing Channels

See “—Description of Operations and Principal Activities” for a discussion of our marketing channels.

Regulations in Japan

Our businesses are subject to extensive regulation, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan. On the other hand, deregulation of banking activities in Japan, and more generally of the Japanese financial system, has proceeded, which has made the Japanese banking industry highly competitive.

Supervisory and regulatory authorities

Pursuant to the Banking Act, the FSA has the authority in Japan to supervise banks, bank holding companies and banks' principal shareholders, meaning bank shareholders having 20% (or 15% in some cases) or more of the voting rights of a bank. The Bank of Japan (“BOJ”) also has supervisory authority over banks in Japan based primarily on its contractual agreements and transactions with Japanese banks. Only companies licensed by the Prime Minister are defined as banks under the Banking Act, and licenses may be granted only to a *kabushiki kaisha*, a joint stock corporation, with paid-up capital of ¥2 billion or more.

The Financial Services Agency of Japan

The Prime Minister has supervisory authority over banks in Japan, which is generally delegated to the Financial Services Agency of Japan (“FSA”) except for matters prescribed by cabinet order. The Minister for Financial Services has the power to direct the FSA. Under the Banking Act, the FSA has supervisory control over banks, bank holding companies and banks' principal shareholders in Japan, except for matters to which the Prime Minister retains authority.

The FSA's authority includes granting and revoking of operating licenses, and approving business activities such as becoming a principal shareholder, establishment of subsidiaries or overseas offices, mergers, corporate splits or business transfers, and dissolutions or discontinuations of business by existing banks, etc.

The FSA may also instruct a Japanese bank to suspend its business or to remove directors if the bank violates laws, other regulations or their articles of incorporation or commits acts contrary to public policy. The FSA may also direct a Japanese bank in financial difficulty to take certain actions, such as holding certain property in Japan for the protection of depositors. Under the prompt corrective action (“PCA”) system, the FSA may take corrective actions in the case of capital deterioration of financial institutions.

The Ministry of Finance and the FSA have introduced a number of regulatory measures into the banking sector in Japan to secure sound management of banks, as well as measures to increase the transparency of the regulatory process, such as bank holding company regulations, single customer credit limits, disclosure regulations, regulations regarding reserves for loan losses and inspections.

The Banking Act authorizes the FSA to inspect banks and bank holding companies in Japan at any time and with any frequency. Such inspections are conducted by officials from the FSA's Inspection Department. The FSA monitors the financial soundness of banks and the status and performance of their control systems and

reviews their compliance with laws and regulations. The FSA has issued guidelines on its inspection of financial institutions called the Financial Inspection Manual. The Financial Inspection Manual itself does not have the force of law, but the FSA's inspections of banks are based on the Financial Inspection Manual, which emphasizes the need for bank self-assessment rather than assessment based on the advice of the government authority and risk management by each bank instead of a mere assessment of its assets. Following an inspection, the FSA may exercise its authority over a bank under the Banking Act to suspend or terminate its banking business.

The Ministry of Finance

The Ministry of Finance conducts examinations of banks in relation to foreign exchange transactions under the Foreign Exchange and Foreign Trade Act.

The Bank of Japan

The Bank of Japan ("BOJ") is the central bank of Japan and serves as the principal instrument for the execution of Japan's monetary policy. The BOJ implements monetary policy mainly by adjusting its basic loan rate, open market operations and imposing deposit reserve requirements. All banks in Japan maintain deposits with the BOJ and rely substantially upon obtaining borrowings from and rediscounting bills with the BOJ. Moreover, all banks in Japan maintain current accounts under agreements with the BOJ pursuant to which the BOJ can conclude a contract with the Bank concerning on-site examinations. BOJ supervision is intended to support the effective execution of monetary policy, while FSA supervision aims to maintain the sound operations of banks in Japan and promote the security of depositors. Through its examinations, the BOJ seeks to identify problems at an early stage and give corrective guidance where necessary.

Regulations Regarding Capital Adequacy

Capital Adequacy Requirement

In 1988, the BCBS issued the Basel Capital Accord. The Basel Capital Accord sets minimum risk-weighted capital ratios for the purpose of maintaining sound management of banks which have international operations. The minimum risk-weighted capital ratio required was 8% on both a consolidated and nonconsolidated basis. In 2004, the BCBS issued the amended Basel Capital Accord ("Basel II"), which includes detailed measurement of credit risk, the addition of operational risk, a supervisory review process and market discipline through disclosure. These amendments did not change the minimum risk-weighted capital ratio of 8% applicable to banks with international operations (including the Bank). These rules took effect in Japan in 2007, and since 2008, banks are able to apply the advanced IRB approach for credit risk and the AMA for operational risk.

In July 2009, the BCBS approved a final package of measures to enhance certain elements of the Basel II framework, which includes an increase of the risk weights of securitization instruments and revisions of certain trading book rules (referred to as "Basel 2.5"), and the FSA's capital adequacy guidelines which reflect such framework have been applied in Japan from December 2011.

In September 2009, the Group of Central Bank Governors and Heads of Supervision reached an agreement on several key measures to strengthen regulation of the banking sector, and in December 2009 the BCBS published a consultative document entitled "Strengthening the resilience of the banking sector" containing proposals on these measures centering on several core areas. The BCBS' proposals focused on raising the quality, consistency and transparency of the regulatory capital base through measures including a requirement that the predominant form of Tier 1 capital must be common shares and retained earnings; limitations on the use of hybrid instruments with an incentive to redeem; a requirement that regulatory adjustments, including deductions of the amount of net deferred tax assets which rely on the future profitability of a bank, be applied to common equity generally; and a requirement for additional disclosure regarding regulatory capital levels.

The BCBS' proposals also cover the following key areas:

- strengthening the risk coverage of the capital framework;
- introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a minimum capital requirements treatment based on appropriate review and calibration;
- introducing measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- introducing minimum liquidity standards for internationally active banks that include a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio.

In July 2010, the Group of Central Bank Governors and Heads of Supervision reached a broad agreement on the overall design of the BCBS' capital and liquidity reform package. In addition, in August 2010, the BCBS issued for consultation a proposal to enhance the loss absorbency function of regulatory capital. In September 2010, the Group of Central Bank Governors and Heads of Supervision announced a substantial strengthening of existing capital requirements. The framework of the proposed reform was endorsed by the G-20 leaders at their Seoul summit in November 2010. These capital reforms will increase the minimum common equity requirement from 2% to 4.5% and require banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirement to 7%. The Tier 1 capital requirement will also be increased from 4% to 6% (together with the above capital conservation buffer, to 8.5%). The total capital requirement will remain at the existing level of 8% but will be increased to 10.5% with the capital conservation buffer. In addition, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss-absorbing capital will be implemented according to national circumstances. The Group of Central Bank Governors and Heads of Supervision also agreed on transitional arrangements for implementing the new standards. Under the transitional arrangements, these new capital requirements are being phased in between January 1, 2013 and January 1, 2019. In December 2010, the BCBS published the new Basel III rules text. To reflect changes made by the BCBS, the FSA changed its capital adequacy guidelines. The FSA's changes have been generally applied from March 31, 2013, which generally reflects the main measures of the minimum capital requirements of the BCBS that started to be phased in on January 1, 2013 and will be fully applied from March 2019.

We were included in the list of G-SIFIs in both 2011 and 2012. Because we have been identified as a G-SIFI, we are subject, among other things, to resolution-related requirements described in the FSB's "Key Attributes of Effective Resolution Regimes for Financial Institutions." In particular, the FSB has required the initial group of G-SIFIs, by the end of 2012, to have in place a recovery and resolution plan, including a group-level plan, containing various specified elements, to be subject to regular resolvability assessments. The FSB revises and update its list of G-SIFIs on an annual basis and G-SIFIs included on the list in November 2014 will be subject to an additional loss absorbency requirement that will be phased in from January 2016 with full implementation by January 2019. If we are identified as a G-SIFI in November 2014, we will be required to maintain 1% to 2.5% additional loss absorption capacity above the Basel III Common Equity Tier 1 capital minimum requirement of 7%, depending upon our systemic importance as determined by the FSB. Furthermore, as a disincentive for banks facing the highest required level of Common Equity Tier 1 capital to "increase materially their global systemic importance in the future," an additional 1% charge could be applied. Also beginning in November 2014, so long as we are identified as a G-SIFI, we will be subject to stronger supervisory mandates and higher supervisory expectations for risk management functions, data aggregation capabilities, risk governance and internal controls. The substance of this heightened supervision has not yet been fixed, but we anticipate that at a minimum any rules will contain more stringent reporting requirements and impose common frameworks for data aggregation and internal risk management processes on G-SIFIs. Under the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc., issued by the FSA, as part of crisis management, financial institutions identified as G-SIFIs must prepare and submit a recovery plan, which includes a description of events that would trigger implementation of the recovery plan and the analysis of the recovery options to the FSA, and the FSA must prepare the resolution plan for each G-SIFI.

Our securities subsidiaries in Japan are also subject to capital adequacy requirements under the FIEA. Under the requirements, securities firms must maintain a minimum capital adequacy ratio of 120% on a nonconsolidated basis and must file periodic reports with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, and also publicly disclose their capital adequacy ratio on a quarterly basis. Failure to meet the capital adequacy requirements will trigger mandatory regulatory action. For example, a securities firm with a capital adequacy ratio of greater than 120%, but less than 140% will be required to file daily reports with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau. A securities firm with a capital adequacy ratio of less than 120% may be ordered to change its business conduct, place its property in trust or be subject to other supervisory orders, as the relevant authorities deem appropriate. A securities firm with a capital adequacy ratio of less than 100% may be subject to temporary suspension of all or part of its business operations or cancellation of its license to act as a securities broker and dealer.

The capital adequacy ratio for securities firms is defined as the ratio of adjusted capital to a quantified total of business risks, which include market risks, counterparty risks and operational risks (e.g., risks in carrying out daily business activities, such as administrative problems with securities transactions and clerical mistakes) quantified in the manner specified by a rule promulgated under the FIEA. Adjusted capital is defined as net worth less illiquid assets, as determined in accordance with Japanese GAAP. Net worth consists mainly of stated capital, additional paid-in capital, retained earnings, reserves for securities transactions, certain allowances for doubtful current accounts, net unrealized gains (losses) in the market value of investment securities, and subordinated debt. Illiquid assets generally include non-current market assets, certain deposits and advances, and prepaid expenses.

In May 2010, the FIEA was amended, introducing a minimum capital adequacy requirement on a consolidated basis applicable to securities firms whose total assets exceed ¥1,000 billion. These amendments became effective from April 1, 2011.

Self-Assessment, Reserves and Related Disclosure

Financial institutions, including the Bank, are required to establish self-assessment programs to, among other things, analyze their assets giving due consideration to accounting principles and other applicable rules and to classify their assets into categories taking into account the likelihood of repayment and the risk of impairment to the value of the assets. These classifications determine whether an addition to or reduction in reserves or write-offs is necessary.

Pursuant to the Japanese Institute of Certified Public Accountants (“JICPA”) guidelines, the outcome of each financial institution’s self-assessment leads to substantially all of a bank’s loans and other claims on customers being analyzed by classifying obligors into five categories: (1) normal borrowers; (2) borrowers requiring caution; (3) potentially bankrupt borrowers; (4) effectively bankrupt borrowers; and (5) bankrupt borrowers. The reserve for possible loan losses is then calculated based on the obligor categories.

FSA guidelines require banks to classify their assets not only by the five categories of obligor but also by four categories of quality. The Bank has adopted its own internal guidelines for self-assessment which conform to guidelines currently in effect and comply with the PCA system requirements.

Based on the results of the self-assessment discussed above, the Bank is required to establish a reserve for its loan portfolio in an amount the Bank considers adequate at a balance sheet date. Three categories of reserves the Bank establishes, for statutory purposes, along with the Accounting Standards for Banks issued by the Japanese Bankers Association, are a general reserve, a specific reserve and a reserve for specific overseas loan losses.

Under the Banking Act, banks and bank holding companies must disclose their non- and under-performing loans (consolidated and nonconsolidated) as risk-monitored loans. Risk-monitored loans are classified into

four categories: (1) bankrupt loans, (2) non-accrual loans, (3) past due loans (three months or more) and (4) restructured loans. Banks and bank holding companies are required to submit to the FSA annual reports on their business including the amount of risk-monitored loans. Banks and bank holding companies must disclose their financial statements on an annual basis. The financial statements consist of the balance sheet and income statement, and explanatory documents regarding business and asset conditions, each prepared under the Banking Act both on a nonconsolidated and consolidated basis.

Independent of the Banking Act disclosure regulations, the Act Concerning Emergency Measures for the Revitalization of Financial Functions requires banks to disclose their loans and their other problem assets. Under this law, assets are classified into four categories: (1) bankrupt and quasi-bankrupt assets, (2) doubtful assets, (3) substandard assets and (4) normal assets. Generally, bankrupt and quasi-bankrupt assets correspond to the total of bankrupt loans and the lower tier of the non-accrual loans (the borrowers of which are effectively bankrupt) under the Banking Act disclosure. Doubtful assets generally correspond to the higher tier portion of the non-accrual loans (the borrowers of which are not, but have the potential to become, bankrupt). The substandard assets generally correspond to the total of the restructured loans and past due loans (three months or more). Bankrupt and quasi-bankrupt assets and doubtful assets also include non-loan assets, for example, securities lending, foreign exchange, accrued interest, advanced payments and customers' liabilities for acceptances and guarantees.

Prompt Corrective Action System

Under the Prompt Corrective Action ("PCA") system, the FSA may take corrective actions depending upon the extent of capital deterioration of a financial institution. The FSA may require a bank to submit and implement a capital reform plan, if;

- the total risk-weighted capital ratio of a bank with international operations becomes less than 8% but not less than 4%;
- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 3.5% but not less than 1.75% (to be increased as a transitional arrangement until it becomes less than 4.5% but not less than 2.25% from March 2015); or
- the Tier 1 risk-weighted capital ratio becomes less than 4.5% but not less than 2.25% (to be increased until it becomes less than 6% but not less than 3% from March 2015).

The FSA may order a bank to (1) submit and implement a plan for improving its capital; (2) prohibit or restrict the payment of dividends to shareholders or bonuses to officers; (3) reduce assets or restrict any increase in assets; (4) prohibit or restrict the acceptance of deposits under terms less advantageous than ordinary terms; (5) reduce the business of some offices; (6) eliminate some offices other than the head office; (7) reduce or prevent the launching of non-banking businesses; or (8) take certain other actions, if;

- the total risk-weighted capital ratio of a bank with international operations declines to less than 4% but not less than 2%;
- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 1.75% but not less than 0.88% (to be increased as a transitional arrangement until it becomes less than 2.25% but not less than 1.13% from March 2015); or
- the Tier 1 risk-weighted capital ratio becomes less than 2.25% but not less than 1.13% (to be increased until it becomes less than 3% but not less than 1.5% from March 2015).

The FSA may order a bank to conduct any one of the following: (1) a capital increase; (2) a substantial reduction in its business; (3) a merger; or (4) abolishment of its banking business, if;

- the total risk-weighted capital ratio of a bank with international operations declines to less than 2% but not less than 0%;

- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 0.88% but not less than 0% (to be increased as a transitional arrangement until it becomes less than 1.13% but not less than 0% from March 2015); or
- the Tier 1 risk-weighted capital ratio becomes less than 1.13% but not less than 0% (to be increased until it becomes less than 1.5% but not less than 0% from March 2015).

The FSA may order the bank to suspend all or part of its business, if the total risk-weighted capital ratio, the Common Equity Tier 1 risk-weighted capital ratio or Tier 1 risk-weighted capital ratio of a bank with international operations declines below 0%.

The FSA may take actions similar to the actions the FSA may take with respect to a bank, if;

- the total risk-weighted capital ratio of a bank holding company that holds a bank with international operations declines to levels below 8%;
- the Common Equity Tier 1 risk-weighted capital ratio declines to levels below 3.5% (to be increased as a transitional arrangement until it becomes level below 4.5% from March 2015); or
- the Tier 1 risk-weighted capital ratio declines to levels below 4.5% (to be increased as a transitional arrangement until it becomes level below 6% from March 2015).

Prompt Warning System

The prompt warning system currently in effect allows the FSA to take precautionary measures to maintain and promote the sound operation of financial institutions before those financial institutions become subject to the PCA system. These measures include requiring a financial institution to reform: (1) profitability, if deemed necessary to improve profitability based upon a fundamental profit index; (2) credit risk management, if deemed necessary to reform management of credit risk based upon the degree of large credit concentration and other circumstances; (3) stability, if deemed necessary to reform management of market and other risks based upon, in particular, the effect of securities price fluctuations; and (4) cash flow management, if deemed necessary to reform management of liquidity risks based upon deposit trends and level of reserve for liquidity.

Regulations for Stabilizing the Financial System

Deposit Insurance System

The Deposit Insurance Act (Act No. 34 of 1971, as amended) was enacted to protect depositors when financial institutions fail to meet their obligations. The Deposit Insurance Corporation of Japan (“DIC”) implements the law and is supervised by the Prime Minister and the Minister of Finance. Subject to limited exceptions, the Prime Minister’s authority is delegated to the FSA Commissioner.

Since April 2010, the DIC receives annual insurance premiums from member financial institutions equivalent to 0.107% of deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes, and premiums equivalent to 0.082% of other deposits. For the fiscal year ending March 31, 2014, if there are no member financial institutions failures during each fiscal year, the amount equivalent to 0.018% of deposits primarily for payment and settlement purposes, and 0.014% of other deposits, are to be reimbursed to the member institutions. For the fiscal year ended March 31, 2013, the same formula was used and the amount described above was reimbursed to the member institutions as there was no member financial institution failure.

Premiums held by the DIC may be either deposited at financial institutions or used to purchase marketable securities. The insurance money may be paid out to depositors in case of a suspension of repayments of deposits, banking license revocation, dissolution or bankruptcy of a bank. Payouts are generally limited to a maximum of

¥10 million of principal amount together with any interest accrued with respect to each depositor. Only non-interest-bearing deposits that are redeemable upon demand and used by depositors primarily for payment and settlement functions are protected in full.

City banks (including the Bank), regional banks (including member banks of the second association of regional banks), trust banks, credit associations, credit cooperatives, labor banks and Japan Post Bank participate in the deposit insurance system on a compulsory basis.

The Deposit Insurance Act also provides a permanent system for resolving failed financial institutions.

The basic method for resolving a failed financial institution under the Deposit Insurance Act is cessation of the business by paying insurance money to depositors up to the principal amount of ¥10 million plus accrued interest per depositor, or pay-off or transfer of the business to another financial institution, with financial assistance provided within the cost of pay-off. Under the Deposit Insurance Act, transfer of business is regarded as the primary method. In order to affect a prompt transfer of business, the following framework has been established:

- a Financial Reorganization Administrator is appointed by the FSA Commissioner and takes control of the management and assets of the failed financial institution. The administrator is expected to diligently search for a financial institution which will succeed to the business of the failed institution;
- if no successor financial institution can be immediately found, a “bridge bank” will be established by the DIC for the purpose of temporarily maintaining the operations of the failed financial institution, and the bridge bank will seek to transfer the failed financial institution’s assets to another financial institution or dissolve the failed financial institution; and
- in order to facilitate or encourage a financial institution to succeed to a failed business, financial aid may be provided by the DIC to any successor financial institution to enhance its capital after succession or to indemnify it for losses incurred as a result of the succession.

Where it is anticipated that the failure of a financial institution may cause an extremely grave problem in maintaining the financial order in Japan or the region where the financial institution is operating, the following exceptional measures may be taken after consulting with the Financial System Management Council:

- the DIC may subscribe for shares or other instruments issued by the relevant financial institution and require the institution to submit to the DIC a plan to reestablish sound management;
- once the financial institution fails, financial aid exceeding the cost of pay-off may be available to the institution; and
- if the failed institution is a bank and the problem cannot be avoided by other measures, then the DIC may acquire all of the shares of the bank.

In order to fund the above-mentioned activities, the DIC may borrow from financial institutions or issue bonds which may be guaranteed by the government.

In addition, on June 2013, a bill to revise the Deposit Insurance Act which includes establishment of a new orderly resolution regime of financial institutions was enacted and is scheduled to become effective by March 2014. Although the details of the regime will require implementing ordinances which have not yet been published, financial institutions including banks, securities companies and insurance companies and their holding companies will be subject to the new resolution regime that includes, among others, the following features.

Under the new resolution regime, where the Prime Minister recognizes that the failure of a financial institution which falls into either of (a) or (b) below may cause significant disruption in the financial markets or

other financial systems in Japan if any of the measures described in (a) or (b) below is not taken, the Prime Minister may make a determination (“specified determination”) to take any of the following measures after consulting with the Financial System Management Council:

(a) if the financial institution is not a financial institution which is unable to fully perform its obligations with its assets, the DIC shall supervise that financial institution, and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in the financial systems in Japan, or subscribe for shares or subordinated bonds of, or lend subordinated loans, to the financial institutions, taking into consideration the financial conditions of the financial institution;

(b) if the financial institution is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the DIC shall supervise that financial institution and may provide financial aid necessary to assist a merger, business transfer, corporate split or other reorganization in respect to such failed financial institution; and

if a measure set out in (b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution’s operations and assets be placed under the control of the DIC. The business or liabilities of the financial institution subject to the supervision by the DIC as set forth above may also be transferred to a “bridge bank” established by the DIC for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institution, and the bridge bank will seek to transfer the financial institution’s business or liabilities to another financial institution or dissolve the financial institution.

The expenses for implementation of the measures under this regime will be borne by the financial industry, with an exception under which it may be partially borne by the Government of Japan.

Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc.

Under the Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc.: (1) for one year after the merger or transfer of the entire business of a financial institution, the maximum amount to be covered by the deposit insurance will be ¥10 million multiplied by the number of parties to the merger or business transfer; and (2) the procedures are simplified to a certain extent in connection with the transfer of an entire business or a merger with another financial institution by a financial institution that is made in accordance with a management base-strengthening plan that has been approved by the government.

Single Customer Credit Limit

The Banking Act restricts the aggregate amount of loans, guarantees and capital investments to any single customer in order to avoid excessive concentration of credit risks and promote fair and extensive use of bank credit. An ordinary bank’s aggregate exposure to any single customer is limited by the Banking Act and the related cabinet order. The limit is 40% (or 25% if the customer is a principal shareholder of the bank) of an ordinary bank’s total qualifying capital based on aggregate exposure to any single customer including certain of the customer’s affiliates, or 25% (or 15% if the customer is a principal shareholder of the bank) of the bank’s total qualifying capital based on aggregate exposures to any single customer not including the customer’s affiliates. The same restriction applies to a bank group (the bank, its subsidiaries and certain affiliates) on a consolidated basis maximum permitted aggregate exposure by a bank group to a single customer is 25% (or 15% if the customer is a principal shareholder of the bank), and to a customer including certain of the customer’s affiliates is 40% (or 25% if the customer is a principal shareholder of the bank), of the total qualifying capital, with certain adjustments of the group companies.

Restrictions on Activities of a Bank Holding Company

Under the Banking Act, a bank holding company is prohibited from carrying on any business other than management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank, a securities company, an insurance company or a foreign subsidiary that engages in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary any company that engages in finance-related business, such as a credit card company, a leasing company or an investment advisory company. Certain companies that are designated by ministerial ordinance as those that cultivate new business fields may also become the subsidiary of a bank holding company.

Restriction on Aggregate Shareholdings by a Bank

The Act Concerning Restriction on Shareholdings by Banks (Act No. 131 of 2001, as amended) requires Japanese banks and their qualified subsidiaries to limit the aggregate market value (excluding unrealized gains, if any) of their equity securities holdings to an amount equal to 100% of their consolidated Tier 1 capital, with adjustments, in order to reduce exposure to stock price fluctuations. Treasury shares, shares issued by subsidiaries, shares not listed on any stock exchange or not registered with any OTC market, shares held as trust assets, and shares acquired through debt-for-equity swaps in restructuring transactions are excluded from this limitation. In order to facilitate the disposition of shares of listed stocks held by banks while preventing adverse effects caused by sales of large amounts of shares in a short period of time, share purchases by the Banks' Shareholdings Purchase Corporation of listed shares has been restarted from March 2009.

Shareholding Restrictions Applicable to a Bank Holding Company and a Bank

The provision of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended) which prohibits banks from holding more than 5% of the voting rights of non-financial companies in Japan does not apply to bank holding companies. However, the Banking Act generally prohibits a bank holding company and its subsidiaries, on an aggregated basis, from holding more than 15% of the voting rights of certain types of companies which are not permitted to become subsidiaries of bank holding companies. Also, the Banking Act generally prohibits a bank and its subsidiaries, on an aggregated basis, from holding more than 5% of the voting rights of certain types of companies which are not permitted to become subsidiaries of banks.

Examination and Reporting Applicable to Shareholders of a Bank

The FSA may request the submission of reports or other materials from a bank and/or its bank holding company, or inspect the bank and/or the bank holding company, if necessary, in order to secure the sound and appropriate operation of the business of a bank.

Under the Banking Act, a person who desires to hold 20% (in some exceptional cases, 15%) or more of the voting rights of a bank is required to obtain advance approval of the FSA Commissioner. In addition, the FSA may request the submission of reports or materials from, or may conduct an inspection of, any principal shareholder who holds 20% (in some exceptional cases, 15%) or more of the voting rights of a bank if the FSA deems the action necessary in order to secure the sound and appropriate operation of the business of the bank. Under limited circumstances, the FSA may order the principal shareholder to take such measures as the FSA deems necessary.

Furthermore, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or a bank must report the ownership of the voting rights to the Director General of the relevant local finance bureau within five business days. This requirement is separate from the significant shareholdings report required under the FIEA. In addition, a similar report must be made in respect of any subsequent change of 1% or more in any previously reported holding or in respect of any change in material matters set out in reports previously filed, with some exceptions.

Regulations for Protection of Customers

Protection of Personal Information

The Act on the Protection of Personal Information and related rules, regulations and guidelines impose requirements on businesses that use databases containing personal information, including appropriate custody of personal information and restrictions on information sharing with third parties.

Act on Sales, Etc. of Financial Products

Due to deregulatory measures in the banking and other financial services industries, more financial products, including highly structured and other complicated products, may now be marketed to a broad base of customers. The Act on Sales, Etc. of Financial Products (Act No. 101 of 2000, as amended) was enacted to better protect customers from incurring unexpected losses as a result of purchasing these financial products. Under this law, sellers of financial products have a duty to their potential customers to explain important matters (i.e., the nature and magnitude of risk involved) regarding the financial products that they sell. If a seller fails to comply with the duty, the loss in value of the purchased investment product due to the failure to explain is refutably presumed to be the amount of the customer's loss. An amendment to this law, together with other related laws including the FIEA, became effective in September 2007. The amended law enlarges the scope of the duty of financial services providers to inform customers of important matters related to the financial products that they offer.

Act Concerning Protection of Depositors and Relief for Victims of Certain Types of Fraud

The Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards (Act No. 94 of 2005, as amended) requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using forged or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using forged or stolen bankcards, subject to certain conditions.

The Act Concerning Payment of Dividends for Relief of Damages from Funds in Account used in connection with Crimes (Act No. 133 of 2007) requires that financial institutions take appropriate measures against various crimes including the closing of accounts used in connection with fraud and other crimes. The law also requires financial institutions to make, in accordance with specified procedures, payments from funds collected from the closed accounts to victims of certain crimes.

Act on Prevention of Transfer of Criminal Proceeds

Under the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007), which addresses money laundering and terrorism concerns, financial institutions and certain other entities, such as credit card companies, are required to perform customer identification, submit suspicious transaction reports and keep records of their transactions.

Other Regulations Related to Our Business

The Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, etc.

The Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises ("SMEs"), etc., became effective in December 2009 and required financial institutions to, among other things, endeavor to reduce their customers' burden of loan payments by employing such methods as term modification at the request of eligible borrowers, including SMEs and individual housing loan borrowers. The legislation also required financial institutions to internally establish a system to implement the requirements of the legislation and periodically make disclosures regarding, and report to the relevant authority the status of, implementation. Following the enactment of the legislation, the FSA altered its approach toward inspections and shifted its

emphasis to facilitation of finance while monitoring risks appropriately. These measures were originally scheduled to remain effective until March 2011, and the effective period was subsequently extended until 2013, but these measures were terminated upon the expiration of the effective period on March 31, 2013.

Financial Instruments and Exchange Act of Japan

The Financial Instruments and Exchange Act of Japan (“FIEA”) regulates the securities industry and most aspects of securities transactions in Japan, including public offerings, private placements and secondary trading of securities, ongoing disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory organizations and registration of securities companies. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is delegated to the FSA Commissioner under the FIEA. The Securities and Exchange Surveillance Commission, an external agency of the FSA, is independent from the Agency’s other bureaus and is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder fair trading of securities, including inspection of securities companies as well as banks in connection with their securities business. Furthermore, the FSA Commissioner delegates certain authority to the Director General of the Local Finance Bureau to inspect local securities companies and their branches. A violation of applicable laws and regulations may result in various administrative sanctions, including revocation of registration or authorization, suspension of business or an order to discharge any Director or Executive Officer who has failed to comply with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of securities companies.

An amendment to the FIEA was promulgated on September 12, 2012 in order to, among other things, facilitate the establishment of a “Comprehensive Exchange,” in which securities, financial derivatives and commodity derivatives are traded comprehensively. It enables Financial Instruments Exchanges to trade commodity derivatives to enhance user convenience. The FSA will conduct supervision of the “Comprehensive Exchange.” The amendment with regard to the “Comprehensive Exchange” will become effective within one year and a half after the date of promulgation.

Regulation of the Consumer Finance Business

In order to resolve the problems of heavily indebted borrowers and to effect proper regulation of the consumer finance business, in June 2010, maximum legal interest rates were reduced to levels prescribed by the Interest Rate Restriction Act, ranging from 15% to 20%, and gray zone interest, which is interest on loans in excess of rates prescribed by the Interest Rate Restriction Act up to the 29.2% maximum rate permitted under the Contributions Act, was abolished. Judicial decisions have strictly interpreted the conditions under which consumer finance companies may retain gray zone interest. As a result, claims for refunds of gray zone interest increased substantially. Amendments to the Money Lending Business Act provide an additional upper limit on aggregate borrowings by an individual from all moneylenders over which moneylenders may not extend further loans, as well as stricter regulation and supervision of moneylender activities.

Installment Sales Act

In order to ensure the fairness of transactions with respect to installment and other sales, prevent damage to consumers and manage credit card numbers, the Installment Sales Act (Act No. 159 of 1961, as amended) imposes requirements on those who conduct installment sales businesses. In June 2008, revisions to the Installment Sales Act were enacted, most of which became effective in December 2009. The revisions impose more stringent and expanded requirements for credit card companies, including, among other things: (1) wider coverage of installment sales under the regulations; (2) measures to prevent inappropriate extensions of credit for certain credit transactions; (3) measures to prevent excessive lending for certain credit transactions that include requirements to investigate the payment ability of consumers by use of designated credit information organizations and prohibition of execution of credit agreements that exceed the payment ability of consumers; and (4) measures to protect certain information, such as credit numbers.

Deregulation

The developments toward deregulation of the financial system including those described below have made the Japanese banking industry highly competitive.

Deregulation of Bank Engagement in the Securities Business

The gradual relaxation of the restrictions under the Securities and Exchange Act allowed banks to engage in the following business line, after taking appropriate registration measures with the FSA:

- underwriting and dealing in Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, commercial paper and certain bonds issued by special purpose companies;
- selling beneficiary certificates of investment trusts and securities issued by an investment company; and
- dealing in listed or OTC securities or derivatives transactions as well as in the securities intermediary business.

In addition, amendments to the FIEA and the Banking Act relating to firewalls and conflicts of interest between banks, securities companies and insurance companies became effective on June 1, 2009. The amendment relating to firewalls abolished the ban on certain officers and employees from holding concurrent posts in banks, securities companies and insurance companies, and relaxed restrictions on the transfer of non-public customer information. On the other hand, the amendment relating to conflicts of interest requires those financial institutions, including banks, to implement proper information management procedures and to develop appropriate internal systems to prevent customer interests from being unfairly harmed through trading by the companies or by other companies within their group. For example, the companies may be required to create information barriers between departments and monitor how it executes transactions with customers.

Deregulation of Insurance Products

The gradual deregulation of the financial services industry permitted banks in Japan to offer an increased variety of insurance products, including pension-type insurance to the full range, as an agent.

Privatization of Japan Post Holdings Co., Ltd.'s subsidiaries

The Government of Japan began privatizing or eliminating several government institutions in connection with making Japan Post Holdings Co., Ltd. ("Japan Post Holdings"), a joint stock corporation that holds shares of four operating companies. Privatization of Japan Post Holdings' banking and insurance subsidiaries, which was originally planned to be completed by 2017, was suspended in December 2009. In April 2012, a law was enacted to abolish the deadline of the privatization of Japan Post Holdings' banking and insurance subsidiaries. Under the Postal Privatization Act, Japan Post Holdings' banking subsidiary, one of the world's largest deposit-taking institutions, is allowed to expand its business with prior approval of the government.

Regulations in United States

As a result of its operations in the United States, the Bank and SMFG are subject to extensive federal and state banking and securities supervision and regulation. The Bank engages in U.S. banking activities directly through its branches in Los Angeles, San Francisco and New York and through its representative office in Houston. The Bank also controls a U.S. banking subsidiary, Manufacturers Bank, and a U.S. broker-dealer subsidiary, SMBC Nikko Securities America.

The Bank's New York branch is supervised by the Federal Reserve Bank of New York and the New York Department of Financial Services, but its deposits are not insured (or eligible to be insured) by the Federal

Deposit Insurance Corporation (“FDIC”). The Bank’s Los Angeles and San Francisco branches are supervised by the Federal Reserve Bank of San Francisco and the California Department of Financial Institutions, but their deposits are not insured (or eligible to be insured) by the FDIC. The Bank’s representative office in Houston is subject to regulation and examination by the Texas Department of Financial Institutions and the Federal Reserve Bank of Dallas.

The Bank and SMFG are qualifying foreign banking organizations under the U.S. International Banking Act of 1978 as amended (“International Banking Act”), and as such are subject to regulation as bank holding companies under the U.S. Bank Holding Company Act of 1956, as amended (“Bank Holding Company Act”). Additionally, the Bank and SMFG are bank holding companies by virtue of their ownership of Manufacturers Bank. As a result, the Bank, SMFG and their U.S. operations are subject to regulation, supervision and examination by the Federal Reserve Board as their U.S. “umbrella supervisor.”

Manufacturers Bank is a California state-chartered bank that is not a member of the Federal Reserve System. As a state non-member bank the deposits of which are insured by the FDIC, Manufacturers Bank is subject to regulation, supervision and examination by the FDIC and the California Department of Financial Institutions.

In order to further expand our business in the U.S., we and the Bank obtained financial holding company status under the Bank Holding Company Act on May 7, 2013, which authorizes the expansion of the scope of services we provide in the U.S., including the underwriting and trading of securities and other investment banking services.

Restrictions on Business Activities

As described below, federal and state banking laws and regulations restrict the Bank’s and SMFG’s ability to engage, directly or indirectly through subsidiaries, in the certain activities in the United States.

The Bank and SMFG are required to obtain the prior approval of the Federal Reserve Board before directly or indirectly acquiring the ownership or control of more than 5% of any class of voting shares of U.S. banks, certain other depository institutions and bank or depository institution holding companies. Under the Bank Holding Company Act and the Federal Reserve Board regulations, the Bank is required to serve as a source of financial strength to Manufacturers Bank. In addition, the Bank’s U.S. banking operations (including Manufacturers Bank and the Bank’s U.S. branches) are also restricted from engaging in certain “tying” arrangements involving products and services.

As financial holding companies we, the Bank and the companies under our control are permitted to engage in a broader range of activities in the U.S. and abroad than permitted for bank holding companies and their subsidiaries. Unless otherwise limited by the Federal Reserve Board, financial holding companies generally can engage, directly or indirectly in the U.S. and abroad, in financial activities, either de novo or by acquisition, by providing after-the-fact notice to the Federal Reserve Board. These financial activities include underwriting and dealing in securities, insurance underwriting and brokerage and making investments in non-financial companies for a limited period of time, as long as the financial holding company does not directly or indirectly manage the non-financial companies’ day-to-day activities, and the financial holding company’s banking subsidiaries engage only in permitted cross-marketing with the non-financial companies. If we or the Bank cease to qualify as financial holding companies, we could be barred from new financial activities or acquisitions, and have to discontinue the broader range of activities permitted to financial holding companies.

Other Prudential Restrictions

The Bank’s U.S. branches and Manufacturers Bank are subject to requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and

amounts of loans that may be made and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of Manufacturers Bank, and to a limited extent, the Bank's New York and California branches.

In addition, under U.S. federal banking laws, state-chartered banks (such as Manufacturers Bank) and state-licensed branches and agencies of foreign banks (such as the Bank's New York branch) may not, as a general matter, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts, unless (i) in the case of state-chartered banks, the FDIC determines that the additional activity would pose no significant risk to the FDIC's Deposit Insurance Fund and is consistent with sound banking practices and (ii) in the case of state-licensed branches and agencies of foreign banks, the Federal Reserve Board determines that the additional activity is consistent with sound banking practices. The U.S. federal banking laws also subject state branches and agencies of foreign banks to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. For the Bank's U.S. branches, these single-borrower lending limits are based on the worldwide capital of the Bank.

Under the International Banking Act, the Federal Reserve Board may terminate the activities of any U.S. office of a foreign bank if it determines (i) that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country (unless the home country is making demonstrable progress toward establishing such supervision), (ii) that there is reasonable cause to believe that such foreign bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or with the purposes of federal banking laws, or (iii) for a foreign bank that presents a risk to the stability of the United States financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

There are various qualitative and quantitative restrictions on the extent to which SMFG and its subsidiaries can borrow or otherwise obtain credit from its U.S. bank subsidiary, Manufacturers Bank, or engage in certain other transactions involving that subsidiary. In general, these transactions must be on terms that would ordinarily be offered by Manufacturers Bank to unaffiliated entities, and credit transactions must be secured by designated amounts of specified collateral. In addition, certain transactions, such as certain purchases by Manufacturers Bank from the Bank or its non-bank subsidiaries, are subject to volume limitations. Effective in July 2012, the Dodd-Frank Act (discussed below) subjects credit exposure arising from derivative transactions, securities borrowing and lending transactions, and repurchase/reverse repurchase agreements to these collateral and volume transactions limitations.

Regulatory Requirements applicable to Financial Holding Companies

As financial holding companies, we and the Bank are subject to additional regulatory requirements. For example, we, the Bank and Manufacturers Bank, which is our U.S. insured depository institution subsidiary, must be "well capitalized," meaning maintenance of a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. In addition, we, the Bank and Manufacturers Bank must be "well managed," including maintenance of examination ratings that are at least satisfactory. Further, the Bank is also required to be well capitalized and well managed under its home country standards, which must be comparable to those required for a U.S. bank. Failure to comply with such requirements would require us and the Bank to prepare a remediation plan, and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance without the prior approval of the Federal Reserve Board. Divestiture or termination of certain business activities in the U.S. may also be required as a consequence of failure to correct such conditions within 180 days.

Regulations for Stabilizing the Financial System

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) provides a broad framework for significant regulatory changes across most areas of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions, OTC derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, hedge fund registration, and securitization.

Implementation of the Dodd-Frank Act is taking place through detailed rulemaking over multiple years by various regulators, including the Office of the Comptroller of the Currency, the Federal Reserve Board, the SEC, the FDIC, the Commodity Futures Trading Commission (“CFTC”), the newly created Financial Stability Oversight Council and the newly created Consumer Financial Protection Bureau. Although the final details, impact and timing of certain of the implementing rules remain uncertain, complying with the final rules could result in additional costs, or restrict or otherwise affect the way we conduct our business.

The Dodd-Frank Act provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk and bank holding companies with greater than \$50 billion in assets, which is known as the “Volcker Rule.” In imposing such heightened prudential standards on non-U.S. financial institutions such as us and the Bank, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank holding company is subject to comparable home country standards. On December 14, 2012, the Federal Reserve Board proposed regulations that would impose enhanced prudential standards on the U.S. operations of certain large foreign banking organizations, such as us and the Bank. In particular, under the proposal, the Bank’s NY branch would be subject to liquidity, single counterparty credit limits and, in certain circumstances, asset maintenance requirements. In addition, under the proposal, it is possible that we may be required to create a separately capitalized top-tier U.S. intermediate holding company that would hold all of our U.S. subsidiaries and be subject to certain enhanced prudential standards.

The Volcker Rule will also limit the ability of bank holding companies and their affiliates to sponsor or invest in private equity or hedge funds (including an aggregate investment limit of 3% of Tier 1 capital in funds that are sponsored by the bank holding company) and to engage in certain types of proprietary trading, although certain non-U.S. banking entities (such as the Bank and SMFG) will be able to engage in such activities solely outside the United States. The U.S. agencies responsible for implementing the Volcker Rule proposed implementing rules in October 2011 and January 2012 but have not yet adopted final rules. The Volcker Rule became effective on July 21, 2012, although banking entities will have at least two years from that date to conform activities, investments and relationships in accordance with the Volcker Rule and the rules that are to be adopted by the agencies. The full impact of the Volcker Rule on our business will not be known with certainty until final regulations have been adopted.

Effective in July 2011, the Dodd-Frank Act removed a longstanding prohibition on the payment of interest on demand deposits by Manufacturers Bank and the Bank’s three branches in the United States. In addition, the Dodd-Frank Act will require Manufacturers Bank and the Bank’s U.S. branches to include in their lending limits the credit exposures arising from derivative transactions, and repurchase and reverse repurchase agreements with counterparties.

Furthermore, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. On October 12, 2012, the final joint rules of the CFTC and the SEC that further define “swap” and “security based swap” became effective. As a result, certain entities are required to register with the CFTC as “swap dealers” or “major swap participants” and our subsidiary, SMBC Capital Markets, Inc., became provisionally registered as a swap dealer on or around December 31, 2012. While some of the U.S. swaps requirements are

already final and effective, others are subject to further rulemaking or deferred compliance dates. Mandatory clearing, trade execution and reporting requirements for swaps began to take effect in the first half of 2013.

Regulations that the FDIC or the Consumer Financial Protection Bureau may adopt could affect the nature of the activities that a bank, such as Manufacturers Bank, may conduct, and may impose restrictions and limitations on the conduct of such activities.

Furthermore, the Dodd-Frank Act requires the SEC to establish rules requiring issuers with listed securities, which may include foreign private issuers such as us, to establish a “clawback” policy to recoup previously awarded compensation in the event of an accounting restatement. The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers, and expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions in the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

Laws Prohibiting Money Laundering and Terrorist Financing

USA PATRIOT Act of 2001

The Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (“PATRIOT Act”) contains measures to prevent and detect the financing of terrorism and international money laundering by imposing significant compliance and due diligence obligations, creating crimes, providing for penalties and expanding the extraterritorial jurisdiction of the United States. The Bank Secrecy Act, as amended, imposes anti-money laundering compliance obligations on U.S. financial institutions, including the U.S. offices of foreign banks. The passage of the PATRIOT Act and other events have resulted in heightened scrutiny of compliance with the Bank Secrecy Act and anti-money laundering rules by federal and state regulatory and law enforcement authorities.

U.S. Sanctions Targeting Iran Related Activities

In July 2010, the U.S. government enacted legislation designed to restrict economic and financial transactions with Iran, i.e., CISADA, which, as amended, may lead to the imposition of sanctions against non-U.S. financial institutions, such as us, if they are determined by the U.S. Secretary of the Treasury to have facilitated “significant transactions” or provided “significant financial services” for certain Iran-linked individuals or entities or the Iranian Revolutionary Guard Corps. Non-U.S. financial institutions that engage in sanctionable activity could lose their ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other possible sanctions.

On December 31, 2011, the U.S. government adopted Section 1245 of the 2012 NDAA, which broadened the range of sanctionable transactions to include conducting or facilitating “significant financial transactions” with the Central Bank of Iran or other Iranian financial institutions designated for sanctions under the International Emergency Economic Powers Act in connection with Iran’s weapons of mass destruction proliferation or support for international terrorism.

In addition, Executive Order 13622 of July 30, 2012, as amended, authorizes the U.S. Secretary of the Treasury, in consultation with the U.S. Secretary of State, to impose correspondent account sanctions on any foreign financial institution that knowingly conducts or facilitates a significant financial transaction with the National Iranian Oil Company or Naftiran Intertrade Company, or that knowingly conducts or facilitates a significant transaction for the purchase, acquisition, sale, transport or marketing of petroleum, petroleum products or petrochemical products from Iran, with certain exceptions.

Further, on August 10, 2012, the President signed the ITRA into law, which strengthens existing sanctions on Iran, especially those aimed at third-country nationals engaging in business with Iran, and includes measures relating to human rights abuses in Iran and Syria. It exposes non-U.S. persons to possible sanctions if they engage in specified activities relating to Iran.

In addition, the IFCA, which is included in the U.S. National Defense Authorization Act for Fiscal Year 2013, imposes, among other things, new sanctions against the energy, shipping and shipbuilding sectors of Iran, as well as Iranian port operators, and the sale, supply or transfer to or from Iran of certain precious and other metals and materials. Executive Order 13645 of June 3, 2013, effective on July 1, 2013, targets, among other things, the automotive sector of Iran and transactions in Iran's currency, the rial. The IFCA and Executive Order 13645 provide for the imposition of sanctions on persons, including foreign financial institutions, that knowingly engage in activities, related to the sectors and conduct targeted by the IFCA and Executive Order 13645, and activities involving certain Iranian persons included on the Specially Designated Nationals and Blocked Persons List maintained by OFAC.

The U.S. Secretary of State announced on March 20, 2012 that Japan was among a number of countries that had significantly reduced the volume of crude oil purchases from Iran, and that the 2012 NDAA sanctions therefore would not apply to Japanese financial institutions for a period of 180 days, which period may be renewed based on ongoing reductions in crude oil purchases from Iran. Japan's exception under the 2012 NDAA was renewed on September 14, 2012 and again on March 13, 2013. The exception also exempts Japanese financial institutions from sanctions under certain provisions of Executive Order 13622, the IFCA, and Executive Order 13645. The exception applies only if the financial transactions conducted or facilitated by a Japanese financial institution are solely for trade in goods and services between Japan and Iran and any funds owed to Iran as a result of such trade are credited to an account in Japan and not repatriated to Iran. In addition, the exception in Executive Order 13645, applies only if the financial transaction is for the purchase of petroleum or petroleum products from Iran. There is no guarantee that the U.S. Secretary of State will continue to renew this waiver with respect to Japanese financial institutions.

Foreign Account Tax Compliance Act

Provisions of the U.S. Internal Revenue Code and U.S. Treasury regulations commonly referred to as Foreign Account Tax Compliance Act ("FATCA") aim to prevent U.S. persons from using offshore accounts to evade U.S. federal income tax. Under FATCA, a 30% withholding tax is imposed on "withholdable payments" (which generally include certain U.S.-source "fixed or determinable annual or periodical" payments and gross proceeds from the disposition of any property that can produce U.S.-source interest or dividends) and "foreign passthru payments" (described below) made to a foreign financial institution (such as ourselves and certain of our banking subsidiaries) that is not a "participating foreign financial institution" ("PFFI"). A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department pursuant to which it agrees to perform specified due diligence, reporting and withholding functions (a "PFFI agreement"). Specifically, under its PFFI agreement, a PFFI will be required to obtain and report to the U.S. Internal Revenue Service certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and to withhold 30% from "foreign passthru payments" (which term is not yet defined under FATCA) that it makes on or after the later of January 1, 2017 and the date of publication of final U.S. Treasury regulations defining the term "foreign passthru payments," to "recalcitrant" accountholders or to foreign financial institutions that are not PFFIs. The United States has announced an intention to enter into intergovernmental agreements with more than 50 countries in furtherance of the objectives of FATCA, which may modify the operation of FATCA with respect to financial institutions located in those countries. On June 11, 2013 the United States and Japan entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which Japanese financial institutions (such as us and certain of our banking subsidiaries) will be directed by the Japanese authorities to register with the IRS and fulfill obligations consistent with those required under a PFFI agreement. The intergovernmental agreement does not clarify how the United States and Japan will address "foreign passthru payments" or if withholding by Japanese financial institutions on such payments will be required. Given the uncertainties regarding whether and to what extent an intergovernmental agreement would modify FATCA as it applies to us and our subsidiaries, the impact of FATCA on us and our subsidiaries is not clear. Our compliance with rules that might be imposed by an intergovernmental agreement, or our becoming a PFFI and complying with a PFFI agreement, may require the establishment of complex internal compliance systems at significant cost. On the other hand, failure to do so could result in the imposition of additional withholding tax on certain payments made to us or our banking subsidiaries.

Other Regulations in the United States

In the United States, the Bank's U.S.-registered broker-dealer subsidiary, SMBC Nikko Securities America, is regulated by the SEC. Broker-dealers are subject to regulations that cover all aspects of the securities business, including:

- sales methods;
- trade practices among broker-dealers;
- use and safekeeping of customers' funds and securities;
- capital structure;
- record-keeping;
- the financing of customers' purchases; and
- the conduct of directors, officers and employees.

In addition, SMBC Nikko Securities America is a member of and regulated by the Financial Industry Regulatory Authority and is regulated by the individual state securities authorities in the states in which it operates. The U.S. government agencies and self-regulatory organizations, as well as state securities authorities in the United States having jurisdiction over the Bank's U.S. broker-dealer affiliates, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

Regulations in Other Jurisdictions

Elsewhere in the world, our operations are subject to regulation and control by local central banks and monetary authorities.

Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934

Section 13(r) of the Securities Exchange Act of 1934, as amended, requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities or transactions relating to Iran or with individuals or entities designated by the U.S. government under specified Executive Orders, even if those activities are not prohibited by U.S. law and are conducted outside the United States by non-U.S. affiliates. During the twelve months ended March 31, 2013, one affiliate of SMFG, SMBC, engaged in activities subject to disclosure under section 13(r). SMBC conducted these activities consistent with its internal policies and procedures, the policies and procedures of SMFG, and applicable laws and regulations.

SMBC issued letters of credit and provided remittance and other settlement services in connection with customers' trade transactions between Japan and Iran. These transactions principally involved the importation of oil into Japan or exportation of civilian commercial products from Japan and were conducted with Iranian banks. Also, with the authorization of the Ministry of Finance of Japan, SMBC negotiated export bills under the remaining balance of a letter of credit that Bank Tejarat had previously issued before it was designated under Executive Order 13382. These transactions did not involve the settlement of U.S. dollar-denominated payments cleared through U.S. banks. SMBC has informed SMFG that it intends to continue to engage in these types of transactions on a limited basis to the extent permitted under applicable regulations. For the twelve months ended March 31, 2013, the gross revenue related to these transactions was ¥3.1 million, representing about 0.0001% of SMFG's total interest and fee income. SMFG does not allocate direct costs to interest and fee income and therefore does not calculate net profits with respect to these transactions.

In the past, SMBC has issued performance bonds that supported various projects, including the construction of petroleum plants in Iran. Some of these performance bonds may have had counterparties that were entities or instrumentalities of the Government of Iran, or were issued through Iranian banks that have since been

designated under Executive Order 13382 or 13224. All of these performance bonds have matured, and SMBC has not renewed and will not renew them, but SMBC may continue to have obligations under the matured performance bonds until they are returned or cancelled by the beneficiaries. With the authorization of the Ministry of Finance of Japan, SMBC has paid fees to these Iranian banks for insuring the previously-issued performance bonds. SMBC has also received fees from its customers on whose behalf it issued the performance bonds. For the twelve months ended March 31, 2013, the gross revenue relating to these transactions was ¥15.9 million, representing less than 0.0006% of SMFG's total interest and fee income. As noted above, SMFG does not allocate direct costs to interest and fee income and therefore does not calculate net profits with respect to these transactions. SMBC has informed SMFG that it intends to continue to accept fee income from its customers for whose account the performance bonds were issued and to pay the relevant fees to the Iranian banks, to the extent authorized by the Ministry of Finance of Japan or otherwise permitted under applicable regulations, until the bonds are returned or cancelled. However, SMBC strongly urges the relevant customers to ask the beneficiaries to agree to return or cancel these performance bonds.

SMBC has frozen all accounts of Iranian banks designated under Executive Order 13382 or 13224 pursuant to Japanese foreign exchange laws, and has frozen U.S. dollar accounts of other Iranian banks. During the twelve months ended March 31, 2013, SMBC withdrew a fee of ¥2 thousand for issuance of bank certification of deposit from one of these frozen accounts with the authorization of the Ministry of Finance of Japan. SMBC still maintains two Japanese yen accounts of government-owned Iranian banks, including an account for the Central Bank of Iran, and certain transactions described above were conducted through the use of such accounts. These transactions were conducted in accordance with Japanese law, and we do not believe that the transactions were sanctionable under U.S. sanctions, due to the exception for Japanese financial institutions under the 2012 NDAA that was in effect at the time the transactions occurred. For a description of the exception under the 2012 NDAA described in this paragraph, see "Item 4.B. Business Overview—Regulations in United States—Laws Prohibiting Money Laundering and Terrorist Financing." The aggregate balance of these correspondent accounts with Iranian banks is ¥820 million, and the gross revenue attributable to these accounts for the twelve months ended March 31, 2013, was ¥4.0 million, representing less than 0.0002% of SMFG's total interest and fee income. SMFG does not allocate direct costs to interest and fee income and therefore does not calculate net profits with respect to these transactions. SMBC has informed SMFG that it intends to continue to maintain the Iranian accounts described above to the extent permitted under applicable laws and regulations.

Between 2001 and 2006, prior to changes in applicable laws and regulations, SMBC made loans to Japanese-owned entities involved in financing the development of petroleum-related projects in Iran that may have been commissioned by the Government of Iran. No additional loans have been extended since then, and none will be. The loans have matured, but one such borrower still owes SMBC an overdue balance of \$2.9 million, representing less than 0.0004% of the total value of SMFG's total outstanding loans. For twelve months ended March 31, 2013, the gross revenue with respect to these loans was less than ¥1.4 million, representing less than 0.0001% of SMFG's total interest and fee income. SMFG does not allocate direct costs to interest and fee income and therefore does not calculate net profits with respect to these transactions. SMBC has informed SMFG that it intends to continue to accept repayment from the borrower, to the extent permitted under applicable laws and regulations.

As of the date of this annual report, to our knowledge, there are no other activities for the twelve months ended March 31, 2013 that require disclosure under Section 13(r) of the Securities Exchange Act of 1934.

4.C. ORGANIZATIONAL STRUCTURE

The following chart presents our corporate structure summary at March 31, 2013.

Sumitomo Mitsui Financial Group, Inc.	Commercial Banking	(Domestic) Sumitomo Mitsui Banking Corporation (SMBC) ----- THE MINATO BANK, LTD. Kansai Urban Banking Corporation The Japan Net Bank, Limited SMBC Guarantee Co., Ltd. (Foreign) Sumitomo Mitsui Banking Corporation Europe Limited Sumitomo Mitsui Banking Corporation (China) Limited Manufacturers Bank Sumitomo Mitsui Banking Corporation of Canada Banco Sumitomo Mitsui Brasileiro S.A. ZAO Sumitomo Mitsui Rus Bank PT Bank Sumitomo Mitsui Indonesia Sumitomo Mitsui Banking Corporation Malaysia Berhad Vietnam Export Import Commercial Joint Stock Bank ⁽¹⁾	SMBC's Consumer Banking Unit SMBC's Middle Market Banking Unit SMBC's Corporate Banking Unit SMBC's International Banking Unit SMBC's Treasury Unit
	Leasing	(Domestic) Sumitomo Mitsui Finance and Leasing Company, Limited Sumitomo Mitsui Auto Service Company, Limited ⁽¹⁾ (Foreign) SMBC Leasing and Finance, Inc. SMBC Aviation Capital Limited	
	Securities	(Domestic) SMBC Nikko Securities Inc. SMBC Friend Securities Co., Ltd. (Foreign) SMBC Nikko Securities America, Inc. SMBC Nikko Capital Markets Limited	
	Consumer Finance	(Domestic) Sumitomo Mitsui Card Company, Limited (Credit card) Cedyna Financial Corporation (Credit card and consumer credit) SMBC Consumer Finance Co., Ltd. (Consumer lending) SAKURA CARD CO., LTD. (Credit card) SMM Auto Finance, Inc. (Automobile sale financing) SMBC Finance Service Co., Ltd. (Collecting agent and factoring) POCKET CARD CO., LTD. ⁽¹⁾ (Credit card)	
	Others	(Domestic) The Japan Research Institute, Limited (System development, data processing, management consulting and economic research) SAKURA KCS Corporation (System engineering and data processing) Financial Link Co., Ltd. (Data processing service and consulting) SMBC Venture Capital Co., Ltd. (Venture capital) SMBC Consulting Co., Ltd. (Management consulting and information services) Japan Pension Navigator Co., Ltd. (Operational management of defined contribution pension plans) JSOL Corporation ⁽¹⁾ (System development and data processing) Sakura Information Systems Co., Ltd. ⁽¹⁾ (System engineering and data processing) Daiwa SB Investments Ltd. ⁽¹⁾ (Investment advisory and investment trust management) Sumitomo Mitsui Asset Management Company, Limited ⁽¹⁾ (Investment advisory and investment trust management) (Foreign) SMBC Capital Markets, Inc. (Derivatives)	

(1) These companies are our associates.

As the ultimate holding company of the Group, we are responsible for:

- group strategy and management;
- group resource allocation;
- group financial accounting;
- investor relations;
- capital strategy;

- group IT strategy;
- HR management for group executives;
- group risk management and compliance;
- compensation schemes; and
- efficiently harmonizing our operations on a Group-wide basis.

Principal Subsidiaries

Our principal subsidiaries at March 31, 2013 are shown in the list below. We consolidate all entities over which we control, or have the power to govern the financial and operating policies so as to obtain benefits from their activities.

Principal domestic subsidiaries

Company Name	Proportion of Ownership Interest ⁽⁴⁾	Proportion of Voting Rights ⁽⁴⁾	Main Business
	(%)	(%)	
Sumitomo Mitsui Banking Corporation	100.0	100.0	Commercial banking
THE MINATO BANK, LTD.	6.0	46.4 ⁽¹⁾⁽³⁾	Commercial banking
Kansai Urban Banking Corporation	59.8	60.1	Commercial banking
The Japan Net Bank, Limited	41.1 ⁽²⁾	61.4	Internet banking
SMBC Guarantee Co., Ltd.	100.0	100.0	Credit guarantee
Sumitomo Mitsui Finance and Leasing Company, Limited	60.0	60.0	Leasing
SMBC Nikko Securities Inc.	100.0	100.0	Securities
SMBC Friend Securities Co., Ltd.	100.0	100.0	Securities
Sumitomo Mitsui Card Company, Limited	65.9	65.9	Credit card
Cedyna Financial Corporation	100.0	100.0	Credit card and consumer credit
SMBC Consumer Finance Co., Ltd.	100.0	100.0	Consumer lending
SAKURA CARD CO., LTD.	95.7	95.7	Credit card
SMM Auto Finance, Inc.	56.0	56.0	Automobile sales financing
SMBC Finance Service Co., Ltd.	100.0	100.0	Collecting agent and factoring
The Japan Research Institute, Limited	100.0	100.0	System development, data processing, management consulting and economic research
SAKURA KCS Corporation	50.2	50.2	System engineering and data processing
Financial Link Co., Ltd.	100.0	100.0	Data processing service and consulting
SMBC Venture Capital Co., Ltd.	40.0	40.0 ⁽³⁾	Venture capital
SMBC Consulting Co., Ltd.	100.0	100.0	Management consulting and information services
Japan Pension Navigator Co., Ltd.	69.7	69.7	Operational management of defined contribution pension plans

(1) We have a 6.0% direct holding in THE MINATO BANK, LTD., and can control further 40.4% of the voting rights held by the Bank's retirement benefit trust under contractual agreements between the Bank and the retirement benefit trust.

(2) Our ownership interest in The Japan Net Bank, Limited is 41.1%, which is different from its proportion of voting rights, because The Japan Net Bank, Limited issued non-voting shares.

(3) These companies are accounted for as subsidiaries, despite our holdings of less than 50% of the voting rights, because we are able to govern the financial and operating policies of these companies under a statute or an agreement, or by delegating the majority of the members of the board of directors.

(4) Percentages of proportion of ownership interest and proportion of voting rights have been truncated.

Principal foreign subsidiaries

<u>Company Name</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest⁽¹⁾</u> (%)	<u>Proportion of Voting Rights⁽¹⁾</u> (%)	<u>Main Business</u>
Sumitomo Mitsui Banking Corporation Europe Limited	U.K.	100.0	100.0	Commercial banking
Sumitomo Mitsui Banking Corporation (China) Limited	China	100.0	100.0	Commercial banking
Manufacturers Bank	U.S.A.	100.0	100.0	Commercial banking
Sumitomo Mitsui Banking Corporation of Canada	Canada	100.0	100.0	Commercial banking
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil	100.0	100.0	Commercial banking
ZAO Sumitomo Mitsui Rus Bank	Russia	100.0	100.0	Commercial banking
PT Bank Sumitomo Mitsui Indonesia	Indonesia	98.4	98.4	Commercial banking
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Malaysia	100.0	100.0	Commercial banking
SMBC Leasing and Finance, Inc.	U.S.A	100.0	100.0	Leasing
SMBC Aviation Capital Limited	Ireland	90.0	90.0	Leasing
SMBC Nikko Securities America, Inc.	U.S.A.	100.0	100.0	Securities
SMBC Nikko Capital Markets Limited	U.K.	100.0	100.0	Securities
SMBC Capital Markets, Inc.	U.S.A.	100.0	100.0	Derivatives

(1) Percentages of proportion of ownership interest and proportion of voting rights have been truncated.

4.D. PROPERTY, PLANT AND EQUIPMENT

The assets for rent we own for the purpose of operating lease mainly consists of the aircraft for leasing business, with which we commenced operation from June 1, 2012. We own or lease the land and buildings in which we conduct our business. Most of the property that we operate in Japan is owned by us to be used by our branches. In contrast, our international operations are conducted out of leased premises. Our head office building in Marunouchi is leased from a third party. Our largest property is the site of the Bank's former Otemachi head office, with a net carrying value of ¥122 billion at March 31, 2013. The redevelopment of such property started in April 2011 and is expected to be completed in February 2015.

The following table shows the net carrying amount of our tangible fixed assets at March 31, 2013.

	<u>At March 31, 2013</u>
	<u>(In millions)</u>
Assets for rent	¥ 865,825
Land	477,927
Buildings	287,448
Leased assets	9,065
Others	117,729
Total	<u>¥1,757,994</u>

For more information, see Note 12 "Property, Plant and Equipment" and Note 38 "Assets Pledged and Received as Collateral" to our consolidated financial statements included elsewhere in this annual report.

The total area of land related to our material office and other properties at March 31, 2013 was approximately 746,000 square meters for owned land and approximately 17,000 square meters for leased land.

We are not aware of any material environmental issues that may affect the utilization of our assets.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The discussion below should be read together with “Item 3.A. Selected Financial Data” and our consolidated financial statements and related notes included elsewhere in this annual report. Unless otherwise indicated, we present our information on a consolidated basis.

OVERVIEW

Operating Environment

Our results of operations and financial condition are significantly affected by developments in Japan as well as the global economy.

For the fiscal year ended March 31, 2013, Japanese gross domestic product (“GDP”) increased by 1.2%, compared with an increase of 0.2% in the previous fiscal year, based on data published in June 2013 by the Cabinet Office of the Government of Japan.

For the first half of the fiscal year ended March 31, 2013, the Japanese economy was supported by domestic demand from post-earthquake reconstruction. However, the prolonged slowdown in the global economy contributed to the contraction of the Japanese economy during that period. As a result, Japanese GDP declined, on a quarter-on-quarter basis, by 0.2% for the period from April to June 2012 and 0.9% for the period from July to September 2012. The Japanese economy gradually improved in the second half of the fiscal year. Quarter-on-quarter growth rates of Japanese GDP were 0.3% for the period from October to December 2012 and 1.0% for the period from January to March 2013. GDP growth in the second half was supported by an increase in private consumption, although capital investment by business remained sluggish. Exports grew toward the end of the fiscal year, reflecting gradual recovery in the global economy and depreciation of the yen.

Private consumption, which accounts for about 60% of Japanese GDP, increased by 1.6% for the fiscal year ended March 31, 2013. Private consumption for the period from April to June 2012 increased by 0.2% on a quarter-on-quarter basis. Sales of automobiles were steady owing to policy effects such as the government subsidies for purchases of environmentally friendly vehicles, and underpinned private consumption. For the period from July to September 2012, consumption of durable goods and of services was sluggish and, as a result, private consumption decreased by 0.4% on a quarter-on-quarter basis. For the period from October to December 2012, consumption of services recovered and private consumption increased by 0.4% on a quarter-on-quarter basis. Thereafter, private consumption remained resilient, supported by the improvement of consumer confidence, and increased by 0.9% on a quarter-on-quarter basis for the period from January to March 2013.

Private investment consists of capital investments by business and private residential investments and accounts for about 15% of Japanese GDP. Capital investments by business decreased by 1.4% for the fiscal year ended March 31, 2013. For the period from April to June 2012 and from July to September 2012, capital investments by business decreased on a quarter-on-quarter basis by 0.2% and 3.3%, respectively, reflecting the prolonged weakening of the global economy. For the period from October to December 2012 and from January to March 2013, capital investments by business continued to decrease on a quarter-on-quarter basis by 1.5% and 0.3%, respectively, although resilience was observed in non-manufacturing investments. On the other hand, private residential investments increased by 5.3% for the fiscal year ended March 31, 2013. For the period from April to June 2012, private residential investments increased by 2.3% on a quarter-on-quarter basis, partly supported by the demand for reconstruction of disaster-stricken homes, but growth slowed to 1.5% on a quarter-on-quarter basis for the period from July to September 2012. Then, for the period from October to December 2012 and from January to March 2013, private residential investments increased on a quarter-on-quarter basis by 3.5% and 1.9%, respectively.

The ratio of exports of goods and services to Japanese GDP has ranged between 11% and 17% over the last ten years. For the fiscal year ended March 31, 2013, exports of goods and services decreased by 1.3%. For the period from April to June 2012, exports of goods and services decreased marginally, by 0.0% when rounded on a quarter-on-quarter basis, which is equivalent to an annual rate of 0.2%. In the period, exports to Europe decreased, reflecting recessionary conditions in some European countries. Thereafter, exports continued to slow down due to the weakening global economy and protracted strength of the yen. Exports of goods and services for the period from July to September 2012 decreased by 4.4% on a quarter-on-quarter basis. For the period from October to December 2012, exports of goods and services decreased by 2.9% on a quarter-on-quarter basis, due to the decline in exports to China and sluggish exports to Europe. However, exports showed some signs of picking up toward the end of the fiscal year, reflecting the recovery in the global economy and the depreciation of the yen. For the period from January to March 2013, exports of goods and services increased by 3.8% on a quarter-on-quarter basis.

The ratio of imports of goods and services to Japanese GDP has ranged between 11% and 14% over the last ten years. For the fiscal year ended March 31, 2013, imports of goods and services increased by 3.8%. Imports of goods and services for the period from April to June 2012 increased by 1.8% on a quarter-on-quarter basis. Imports of raw materials including mineral fuels used for thermal power generation increased in the period. Then, for the periods from July to September 2012 and from October to December, 2012, imports of goods and services decreased on a quarter-on-quarter basis by 0.3% and 2.2%, respectively. For the period from January to March 2013, imports of goods and services increased again by 1.0% on a quarter-on-quarter basis, reflecting the continued high levels of imports of raw materials including liquefied natural gas and petroleum used for thermal power generation.

Industrial production in Japan decreased markedly during the fiscal year ended March 31, 2013 due to a slowdown in the global economy in the first half of the fiscal year. However, toward the end of the fiscal year industrial production showed some signs of picking up reflecting recovery in the global economy and the depreciation of the yen.

The employment and income situation in Japan generally improved, although it still remained weak. On a quarter-on-quarter basis, compensation of employees decreased by 0.2% for the period from April to June 2012 and increased by 0.6% for the period from July to September 2012. These changes were followed by a decrease of 0.4% for the period from October to December 2012 and an increase of 0.6% for the period from January to March 2013. In addition, the active job openings-to-applicants ratio continued to improve and the unemployment rate was on a downward trend although there were monthly fluctuations.

Further, according to Teikoku Databank, a Japanese research institution, there were approximately 10,700 corporate bankruptcies in Japan for the fiscal year ended March 31, 2013, a decrease of 6.3% from the previous fiscal year, involving approximately ¥2.9 trillion in total liabilities, a decrease of 25.2% from the previous fiscal year.

In Japanese financial and capital markets, short-term interest rates were stable at relatively low levels during the fiscal year ended March 31, 2013, due to the BOJ's ongoing provision of ample funds. In the first half of the fiscal year, long-term interest rates hovered at relatively low levels. In the second half of the fiscal year, long-term interest rates further decreased and were around 0.6% (at the 0.55%-or-more level) at March 31, 2013.

The Nikkei Stock Average, which is a price-weighted average of 225 stocks listed on the Tokyo Stock Exchange First Section, dropped from ¥10,083.56 at March 31, 2012 to as low as the ¥8,200 level in June 2012 and recovered slightly to ¥8,870.16 by the end of the interim period at September 30, 2012. Subsequently, the Nikkei Stock Average rose to ¥12,397.91 at March 31, 2013. The Nikkei Stock Average increased to ¥13,677.32 at June 30, 2013.

The yen appreciated against the U.S. dollar from the ¥82 level and against the euro from the ¥110 level at March 31, 2012 to the ¥77 level in September 2012 and to the ¥94 level in July 2012, respectively. Thereafter,

monetary easing was carried out in Japan and anticipation of a recovery in the global economy increased, and the yen depreciated against the U.S. dollar and against the euro. The exchange rates for the yen to the U.S. dollar and to the euro at March 31, 2013 were at the ¥94 level and the ¥120 level, respectively, and those at June 30, 2013 were at the ¥98 level and the ¥128 level, respectively.

The global economy, as a whole, slowed down for the first half of the fiscal year ended March 31, 2013, due to the impact of the recessionary conditions of some European countries. However, as there were some signs of an economic recovery in some areas, including in the U.S. and China, the global economy gradually headed toward recovery in the second half of the fiscal year. For further information on exposures to certain European countries, see “Item 5.A. Operating Results—Financial Condition—Exposures to Selected European Countries.”

The U.S. economy showed some signs of recovery but its growth was slow for the first half of the fiscal year ended March 31, 2013, reflecting sluggish growth in employment and income, and stalling momentum in capital investments. In the second half of the fiscal year, the U.S. economy continued a gradual recovery as private consumption and residential investment remained firm. The European economy suffered from recessionary conditions for the first half of the fiscal year, against the background of worsening consumer and business confidence and the pressures relating to policies of fiscal restraint. In the second half of the fiscal year, the European economy, which was suffering from a prolonged sovereign debt crisis and the worsening employment situation, continued to slow down. In the Chinese economy, the growth of fixed asset investment slowed down for the first half of the fiscal year, reflecting control measures put in place over the real estate market. Exports from China to European countries, which represent a large share of China’s exports, were also down. In the second half of the fiscal year, the Chinese economy showed some signs of picking up, partly due to the recovery of exports and the increased investment in infrastructure. In other Asian countries, the overall pace of economic growth or recovery was slow for the fiscal year.

In addition to economic factors and conditions, we expect that our results of operations and financial condition will be significantly affected by regulatory trends.

To address perceived weaknesses in financial regulation revealed by the global financial crisis, regulatory authorities in Japan and foreign countries have been and may continue taking significant steps to enhance regulation of the financial sector. The BCBS and other international bodies are leading efforts to formulate enhanced regulations, including in the areas of capital adequacy and liquidity. The BCBS published the Basel III rules text in December 2010, reflecting agreement on global regulatory standards on capital adequacy and liquidity of internationally active banks. The new rules started to be phased in on January 1, 2013 and will be fully applied from January 2019. To reflect the principal risk-weighted capital measures of the Basel III rules text, the FSA has promulgated new capital adequacy requirements which started to be phased in on March 31, 2013 and will be fully applied from March 31, 2019. For a more detailed description of the capital adequacy rules based on Basel III, see “Item 4.B. Business Overview—Regulations in Japan.”

Japanese banks are facing increased scrutiny over their credit policies relating to SMEs and residential mortgage loans. The Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc., which took effect on December 4, 2009, required financial institutions to, among other things, make an effort to reduce their customers’ burden of loan repayments through methods such as term modification at the request of eligible borrowers, including SMEs and individual housing loan borrowers. These measures were originally scheduled to remain effective until March 2011, and the effective period was extended until 2013, but these measures were terminated upon the expiration of the term on March 31, 2013. For a more detailed description of the Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc., see “Item 4.B. Business Overview—Regulations in Japan.”

In the United States, the Dodd-Frank Act which was enacted in July 2010, provides a broad framework for significant regulatory changes across most areas of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically

significant U.S. financial institutions, OTC derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, hedge fund registration, and securitization. For a more detailed description of the Dodd-Frank Act, see “Item 4.B. Business Overview—Regulations in United States.”

For a more detailed description of regulations to which we are subject, risks associated with regulatory development and our management policy under this environment, see “Item 3.D. Risk Factors—Risks Related to Our Business, and Risks Related to Our Industry,” “Item 4.B. Business Overview—Regulations in Japan,” “Item 4.B. Business Overview—Regulations in United States,” “Item 4.B. Business Overview—Regulations in Other Jurisdictions,” and “Item 4.B. Business Overview—Description of Operations and Principal Activities—Management Policies.”

Factors Affecting Results of Operation

Income (Loss)

We have three principal sources of operating income: net interest income, net fee and commission income, and net trading/investment income. Income other than these three principal sources is included in “Other income.”

Net Interest Income. Net interest income, or the difference between interest income and interest expense, is determined by:

- the amount of interest-earning assets and interest-bearing liabilities;
- the interest spread;
- the general level of interest rates; and
- the proportion of interest-earning assets to interest-bearing liabilities.

Our principal interest-earning assets are loans and advances, investment securities, and deposits with banks. Our principal interest-bearing liabilities are deposits, borrowings and debt securities in issue. The interest income and expense on trading assets and liabilities are not included in net interest income. Our net interest income is earned mainly by the Bank. The Bank controls its exposure to interest rate fluctuations through asset and liability management operations.

The Bank, like other banks in Japan, makes most domestic loans based on a short-term interest rate, the TIBOR, or a short-term prime rate, which are generally intended to reflect its cost of short-term yen funding. The Bank’s short-term prime rate is affected mainly by changes in the policy interest rates set by the BOJ, which is an uncollateralized overnight call rate.

Prime rates in Japan have been relatively stable since 2000. This is mainly because short-term interest rates, for example, the three-month TIBOR, have declined to nearly zero, and prime rates, which are adjusted according to changes in short-term interest rates, had little room for further decline. The BOJ lowered its target for the uncollateralized overnight call rate from 0.5% to 0.3% on October 31, 2008 and by an additional 0.2 percentage point to 0.1% on December 19, 2008 in order to address market conditions. Following these policy interest rate changes, we lowered our short-term prime rate by 0.2 percentage point from 1.675% to 1.475% on January 13, 2009 and our ordinary deposit rate by 0.02 percentage point from 0.04% to 0.02% on September 13, 2010. On October 5, 2010, the BOJ lowered its target for the uncollateralized overnight call rate to a range of 0% to 0.1% to pursue a virtual zero interest rate policy. On February 14, 2012, the BOJ clarified its monetary policy stance to enhance monetary easing, with the aim of achieving the goal of 1% year-on-year rate of increase in the consumer price index (“CPI”). Moreover, on January 22, 2013, the BOJ decided to set the price stability target at 2% in terms of the year-on-year rate of increase in the CPI and pursue aggressive monetary easing. In order to achieve the price stability target at the earliest possible time, the BOJ announced on April 4, 2013 the

introduction of “quantitative and qualitative monetary easing” including doubling the monetary base and the amounts outstanding of Japanese government bonds as well as exchange-traded funds in two years. The following table sets forth the Bank’s short-term prime rate, three-month TIBOR, ordinary deposit rate, long-term prime rate and ten-year swap rate, at the dates indicated:

	<u>At March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Short-term prime rate	1.475%	1.475%	1.475%
Three-month TIBOR	0.250	0.336	0.340
Ordinary deposit rate	0.020	0.020	0.020
Long-term prime rate	1.150	1.350	1.600
Ten-year swap rate	0.686	1.035	1.299

It is difficult to earn a wide interest spread when interest rates are at a low level, as they currently are in Japan. When interest rates rise from extremely low levels, interest spreads at commercial banks generally increase. However, interest spreads may temporarily decrease immediately after an increase in interest rates because it may take time for banks to increase lending rates correspondingly, in contrast to their funding rates. After an adjustment period, lending rates generally also increase and banks are able to secure a wider interest spread than in a low interest rate environment. Conversely, interest spreads may temporarily increase immediately after a decrease in interest rates because it may take time for banks to decrease lending rates correspondingly, in contrast to their funding rates. After an adjustment period, lending rates generally also decrease and banks generally are not able to maintain a wide interest spread. While various factors may affect the level of net interest income, generally the loan-to-deposit interest spread increases when short-term interest rates rise, particularly in the current low interest-rate environment.

Net Fee and Commission Income. We earn fees and commissions from a variety of services. The primary components of the Bank’s net fee and commission income are fees and commissions related to money remittances and transfers, investment trusts, loans (such as loan commitment fees and loan arrangement fees), securities transactions (such as bond trustee fees and bond recording agency fees) and guarantees and acceptances. Other fees and commissions include fees from investment banking and electronic banking.

In addition, we earn a significant amount of fees and commissions from our credit card business, conducted through Sumitomo Mitsui Card and Cedyne, and from our securities business, conducted through SMBC Nikko Securities and SMBC Friend Securities. The principal components of Sumitomo Mitsui Card’s and Cedyne’s fees and commissions are membership fees from retailers and annual cardholder membership fees, while those of SMBC Nikko Securities’ and SMBC Friend Securities’ fees and commissions are subscription and agent commissions from investment trusts and underwriting commissions.

The principal factors affecting fees and commissions are the demand for the services provided, the fees charged for those services and fees charged by competitors for similar services. The volume of services provided also affects profitability, as our fee businesses have significant economies of scale. In order to diversify sources of revenue and enhance return on assets, we are expanding our fees and commissions businesses, including sales of investment trusts and life insurance products, and investment banking businesses.

Net Trading/Investment Income. We undertake significant trading activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility caused by, among other things, changes in interest rates, exchange rates, equity prices or other market variables. Any unexpected change in interest rates could affect the fair value of our interest rate derivative positions and our net income from trading activities. Net trading income consists of margins made on market-making and our customer business as well as changes in fair value of trading assets and liabilities and derivative financial instruments. It also includes net interest and dividend income on these instruments.

We have hybrid instruments classified as financial assets at fair value through profit or loss in our consolidated financial statements. Net income from financial assets at fair value through profit or loss includes gains and losses arising from sales and the change in the fair value of these instruments. It also includes interest and dividend income on these instruments.

We have substantial investments in debt securities as available-for-sale financial assets. In particular, Japanese government bonds represent a significant part of our bond portfolio. We also own debt securities denominated in foreign currencies, principally the U.S. dollars. We also have investments in equity securities as available-for-sale financial assets, which include our strategic investments in stocks issued by our customers. Net investment income includes the gains and losses arising from the sales or redemptions of available-for-sale financial assets and the dividend income earned from available-for-sale equity instruments. Increases in interest rates or declines in equity prices could substantially decrease the fair value of our available-for-sale financial assets.

Other Income. Other income consists primarily of income from operating leases conducted by SMFL and income related to IT solution services.

Expenses

Impairment Charges on Financial Assets. Our impairment charges are recorded mainly due to impairment on loans and advances and on investment securities.

Impairment charges on loans and advances are affected by the economic environment and financial conditions of borrowers. During periods of economic slowdown, corporate and individual borrowers are generally more likely to suffer credit rating downgrades, or become delinquent or default on their borrowings. The slowdown in the domestic or global economy may increase credit costs relating to a wide range of industries.

Declines in market prices for domestic and foreign investment securities may result in our recording impairment charges. We assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is also considered to be such evidence in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the cost and the current fair value less any impairment charges on that financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

General and Administrative Expenses. General and administrative expenses consist primarily of personnel expenses (salaries and related expenses), depreciation and amortization expenses, and other expenses (rent and lease expenses, premiums for deposit insurance, advertising and marketing expenses, and communication expenses).

Other Expenses. Other expenses consist primarily of cost of operating leases, costs related to IT services, losses on disposal of property, plant and equipment and other intangible assets and impairment losses of property, plant and equipment.

Unrealized Gains or Losses on Investment Securities Portfolio

Changes in the fair value of domestic and foreign investment securities result in an increase or a decrease in unrealized gains or losses on available-for-sale financial assets. Unrealized gains or losses arising from changes in the fair value of investment of these securities are recognized directly in equity, until they are derecognized or impaired.

Most of our domestic equity instruments consist of publicly traded Japanese stocks. The Nikkei Stock Average increased by 3.4% from ¥9,755.10 at March 31, 2011, to ¥10,083.56 at March 31, 2012, and increased by 23.0 % to ¥12,397.91 at March 31, 2013. At March 31, 2013, we had net unrealized gains on domestic equity securities of ¥1,558,229 million, an increase of ¥641,772 million from ¥916,457 million at March 31, 2012. For more information, see “Item 5.A. Operating Results—Financial Condition—Investment Securities.”

Strengthening of Equity Capital

In response to the imposition of more stringent regulatory capital requirements, we have been taking a proactive approach to managing our risk-weighted capital ratio by focusing on increasing qualifying capital, including by building up our retained earnings, identifying risks, and controlling risk-weighted assets.

Foreign Currency Fluctuations

The average exchange rate used to convert dollars to yen in the consolidated financial statements included elsewhere in this annual report for the fiscal year ended March 31, 2013 was ¥82.92 per \$1.00, compared to the previous fiscal year’s average exchange rate of ¥79.08 per \$1.00. The percentage of revenue we earned from our foreign operations for the fiscal years ended March 31, 2013 and 2012 was 18% and 12%, respectively. For more information, see “Item 4.B. Business Overview—Revenues by Region.”

Critical Accounting Estimates and Judgments

Our financial position and results of operations are influenced by estimates and judgments that management employs in the course of preparation of our consolidated financial statements. We identified the following areas of significant accounting policies to be particularly sensitive in terms of estimates and judgments made by management. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Allowance for Loan Losses

Allowance for loan losses represents management’s estimate of the losses incurred in the loan portfolios at the end of each reporting period. Management exercises judgments in making assumptions and estimations when calculating the allowance for loan losses on both individually and collectively assessed loans.

The allowance for loan losses for individually significant impaired loans is estimated by management based on the expected future cash flows taking into account factors such as historical loss information, the appropriateness of the borrower’s business plan or operational improvement plan, the status of progress of its plan, the overall support from financial institutions and realizable value of any collateral held. The allowance for loan losses is the difference between the carrying amount of a loan and the discounted present value of expected future cash flows that are estimated by management. The actual future cash flows may differ from the estimates by management and consequently may cause actual loan losses to differ from the reported allowance for loan losses.

The allowance for loan losses for the remaining loans is collectively calculated based on the historical loss experience for loans which have similar credit risk characteristics to those in the current loan portfolio using statistical methods. These statistical methods are subject to estimation uncertainty. In normal circumstances, the use of statistical methods evidenced by historical information provides the most objective methodology in assessing inherent losses on loans with similar credit risk characteristics. However, in certain circumstances, the use of historical loss experience alone may not be representative of current loss experiences and as a result it may provide less relevant information about the loss incurred in a given portfolio at the end of the reporting period, particularly in a situation where there have been changes in economic conditions. In these circumstances, we make a judgment to update the historical loss experience based on the most recent loss information, taking into account, among others, the effect of the current economic environment.

Additionally, we recognize an allowance for loan losses when it is probable that a loss has been incurred but not yet reported to us. To assess the losses on the loan portfolios where loss events have occurred but not yet been reported, management develops assumptions and methodologies.

Management estimates and judgments may change from time to time as the economic environment changes or new information becomes available. Changes in these estimates and judgments will result in a different allowance for loan losses and may have a direct impact on impairment charges. The impairment charges for loan losses totaled ¥138,375 million, ¥144,022 million and ¥259,292 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

Fair Value of Financial Instruments

Some of our financial instruments are measured at fair value with changes in fair value recognized in profit or loss, such as trading assets and liabilities, financial assets at fair value through profit or loss, and derivative financial instruments. Available-for-sale financial assets are also measured at fair value with changes in fair value reported in other comprehensive income.

The fair value of a financial instrument is the amount for which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Our financial assets and liabilities measured at fair value are mostly valued based on observable market data that are readily available in active markets, or using valuation techniques that incorporate inputs, other than quoted market prices, that are observable either directly or indirectly in the market, including dealers' quotes. We principally use valuation techniques that are commonly used by market participants to price the instruments. To the extent practical, the valuation models make maximum use of observable data. However, for certain financial assets and liabilities, the fair values are measured by using valuation techniques with significant unobservable inputs. In such cases, significant management estimates are made, resulting in a less objective measurement of fair value.

The risk management departments in each subsidiary regularly review significant valuation methodologies and recalibrate model parameters and inputs, both observable and unobservable, in an effort to ensure an appropriate estimation of fair value has been made. Where significant management judgments are required in valuation, we establish a valuation control framework to validate the valuation models and fair values calculated based on such valuation models. Under the framework, the accounting department is responsible for ensuring that the accounting policies and procedures to determine the fair values are in compliance with the relevant accounting standards.

If there are significant unobservable inputs used in the valuation technique at the trade date and financial assets and liabilities are not recognized at their respective transaction prices, any profit or loss on the trade date is deferred. Management judgment is required to determine whether significant unobservable inputs exist in the valuation technique.

The financial assets and liabilities carried at fair value were categorized under the three levels of fair value hierarchy as follows:

- *Level 1.* Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2.* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- *Level 3.* Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management judgment is involved in determining the level of hierarchy to which each financial instrument should be categorized and in periodical assessments of market liquidity for inputs and price transparency.

In addition to the fair value hierarchy disclosure, we provide a sensitivity analysis of the impact on the Level 3 financial instruments of using reasonably possible alternatives for the unobservable parameters in Note 44 “Fair Value of Financial Assets and Liabilities” to our consolidated financial statements included elsewhere in this annual report. The determination of reasonably possible alternatives requires significant management judgment.

The financial assets measured at fair value categorized in Level 3 were ¥942,352 million and ¥1,000,426 million at March 31, 2013 and 2012, respectively. The financial liabilities measured at fair value categorized in Level 3 were ¥14,646 million and ¥17,470 million at March 31, 2013 and 2012, respectively.

Impairment of Available-for-sale Financial Assets

Available-for-sale financial assets are measured at fair value with changes in fair value reported in available-for-sale financial assets reserve as a separate component of equity until the financial assets are either derecognized or become impaired. If there is objective evidence of impairment as a result of loss events which have an impact on the estimated future cash flows of the financial assets that can be reliably estimated, the cumulative loss previously recognized in equity is removed and recognized in profit or loss as an impairment charge.

We exercise judgment in determining whether there is objective evidence of occurrence of loss events which result in a decrease in estimated future cash flows. The estimation of future cash flows also requires judgment. In the assessment of impairment of available-for-sale equity instruments, we also consider whether there has been a significant or prolonged decline in fair value below their cost. The determination of what is a significant or prolonged decline requires management judgment.

Impairment may occur when there is objective evidence of deterioration in the financial conditions of the investee, industry and sector performance, or changes in operating and financing cash flows. The determination of impairment in this respect also includes significant management judgment.

Management estimates and judgments may change from time to time upon future events that may or may not occur and changes in these estimates and judgments could adversely affect the carrying amounts of available-for-sale financial assets. Impairment charges on available-for-sale financial assets reclassified from equity to profit or loss totaled ¥128,868 million, ¥140,288 million and ¥174,636 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

Impairment of Goodwill

Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that it may be impaired. The first step of the impairment test is identifying the cash-generating units (“CGUs”), which represent the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is then allocated to the CGUs, considering how the goodwill is recognized and other relevant factors.

In the impairment test, the carrying amount of the CGU to which goodwill is allocated is compared against its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Such recoverable amounts are determined based on significant management judgments and assumptions.

We determine the recoverable amount using the estimated future cash flows, pre-tax discount rates, growth rates and other factors. The estimation of future cash flows inherently reflects management judgments, even though such forecasts are prepared taking into account actual past performance and external economic data. The pre-tax discount rates and growth rates may be significantly affected by market interest rates or other market conditions, which are beyond management’s control, and therefore significant management judgments are made to determine these assumptions.

These management judgments are made based on the facts and circumstances at the time of the impairment test, and may vary depending on the situation and time. Changes in management judgments may result in different impairment test results and different impairment losses recognized. For the fiscal years ended March 31, 2013, 2012 and 2011, impairment losses on goodwill were nil, ¥1,884 million and nil, respectively.

Provision for Interest Repayment

Provision for interest repayment represents management's estimate of future claims for the refund of gray zone interest, taking into account historical experience such as the number of customer claims for a refund, the amount of repayments and the customers' characteristics, and the length of the period the claims are expected to be received in the future.

Management estimates and judgments may change from time to time as the legal environment and market conditions change or new information becomes available. Changes in these estimates and judgments could affect the balance of provision for interest repayment. Provision for interest repayment is recorded in provisions as a liability, and it totaled ¥245,129 million and ¥400,233 million at March 31, 2013 and 2012, respectively. The decrease in provision for interest repayment was due mainly to the use of the provision recognized at SMBC Consumer Finance.

Retirement Benefits

We have defined benefit plans such as defined benefit pension plans and lump-sum severance indemnity plans. The present value of the defined benefit obligation is calculated based on actuarial valuations that are dependent upon a number of assumptions, including discount rates, mortality rates and future salary (benefit) increases. The discount rates are equivalent to market yields of AA credit-rated corporate bonds that have terms to maturity approximating those of the related obligations. Future mortality rates are based on the official mortality table generally used for actuarial assumptions in Japan. Other assumptions used for the calculation of the defined benefit obligation are based on historical records. The expected return on plan assets is developed separately for each plan, typically using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. While we believe that these assumptions are appropriate, any change in these assumptions will impact actuarial gains and losses, as well as the present value of the defined benefit obligations and the net retirement benefit expense for each period. Actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets and 10% of the present value of the defined benefit obligation are recognized in profit or loss over the employees' expected average remaining working lives. The amounts of cumulative unrecognized actuarial losses, net of gains, at March 31, 2013 and 2012 were ¥279,226 million and ¥307,776 million, respectively.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the end of the reporting period, adjusted for any cumulative unrecognized actuarial gains and losses and past service costs for each plan, is recognized as liabilities and assets in the consolidated statement of financial position. When this calculation for each plan results in a benefit to us, the recognized asset is limited to the net total of any cumulative unrecognized actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to us, if it is realizable during the life of the plan or on settlement of the plan obligation. Our cumulative deficit at March 31, 2013 and 2012 was ¥122,690 million and ¥184,675 million, respectively, while the net total of assets and liabilities in the consolidated statement of financial position amounted to net assets of ¥156,825 million and ¥122,799 million at March 31, 2013 and 2012, respectively.

Deferred Tax Assets

We recognize deferred tax assets relating to tax losses carried forward and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which the tax losses carried

forward and the deductible temporary differences can be utilized. This assessment requires significant management judgments and assumptions. Future taxable profit is estimated based on, among other relevant factors, forecasted results of operations, which are based on historical financial performance and the business plans that management believes to be prudent and feasible. While we carefully assess the realization of tax losses carried forward and deductible temporary differences, the actual taxable profit in the future may be less than the forecast. The net deferred tax assets amounted to ¥274,427 million and ¥562,890 million at March 31, 2013 and 2012, respectively.

Special Purpose Entities

In the ordinary course of business, we are involved in a number of transactions using vehicles which may be deemed as special purpose entities (“SPEs”), in areas including the securitization of financial assets.

We consolidate SPEs, if our control is considered substantive with respect to the SPEs as required by IFRS. In assessing and determining whether we control SPEs, judgment is made to determine whether (a) the activities of the SPE are being conducted on our behalf according to our specific business needs so that we obtain benefits from the SPE’s operations, (b) we have the decision-making powers to obtain the majority of the benefits of the activities of the SPE or we have delegated these decision-making powers by setting up an autopilot mechanism, (c) we have rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE, or (d) we retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. In many instances, the indicators of control of an SPE are clear, in which case less management judgment is required. In some cases, however, several different indicators of control that would support different conclusions may exist, in which case more management judgment is required to form an overall conclusion on control. For more information, see “Item 5.E. Off-balance Sheet Arrangements.”

New and Amended Standards and Recent Accounting Pronouncements

See “New and amended standards adopted by the SMFG Group” and “Recent Accounting Pronouncements” under Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this annual report.

5.A. OPERATING RESULTS

Under the economic and financial circumstances described in “Item 5. Operating and Financial Review and Prospects—Overview—Operating Environment,” we made a profit through our commercial banking and other financial services businesses. Our total operating income increased by ¥110,201 million from ¥2,834,503 million for the fiscal year ended March 31, 2012 to ¥2,944,704 million for the fiscal year ended March 31, 2013, primarily due to an increase in net fee and commission income and other income. Our net operating income increased by ¥127,268 million from ¥2,550,193 million for the fiscal year ended March 31, 2012 to ¥2,677,461 million for the fiscal year ended March 31, 2013. Our net profit increased by ¥232,758 million from ¥457,998 million for the fiscal year ended March 31, 2012 to ¥690,756 million for the fiscal year ended March 31, 2013, due to a decrease of income tax expense.

Our total assets increased by ¥6,133,300 million from ¥141,874,426 million at March 31, 2012 to ¥148,007,726 million at March 31, 2013, primarily due to an increase in cash and deposits with banks and loans and advances.

Our total liabilities increased by ¥5,006,041 million from ¥134,259,035 million at March 31, 2012 to ¥139,265,076 million at March 31, 2013, primarily due to an increase in deposits, which was partly offset by a decrease in borrowings.

Our total equity increased by ¥1,127,259 million from ¥7,615,391 million at March 31, 2012 to ¥8,742,650 million at March 31, 2013, due primarily to an increase in retained earnings and other reserves.

Operating Results

The following table presents information as to our income, expenses and net profit for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions, except per share data)		
Interest income	¥1,725,723	¥1,710,331	¥1,720,181
Interest expense	339,520	313,631	311,056
Net interest income	1,386,203	1,396,700	1,409,125
Fee and commission income	948,685	869,407	806,704
Fee and commission expense	127,099	132,562	132,560
Net fee and commission income	821,586	736,845	674,144
Net trading income	179,750	182,296	324,479
Net income from financial assets at fair value through profit or loss	15,794	33,734	30,116
Net investment income	216,967	239,365	235,911
Other income	324,404	245,563	204,470
Total operating income	2,944,704	2,834,503	2,878,245
Impairment charges on financial assets	267,243	284,310	433,928
Net operating income	2,677,461	2,550,193	2,444,317
General and administrative expenses	1,443,196	1,366,705	1,293,546
Other expenses	288,307	239,292	212,292
Operating expenses	1,731,503	1,605,997	1,505,838
Share of post-tax profit (loss) of associates and joint ventures	19,593	(25,004)	(5,796)
Profit before tax	965,551	919,192	932,683
Income tax expense	274,795	461,194	361,165
Net profit	¥ 690,756	¥ 457,998	¥ 571,518
Profit attributable to:			
Shareholders of Sumitomo Mitsui Financial Group, Inc.	¥ 572,916	¥ 345,430	¥ 464,007
Non-controlling interests	117,840	112,568	107,511
Earnings per share:			
Basic	¥ 423.15	¥ 248.98	¥ 328.32
Diluted	422.65	248.29	328.31

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Total operating income increased by ¥110,201 million, or 4%, from ¥2,834,503 million for the fiscal year ended March 31, 2012 to ¥2,944,704 million for the fiscal year ended March 31, 2013, primarily due to an increase in fee and commission income of ¥79,278 million and other income of ¥78,841 million, which was partially offset by a decrease in net income from financial assets at fair value through profit or loss and net investment income. In addition, due to a decrease of impairment charges on financial assets, net operating income increased by ¥127,268 million from ¥2,550,193 million for the fiscal year ended March 31, 2012 to ¥2,677,461 million for the fiscal year ended March 31, 2013.

Net profit increased from ¥457,998 million for the fiscal year ended March 31, 2012 to ¥690,756 million for the fiscal year ended March 31, 2013, as a result of an increase in net operating income described above and a decrease in income tax expense, which was partially offset by an increase in general and administrative expenses. For a more detailed description of changes in Japanese corporation tax rates, see “—Income Tax Expense.”

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Total operating income decreased by ¥43,742 million, or 2%, from ¥2,878,245 million for the fiscal year ended March 31, 2011 to ¥2,834,503 million for the fiscal year ended March 31, 2012, primarily due to a decrease in net trading income of ¥142,183 million, which was partially offset by an increase in net fee and commission income.

Net operating income increased by ¥105,876 million from ¥2,444,317 million for the fiscal year ended March 31, 2011 to ¥2,550,193 million for the fiscal year ended March 31, 2012. The primary reason of this increase was a decrease in impairment charges on loans and advances.

Net profit decreased from ¥571,518 million for the fiscal year ended March 31, 2011 to ¥457,998 million for the fiscal year ended March 31, 2012 as a result of an increase in both general and administrative expenses and income tax expense resulting from a reduction of net deferred tax assets which resulted mainly from changes in Japanese corporation tax rates which has been applied from the fiscal year beginning April 1, 2012.

Net Interest Income

The following tables show the average balances of our statement of financial position items, related interest income and expense, and average rates for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,								
	2013			2012			2011		
	Average balance ⁽³⁾	Interest income	Average rate	Average balance ⁽³⁾	Interest income	Average rate	Average balance ⁽³⁾	Interest income	Average rate
(In millions, except percentages)									
Interest-earning assets:									
Interest-earning deposits with other banks:									
Domestic									
offices	¥ 351,821	¥ 1,185	0.34%	¥ 292,043	¥ 1,602	0.55%	¥ 298,557	¥ 1,144	0.38%
Foreign offices . .	4,491,242	28,285	0.63%	3,626,677	26,557	0.73%	2,224,887	17,324	0.78%
Total	4,843,063	29,470	0.61%	3,918,720	28,159	0.72%	2,523,444	18,468	0.73%
Call loans and bills bought:									
Domestic									
offices	318,512	1,519	0.48%	346,962	2,081	0.60%	361,438	2,252	0.62%
Foreign offices . .	1,080,527	11,347	1.05%	832,860	12,269	1.47%	802,633	7,022	0.87%
Total	1,399,039	12,866	0.92%	1,179,822	14,350	1.22%	1,164,071	9,274	0.80%
Reverse repurchase agreements and cash collateral on securities borrowed:									
Domestic									
offices	3,922,361	7,535	0.19%	4,123,424	9,072	0.22%	4,467,165	11,271	0.25%
Foreign offices . .	287,563	5,465	1.90%	200,641	6,047	3.01%	76,189	2,375	3.12%
Total	4,209,924	13,000	0.31%	4,324,065	15,119	0.35%	4,543,354	13,646	0.30%
Held-to-maturity investments ⁽¹⁾ :									
Domestic									
offices	5,659,267	39,786	0.70%	4,818,061	37,895	0.79%	3,709,853	32,629	0.88%
Total	5,659,267	39,786	0.70%	4,818,061	37,895	0.79%	3,709,853	32,629	0.88%
Available-for-sale financial assets ⁽¹⁾ :									
Domestic									
offices	23,444,037	65,814	0.28%	23,307,399	83,223	0.36%	19,297,268	103,026	0.53%
Foreign offices . .	1,687,202	21,572	1.28%	1,001,531	16,835	1.68%	1,229,769	19,076	1.55%
Total	25,131,239	87,386	0.35%	24,308,930	100,058	0.41%	20,527,037	122,102	0.59%
Loans and advances ⁽²⁾ :									
Domestic									
offices	60,183,531	1,200,792	2.00%	62,286,915	1,224,234	1.97%	63,761,723	1,282,041	2.01%
Foreign offices . .	15,301,802	342,423	2.24%	11,618,471	290,516	2.50%	9,702,902	242,021	2.49%
Total	75,485,333	1,543,215	2.04%	73,905,386	1,514,750	2.05%	73,464,625	1,524,062	2.07%
Total interest-earning assets:									
Domestic									
offices	93,879,529	1,316,631	1.40%	95,174,804	1,358,107	1.43%	91,896,004	1,432,363	1.56%
Foreign offices . .	22,848,336	409,092	1.79%	17,280,180	352,224	2.04%	14,036,380	287,818	2.05%
Total	¥116,727,865	¥1,725,723	1.48%	¥112,454,984	¥1,710,331	1.52%	¥105,932,384	¥1,720,181	1.62%

For the fiscal year ended March 31,

	2013			2012			2011		
	Average balance ⁽³⁾	Interest expense	Average rate	Average balance ⁽³⁾	Interest expense	Average rate	Average balance ⁽³⁾	Interest expense	Average rate
(In millions, except percentages)									
Interest-bearing liabilities:									
Deposits:									
Domestic offices	¥ 70,452,092	¥ 51,975	0.07%	¥ 69,331,354	¥ 61,690	0.09%	¥67,912,936	¥ 78,529	0.12%
Foreign offices . . .	12,801,814	71,403	0.56%	9,819,810	67,773	0.69%	8,351,047	55,955	0.67%
Total	<u>83,253,906</u>	<u>123,378</u>	<u>0.15%</u>	<u>79,151,164</u>	<u>129,463</u>	<u>0.16%</u>	<u>76,263,983</u>	<u>134,484</u>	<u>0.18%</u>
Call money and bills sold:									
Domestic offices	1,233,733	1,039	0.08%	1,434,363	1,564	0.11%	1,613,628	2,166	0.13%
Foreign offices . . .	642,899	3,098	0.48%	379,093	1,999	0.53%	334,514	1,672	0.50%
Total	<u>1,876,632</u>	<u>4,137</u>	<u>0.22%</u>	<u>1,813,456</u>	<u>3,563</u>	<u>0.20%</u>	<u>1,948,142</u>	<u>3,838</u>	<u>0.20%</u>
Repurchase agreements and cash collateral on securities lent:									
Domestic offices	4,970,577	7,781	0.16%	4,908,276	7,901	0.16%	5,074,570	9,421	0.19%
Foreign offices . . .	1,079,763	4,228	0.39%	649,143	2,665	0.41%	602,510	2,183	0.36%
Total	<u>6,050,340</u>	<u>12,009</u>	<u>0.20%</u>	<u>5,557,419</u>	<u>10,566</u>	<u>0.19%</u>	<u>5,677,080</u>	<u>11,604</u>	<u>0.20%</u>
Borrowings:									
Domestic offices	6,999,912	63,926	0.91%	10,904,124	66,414	0.61%	8,600,247	70,713	0.82%
Foreign offices . . .	808,775	21,293	2.63%	347,165	17,076	4.92%	451,803	14,762	3.27%
Total	<u>7,808,687</u>	<u>85,219</u>	<u>1.09%</u>	<u>11,251,289</u>	<u>83,490</u>	<u>0.74%</u>	<u>9,052,050</u>	<u>85,475</u>	<u>0.94%</u>
Debt securities in issue:									
Domestic offices	5,853,377	105,929	1.81%	5,336,930	77,083	1.44%	4,873,726	65,834	1.35%
Foreign offices . . .	1,885,190	8,133	0.43%	820,798	8,712	1.06%	595,205	9,110	1.53%
Total	<u>7,738,567</u>	<u>114,062</u>	<u>1.47%</u>	<u>6,157,728</u>	<u>85,795</u>	<u>1.39%</u>	<u>5,468,931</u>	<u>74,944</u>	<u>1.37%</u>
Other interest-bearing liabilities:									
Domestic offices	81,915	683	0.83%	73,821	672	0.91%	72,261	635	0.88%
Foreign offices . . .	7,732	32	0.41%	3,508	82	2.34%	4,147	76	1.83%
Total	<u>89,647</u>	<u>715</u>	<u>0.80%</u>	<u>77,329</u>	<u>754</u>	<u>0.98%</u>	<u>76,408</u>	<u>711</u>	<u>0.93%</u>
Total interest-bearing liabilities:									
Domestic offices	89,591,606	231,333	0.26%	91,988,868	215,324	0.23%	88,147,368	227,298	0.26%
Foreign offices . . .	17,226,173	108,187	0.63%	12,019,517	98,307	0.82%	10,339,226	83,758	0.81%
Total	<u>¥106,817,779</u>	<u>¥ 339,520</u>	<u>0.32%</u>	<u>¥104,008,385</u>	<u>¥ 313,631</u>	<u>0.30%</u>	<u>¥98,486,594</u>	<u>¥ 311,056</u>	<u>0.32%</u>
Net interest income and interest rate spread									
		<u>¥1,386,203</u>	<u>1.16%</u>		<u>¥1,396,700</u>	<u>1.22%</u>		<u>¥1,409,125</u>	<u>1.30%</u>

- (1) Taxable investment securities and non-taxable investment securities are not disclosed separately because the aggregate effect of these average balances and interest income would not be material. In addition, the yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material.
- (2) Loans and advances include impaired loans and advances. The amortized portion of net loan origination fees (costs) is included in interest income on loans and advances.
- (3) Average balances are generally based on a daily average. Weekly, month-end or quarter-end averages are used for certain average balances where it is not practical to obtain applicable daily averages. The allocations of amounts between domestic and foreign are based on the location of the office.

The following tables show changes in our net interest income based on changes in volume and changes in rate for the fiscal year ended March 31, 2013 compared to the fiscal year ended March 31, 2012, and those for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011.

	Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012 Increase / (decrease)			Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 Increase / (decrease)		
	Volume	Rate	Net change	Volume	Rate	Net change
	(In millions)					
Interest income:						
Interest-earning deposits with other banks:						
Domestic offices	¥ 285	¥ (702)	¥ (417)	¥ (25)	¥ 483	¥ 458
Foreign offices	5,762	(4,034)	1,728	10,298	(1,065)	9,233
Total	6,047	(4,736)	1,311	10,273	(582)	9,691
Call loans and bills bought:						
Domestic offices	(161)	(401)	(562)	(88)	(83)	(171)
Foreign offices	3,110	(4,032)	(922)	272	4,975	5,247
Total	2,949	(4,433)	(1,484)	184	4,892	5,076
Reverse repurchase agreements and cash collateral on securities borrowed:						
Domestic offices	(426)	(1,111)	(1,537)	(819)	(1,380)	(2,199)
Foreign offices	2,095	(2,677)	(582)	3,749	(77)	3,672
Total	1,669	(3,788)	(2,119)	2,930	(1,457)	1,473
Held-to-maturity investments:						
Domestic offices	6,187	(4,296)	1,891	9,009	(3,743)	5,266
Total	6,187	(4,296)	1,891	9,009	(3,743)	5,266
Available-for-sale financial assets:						
Domestic offices	489	(17,898)	(17,409)	18,573	(38,376)	(19,803)
Foreign offices	9,484	(4,747)	4,737	(3,742)	1,501	(2,241)
Total	9,973	(22,645)	(12,672)	14,831	(36,875)	(22,044)
Loans and advances:						
Domestic offices	(41,872)	18,430	(23,442)	(29,327)	(28,480)	(57,807)
Foreign offices	84,872	(32,965)	51,907	47,885	610	48,495
Total	43,000	(14,535)	28,465	18,558	(27,870)	(9,312)
Total interest income:						
Domestic offices	(35,498)	(5,978)	(41,476)	(2,677)	(71,579)	(74,256)
Foreign offices	105,323	(48,455)	56,868	58,462	5,944	64,406
Total	¥ 69,825	¥(54,433)	¥ 15,392	¥ 55,785	¥(65,635)	¥ (9,850)

	Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012 Increase / (decrease)			Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 Increase / (decrease)		
	Volume	Rate	Net change	Volume	Rate	Net change
(In millions)						
Interest expense:						
Deposits:						
Domestic offices	¥ 993	¥(10,708)	¥ (9,715)	¥ 1,669	¥(18,508)	¥(16,839)
Foreign offices	18,183	(14,553)	3,630	10,092	1,726	11,818
Total	19,176	(25,261)	(6,085)	11,761	(16,782)	(5,021)
Call money and bills sold:						
Domestic offices	(200)	(325)	(525)	(218)	(384)	(602)
Foreign offices	1,282	(183)	1,099	232	95	327
Total	1,082	(508)	574	14	(289)	(275)
Repurchase agreements and cash collateral on securities lent:						
Domestic offices	100	(220)	(120)	(307)	(1,213)	(1,520)
Foreign offices	1,685	(122)	1,563	176	306	482
Total	1,785	(342)	1,443	(131)	(907)	(1,038)
Borrowings:						
Domestic offices	(28,750)	26,262	(2,488)	16,418	(20,717)	(4,299)
Foreign offices	14,881	(10,664)	4,217	(3,965)	6,279	2,314
Total	(13,869)	15,598	1,729	12,453	(14,438)	(1,985)
Debt securities in issue:						
Domestic offices	7,960	20,886	28,846	6,498	4,751	11,249
Foreign offices	6,684	(7,263)	(579)	2,866	(3,264)	(398)
Total	14,644	13,623	28,267	9,364	1,487	10,851
Other interest-bearing liabilities:						
Domestic offices	70	(59)	11	14	23	37
Foreign offices	50	(100)	(50)	(13)	19	6
Total	120	(159)	(39)	1	42	43
Total interest expense:						
Domestic offices	(19,827)	35,836	16,009	24,074	(36,048)	(11,974)
Foreign offices	42,765	(32,885)	9,880	9,388	5,161	14,549
Total	¥ 22,938	¥ 2,951	¥ 25,889	¥ 33,462	¥(30,887)	¥ 2,575
Net interest income:						
Domestic offices	¥(15,671)	¥(41,814)	¥(57,485)	¥(26,751)	¥(35,531)	¥(62,282)
Foreign offices	62,558	(15,570)	46,988	49,074	783	49,857
Total	¥ 46,887	¥(57,384)	¥(10,497)	¥ 22,323	¥(34,748)	¥(12,425)

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Interest Income

Our interest income increased by ¥15,392 million, or 1%, from ¥1,710,331 million for the fiscal year ended March 31, 2012 to ¥1,725,723 million for the fiscal year ended March 31, 2013. This increase reflected an increase in interest income on loans and advances, which was partially offset by a decrease in interest income on available-for-sale financial assets. Interest income on loans and advances increased by ¥28,465 million, or 2%,

from ¥1,514,750 million for the fiscal year ended March 31, 2012 to ¥1,543,215 million for the fiscal year ended March 31, 2013, mainly due to an increase in average balances of foreign offices, as a result of our allocation of assets to Asian countries, where financing needs were strong, and to the United States, and the inclusion of the full year impact of SMBC Consumer Finance, which became our subsidiary in December 2011. Interest income on available-for-sale financial assets decreased by ¥12,672 million, or 13%, from ¥100,058 million for the fiscal year ended March 31, 2012 to ¥87,386 million for the fiscal year ended March 31, 2013, due to a decline in average rates at our domestic offices.

Interest Expense

Our interest expense increased by ¥25,889 million, or 8%, from ¥313,631 million for the fiscal year ended March 31, 2012 to ¥339,520 million for the fiscal year ended March 31, 2013, due primarily to an increase in interest expense on debt securities in issue, which was partially offset by a decrease in interest expense on deposits. Interest expense on debt securities in issue increased by ¥28,267 million, or 33%, from ¥85,795 million for the fiscal year ended March 31, 2012 to ¥114,062 million for the fiscal year ended March 31, 2013, due primarily to an increase in senior bonds issued for foreign currency funding. Interest expense on deposits decreased by ¥6,085 million, or 5%, from ¥129,463 million for the fiscal year ended March 31, 2012 to ¥123,378 million for the fiscal year ended March 31, 2013, due primarily to a decrease in average rates.

Net Interest Income

Our net interest income decreased by ¥10,497 million, or 1%, from ¥1,396,700 million for the fiscal year ended March 31, 2012 to ¥1,386,203 million for the fiscal year ended March 31, 2013. The net interest income decreased due primarily to a decrease in the interest income on available-for-sale financial assets and an increase in interest expense on debt securities in issue, although the interest income on loans and advances increased.

On an average rate basis, from the fiscal year ended March 31, 2012 to March 31, 2013, loans and advances at domestic offices increased by 0.03 percentage point from 1.97% to 2.00% and loans and advances at foreign offices decreased by 0.26 percentage point from 2.50% to 2.24%, resulting in the total for loans and advances decreasing by 0.01 percentage point from 2.05% to 2.04%. On an average rate basis, deposits at domestic offices decreased by 0.02 percentage point from 0.09% to 0.07%, and deposits at foreign offices decreased by 0.13 percentage point from 0.69% to 0.56%, resulting in the total for deposits decreasing by 0.01 percentage point from 0.16% to 0.15%.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Interest Income

Our interest income decreased by ¥9,850 million, or 1%, from ¥1,720,181 million for the fiscal year ended March 31, 2011 to ¥1,710,331 million for the fiscal year ended March 31, 2012. This decrease reflected a decrease in interest income from investment securities, including available-for-sale financial assets and held-to-maturity investments, and loans and advances. Interest income from investment securities decreased by ¥16,778 million, or 11%, from ¥154,731 million for the fiscal year ended March 31, 2011 to ¥137,953 million for the fiscal year ended March 31, 2012, due to a decline in average rates. Interest income on loans and advances decreased by ¥9,312 million, or 1%, from ¥1,524,062 million for the fiscal year ended March 31, 2011 to ¥1,514,750 million for the fiscal year ended March 31, 2012, mainly due to a decrease in both average balance and rates at our domestic offices, reflecting weak financing needs of domestic companies and the sluggish housing market.

Interest Expense

Our interest expense increased by ¥2,575 million, or 1%, from ¥311,056 million for the fiscal year ended March 31, 2011 to ¥313,631 million for the fiscal year ended March 31, 2012, due primarily to an increase in

interest expense on debt securities in issue, which was partially offset by a decrease in interest expense on deposits. Interest expense on debt securities in issue increased by ¥10,851 million, or 14%, from ¥74,944 million for the fiscal year ended March 31, 2011 to ¥85,795 million for the fiscal year ended March 31, 2012, due primarily to an increase of senior bonds issued for foreign currency funding. Our interest expense on deposits decreased by ¥5,021 million, or 4%, from ¥134,484 million for the fiscal year ended March 31, 2011 to ¥129,463 million for the fiscal year ended March 31, 2012, due primarily to a decline in domestic interest rates.

Net Interest Income

Our net interest income decreased by ¥12,425 million, or 1%, from ¥1,409,125 million for the fiscal year ended March 31, 2011 to ¥1,396,700 million for the fiscal year ended March 31, 2012. The decrease in our net interest income was due primarily to a decrease in interest income on loans and advances and investment securities, and an increase in interest expense on debt securities in issues.

On an average rate basis, from the fiscal year ended March 31, 2011 to March 31, 2012, loans and advances at domestic offices decreased by 0.04 percentage point from 2.01% to 1.97% and loans and advances at foreign offices increased by 0.01 percentage point from 2.49% to 2.50%, resulting in the total for loans and advances decreasing by 0.02 percentage point from 2.07% to 2.05%. On an average rate basis, deposits at domestic offices decreased by 0.03 percentage point from 0.12% to 0.09%, while deposits at foreign offices increased by 0.02 percentage point from 0.67% to 0.69%, resulting in the total for deposits decreasing by 0.02 percentage point from 0.18% to 0.16%.

Net Fee and Commission Income

The following table sets forth the breakdown of our net fee and commission income for the periods shown.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Fee and commission income from:			
Loans	¥111,153	¥ 83,919	¥ 75,860
Credit card business	225,071	210,449	181,160
Guarantees	54,067	41,059	28,779
Securities-related business	80,076	80,965	61,467
Deposits	17,622	16,802	16,256
Remittances and transfers	128,647	125,796	126,916
Safe deposits	5,989	6,324	6,508
Trust fees	1,488	1,373	2,328
Investment trusts	162,950	142,941	163,708
Agency	18,146	18,897	18,056
Others	143,476	140,882	125,666
Total fee and commission income	<u>948,685</u>	<u>869,407</u>	<u>806,704</u>
Fee and commission expense from:			
Remittances and transfers	42,192	33,114	34,062
Guarantees	1,843	18,487	21,645
Others	83,064	80,961	76,853
Total fee and commission expense	<u>127,099</u>	<u>132,562</u>	<u>132,560</u>
Net fee and commission income	<u>¥821,586</u>	<u>¥736,845</u>	<u>¥674,144</u>

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Fee and commission income increased by ¥79,278 million, or 9%, from ¥869,407 million for the fiscal year ended March 31, 2012 to ¥948,685 million for the fiscal year ended March 31, 2013. Primary sources of fee and commission income are fees obtained through our credit card business, investment trust sales commissions, remittance and transfer fees, loan transaction fees, and fees obtained through securities-related business. Loan transaction fees increased mainly due to an increase in loan syndication fees. Investment trust sales commissions also increased, coupled with the rise in stock prices in the second half of the fiscal year ended March 31, 2013.

Fee and commission expense was ¥127,099 million for the fiscal year ended March 31, 2013, decreased from ¥132,562 million for the fiscal year ended March 31, 2012 due mainly to a decrease in fee and commission expense from guarantees. This was mainly due to SMBC Consumer Finance becoming our subsidiary in December 2011, which resulted in the elimination of guarantee transactions between SMBC Consumer Finance and our Group companies on consolidation.

As a result, net fee and commission income increased by ¥84,741 million, or 12%, from ¥736,845 million for the fiscal year ended March 31, 2012 to ¥821,586 million for the fiscal year ended March 31, 2013.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Fee and commission income increased by ¥62,703 million, or 8%, from ¥806,704 million for the fiscal year ended March 31, 2011 to ¥869,407 million for the fiscal year ended March 31, 2012. Primary sources of fee and commission income are fees obtained through our credit card business, investment trust sales commissions, remittance and transfer fees, fees obtained through securities-related business, and commissions in relation to loan transactions. The fees related to credit card business increased, due to the inclusion of the full year impact of Cedyna. Those fees related to guarantees also increased due mainly to the inclusion of guarantee fees at SMBC Consumer Finance, which became our subsidiary in December 2011. The increase was partially offset by a decrease in the commissions from investment trust sales mainly due to the contraction of the Japanese economy coupled with the aftermath of the Great East Japan Earthquake, the appreciation of the yen, sinking global stock markets, and the steady low-interest rate.

Fee and commission expense was ¥132,562 million for the fiscal year ended March 31, 2012, increased slightly from ¥132,560 million for the fiscal year ended March 31, 2011.

As a result, net fee and commission income increased by ¥62,701 million, or 9%, from ¥674,144 million for the fiscal year ended March 31, 2011 to ¥736,845 million for the fiscal year ended March 31, 2012.

Net Income from Trading, Financial Assets at Fair Value Through Profit or Loss and Investment Securities

The following table sets forth our net income from trading, financial assets at fair value through profit or loss and investment securities for the periods shown.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Net trading income:			
Interest rate	¥ 270,243	¥131,736	¥205,102
Foreign exchange	(141,001)	37,951	104,037
Equity	40,215	14,790	17,243
Credit	9,966	(1,907)	(2,543)
Others	327	(274)	640
Total net trading income	<u>¥ 179,750</u>	<u>¥182,296</u>	<u>¥324,479</u>
Net income from financial assets at fair value through profit or loss:			
Net income from debt instruments	¥ 10,265	¥ 34,334	¥ 29,150
Net income (loss) from equity instruments	5,529	(600)	966
Total net income from financial assets at fair value through profit or loss	<u>¥ 15,794</u>	<u>¥ 33,734</u>	<u>¥ 30,116</u>
Net investment income:			
Net gain from disposal of debt instruments	¥ 99,855	¥149,484	¥141,982
Net gain from disposal of equity instruments	36,828	11,657	20,779
Dividend income	80,284	78,224	73,150
Total net investment income	<u>¥ 216,967</u>	<u>¥239,365</u>	<u>¥235,911</u>

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Net trading income, which includes income and losses from trading assets and liabilities and derivative financial instruments, decreased by ¥2,546 million from ¥182,296 million for the fiscal year ended March 31, 2012 to ¥179,750 million for the fiscal year ended March 31, 2013. The decrease was primarily due to the impact of the depreciation of the yen on the fair value of foreign exchange transactions related to economic hedges for which hedge accounting has not been applied under IFRS. That was partially offset by an increase in net trading income from fixed income products.

Net income from financial assets at fair value through profit or loss decreased by ¥17,940 million from ¥33,734 million for the fiscal year ended March 31, 2012 to ¥15,794 million for the fiscal year ended March 31, 2013 due primarily to a smaller increase in the fair value of debt instruments than that for the previous fiscal year.

Net investment income decreased by ¥22,398 million from ¥239,365 million for the fiscal year ended March 31, 2012 to ¥216,967 million for the fiscal year ended March 31, 2013, although net gains from sales of bonds, reflecting our timely response to declining interest rates in both domestic and overseas markets in the first half of the fiscal year, contributed to the net investment income.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Net trading income, which includes income and losses from trading assets and liabilities and derivative financial instruments, decreased by ¥142,183 million from ¥324,479 million for the fiscal year ended March 31, 2011 to ¥182,296 million for the fiscal year ended March 31, 2012 due primarily to a decrease in net trading income from interest rate transactions and foreign exchange transactions.

Net income from financial assets at fair value through profit or loss increased by ¥3,618 million from ¥30,116 million for the fiscal year ended March 31, 2011 to ¥33,734 million for the fiscal year ended March 31, 2012 due primarily to an increase in the fair value of debt instruments.

Net investment income slightly increased by ¥3,454 million from ¥235,911 million for the fiscal year ended March 31, 2011 to ¥239,365 million for the fiscal year ended March 31, 2012.

Other Income

The following table sets forth our other income for the periods shown.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Income from operating leases	¥110,906	¥ 72,483	¥ 63,199
Gains on disposal of assets leased	84,631	24,977	6,774
Income related to IT solution services	30,709	39,648	43,775
Gains on disposal of property, plant and equipment, and other intangible assets	240	2,741	885
Reversal of impairment losses of investments in associates and joint ventures	14,970	19,333	13,533
Gains on step acquisition of subsidiaries	141	27,491	15,623
Others	82,807	58,890	60,681
Total other income	¥324,404	¥245,563	¥204,470

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Other income increased by ¥78,841 million, or 32%, from ¥245,563 million for the fiscal year ended March 31, 2012 to ¥324,404 million for the fiscal year ended March 31, 2013. Other income increased due mainly to an increase in income from operating leases and gains on disposal of assets leased, reflecting the inclusion of our aircraft leasing business commenced in June 2012 as SMBC Aviation Capital. The increase was partially offset by a decrease in gains on step acquisition of subsidiaries.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Other income increased by ¥41,093 million, or 20%, from ¥204,470 million for the fiscal year ended March 31, 2011 to ¥245,563 million for the fiscal year ended March 31, 2012. The increase in other income was due primarily to an increase in income from operating leases and gains on disposal of assets leased. Gains on step acquisition of subsidiaries for the fiscal year ended March 31, 2012 included gains related to the acquisition of SMBC Consumer Finance, which had been our associate and became our subsidiary in December 2011.

Impairment Charges on Financial Assets

The following table sets forth our impairment charges on financial assets for the periods shown.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Loans and advances	¥138,375	¥144,022	¥259,292
Available-for-sale financial assets	128,868	140,288	174,636
Total impairment charges on financial assets	¥267,243	¥284,310	¥433,928

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Our impairment charges on financial assets consist of losses relating to loans and advances, and available-for-sale financial assets. Impairment charges on loans and advances are mainly affected by the economic environment and financial conditions of borrowers. On the other hand, impairment charges on available-for-sale financial assets are mainly affected by not only the economic environment but the financial conditions of issuers and the fair value of the instruments, such as market prices on stock markets in the case of equity instruments.

For the first half of the fiscal year ended March 31, 2013, although the Japanese economy was supported by domestic demand from post-earthquake reconstruction, the prolonged slowdown in the global economy contributed to the contraction of the Japanese economy. However, the Japanese economy gradually improved in the second half of the fiscal year. GDP growth in the second half was supported by an increase in private consumption. Exports also grew toward the end of the fiscal year, reflecting gradual recovery in the global economy and depreciation of the yen. As a result, Japanese GDP increased by 1.2% for the fiscal year ended March 31, 2013, compared with an increase of 0.2% in the previous fiscal year. The Nikkei Stock Average, which is a price-weighted average of 225 stocks listed on the Tokyo Stock Exchange First Section, dropped from ¥10,083.56 at March 31, 2012 to as low as the ¥8,200 level in June 2012 and recovered slightly to ¥8,870.16 by the end of the interim period at September 30, 2012. Subsequently, the Nikkei Stock Average rose to ¥12,397.91 at March 31, 2013.

Impairment charges on loans and advances decreased by ¥5,647 million from ¥144,022 million for the fiscal year ended March 31, 2012 to ¥138,375 million for the fiscal year ended March 31, 2013. The decrease in impairment charges on loans and advances reflected the gradual recovery of the Japanese economy and the improvement of our loan portfolio. For detailed information on provision for loan losses, see “—Financial Condition—Allowance for Loan Losses.”

Impairment charges on available-for-sale financial assets decreased from ¥140,288 million for the fiscal year ended March 31, 2012 to ¥128,868 million for the fiscal year ended March 31, 2013. In determining the amount of impairment charges, we consider whether there is objective evidence of impairment as a result of loss events, such as any significant financial difficulty of the issuer. Our assessments of issuers are focused by industry and geographical area, taking into consideration the adverse impact of any specific issues such as significant changes in the technological, market, economic or legal environment of the issuer indicating that the cost of our investment may not be recovered. Additionally, in the case of available-for-sale equity instruments, we take into consideration whether there has been a significant or prolonged decline in the fair value of the equity instruments below their cost. In the first half of the fiscal year, the stock market in Japan was sluggish and most of the impairment charges on available-for-sale financial assets for the fiscal year ended March 31, 2013 were those on publicly traded Japanese stocks recognized at the end of the interim period. For detailed information on our available-for-sale financial assets, which include a diversified portfolio of domestic equity securities, see “—Financial Condition—Investment Securities.”

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

In the first few months of the fiscal year ended March 31, 2012, the Japanese economy contracted in the aftermath of the Great East Japan Earthquake. The Japanese economy then gradually began to and continued to recover. In the second half of the fiscal year, there were some visible signs of improvement in the unemployment rate, and private consumption remained firm, in spite of deceleration of certain overseas economies coupled with the persistent strength of the Japanese yen against other currencies. The Nikkei Stock Average, which was ¥9,755.10 at March 31, 2011, recovered to ¥10,083.56 at March 31, 2012 in response to the strong U.S. stock market.

Impairment charges on loans and advances decreased by ¥115,270 million from ¥259,292 million for the fiscal year ended March 31, 2011 to ¥144,022 million for the fiscal year ended March 31, 2012. The decrease in

impairment charges on loans and advances reflected not only the economic condition but also our consistent implementation of consultative actions tailored to our borrowers' businesses and financial condition. For detailed information on provision for loan losses, see “—Financial Condition—Allowance for Loan Losses.”

Impairment charges on available-for-sale financial assets decreased from ¥174,636 million for the fiscal year ended March 31, 2011 to ¥140,288 million for the fiscal year ended March 31, 2012. Most of the impairment charges on available-for-sale financial assets for the fiscal year ended March 31, 2012 were from publicly traded Japanese stocks.

General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods shown.

	<u>For the fiscal year ended March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In millions)		
Personnel expenses	¥ 662,065	¥ 612,512	¥ 577,970
Depreciation and amortization	130,382	121,611	112,618
Rent and lease expenses	111,327	105,196	92,160
Building and maintenance expenses	7,926	8,283	10,186
Supplies expenses	14,267	14,192	15,135
Communication expenses	33,099	34,170	33,538
Publicity and advertising expenses	48,979	41,957	40,213
Taxes and dues	57,672	56,582	56,648
Outsourcing expenses	87,583	85,196	79,525
Premiums for deposit insurance	53,687	59,600	57,637
Office equipment expenses	35,749	32,201	29,234
Others	200,460	195,205	188,682
Total general and administrative expenses	<u>¥1,443,196</u>	<u>¥1,366,705</u>	<u>¥1,293,546</u>

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

General and administrative expenses increased by ¥76,491 million, or 6%, from ¥1,366,705 million for the fiscal year ended March 31, 2012 to ¥1,443,196 million for the fiscal year ended March 31, 2013, due mainly to the inclusion of the full year impact of SMBC Consumer Finance's general and administrative expenses and an increase in expenses related to the expansion of our overseas business including an increase in our overseas staff.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

General and administrative expenses increased by ¥73,159 million, or 6%, from ¥1,293,546 million for the fiscal year ended March 31, 2011 to ¥1,366,705 million for the fiscal year ended March 31, 2012, due mainly to the expansion of business including overseas operations, the depreciation of past information technology investments and facility investments, the inclusion of the full year impact of Cedyna's general and administrative expenses and the inclusion of general and administrative expenses of SMBC Consumer Finance, which became our subsidiary in December 2011.

Other Expenses

The following table sets forth our other expenses for the periods shown.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Cost of operating leases	¥ 58,252	¥ 46,278	¥ 36,652
Losses on disposal of assets leased	81,083	20,678	2,599
Cost related to IT solution services	107,475	98,914	95,625
Losses on disposal of property, plant and equipment, and other intangible assets	5,432	6,541	5,813
Impairment losses of property, plant and equipment	4,333	3,757	5,360
Impairment losses of intangible assets	35	1,989	59
Losses on sale of investments in subsidiaries and associates	8	439	138
Impairment losses of investments in associates and joint ventures	7,347	656	16,837
Others	24,342	60,040	49,209
Total other expenses	<u>¥288,307</u>	<u>¥239,292</u>	<u>¥212,292</u>

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Other expenses increased by ¥49,015 million, or 20%, from ¥239,292 million for the fiscal year ended March 31, 2012 to ¥288,307 million for the fiscal year ended March 31, 2013, due mainly to an increase in cost of operating leases and losses on disposal of assets leased, reflecting the inclusion of our aircraft leasing business commenced in June 2012 as SMBC Aviation Capital.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Other expenses increased by ¥27,000 million, or 13%, from ¥212,292 million for the fiscal year ended March 31, 2011 to ¥239,292 million for the fiscal year ended March 31, 2012, due primarily to an increase in cost of operating leases and losses on disposal of assets, partially offset by a decrease in impairment losses of investments in associates and joint ventures.

Share of Post-tax Profit (Loss) of Associates and Joint Ventures

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Share of post-tax profit of associates and joint ventures was ¥19,593 million for the fiscal year ended March 31, 2013, an increase of ¥44,597 million, from a loss of ¥25,004 million for the fiscal year ended March 31, 2012. This was mainly due to the inclusion of our share of the loss in the prior fiscal year from SMBC Consumer Finance, formerly known as Promise, which was previously accounted for as an equity-method associate but became our subsidiary in December 2011.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Share of post-tax loss of associates and joint ventures was ¥25,004 million for the fiscal year ended March 31, 2012, an increase of ¥19,208 million, from ¥5,796 million for the fiscal year ended March 31, 2011 due mainly to net loss of SMBC Consumer Finance, formerly known as Promise, which changed from being our equity-method associate to our subsidiary in December 2011, resulting from its increase in its provisions for interest repayment.

Income Tax Expense

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Income tax expense decreased by ¥186,399 million from ¥461,194 million for the fiscal year ended March 31, 2012 to ¥274,795 million for the fiscal year ended March 31, 2013, mainly as the previous fiscal year included a deferred tax expense associated with a decrease of net deferred tax assets which resulted from changes in Japanese corporation tax rates.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Income tax expense increased by ¥100,029 million from ¥361,165 million for the fiscal year ended March 31, 2011 to ¥461,194 million for the fiscal year ended March 31, 2012. The increase of income tax expense was due mainly to an increase in deferred tax expense associated with a decrease of net deferred tax assets which resulted from changes in Japanese corporation tax rates.

On December 2, 2011, the Government of Japan promulgated (i) an amendment to the Corporation Tax Act and (ii) the Act on Special Measures Concerning Securing Necessary Financial Resources for Funding the Restoration from the Great East Japan Earthquake. Those laws (i) reduce the Japanese national corporation tax rate by 4.5 percentage points from fiscal years beginning April 1, 2012 but (ii) impose a 10% corporation surtax, i.e., an additional tax to be paid calculated as 10% of the corporation tax payable after the 4.5-percentage-point rate reduction, during the three fiscal years beginning April 1, 2012 through March 31, 2015. As a result, the effective statutory tax rate (including local taxes) of SMFG (40.7% for the fiscal year ended March 31, 2012) is reduced by approximately 2.7 percentage points during the three fiscal years beginning April 1, 2012 and approximately 5.1 percentage points for the fiscal years beginning April 1, 2015.

We measure deferred tax assets and deferred tax liabilities at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the tax rates that have been enacted or substantively enacted by the end of reporting period. Accordingly, the tax rate reduction increased deferred tax expense for the fiscal year ended March 31, 2012.

Business Segment Analysis

Our business segment information is prepared based on the internal reporting system utilized by our management to assess the performance of our business segments under Japanese GAAP. We have four main business segments: Commercial Banking, Leasing, Securities and Consumer Finance, with the remaining operations recorded in Others. We changed our business segment information for the fiscal year ended March 31, 2013 in connection with making SMBC Consumer Finance, formerly known as Promise, our wholly owned subsidiary through a share exchange on April 1, 2012. The business segment previously reported as Credit Card is now reported as Consumer Finance, together with SMBC Consumer Finance and other consumer finance companies. Comparative information has been restated accordingly. The Commercial Banking segment covers the Bank, which accounts for the major portion of our total assets and revenue, other domestic banking subsidiaries, such as KUBC, The Minato Bank and The Japan Net Bank, as well as foreign banking subsidiaries, such as SMBC Europe, SMBC (China) and Manufacturers Bank. We have SMFL in the Leasing segment, SMBC Nikko Securities and SMBC Friend Securities in the Securities segment and Sumitomo Mitsui Card, Cedyna and SMBC Consumer Finance in the Consumer Finance segment. Since the Bank has a significant impact on our overall performance, its performance is reported to management in more detail by dividing the Bank's performance into five business units by customer market: the Consumer Banking Unit, the Middle Market Banking Unit, the Corporate Banking Unit, the International Banking Unit and the Treasury Unit. In addition to the five business units, the Bank also has several cross-sectional units and divisions. The revenues and expenses of these units and divisions are in principal allocated to each business unit. Organizational charts of SMFG and the Bank are provided in "Item 4.C. Organizational Structure." Since figures reported to management are prepared under Japanese GAAP, the segment information does not agree to figures in the consolidated financial statements under IFRS. This difference is addressed in Note 4 "Segment Analysis—Reconciliation of Segmental Results of Operation to Consolidated Income Statement" to our consolidated financial statements included elsewhere in this annual report.

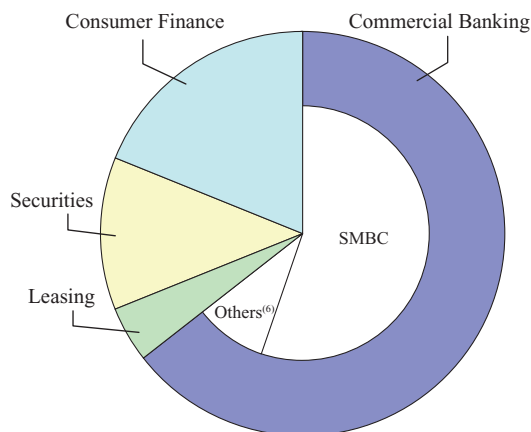
Segmental Results of Operation

For the fiscal year ended March 31, 2013:

	Commercial Banking							Total ⁽³⁾
	SMBC							
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	SMBC Total	
	(In billions)							
Gross profit	¥ 374.9	¥ 412.2	¥208.0	¥240.5	¥295.3	¥ 9.2	¥1,540.1	¥1,798.6
Net interest income	307.7	236.2	128.2	142.0	125.5	31.6	971.2	1,127.2
Net non-interest income	67.2	176.0	79.8	98.5	169.8	(22.4)	568.9	671.4
General and administrative expenses	(284.4)	(216.7)	(39.6)	(72.9)	(21.0)	(93.1)	(727.7)	(876.9)
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(30.4)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 90.5	¥ 195.5	¥168.4	¥167.6	¥274.3	¥(83.9)	¥ 812.4	¥ 891.3

	Leasing		Securities			Consumer Finance			Others	Total	
	SMFL	Total ⁽³⁾	SMBC	SMBC	Total ⁽³⁾	Sumitomo	SMBC	Total ⁽³⁾			
			Nikko Securities	Friend Securities		Mitsui Card	Consumer Finance				
	(In billions)										
Gross profit	¥114.8	¥120.4	¥ 268.9	¥ 59.4	¥ 341.5	¥ 183.1	¥ 153.5	¥165.8	¥ 526.5	¥ 15.4	¥ 2,802.4
Net interest income	40.8	46.2	(0.7)	0.4	—	15.5	29.4	117.7	164.0	61.5	1,398.9
Net non-interest income	74.0	74.2	269.6	59.0	341.5	167.6	124.1	48.1	362.5	(46.1)	1,403.5
General and administrative expenses	(51.7)	(50.8)	(194.9)	(41.4)	(247.3)	(132.6)	(118.2)	(66.2)	(331.2)	61.7	(1,444.5)
Other profit (loss) ⁽¹⁾	(4.1)	(0.3)	(0.6)	—	(2.0)	(5.7)	(21.6)	(47.7)	(73.1)	(85.9)	(191.7)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 59.0	¥ 69.3	¥ 73.4	¥ 18.0	¥ 92.2	¥ 44.8	¥ 13.7	¥ 51.9	¥ 122.2	¥ (8.8)	¥ 1,166.2

For the fiscal year ended March 31, 2013
Gross Profit



For the fiscal year ended March 31, 2012:

	Commercial Banking							Total ⁽³⁾
	SMBC							
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	SMBC Total	
	(In billions)							
Gross profit	¥ 383.7	¥ 422.9	¥212.6	¥197.4	¥319.3	¥ (3.4)	¥1,532.5	¥1,763.9
Net interest income	326.9	256.8	136.6	111.6	123.1	1.9	956.9	1,113.5
Net non-interest income	56.8	166.1	76.0	85.8	196.2	(5.3)	575.6	650.4
General and administrative expenses	(289.5)	(222.8)	(38.2)	(64.9)	(19.2)	(84.9)	(719.5)	(851.3)
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(20.5)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 94.2	¥ 200.1	¥174.4	¥132.5	¥300.1	¥(88.3)	¥ 813.0	¥ 892.1

	Leasing		Securities		Consumer Finance			Others	Total	
	SMBC		SMBC		Sumitomo Mitsui					
	SMFL	Total ⁽³⁾	Securities	Friend Securities	Total ⁽³⁾	Card	Cedyna			Total ⁽³⁾
	(In billions)									
Gross profit	¥ 99.1	¥102.1	¥ 222.1	¥ 48.0	¥ 277.9	¥ 179.3	¥ 160.1	¥ 436.2	¥ 30.0	¥ 2,610.1
Net interest income	58.8	62.3	(1.7)	0.5	(0.7)	18.5	36.4	111.6	62.8	1,349.5
Net non-interest income	40.3	39.8	223.8	47.5	278.6	160.8	123.7	324.6	(32.8)	1,260.6
General and administrative expenses	(43.2)	(42.6)	(180.1)	(39.1)	(224.5)	(126.6)	(120.5)	(291.9)	35.7	(1,374.6)
Other profit (loss) ⁽¹⁾	7.0	8.3	(1.7)	—	(2.6)	(9.6)	(67.3)	(134.6)	(72.2)	(221.6)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 62.9	¥ 67.8	¥ 40.3	¥ 8.9	¥ 50.8	¥ 43.1	¥ (27.7)	¥ 9.7	¥ (6.5)	¥ 1,013.9

For the fiscal year ended March 31, 2011:

	Commercial Banking							Total ⁽³⁾
	SMBC							
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	SMBC Total	
	(In billions)							
Gross profit	¥ 387.8	¥ 443.9	¥201.3	¥186.5	¥330.7	¥(18.4)	¥1,531.8	¥1,773.5
Net interest income	337.5	272.9	131.4	107.7	136.3	(18.0)	967.8	1,117.6
Net non-interest income	50.3	171.0	69.9	78.8	194.4	(0.4)	564.0	655.9
General and administrative expenses	(290.3)	(221.7)	(36.0)	(57.9)	(17.9)	(75.4)	(699.2)	(834.2)
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(34.4)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 97.5	¥ 222.2	¥165.3	¥128.6	¥312.8	¥(93.8)	¥ 832.6	¥ 904.9

	Leasing		Securities		Consumer Finance			Others	Total	
	SMFL	Total ⁽³⁾	SMBC Nikko Securities	SMBC Friend Securities	Total ⁽³⁾	Sumitomo Mitsui Card	Cedyna ⁽⁴⁾	Total ⁽³⁾		
	(In billions)									
Gross profit	¥105.8	¥108.4	¥ 206.2	¥ 53.3	¥ 261.6	¥ 182.3	¥134.4	¥ 369.9	¥ 19.2	¥ 2,532.6
Net interest income	63.0	64.8	(1.7)	0.6	(1.3)	22.9	36.8	87.6	66.9	1,335.6
Net non-interest income	42.8	43.6	207.9	52.7	262.9	159.4	97.6	282.3	(47.7)	1,197.0
General and administrative expenses	(42.0)	(41.2)	(166.6)	(42.7)	(212.4)	(129.8)	(97.5)	(252.6)	39.3	(1,301.1)
Other profit (loss) ⁽¹⁾	(14.8)	(12.2)	(1.3)	—	(5.6)	(19.9)	(37.7)	(82.6)	(94.7)	(229.5)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 49.0	¥ 55.0	¥ 38.3	¥ 10.6	¥ 43.6	¥ 32.6	¥ (0.8)	¥ 34.7	¥(36.2)	¥ 1,002.0

(1) Other profit (loss) includes non-operating profits and losses of subsidiaries other than SMBC and ordinary profit or loss of equity-method associates taking into account the ownership ratio. For the fiscal years ended March 31, 2012 and 2011, equity-method associates included Promise, a consumer lending company, which became our subsidiary in December 2011 and changed its company name to SMBC Consumer Finance in July 2012.

(2) The Group's consolidated net business profit = SMBC's business profit on a nonconsolidated basis, excluding the effect of the reversal of reserve for possible loan losses + ordinary profit of other subsidiaries (with adjustment for nonrecurring factors) + (ordinary profit of equity-method associates * ownership ratio) – internal transactions (such as dividends) under Japanese GAAP.

For the fiscal year ended March 31, 2013, consolidated net business profit of SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card and Cedyna represent the ordinary profit (loss) of each company on a nonconsolidated basis and consolidated net business profit of SMFL and SMBC Consumer Finance represent the ordinary profit (loss) of each company on a consolidated basis.

Before the current fiscal year, consolidated net business profit of these subsidiaries represented the operating profit (loss) of each company on a nonconsolidated basis. Comparative information has been restated accordingly. Ordinary profit (loss) comprises profits and losses from ordinary activities which include operating and non-operating profits and losses, but exclude extraordinary items.

(3) Total under each business segment includes the aggregation of the results from the operating units that were not separately identified (e.g., the difference between "Total" in Commercial Banking and "SMBC Total" consists of SMFG's banking subsidiaries except SMBC, such as SMBC Europe, SMBC (China), KUBC and The Minato Bank.)

(4) The results of Cedyna for the fiscal year ended March 31, 2011 include our ownership ratio of the first quarter of Cedyna's results and the full results of Cedyna for subsequent quarters.

(5) The Group's total credit costs (reversal) for the fiscal years ended March 31, 2013, 2012 and 2011 were ¥173.1 billion, ¥116.8 billion and ¥217.3 billion, respectively, of which ¥63.7 billion, ¥78.1 billion and ¥144.6 billion were for Commercial Banking, ¥5.3 billion, ¥(4.0) billion and ¥15.0 billion were for Leasing, ¥0.3 billion, ¥1.2 billion and ¥(0.02) billion were for Securities, and ¥69.3 billion, ¥46.2 billion and ¥58.4 billion were for Consumer Finance. Credit costs, including gains on recoveries of written-off claims, of SMBC are not included in consolidated net business profit, but in "Loans and advances" in the reconciliation table in the section "Reconciliation of Segmental Results of Operation to Consolidated Income Statement" in Note 4 "Segment Analysis" to our consolidated financial statements included elsewhere in this report.

(6) Others in Commercial Banking consist of SMFG's banking subsidiaries except SMBC, such as SMBC Europe, SMBC (China), KUBC and The Minato Bank.

Commercial Banking

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Our consolidated net business profit from our Commercial Banking segment slightly decreased by ¥1 billion from ¥892 billion for the fiscal year ended March 31, 2012 to ¥891 billion for the fiscal year ended March 31, 2013. Although both net interest income and net non-interest income increased, general and administrative expenses also increased.

The Bank's Consumer Banking Unit

Both gross profit and consolidated net business profit from the Bank's Consumer Banking Unit decreased by ¥9 billion and ¥3 billion from ¥384 billion and ¥94 billion for the fiscal year ended March 31, 2012 to ¥375 billion and ¥91 billion for the fiscal year ended March 31, 2013, respectively. The decrease was primarily due to a decrease in net interest income, although net non-interest income increased. Net interest income decreased mainly due to a decrease in the interest rate spreads for housing loans, reflecting the increasing competition in the housing loan market in Japan. Non-interest income increased due to an increase of investment trust sales commissions coupled with the rise in stock prices in the second half of the fiscal year ended March 31, 2013.

The Bank's Middle Market Banking Unit

Both gross profit and consolidated net business profit from the Bank's Middle Market Banking Unit decreased by ¥11 billion and ¥4 billion from ¥423 billion and ¥200 billion for the fiscal year ended March 31, 2012 to ¥412 billion and ¥196 billion for the fiscal year ended March 31, 2013, respectively. Net interest income decreased primarily due to weak financing needs from domestic SMEs and a decrease in the interest rate spreads for loans to high credit quality companies.

The Bank's Corporate Banking Unit

Both gross profit and consolidated net business profit from the Bank's Corporate Banking Unit decreased by ¥5 billion and ¥6 billion from ¥213 billion and ¥174 billion for the fiscal year ended March 31, 2012 to ¥208 billion and ¥168 billion for the fiscal year ended March 31, 2013, respectively. Although there was growing demand for financing of M&A deals, net interest income decreased mainly due to weak financing needs in the first half of the fiscal year and a decrease in the interest rate spread for loans to high credit quality companies.

The Bank's International Banking Unit

Both gross profit and consolidated net business profit from the Bank's International Banking Unit increased by ¥44 billion and ¥35 billion from ¥197 billion and ¥133 billion for the fiscal year ended March 31, 2012 to ¥241 billion and ¥168 billion for the fiscal year ended March 31, 2013, respectively. This was mainly due to an increase of net interest income and net non-interest income, which was partially offset by increase in general and administrative expenses as a result of an increase in our overseas staff and expenses related to overseas business development. Net interest income increased due to an increase in the balance of loans to the foreign customers as a result of our allocation of assets to Asian countries, where financing needs were strong, and to the United States.

The Bank's Treasury Unit

Both gross profit and consolidated net business profit from the Bank's Treasury Unit decreased by ¥24 billion and ¥26 billion from ¥319 billion and ¥300 billion for the fiscal year ended March 31, 2012 to ¥295 billion and ¥274 billion for the fiscal year ended March 31, 2013, respectively. Non-interest income decreased although net gains from sales of bonds, reflecting our timely response to declining interest rates in both domestic and overseas markets in the first half of the fiscal year, contributed to it.

The Bank's Others

The Bank's Others represents the difference between the aggregate of the Bank's five business units and the Bank as a whole. The Bank's Others includes the profit and loss amounts related to the Corporate Staff Unit, the Corporate Services Unit, the Compliance Unit, the Risk Management Unit and the Internal Audit Unit, which do not belong to any of the five business units. Those amounts mainly consist of administrative costs related to the headquarters operations and profit or loss on the activities related to capital management.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Our consolidated net business profit from our Commercial Banking segment decreased by ¥13 billion from ¥905 billion for the fiscal year ended March 31, 2011 to ¥892 billion for the fiscal year ended March 31, 2012 due to a decrease in both net interest income and net non-interest income, and an increase in general and administrative expenses.

The Bank's Consumer Banking Unit

Both gross profit and consolidated net business profit from the Bank's Consumer Banking Unit slightly decreased from ¥388 billion and ¥98 billion for the fiscal year ended March 31, 2011 to ¥384 billion and ¥94 billion for the fiscal year ended March 31, 2012, respectively, due primarily to a decrease in net interest income, despite an increase in fees and commissions, in particular related to life insurance products.

The Bank's Middle Market Banking Unit

Both gross profit and consolidated net business profit from the Bank's Middle Market Banking Unit decreased from ¥444 billion and ¥222 billion for the fiscal year ended March 31, 2011 to ¥423 billion and ¥200 billion for the fiscal year ended March 31, 2012, respectively. The decrease was primarily due to a decrease in loan balances as a result of a limited demand for funding in Japan.

The Bank's Corporate Banking Unit

Both gross profit and consolidated net business profit from the Bank's Corporate Banking Unit increased from ¥201 billion and ¥165 billion for the fiscal year ended March 31, 2011 to ¥213 billion and ¥174 billion for the fiscal year ended March 31, 2012, respectively, due to an increase in fees and commissions, particularly related to loan syndication.

The Bank's International Banking Unit

Gross profit from the Bank's International Banking Unit increased by ¥10 billion from ¥187 billion for the fiscal year ended March 31, 2011 to ¥197 billion for the fiscal year ended March 31, 2012 due primarily to an increase in net non-interest income. Consolidated net business profit from the Bank's International Banking Unit increased modestly by ¥4 billion from ¥129 billion for the fiscal year ended March 31, 2011 to ¥133 billion for the fiscal year ended March 31, 2012.

The Bank's Treasury Unit

Gross profit from the Bank's Treasury Unit decreased by ¥12 billion from ¥331 billion for the fiscal year ended March 31, 2011 due to a decrease in net interest income but reached ¥319 billion due mainly to the sales of bonds through our timely responses to the declining interest rates both in domestic and overseas markets. Consolidated net business profit from the Bank's Treasury Unit decreased by ¥13 billion from ¥313 billion for the fiscal year ended March 31, 2011 to ¥300 billion for the fiscal year ended March 31, 2012.

The Bank's Others

The Bank's Others represents the difference between the aggregate of the Bank's five business units and the Bank as a whole. The Bank's Others includes the profit and loss amounts related to the Corporate Staff Unit, the Corporate Services Unit, the Compliance Unit, the Risk Management Unit and the Internal Audit Unit, which do not belong to any of the five business units. Those amounts mainly consist of administrative costs related to the headquarters operations and profit or loss on the activities related to capital management.

Leasing

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Both gross profit and consolidated net business profit in our Leasing segment increased by ¥18 billion and ¥1 billion from ¥102 billion and ¥68 billion for the fiscal year ended March 31, 2012 to ¥120 billion and ¥69 billion for the fiscal year ended March 31, 2013, respectively. The increase was mainly due to an increase in net non-interest income of SMFL, reflecting the inclusion of our aircraft leasing business commenced in June 2012 as SMBC Aviation Capital.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Consolidated net business profit in our Leasing segment increased by ¥13 billion from ¥55 billion for the fiscal year ended March 31, 2011 to ¥68 billion for the fiscal year ended March 31, 2012 due mainly to a decrease in credit costs incurred in SMFL.

Securities

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Both gross profit and consolidated net business profit in our Securities segment increased by ¥64 billion and ¥41 billion from ¥278 billion and ¥51 billion for the fiscal year ended March 31, 2012 to ¥342 billion and ¥92 billion for the fiscal year ended March 31, 2013, respectively. This was primarily due to an increase in net non-interest income incurred in SMBC Nikko Securities and SMBC Friend Securities, mainly as a result of an increase in fees and commissions from securities-related business and investment trusts, coupled with the rise in stock prices in the second half of the fiscal year ended March 31, 2013.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Consolidated net business profit in our Securities segment increased from ¥44 billion for the fiscal year ended March 31, 2011 to ¥51 billion for the fiscal year ended March 31, 2012 due to an increase in the net non-interest income of SMBC Nikko Securities and overseas subsidiaries, despite a decrease in fees and commissions for securities transactions at SMBC Friend Securities and an increase in general and administrative expenses of SMBC Nikko Securities.

Consumer Finance

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Both gross profit and consolidated net business profit in our Consumer Finance segment increased by ¥91 billion and ¥112 billion from ¥436 billion and ¥10 billion for the fiscal year ended March 31, 2012 to ¥527 billion and ¥122 billion for the fiscal year ended March 31, 2013, respectively. This was mainly due to the full inclusion of SMBC Consumer finance, which became our subsidiary in December 2011 and our wholly owned subsidiary in April 2012.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Consolidated net business profit in our Consumer Finance segment decreased by ¥25 billion from ¥35 billion for the fiscal year ended March 31, 2011 to ¥10 billion for the fiscal year ended March 31, 2012 due mainly to a decrease in business profit of Cedyne partially offset by an increase in business profit of Sumitomo Mitsui Card.

SMFG's Others

SMFG's Others represents the difference between the aggregate of the Commercial Banking, Leasing, Securities and Consumer Finance segments, and the Group as a whole. It mainly consists of the profit or loss from SMFG on a stand-alone basis, other subsidiaries and equity-method associates, which are not identified as reportable segments, including The Japan Research Institute. It also includes internal transactions between our Group companies which were eliminated in our consolidated financial statements.

Financial Condition

Assets

Our total assets increased by ¥6,133,300 million from ¥141,874,426 million at March 31, 2012 to ¥148,007,726 million at March 31, 2013, due primarily to an increase in cash and deposits with banks and loans and advances.

Our assets at March 31, 2013 and 2012 were as follows.

	At March 31,	
	2013	2012
	(In millions)	
Cash and deposits with banks	¥ 11,804,873	¥ 8,050,562
Call loans and bills bought	1,393,440	1,297,082
Reverse repurchase agreements and cash collateral on securities borrowed	3,930,557	4,937,025
Trading assets	4,097,084	4,461,258
Derivative financial instruments	6,855,486	5,901,526
Financial assets at fair value through profit or loss	2,045,046	2,150,409
Investment securities	35,728,537	37,324,100
Loans and advances	75,987,057	72,536,813
Investments in associates and joint ventures	260,495	206,660
Property, plant and equipment	1,757,994	1,045,006
Intangible assets	903,264	899,167
Other assets	2,810,755	2,367,300
Current tax assets	51,449	65,298
Deferred tax assets	381,689	632,220
Total assets	¥148,007,726	¥141,874,426

Loans and Advances

Our main operating activity is in the lending business. We make loans and extend other types of credit principally to corporate and individual customers in Japan and to corporate and sovereign customers in foreign countries.

At March 31, 2013, our loans and advances were ¥75,987,057 million, or 51% of total assets, representing an increase of ¥3,450,244 million, or 5%, from ¥72,536,813 million at March 31, 2012. The increase in loans and advances was primarily due to an increase in loans and advances to our foreign customers, which was partially

offset by a decrease in loans and advances to our domestic customers. The increase in loans and advances to our foreign customers was primarily due to our allocation of assets to Asian countries, where financing needs were strong, and to the United States. The depreciation of the yen also affected the increase in loans and advances to foreign customers. Loans and advances to our domestic customers decreased due to a decrease in loans and advances to individual customers. This was partly accounted for by the exclusion of loans offered by ORIX Credit, as the Bank transferred all of its shares of ORIX Credit to ORIX in June 2012.

Domestic

Through the Bank and other banking and nonbank subsidiaries, we make loans to a broad range of industrial, commercial and individual customers in Japan. The following table shows our outstanding loans and advances to customers whose domiciles are in Japan, classified by industry, before deducting the allowance for loan losses, and adjusting unearned income, unamortized premiums-net and deferred loan fees-net at the dates indicated.

	At March 31,	
	2013	2012
	(In millions)	
Manufacturing	¥ 8,071,044	¥ 8,462,004
Agriculture, forestry, fisheries and mining	164,420	152,128
Construction	1,167,115	1,284,882
Transportation, communications and public enterprises	4,708,870	4,414,102
Wholesale and retail	5,388,032	5,480,393
Finance and insurance	2,715,862	2,170,776
Real estate and goods rental and leasing	8,145,769	7,982,741
Services	4,404,359	4,076,818
Municipalities	1,270,981	1,234,355
Lease financing	2,058,284	2,056,972
Consumer ⁽¹⁾	18,834,079	19,185,574
Others	3,341,636	4,155,960
Total domestic	¥60,270,451	¥60,656,705

(1) The balance in Consumer consists mainly of housing loans. The housing loan balances amounted to ¥14,520,154 million and ¥14,574,702 million at March 31, 2013 and 2012, respectively.

Foreign

The following table shows the outstanding loans and advances to our customers whose domiciles are not in Japan, classified by industry, before deducting the allowance for loan losses, and adjusting unearned income, unamortized premiums-net and deferred loan fees-net at the dates indicated.

	At March 31,	
	2013	2012
	(In millions)	
Public sector	¥ 121,611	¥ 130,426
Financial institutions	2,500,624	2,012,751
Commerce and industry	13,502,283	10,364,685
Lease financing	208,099	191,966
Others	793,653	706,175
Total foreign	¥17,126,270	¥13,406,003

Allowance for Loan Losses

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

For the fiscal year ended March 31, 2013, the allowance for loan losses decreased by ¥118,686 million, or 9%, from ¥1,381,164 million at March 31, 2012 to ¥1,262,478 million at March 31, 2013. We recorded a provision for loan losses of ¥138,375 million for the fiscal year ended March 31, 2013, which is a decrease from ¥144,022 million for the fiscal year ended March 31, 2012.

We calculate the allowance for loan losses using the latest assignment of obligor grades and supplementary data such as the borrowers' operating cash flows, realizable value of collateral and recent economic conditions.

For the first half of the fiscal year ended March 31, 2013, although the Japanese economy was supported by domestic demand from post-earthquake reconstruction, the prolonged slowdown in the global economy contributed to the contraction of the Japanese economy. However, the Japanese economy gradually improved in the second half of the fiscal year. GDP growth in the second half was supported by an increase in private consumption. Exports also grew toward the end of the fiscal year, reflecting gradual recovery in the global economy and depreciation of the yen. As a result, Japanese GDP increased by 1.2% for the fiscal year ended March 31, 2013, compared with an increase of 0.2% in the previous fiscal year.

In addition to the gradual recovery of the Japanese economy, our consistent implementation of consultative actions tailored to our borrowers' businesses and financial condition, such as by supporting the development of operational improvement plans for borrowers, contributed to the improvement of our loan portfolio and the containment of credit costs. We manage centrally and globally our credit monitoring procedures on a cross-region basis, in order to reduce our credit risk exposure and hence the amount of provision required. As part of day-to-day risk management, we regularly assess our customers to review the obligor grades (our internal credit rating) assigned to them based on the latest available financial information. We also review the obligor grades of our customers upon the occurrence of events or a change in their financial condition that are indicative of a change in the borrower's repayment ability.

Our provision for loan losses decreased by ¥5,647 million from ¥144,022 million for the fiscal year ended March 31, 2012 to ¥138,375 million for the fiscal year ended March 31, 2013.

Charge-offs decreased by ¥91,027 million from the previous fiscal year to ¥264,198 million for the fiscal year ended March 31, 2013. The overall charge-offs of domestic loans and advances decreased by ¥65,470 million compared to the previous fiscal year to ¥241,137 million for the fiscal year ended March 31, 2013. Although the charge-offs related to customers from the consumer industry increased due to the inclusion of the full year impact of SMBC Consumer Finance, the charge-offs related to customers from the wholesale and retail and manufacturing industries decreased. Charge-offs of foreign loans and advances decreased by ¥25,557 million compared to the previous fiscal year to ¥23,061 million for the fiscal year ended March 31, 2013.

For the fiscal year ended March 31, 2013, charge-offs recognized through the sales of loans and write-offs, which decrease the balance of the allowance for loan losses, exceeded the provision for loan losses, which increases the balance of the allowance for loan losses. Accordingly, the overall allowance for loan losses decreased by ¥118,686 million at March 31, 2013 compared to March 31, 2012.

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

For the fiscal year ended March 31, 2012, the allowance for loan losses decreased by ¥205,969 million, or 13%, from ¥1,587,133 million at March 31, 2011 to ¥1,381,164 million at March 31, 2012. We recorded a provision for loan losses of ¥144,022 million for the fiscal year ended March 31, 2012, which was a decrease from ¥259,292 million for the fiscal year ended March 31, 2011.

In the first few months of the fiscal year ended March 31, 2012, the Japanese economy contracted in the aftermath of the Great East Japan Earthquake. The Japanese economy then gradually began to and continued to recover. In the second half of the fiscal year, there were some visible signs of improvement in the unemployment rate and private consumption remained firm, in spite of the deceleration of certain overseas economies coupled with the persistent strength of the Japanese yen against other currencies. The recovery of the Japanese economy and our consultative actions tailored to our borrowers' businesses and financial condition had a positive impact on their financial position, which may upgrade our customers' obligor grades or avoid their obligor grades' being downgraded.

Consequently the provision for loan losses decreased by ¥115,270 million from ¥259,292 million for the fiscal year ended March 31, 2011 to ¥144,022 million for the fiscal year ended March 31, 2012.

Charge-offs increased by ¥155,464 million from the previous fiscal year to ¥355,225 million for the fiscal year ended March 31, 2012. The overall charge-offs of domestic loans and advances increased by ¥130,890 million compared to the previous fiscal year to ¥306,607 million for the fiscal year ended March 31, 2012 and especially the charge-offs related to wholesale and retail and consumer industries increased. Charge-offs of foreign loans and advances increased by ¥24,574 million compared to the previous fiscal year to ¥48,618 million for the fiscal year ended March 31, 2012.

For the fiscal year ended March 31, 2012, charge-offs that were recognized mainly through the sales of loans, which decrease the balance of the allowance for loan losses, exceeded the provision for loan losses, which increases the balance of the allowance for loan losses. Accordingly, the overall allowance for loan losses decreased by ¥205,969 million at March 31, 2012 compared to March 31, 2011.

The following table shows the analysis of our allowance for loan losses for each of the periods indicated.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Allowance for loan losses at beginning of period	¥1,381,164	¥1,587,133	¥1,533,555
Provision for loan losses	138,375	144,022	259,292
Charge-offs:			
Domestic	241,137	306,607	175,717
Foreign	23,061	48,618	24,044
Total	<u>264,198</u>	<u>355,225</u>	<u>199,761</u>
Recoveries:			
Domestic	10,103	4,595	2,624
Foreign	333	207	190
Total	<u>10,436</u>	<u>4,802</u>	<u>2,814</u>
Net charge-offs	253,762	350,423	196,947
Others ⁽¹⁾	(3,299)	432	(8,767)
Allowance for loan losses at end of period	<u>¥1,262,478</u>	<u>¥1,381,164</u>	<u>¥1,587,133</u>

(1) Others mainly include foreign exchange translations as well as the exclusion of the allowance for loan losses related to ORIX Credit, as the Bank transferred all of its shares of ORIX Credit to ORIX in June 2012 for the fiscal year ended March 31, 2013, whereas the amount for the fiscal year ended March 31, 2011 mainly includes foreign exchange translations.

Impaired Loans and Advances

A portion of the total domestic and foreign loans and advances consists of impaired loans and advances, which are comprised of “potentially bankrupt, effectively bankrupt and bankrupt (loans and advances),” “past

due three months or more (loans),” “restructured (loans)” and “other impaired (loans and advances).” The loans and advances for which management has serious doubts about the ability of the borrowers to comply in the near future with the repayment terms are wholly included in impaired loans and advances.

“Potentially bankrupt, effectively bankrupt and bankrupt (loans and advances)” comprise loans and advances to borrowers that are perceived to have a high risk of falling into bankruptcy, may not have been legally or formally declared bankrupt but are essentially bankrupt, or have been legally or formally declared bankrupt.

Loans classified as “past due three months or more (loans)” represent those loans that are three months or more past due as to principal or interest, other than those loans to borrowers who are potentially bankrupt, effectively bankrupt and bankrupt.

The category “restructured (loans)” comprises loans not included above for which the terms of the loans have been modified to grant concessions because of problems with the borrower.

“Other impaired (loans and advances)” represent impaired loans and advances, which are not included in “potentially bankrupt, effectively bankrupt and bankrupt (loans and advances),” “past due three months or more (loans),” or “restructured (loans),” but for which information about credit problems cause management to classify them as impaired loans and advances.

The following table shows the distribution of impaired loans and advances by “potentially bankrupt, effectively bankrupt and bankrupt (loans and advances),” “past due three months or more (loans),” “restructured (loans)” and “other impaired (loans and advances)” at March 31, 2013 and 2012 by domicile and type of industry of the borrowers.

	At March 31,	
	2013	2012
(In millions)		
Potentially bankrupt, effectively bankrupt and bankrupt (loans and advances):		
Domestic:		
Manufacturing	¥ 215,600	¥ 187,982
Agriculture, forestry, fisheries and mining	5,210	5,295
Construction	101,255	118,413
Transportation, communications and public enterprises	109,449	68,768
Wholesale and retail	232,779	225,399
Finance and insurance	15,822	13,350
Real estate and goods rental and leasing	449,163	499,485
Services	203,197	213,142
Lease financing	17,030	10,742
Consumer	270,060	312,181
Others	69,859	67,174
Total domestic	1,689,424	1,721,931
Foreign:		
Public sector	14	14
Financial institution	6,191	19,383
Commerce and industry	178,022	162,509
Lease financing	7,522	4,140
Others	2,271	3,019
Total foreign	194,020	189,065
Total	1,883,444	1,910,996
Past due three months or more (loans):		
Domestic	27,102	32,069
Foreign	557	1,130
Total	27,659	33,199
Restructured (loans):		
Domestic	337,494	390,060
Foreign	29,650	24,644
Total	367,144	414,704
Other impaired (loans and advances):		
Domestic	204,775	255,615
Foreign	119	2,588
Total	204,894	258,203
Gross impaired loans and advances	2,483,141	2,617,102
Less: Allowance for loan losses	(1,144,130)	(1,234,299)
Net impaired loans and advances	¥ 1,339,011	¥ 1,382,803

In addition to the discussion in this section, see Note 45 “Financial Risk Management—Credit Risk” to our consolidated financial statements included elsewhere in this annual report.

Investment Securities

Our investment securities, including available-for-sale financial assets and held-to-maturity investments, totaled ¥35,728,537 million at March 31, 2013, a decrease of ¥1,595,563 million, or 4%, from ¥37,324,100 million at March 31, 2012. The decrease of our investment securities was due mainly to a decrease in our holding of available-for-sale domestic bonds.

Our bond portfolio is principally held for asset and liability management purposes. Our bond portfolio mostly consisted of Japanese government bonds, and U.S. Treasury and other U.S. government agency bonds.

Our held-to-maturity investments amounted to ¥5,840,257 million at March 31, 2013, an increase of ¥562,989 million, or 11%, from ¥5,277,268 million at March 31, 2012, mainly due to an increase in Japanese government bonds, which are the principal components of our held-to-maturity investments portfolio.

Domestic available-for-sale financial assets included ¥20,301,306 million of domestic debt instruments at March 31, 2013, a decrease of ¥3,025,810 million from ¥23,327,116 million at March 31, 2012. The decrease was due mainly to a decrease in investments in Japanese government bonds, especially bonds with a maturity of less than five years. Japanese government bonds with a maturity of less than a year and Japanese government bonds with a maturity of less than five years accounted for 35% and 97%, respectively, of our total Japanese government bonds. We managed the average duration of our government bonds to be short. As for our foreign available-for-sale financial assets, we had ¥5,647,893 million of foreign debt instruments at March 31, 2013, including ¥5,020,146 million of foreign government bonds, consisting mainly of U.S. government bonds. Of our foreign government bonds, 97% had a maturity of less than five years.

We had ¥3,458,978 million of domestic equity instruments and ¥480,103 million of foreign equity instruments at March 31, 2013. Our domestic equity instruments, which consisted principally of publicly traded Japanese stocks and included common and preferred stocks issued by our customers, increased by ¥621,961 million, or 22%, from ¥2,837,017 million at March 31, 2012. Net unrealized gains on our domestic equity instruments increased by ¥641,772 million from ¥916,457 million at March 31, 2012 to ¥1,558,229 million at March 31, 2013. The increase was due mainly to a rise in the market prices of these stocks in an overall environment where, as described in “Item 5. Operating and Financial Review and Prospects—Overview—Operating Environment,” the Nikkei Stock Average rose from ¥10,083.56 at March 31, 2012 to ¥12,397.91 at March 31, 2013, although the index at the end of the interim period was ¥8,870.16. Net unrealized gains on our foreign equity instruments increased by ¥87,784 million from ¥88,562 million at March 31, 2012 to ¥176,346 million at March 31, 2013.

We recognize the risks associated with our equity portfolio, owing to its volatility as well as its relatively poor dividend yields. Accordingly, we have been actively looking to minimize the negative effect of holding a large equity portfolio through economic hedging and derivative transactions while maintaining existing client relationships.

We have no transactions pursuant to repurchase agreements, securities lending transactions or other transactions involving the transfer of financial assets with an obligation to repurchase such transferred assets that are treated as sales for accounting purposes.

The following tables show the amortized cost, gross unrealized gains and losses and estimated fair value of our investment securities, which are classified as held-to-maturity investments and available-for-sale financial assets at March 31, 2013, 2012 and 2011.

	At March 31, 2013			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In millions)			
Held-to-maturity investments:				
Domestic:				
Japanese government bonds	¥ 5,514,196	¥ 57,018	¥ 37	¥ 5,571,177
Japanese municipal bonds	159,148	1,883	—	161,031
Japanese corporate bonds	166,913	2,547	4	169,456
Total domestic	<u>5,840,257</u>	<u>61,448</u>	<u>41</u>	<u>5,901,664</u>
Foreign	—	—	—	—
Total	<u>¥ 5,840,257</u>	<u>¥ 61,448</u>	<u>¥ 41</u>	<u>¥ 5,901,664</u>
Available-for-sale financial assets:				
Domestic:				
Japanese government bonds	¥19,529,436	¥ 47,954	¥ 255	¥19,577,135
Japanese municipal bonds	196,263	1,658	14	197,907
Japanese corporate bonds	522,489	4,194	419	526,264
Other debt instruments	—	—	—	—
Equity instruments	1,900,749	1,560,861	2,632	3,458,978
Total domestic	<u>22,148,937</u>	<u>1,614,667</u>	<u>3,320</u>	<u>23,760,284</u>
Foreign:				
U.S. Treasury and other U.S. government agency bonds	3,803,402	3,068	1,990	3,804,480
Other governments and official institutions bonds	1,213,015	2,997	346	1,215,666
Mortgage-backed securities	331,881	517	3,794	328,604
Other debt instruments	296,004	3,559	420	299,143
Equity instruments	303,757	176,445	99	480,103
Total foreign	<u>5,948,059</u>	<u>186,586</u>	<u>6,649</u>	<u>6,127,996</u>
Total	<u>¥28,096,996</u>	<u>¥1,801,253</u>	<u>¥9,969</u>	<u>¥29,888,280</u>

At March 31, 2012				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
(In millions)				
Held-to-maturity investments:				
Domestic:				
Japanese government bonds	¥ 4,857,096	¥ 62,369	¥ 91	¥ 4,919,374
Japanese municipal bonds	177,732	2,814	3	180,543
Japanese corporate bonds	242,440	4,507	10	246,937
Total domestic	<u>5,277,268</u>	<u>69,690</u>	<u>104</u>	<u>5,346,854</u>
Foreign	—	—	—	—
Total	<u>¥ 5,277,268</u>	<u>¥ 69,690</u>	<u>¥ 104</u>	<u>¥ 5,346,854</u>
Available-for-sale financial assets:				
Domestic:				
Japanese government bonds	¥22,502,697	¥ 28,365	¥ 769	¥22,530,293
Japanese municipal bonds	295,664	2,167	16	297,815
Japanese corporate bonds	380,595	2,323	955	381,963
Other debt instruments	117,045	—	—	117,045
Equity instruments	1,920,560	926,259	9,802	2,837,017
Total domestic	<u>25,216,561</u>	<u>959,114</u>	<u>11,542</u>	<u>26,164,133</u>
Foreign:				
U.S. Treasury and other U.S. government agency bonds	4,410,599	4,458	10,288	4,404,769
Other governments and official institutions bonds	538,661	331	817	538,175
Mortgage-backed securities	324,391	6,710	30	331,071
Other debt instruments	256,878	2,397	2,476	256,799
Equity instruments	263,323	88,739	177	351,885
Total foreign	<u>5,793,852</u>	<u>102,635</u>	<u>13,788</u>	<u>5,882,699</u>
Total	<u>¥31,010,413</u>	<u>¥1,061,749</u>	<u>¥25,330</u>	<u>¥32,046,832</u>

At March 31, 2011				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
(In millions)				
Held-to-maturity investments:				
Domestic:				
Japanese government bonds	¥ 3,763,715	¥ 53,247	¥ 1,464	¥ 3,815,498
Japanese municipal bonds	171,516	2,723	39	174,200
Japanese corporate bonds	246,609	5,853	29	252,433
Total domestic	<u>4,181,840</u>	<u>61,823</u>	<u>1,532</u>	<u>4,242,131</u>
Foreign	—	—	—	—
Total	<u>¥ 4,181,840</u>	<u>¥ 61,823</u>	<u>¥ 1,532</u>	<u>¥ 4,242,131</u>
Available-for-sale financial assets:				
Domestic:				
Japanese government bonds	¥20,247,115	¥ 4,824	¥ 28,461	¥20,223,478
Japanese municipal bonds	373,041	1,350	1,640	372,751
Japanese corporate bonds	412,501	2,440	1,474	413,467
Other debt instruments	202,768	2,454	—	205,222
Equity instruments	2,036,144	868,936	19,683	2,885,397
Total domestic	<u>23,271,569</u>	<u>880,004</u>	<u>51,258</u>	<u>24,100,315</u>
Foreign:				
U.S. Treasury and other U.S. government agency bonds	4,354,133	3,006	73,879	4,283,260
Other governments and official institutions bonds	1,288,687	421	23,186	1,265,922
Mortgage-backed securities	210,930	866	5,952	205,844
Other debt instruments	292,702	2,179	1,308	293,573
Equity instruments	254,214	77,177	39	331,352
Total foreign	<u>6,400,666</u>	<u>83,649</u>	<u>104,364</u>	<u>6,379,951</u>
Total	<u>¥29,672,235</u>	<u>¥963,653</u>	<u>¥155,622</u>	<u>¥30,480,266</u>

The following tables show the estimated fair value and gross unrealized losses of our investment securities, aggregated by the length of time that the individual securities have been in a continuous unrealized loss position at March 31, 2013, 2012 and 2011. Note that none of the available-for-sale equity instruments included in the tables has been in a continuous unrealized loss position for more than twelve months, since under our accounting policy, a significant or prolonged decline in the fair value of an equity instrument below its cost is considered to be an objective evidence of impairment.

At March 31, 2013						
Less than twelve months		Twelve months or more		Total		
Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	
(In millions)						
Held-to-maturity investments:						
Domestic:						
Japanese government bonds	¥ 269,676	¥ 37	¥ —	¥—	¥ 269,676	¥ 37
Japanese municipal bonds	373	—	—	—	373	—
Japanese corporate bonds	716	—	507	4	1,223	4
Total domestic	<u>270,765</u>	<u>37</u>	<u>507</u>	<u>4</u>	<u>271,272</u>	<u>41</u>
Foreign:	—	—	—	—	—	—
Total	<u>¥ 270,765</u>	<u>¥ 37</u>	<u>¥ 507</u>	<u>¥ 4</u>	<u>¥ 271,272</u>	<u>¥ 41</u>
Available-for-sale financial assets:						
Domestic:						
Japanese government bonds	¥1,714,251	¥ 255	¥ 23	¥—	¥1,714,274	¥ 255
Japanese municipal bonds	2,244	14	127	—	2,371	14
Japanese corporate bonds	41,272	115	13,890	304	55,162	419
Other debt instruments	—	—	—	—	—	—
Equity instruments	29,540	2,632	—	—	29,540	2,632
Total domestic	<u>1,787,307</u>	<u>3,016</u>	<u>14,040</u>	<u>304</u>	<u>1,801,347</u>	<u>3,320</u>
Foreign:						
U.S. Treasury and other U.S. government agency bonds	1,148,832	1,990	—	—	1,148,832	1,990
Other governments and official institutions bonds	429,021	309	33,638	37	462,659	346
Mortgage-backed securities	299,869	3,794	—	—	299,869	3,794
Other debt instruments	15,120	55	68,011	365	83,131	420
Equity instruments	17,831	99	—	—	17,831	99
Total foreign	<u>1,910,673</u>	<u>6,247</u>	<u>101,649</u>	<u>402</u>	<u>2,012,322</u>	<u>6,649</u>
Total	<u>¥3,697,980</u>	<u>¥9,263</u>	<u>¥115,689</u>	<u>¥706</u>	<u>¥3,813,669</u>	<u>¥9,969</u>

At March 31, 2012

	Less than twelve months		Twelve months or more		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
(In millions)						
Held-to-maturity investments:						
Domestic:						
Japanese government bonds	¥ 69,930	¥ 91	¥ —	¥ —	¥ 69,930	¥ 91
Japanese municipal bonds	2,299	3	—	—	2,299	3
Japanese corporate bonds	—	—	2,507	10	2,507	10
Total domestic	<u>72,229</u>	<u>94</u>	<u>2,507</u>	<u>10</u>	<u>74,736</u>	<u>104</u>
Foreign:	—	—	—	—	—	—
Total	<u>¥ 72,229</u>	<u>¥ 94</u>	<u>¥ 2,507</u>	<u>¥ 10</u>	<u>¥ 74,736</u>	<u>¥ 104</u>
Available-for-sale financial assets:						
Domestic:						
Japanese government bonds	¥2,794,099	¥ 767	¥ 47,014	¥ 2	¥2,841,113	¥ 769
Japanese municipal bonds	7,589	16	113	—	7,702	16
Japanese corporate bonds	53,860	92	24,402	863	78,262	955
Other debt instruments	—	—	—	—	—	—
Equity instruments	77,543	9,802	—	—	77,543	9,802
Total domestic	<u>2,933,091</u>	<u>10,677</u>	<u>71,529</u>	<u>865</u>	<u>3,004,620</u>	<u>11,542</u>
Foreign:						
U.S. Treasury and other U.S. government agency bonds	2,093,570	10,288	—	—	2,093,570	10,288
Other governments and official institutions bonds	338,227	794	38,942	23	377,169	817
Mortgage-backed securities	91	8	8,164	22	8,255	30
Other debt instruments	75,205	362	49,585	2,114	124,790	2,476
Equity instruments	8,076	177	—	—	8,076	177
Total foreign	<u>2,515,169</u>	<u>11,629</u>	<u>96,691</u>	<u>2,159</u>	<u>2,611,860</u>	<u>13,788</u>
Total	<u>¥5,448,260</u>	<u>¥22,306</u>	<u>¥168,220</u>	<u>¥3,024</u>	<u>¥5,616,480</u>	<u>¥25,330</u>

At March 31, 2011							
		Less than twelve months		Twelve months or more		Total	
		Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
(In millions)							
Held-to-maturity investments:							
Domestic:							
Japanese government							
bonds	¥	378,410	¥ 1,464	¥ —	¥ —	¥ 378,410	¥ 1,464
Japanese municipal							
bonds		11,860	39	—	—	11,860	39
Japanese corporate							
bonds		2,679	12	2,482	17	5,161	29
Total domestic		392,949	1,515	2,482	17	395,431	1,532
Foreign:		—	—	—	—	—	—
Total	¥	392,949	¥ 1,515	¥ 2,482	¥ 17	¥ 395,431	¥ 1,532
Available-for-sale financial assets:							
Domestic:							
Japanese government							
bonds	¥	13,496,173	¥ 28,461	¥ —	¥ —	¥13,496,173	¥ 28,461
Japanese municipal							
bonds		176,313	1,640	80	—	176,393	1,640
Japanese corporate							
bonds		134,558	1,469	1,328	5	135,886	1,474
Other debt instruments . .		—	—	—	—	—	—
Equity instruments		221,122	19,683	—	—	221,122	19,683
Total domestic		14,028,166	51,253	1,408	5	14,029,574	51,258
Foreign:							
U.S. Treasury and other							
U.S. government							
agency bonds		2,785,682	71,332	40,601	2,547	2,826,283	73,879
Other governments and							
official institutions							
bonds		956,761	23,158	12,819	28	969,580	23,186
Mortgage-backed							
securities		139,860	5,951	340	1	140,200	5,952
Other debt instruments . .		114,576	1,179	17,578	129	132,154	1,308
Equity instruments		1,010	39	—	—	1,010	39
Total foreign		3,997,889	101,659	71,338	2,705	4,069,227	104,364
Total	¥	18,026,055	¥152,912	¥72,746	¥2,710	¥18,098,801	¥155,622

Trading Assets

The following table shows our trading assets at March 31, 2013 and 2012. Our trading assets were ¥4,097,084 million at March 31, 2013, a decrease of ¥364,174 million from ¥4,461,258 million at March 31, 2012. The decrease in trading assets was principally due to a decrease in our holdings of Japanese government bonds, which was partially offset by an increase in equity instruments mainly held by consolidated investment funds.

	At March 31,	
	2013	2012
	(In millions)	
Debt instruments	¥3,331,405	¥4,132,979
Equity instruments	765,679	328,279
Total trading assets	<u>¥4,097,084</u>	<u>¥4,461,258</u>

Financial Assets at Fair Value Through Profit or Loss

The following table shows the fair value of our financial assets at fair value through profit or loss at March 31, 2013 and 2012. The fair value was ¥2,045,046 million at March 31, 2013, a decrease from ¥2,150,409 million at March 31, 2012, primarily due to a decrease in our holdings of debt instruments.

	At March 31,	
	2013	2012
	(In millions)	
Debt instruments	¥1,911,478	¥2,019,559
Equity instruments	133,568	130,850
Total financial assets at fair value through profit or loss	<u>¥2,045,046</u>	<u>¥2,150,409</u>

Exposures to Selected European Countries

The following tables show exposures to Greece, Italy, Ireland, Portugal and Spain at March 31, 2013 and 2012. Our exposures to those countries consisted mainly of loans, trade financing, leases, guarantees and unused commitments to large corporations, and project finance transactions. All figures in this subsection are based on the data collected for our internal risk management.

	At March 31, 2013			
	Sovereign	Financial institutions	Non-financial corporations	Total
	(In billions)			
Greece	¥—	¥—	¥ 6.3	¥ 6.3
Italy	0.1	0.2	300.2	300.5
Ireland	—	0.1	57.7	57.8
Portugal	—	—	3.6	3.6
Spain	2.7	0.1	219.9	222.7
Total ⁽¹⁾	<u>¥ 2.8</u>	<u>¥ 0.4</u>	<u>¥587.7</u>	<u>¥590.9</u>

(1) The total amount at March 31, 2013 includes exposures related to the aircraft leasing business which commenced in June 2012 as SMBC Aviation Capital.

	At March 31, 2012			
	Sovereign	Financial institutions	Non-financial corporations	Total
	(In billions)			
Greece	¥—	¥—	¥ 5.4	¥ 5.4
Italy	0.1	0.3	240.7	241.1
Ireland	—	0.1	35.9	36.0
Portugal	—	2.2	1.9	4.1
Spain	3.0	9.1	166.2	178.3
Total	<u>¥ 3.1</u>	<u>¥11.7</u>	<u>¥450.1</u>	<u>¥464.9</u>

Securitized Products and Leveraged Loans

At March 31, 2013, we held ¥106.9 billion of securitized products such as residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), and collateralized loan obligations (“CLO”). We did not incur any losses on these securitized products for the fiscal year ended March 31, 2013.

At March 31, 2013, we had ¥423.8 billion in leveraged loans and ¥135.0 billion undrawn commitments for those loans as shown in the table below. The leveraged loans and undrawn commitments are reported in loans and advances and loan commitments in our consolidated financial statements, respectively. All figures in this subsection are approximate amounts based on a managerial accounting basis.

	At March 31,			
	2013		2012	
	Loans	Undrawn commitments	Loans	Undrawn commitments
	(In billions)			
Europe	¥109.4	¥ 16.6	¥151.2	¥20.7
Japan	180.8	36.3	131.0	22.3
United States	73.8	76.5	75.6	51.1
Asia (excluding Japan)	59.8	5.6	62.0	5.7
Total	<u>¥423.8</u>	<u>¥135.0</u>	<u>¥419.8</u>	<u>¥99.8</u>

Liabilities

Our total liabilities increased by ¥5,006,041 million from ¥134,259,035 million at March 31, 2012 to ¥139,265,076 million at March 31, 2013, due primarily to an increase of deposits, partially offset by a decrease in borrowings.

The following table shows our liabilities at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
	(In millions)	
Deposits	¥101,021,413	¥ 92,853,566
Call money and bills sold	2,954,052	2,144,600
Repurchase agreements and cash collateral on securities lent	6,510,627	7,487,633
Trading liabilities	1,910,905	2,173,567
Derivative financial instruments	6,936,991	5,850,813
Borrowings	6,475,543	10,412,858
Debt securities in issue	8,085,263	7,377,742
Provisions	279,131	425,350
Other liabilities	4,776,912	5,401,790
Current tax liabilities	206,977	61,786
Deferred tax liabilities	107,262	69,330
Total liabilities	<u>¥139,265,076</u>	<u>¥134,259,035</u>

Deposits

We offer a wide range of standard banking accounts through the offices of banking subsidiaries in Japan, including non-interest-bearing demand deposits, interest-bearing demand deposits, deposits at notice, time deposits and negotiable certificates of deposit. Domestic deposits, approximately 80% of total deposits, are our principal source of funds for our domestic operations. The deposits in the domestic offices of our banking subsidiaries are principally from individuals and private corporations, with the balance from governmental bodies (including municipal authorities) and financial institutions.

The Bank's foreign offices accept deposits mainly in U.S. dollars, but also in yen and other currencies, and are active participants in the Euro-currency market as well as the United States domestic money market. Foreign deposits mainly consist of stable types of deposits, such as deposits at notice, time deposits, and negotiable certificates of deposit, which the New York branch of the Bank and SMBC Europe issue in U.S. dollars and in other currencies. These deposits typically pay interest rates determined with reference to market rates such as LIBOR.

Our deposit balances at March 31, 2013 were ¥101,021,413 million, an increase of ¥8,167,847 million, or 9%, from ¥92,853,566 million at March 31, 2012, due primarily to an increase in negotiable certificates of deposit in foreign offices, partially reflecting our efforts to expand and diversify our foreign currency funding sources.

The following table shows a breakdown of our domestic and foreign offices' deposits at the dates indicated.

	At March 31,	
	2013	2012
(In millions)		
Domestic offices:		
Non-interest-bearing demand deposits	¥ 13,861,251	¥13,424,217
Interest-bearing demand deposits	36,289,375	34,344,937
Deposits at notice	1,013,371	855,577
Time deposits	25,191,506	25,118,371
Negotiable certificates of deposit	5,553,910	5,327,488
Others	3,817,919	3,786,138
Total domestic offices	<u>85,727,332</u>	<u>82,856,728</u>
Foreign offices:		
Non-interest-bearing demand deposits	454,010	410,624
Interest-bearing demand deposits	927,203	804,527
Deposits at notice	5,092,908	3,642,208
Time deposits	2,509,551	1,745,146
Negotiable certificates of deposit	6,201,744	3,266,150
Others	108,665	128,183
Total foreign offices	<u>15,294,081</u>	<u>9,996,838</u>
Total deposits	<u>¥101,021,413</u>	<u>¥92,853,566</u>

Borrowings

Borrowings include short-term borrowings, unsubordinated and subordinated long-term borrowings, liabilities associated with securitization transactions of our own assets and lease obligations. At March 31, 2013, our borrowings were ¥6,475,543 million, a decrease of ¥3,937,315 million, or 38%, from ¥10,412,858 million at March 31, 2012, due primarily to a decrease in short-term borrowings.

At March 31, 2013, our short-term borrowings accounted for 38% of our total borrowings, and our long-term borrowings accounted for 42% of our total borrowings.

The following table shows the balances with respect to our borrowings at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
(In millions)		
Short-term borrowings	¥2,467,661	¥ 6,392,554
Long-term borrowings:		
Unsubordinated	2,398,658	2,253,600
Subordinated	314,450	374,250
Liabilities associated with securitization transactions	1,196,820	1,338,163
Lease obligations	97,954	54,291
Total borrowings	<u>¥6,475,543</u>	<u>¥10,412,858</u>

For more information, see Note 18 “Borrowings” to our consolidated financial statements included elsewhere in this annual report, which sets forth summaries of short- and long-term borrowings with their contractual interest rates and currencies.

Debt Securities in Issue

Debt securities in issue at March 31, 2013 were ¥8,085,263 million, an increase of ¥707,521 million, or 10%, from ¥7,377,742 million at March 31, 2012 due mainly to an increase in commercial paper and senior bonds, which partly reflects our efforts to expand foreign currency funding sources.

	At March 31,	
	2013	2012
	(In millions)	
Commercial paper	¥3,190,675	¥2,743,664
Bonds	2,751,479	2,224,116
Subordinated bonds	2,007,866	2,398,100
Other	135,243	11,862
Total debt securities in issue	<u>¥8,085,263</u>	<u>¥7,377,742</u>

For additional information, see Note 19 “Debt Securities in Issue” to our consolidated financial statements included elsewhere in this annual report, which sets forth summaries of debt securities in issue with their contractual interest rates and currencies.

In the normal course of business, we enter into contractual obligations that require future cash payments. “Item 5.F. Tabular Disclosure of Contractual Obligations” sets forth a summary of our contractual cash obligations at March 31, 2013.

Total Equity

Our total equity increased by ¥1,127,259 million from ¥7,615,391 million at March 31, 2012 to ¥8,742,650 million at March 31, 2013, due primarily to an increase in retained earnings and other reserves. The increase in retained earnings mainly reflected our net profit. The increase in other reserves is due to an increase of available-for-sale financial assets reserve reflecting a rise in market prices of domestic equity instruments, and exchange differences on translating the foreign operations reserve reflecting the depreciation of the yen. For more information, see Note 24 “Shareholders’ Equity” and Note 25 “Non-controlling Interests” to our consolidated financial statements included elsewhere in this annual report.

	At March 31,	
	2013	2012
	(In millions)	
Capital stock	¥2,337,896	¥2,337,896
Capital surplus	862,305	862,933
Retained earnings	2,596,104	2,162,696
Other reserves	1,069,603	437,177
Treasury stock	(227,373)	(236,037)
Equity attributable to shareholders of Sumitomo Mitsui Financial Group, Inc. . . .	<u>6,638,535</u>	<u>5,564,665</u>
Non-controlling interests	<u>2,104,115</u>	<u>2,050,726</u>
Total equity	<u>¥8,742,650</u>	<u>¥7,615,391</u>

Reconciliation with Japanese GAAP

Our consolidated financial statements are prepared in accordance with IFRS as summarized in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this annual report. These policies differ in some respects from Japanese GAAP. Under Japanese banking regulations, we report our annual financial results prepared under Japanese GAAP. To show the major

reconciling items between our IFRS and Japanese GAAP consolidated financial statements, we have provided below, with respect to our most recent fiscal year, a reconciliation of consolidated net profit and total equity under IFRS with those amounts under Japanese GAAP.

	At and for the fiscal year ended March 31, 2013	
	Total equity	Net profit
	(In millions)	
IFRS	¥8,742,650	¥690,756
Differences arising from different accounting for:		
1. Scope of consolidation	79,552	(39,770)
2. Derivative financial instruments	105,744	53,326
3. Investment securities	(205,854)	116,257
4. Loans and advances	(170,218)	(44,236)
5. Investments in associates and joint ventures	83	(22,413)
6. Property, plant and equipment	(5,635)	(390)
7. Lease accounting	(7,679)	7,742
8. Defined benefit plans	11,537	(19,430)
9. Deferred tax assets	(102,817)	170,411
10. Foreign currency translation	—	56,882
Others	(98,988)	(9,483)
Tax effect of the above	94,843	(41,586)
Japanese GAAP	<u>¥8,443,218</u>	<u>¥918,066</u>

The explanations below summarize certain differences between IFRS and Japanese GAAP that may be significant. The paragraphs below refer to the corresponding items as set forth in the table above.

1. Scope of consolidation

Under Japanese GAAP, we consolidate an entity when we effectively control the decision making body of the entity's financial and operating policies. Control is generally presumed to exist when we own more than half of the voting power, or own from 40% to 50% of the voting power and certain facts exist indicating control. Certain SPEs established for securitization are presumed not to be controlled. Under IFRS, we consolidate an entity when we control the entity. Control is generally presumed to exist when we have the power to govern the financial and operating policies by owning more than half of the voting power, or by legal or contractual arrangements. Currently exercisable potential voting rights are considered in assessing the control. An SPE is consolidated when the substance of the relationship between the SPE and us indicate that the SPE is controlled by us. This results in a difference in the scope of consolidation between Japanese GAAP and IFRS. Most significantly certain SPEs, such as securitization vehicles (usually, trusts under the Trust Act of Japan) and investment funds, are not consolidated under Japanese GAAP but consolidated under IFRS. Accordingly, both the cumulative gains on transfers of financial assets to these securitization vehicles and amortization of our retained subordinate interest under Japanese GAAP were not recognized under IFRS due to consolidation of such vehicles.

2. Derivative financial instruments

Under Japanese GAAP, an embedded derivative shall be separately accounted for when the host contract may suffer losses arising from the embedded derivative. Also, an entity may separately account for an embedded derivative if the entity manages it separately, even though the criteria for separation are not fully met. Under IFRS, an embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if its economic characteristics and risks are not closely related to those of the host contract. Accordingly, certain embedded derivatives that are separately accounted for under Japanese GAAP but do not meet the criteria

for separation under IFRS are adjusted such that they are combined with the host contract, and vice versa. In addition, the separation of the embedded derivatives from the host contract is adjusted so as not to result in any gain or loss at initial recognition under IFRS.

We apply hedge accounting under Japanese GAAP. However, IFRS imposes onerous documentation and effectiveness testing requirements on entities wishing to apply hedge accounting. The result of these requirements is that it is more difficult to achieve hedge accounting under IFRS than under Japanese GAAP, and the effects of hedge accounting under Japanese GAAP have therefore been reversed under IFRS.

Japanese GAAP and IFRS require OTC derivatives to be measured at fair value. In principle, there is no significant difference in the definitions of fair value, but in practice there is diversity in the application of valuation techniques used for fair value under Japanese GAAP and IFRS. Therefore to meet the requirements of fair value under IFRS, adjustments have been made to the fair values under Japanese GAAP to reflect the spread between bid and ask prices, as well as credit risk adjustments for OTC derivatives. Certain guarantees under Japanese GAAP do not meet the definition of a financial guarantee under IFRS but meet that of a derivative. These guarantees are measured at fair value and the change in fair value is recognized in the consolidated income statement under IFRS.

3. Investment securities

Under Japanese GAAP, certain financial assets classified as available-for-sale, such as unlisted stocks, are measured at cost. However, under IFRS available-for-sale financial assets (and financial assets at fair value through profit or loss) should be measured at fair value. The fair value of financial instruments where there is no quoted price in an active market is determined by using valuation techniques. In addition, the fair values of financial instruments under Japanese GAAP have been adjusted in order to meet the requirements of fair value under IFRS. For example, the last 1-month average of the closing transaction prices can be used for the fair value measurement of available-for-sale financial assets (listed stocks) under Japanese GAAP, whereas closing spot prices are used under IFRS. Additionally under IFRS, we classify certain hybrid instruments as financial assets at fair value through profit or loss as we are unable to measure the embedded derivative separately from its host contract although it is required to separate the embedded derivative from the host contract. Accordingly, the change in fair value of such hybrid instruments is recognized in profit or loss.

Under Japanese GAAP, we recognize impairment of available-for-sale equity instruments if the decline in fair value below the cost, less previously recognized impairment loss, is in general 50% or more. Under IFRS, we assess whether there is objective evidence that available-for-sale equity instruments are impaired, including a significant or prolonged decline in the fair value below cost and other qualitative impairment indicators. Additionally, under Japanese GAAP, we reverse impairment losses recognized in a previous interim period, whereas the reversal of the impairment losses on equity instruments is not allowed under IFRS.

4. Loans and advances

Under Japanese GAAP, the reserve for possible loan losses for specifically identified significant loans is calculated by the discounted cash flow (“DCF”) method, which is based on the present value of reasonably estimated cash flows discounted at the original contractual interest rate of the loan. The reserve for possible loan losses for the remaining loans is collectively calculated using the historical loss experience, or individually calculated based on the estimated uncollectible amount considering the historical loss experience and the recoveries from collateral, guarantees and any other collectible cash flows. The historical loss experience for 1 year or 3 years, according to the obligor grade, is calculated basically based on the averaged historical results of at least the past three years. Under IFRS, the allowance for loan losses for individually significant impaired loans is calculated by the DCF method based on the best estimate of cash flows discounted at the original effective interest rate which differs from the calculation of the DCF method under Japanese GAAP. The scope of the loans that are subject to the DCF method under IFRS is wider than that under Japanese GAAP. The allowance

for loan losses for the remaining loans is collectively calculated by homogeneous group using statistical methods based on the historical loss experience and incorporating the effect of the time value of money. A qualitative analysis based on related economic factors is then performed to reflect the current conditions at the end of the reporting period. The allowance for the non-impaired loan losses is calculated as incurred but not yet identified losses for the period between the impairment occurring and the loss being identified, which are different from the expected losses under Japanese GAAP.

Under Japanese GAAP, loan origination fees and costs are generally recognized in the consolidated income statement as incurred. Under IFRS, loan origination fees and costs that are incremental and directly attributable to the origination of a loan are deferred and thus, included in the calculation of the effective interest rate.

Under Japanese GAAP, loan commitments are not recognized in the consolidated statement of financial position. Provision for the credit risk on these commitments is included as part of the reserve for possible loan losses. Under IFRS, loan commitments are not recognized in the consolidated statement of financial position and a provision for the expected losses to us in relation to the loan commitments is measured based on IAS 37 "Provisions, Contingent Liabilities and Contingent Assets." Under Japanese GAAP, all guarantee contracts are accounted for by accruing both asset and liability accounts at the nominal guarantee amount. A provision for the credit risk of the guarantee is calculated using the same method as the reserve for possible loan losses and is included as part of it. Under IFRS, a financial guarantee contract is specifically defined in IAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instruments. Financial guarantees are initially recognized at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 or the amount initially recognized (i.e., fair value) less, when appropriate, cumulative amortization recognized in accordance with IAS 18 "Revenue."

5. Investments in associates and joint ventures

Under Japanese GAAP, although goodwill related to investments in associates and joint ventures is included in the carrying amount of the investments, we are required to recognize and measure impairment losses only on goodwill separately from the investments if impairment indicators for the goodwill are identified. Under IFRS, for investments in associates and joint ventures, if we identify objective evidence of impairment, the entire carrying amount of the investment is tested for impairment since goodwill is not separately recognized on the initial acquisition of the investment. Additionally, the net profit of associates is adjusted for differences between Japanese GAAP and IFRS in accordance with our accounting policy prior to applying the equity method under IFRS.

6. Property, plant and equipment

For certain assets that are depreciated using the declining balance method under Japanese GAAP, we apply the straight-line method of depreciation to those assets under IFRS as we consider that the straight-line method most closely reflects the expected pattern of consumption of the future economic benefits embodied in those assets. Additionally under IFRS, residual values of assets are reviewed at least at the end of each reporting period. After reviews of all categories of property, plant and equipment, the residual values of assets are considered to be zero under IFRS, whereas residual values are assigned to certain assets under Japanese GAAP.

7. Lease accounting

We account for finance lease transactions without a transfer of ownership commencing before April 1, 2008 as operating leases under Japanese GAAP. However, such accounting treatment is not allowed under IFRS. Thus, we made certain adjustments for those transactions in order to comply with the accounting treatment under IFRS. From the fiscal year beginning after April 1, 2008, a new Japanese GAAP standard for lease accounting became

effective, which removed the differences for finance leases (with or without a transfer of ownership) between Japanese GAAP and IFRS. Therefore, no adjustment is needed for finance lease transactions entered into after April 1, 2008.

8. Defined benefit plans

Under Japanese GAAP, the present value of the defined benefit obligation is discounted by the rates based on the market yields of long-term Japanese government bonds. Additionally, the discount rates for the previous reporting period can be used for the current reporting period, if the change in the present value of the defined benefit obligation caused by a change in the discount rates from the previous reporting period to the current reporting period is less than 10%. Under IFRS, the discount rates are determined by market yields on high quality corporate bonds at the end of each reporting period.

Under Japanese GAAP, the expected rates of return on plan assets for the previous reporting period can be used for the current reporting period, unless the impact of the profit or loss for the current reporting period is considered to be significant. Under IFRS, the expected return on plan assets is required to be estimated at the beginning of each reporting period based on market expectations for returns over the entire life of the related obligation.

Under Japanese GAAP, the actuarial gains and losses are amortized using the straight-line method. Under IFRS, we recognize actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets and 10% of the present value of the defined benefit obligation over the employees' expected average remaining working lives, in accordance with the corridor approach.

Under Japanese GAAP, past service costs are amortized using the straight-line method. Under IFRS, past service costs are recognized immediately in the consolidated income statement, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time.

9. Deferred tax assets

Under Japanese GAAP, pursuant to the practical guidelines issued by the Japanese Institute of Certified Public Accountants, we recognize deferred tax assets to the extent that the realization of the tax benefit is highly probable based on the schedule. Under IFRS, deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. For example, deferred tax assets for deductible temporary differences relating to impairment of financial instruments of which the timing of the reversal is difficult to estimate cannot be recognized under Japanese GAAP, whereas they can be recognized under IFRS to the extent that it is probable that future taxable profit will be available.

10. Foreign currency translation

Under Japanese GAAP, the income statement items of foreign operations are translated into Japanese yen, our presentation currency, using the (spot) closing rate, whereas under IFRS they are translated into the presentation currency using the exchange rate at the dates of the transactions or, if the exchange rates do not fluctuate significantly, at average exchange rates. In addition, under Japanese GAAP, certain foreign operations' monetary items denominated in foreign currencies are translated into Japanese yen using the exchange rate at the end of the reporting period. However, under IFRS the monetary items for which settlement is neither planned nor likely to occur in the foreseeable future are translated using the exchange rates at the dates of initial transactions.

5.B. LIQUIDITY AND CAPITAL RESOURCES

We consistently endeavor to enhance the management of our liquidity profile and strengthen our capital base to meet our customers' loan requirements and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currency, interest rate and other markets, or changes in general domestic or international conditions.

Liquidity

We derive funding for our operations both from domestic and international sources. Our domestic funding is derived primarily from deposits placed with the Bank by its corporate and individual customers, and also from call money (inter-bank), bills sold (inter-bank promissory notes), repurchase agreements, borrowings, and negotiable certificates of deposit issued by the Bank to domestic and international customers. Our international sources of funds are principally from deposits from corporate customers and inter-bank market, negotiable certificates of deposit, commercial paper, and also from repurchase agreements and cash collateral on securities lent. We closely monitor maturity gaps and foreign exchange exposure in order to manage our liquidity profile.

As shown in the following table, total deposits increased by ¥8,167,847 million, or 9%, from ¥92,853,566 million at March 31, 2012 to ¥101,021,413 million at March 31, 2013. The balance of deposits at March 31, 2013 exceeded the balance of loans and advances by ¥25,034,356 million due primarily to the stable deposit base in Japan. Our loan-to-deposit ratio (total loans and advances divided by total deposits) in the same period was 75%, which contributed greatly to the reduction of our liquidity risk. Our balances of large-denomination domestic yen time deposits are stable due to the historically high rollover rate of our corporate customers and individual depositors.

	At March 31,	
	2013	2012
	(In millions)	
Loans and advances	¥ 75,987,057	¥72,536,813
Deposits	101,021,413	92,853,566

We have invested the excess balance of deposits against loans and advances primarily in marketable securities and other highly liquid assets, such as Japanese government bonds. The Bank's Treasury Unit actively monitors the movement of interest rates and maturity profile of its bond portfolio as part of the Bank's overall risk management. The bonds can be used to enhance liquidity. When needed, they can be used as collateral for call money or other money market funding or short-term borrowings from the BOJ.

Secondary sources of liquidity include short-term debts, such as call money, bills sold, and commercial paper issued at an inter-bank or other wholesale markets. We also issue long-term debts, including both senior and subordinated debts, as additional sources of liquidity. With short- and long-term debts, we can diversify our funding sources and effectively manage our funding costs and enhance our capital adequacy ratios when appropriate.

We source our funding in foreign currencies primarily from financial institutions, general corporations, and institutional investors, through short- and long-term financing. Even if we encounter declines in our credit quality or that of Japan in the future, we expect to be able to purchase foreign currencies in sufficient amounts using the yen funds raised through our domestic customer base. As further measures to support our foreign currency liquidity, we hold foreign debt securities, maintain credit lines and swap facilities denominated in foreign currencies, and pledge collateral to the U.S. Federal Reserve Bank.

We maintain management and control systems to support our ability to access liquidity on a stable and cost-effective basis. For further information, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk—Market Risk and Liquidity Risk—Framework for Market and Liquidity Risk Management."

We believe we are able to access such sources of liquidity on a stable and flexible basis by keeping credit ratings at a high level. The following table shows credit ratings assigned to SMFG by S&P and Fitch at June 30, 2013:

At June 30, 2013					
S&P			Fitch		
Long-term	Outlook	Short-term	Long-term	Outlook	Short-term
A	N	A-1	A-	S	F1

The following table shows credit ratings assigned to the Bank by S&P and Fitch at June 30, 2013:

At June 30, 2013					
S&P			Fitch		
Long-term	Outlook	Short-term	Long-term	Outlook	Short-term
A+	N	A-1	A-	S	F1

We are assigned credit ratings by major domestic and international credit rating agencies. Credit ratings do not constitute recommendations to purchase, sell or hold a security, and rating agencies may review or indicate an intention to review ratings at any time. While the methodology and system of rating vary among rating agencies, credit ratings are generally based on information provided by us or independent sources, and can be influenced by credit ratings of Japanese government bonds and broader views of the Japanese financial system. Any downgrade in or withdrawal of these credit ratings, or any adverse change in these ratings relative to other financial institutions, could increase our borrowing costs, reduce our access to the capital markets and otherwise negatively affect our ability to raise funds, which in turn could have a negative impact on our liquidity position.

Capital Management

With regard to capital management, we strictly abide by the capital adequacy guidelines set by the FSA. Japan's capital adequacy guidelines are based on the Basel Capital Accord, which was proposed by the BCBS for uniform application to all banks which have international operations in industrialized countries. Japan's capital adequacy guidelines may be different from those of central banks or supervisory bodies of other countries because they have been designed by the FSA to suit the Japanese banking environment. Our banking subsidiaries outside of Japan are also subject to the local capital ratio requirements.

Each figure for the FSA capital adequacy guidelines is calculated based on our financial statements prepared under Japanese GAAP.

The FSA capital adequacy guidelines permit Japanese banks to choose from the standardized approach ("SA"), the foundation IRB approach and the advanced IRB approach for credit risk, and the basic indicator approach ("BIA"), the standardized approach ("TSA") and the AMA for operational risk. To be eligible to adopt the foundation IRB approach or the advanced IRB approach for credit risk, and the TSA or the AMA for operational risk, a Japanese bank must establish advanced risk management systems and receive prior approval from the FSA.

We and the Bank have adopted the advanced IRB approach since March 31, 2009 and the AMA since March 31, 2008.

In December 2010, the BCBS published the new Basel III rules text. The Basel III framework sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. To reflect changes made by the BCBS, the FSA changed its capital adequacy guidelines and the changes have been generally applied from March 31, 2013, which generally reflects the main measures of the minimum capital requirements of the BCBS that started to be phased in from January 1, 2013 and will be fully applied from March 31, 2019.

These capital reforms will increase the minimum common equity requirement from 2% to 4.5% and require banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirement to 7%. The Tier 1 capital requirement also will be increased from 4% to 6%, resulting in 8.5% when combined with the above-mentioned capital conservation buffer. The total capital requirement remains at the existing level of 8% but also increases to 10.5% due to the capital conservation buffer. In addition, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss absorbing capital will be implemented according to national circumstances. The Group of Central Bank Governors and Heads of Supervision also agreed on transitional arrangements for implementing the new requirements.

Under the transitional arrangements, these new capital requirements are phased in from January 1, 2013 through January 1, 2019. On January 1, 2013, the minimum Common Equity Tier 1 capital requirement and Tier 1 capital requirement were raised to 3.5% and 4.5%, respectively. The minimum Common Equity Tier 1 capital requirement and Tier 1 capital requirement will rise to 4% and 5.5%, respectively on January 1, 2014, and 4.5% and 6%, respectively on January 1, 2015. The capital conservation buffer and countercyclical buffer will be phased in from January 1, 2016, which has not been adopted by the FSA capital adequacy guideline in Japan yet.

The table below presents our total risk-weighted capital ratio, total capital, and risk-weighted assets under Japanese GAAP at March 31, 2013, based on the Basel III rules.

	<u>At March 31, 2013</u> (In billions, except percentages)
Total risk-weighted capital ratio (consolidated)	14.71%
Tier 1 risk-weighted capital ratio (consolidated)	10.93%
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	9.38%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,186.0
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	6,829.0
Common Equity Tier 1 capital	5,855.9
Risk-weighted assets	62,426.1
The amount of minimum capital requirements	4,994.1

Common Equity Tier 1 capital consists primarily of capital stock, capital surplus and retained earnings relating to common shares, and minority interests that meet the criteria set forth in the FSA capital adequacy guidelines for inclusion in Common Equity Tier 1 capital.

Minority interests arising from the issue of common shares by a fully consolidated subsidiary of the bank may receive recognition in Common Equity Tier 1 capital only if: (1) the instrument giving rise to the minority interest would, if issued by the bank, meet all of the criteria set forth in the FSA capital adequacy guidelines for classification as common shares for regulatory capital purposes; and (2) the subsidiary that issued the instrument is itself a bank or other financial institution subject to similar capital adequacy guidelines.

Minority interests that will no longer qualify as Common Equity Tier 1 capital, additional Tier 1 capital, or Tier 2 capital under Basel III will be phased out beginning March 31, 2014 by increments of 20% and will be fully phased out by March 31, 2018.

Regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investment in the common equity capital of banking financial and insurance entities and defined benefit pension fund assets and liabilities are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of a deduction. Such regulatory adjustments will be phased in from March 31, 2014 through March 31, 2018.

Additional Tier 1 capital consists primarily of preferred securities.

Tier 2 capital consists primarily of subordinated debt securities.

Capital instruments such as preferred securities and subordinated debt issued on or after March 31, 2013 must meet the new requirements to be included in regulatory capital. Capital instruments issued prior to March 31, 2013 that do not meet the requirements set forth in the FSA capital adequacy guidelines no longer qualify as additional Tier 1 or Tier 2 capital. However, if those capital instruments meet the requirements for transitional arrangements set forth in such guidelines, they are eligible for additional Tier 1 or Tier 2 capital only for the phase out period beginning March 31, 2013. The remaining balance of those non-qualifying capital instruments will be reduced in annual 10% increments and be fully phased out by March 31, 2022.

At March 31, 2013, our consolidated total capital was ¥9,186 billion, Tier 1 capital was ¥6,829 billion, and Common Equity Tier 1 capital was ¥5,856 billion. Our total risk-weighted assets at March 31, 2013 were ¥62,426 billion.

On a consolidated basis, our total risk-weighted capital ratio was 14.71%, Tier 1 risk-weighted capital ratio was 10.93% and Common Equity Tier 1 risk-weighted capital ratio was 9.38% at March 31, 2013.

Our capital position and the Bank's capital position depend in part on the fair market value of our investment securities portfolio, since unrealized gains and losses are included in the amount of regulatory capital. At March 31, 2013, unrealized gains and losses were counted as Tier 2 capital and Additional Tier 1 capital, respectively, but will start to be counted as Common Equity Tier 1 capital from March 31, 2014 by increments of 20% and will be fully counted as Common Equity Tier 1 capital from March 31, 2018. Since our other securities (including money held in trust) with a readily ascertainable market value included unrealized gains and losses, substantial fluctuations in the Japanese stock markets may affect our capital position and the capital position of the Bank.

In addition, our capital position and the bank's capital position would be negatively affected if deferred tax assets cannot be recognized. Under guidelines issued by the JICPA, a company will lose its ability to recognize deferred tax assets if, in principle, it has substantial amounts of negative annual taxable income for each of three consecutive years or more and is expected to have significant negative taxable income in the following fiscal year.

Set forth below are tables of risk-weighted capital ratios of the Bank at March 31, 2013 on a consolidated and nonconsolidated basis.

	At March 31, 2013 (In billions, except percentages)
Total risk-weighted capital ratio (consolidated)	16.84%
Tier 1 risk-weighted capital ratio (consolidated)	12.69%
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	11.26%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,386.5
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	7,072.8
Common Equity Tier 1 capital	6,277.1
Risk-weighted assets	55,725.3
The amount of minimum capital requirements	4,458.0
	At March 31, 2013 (In billions, except percentages)
Total risk-weighted capital ratio (nonconsolidated)	18.62%
Tier 1 risk-weighted capital ratio (nonconsolidated)	13.92%
Common Equity Tier 1 risk-weighted capital ratio (nonconsolidated)	11.75%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,049.5
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	6,768.6
Common Equity Tier 1 capital	5,712.9
Risk-weighted assets	48,594.8
The amount of minimum capital requirements	3,887.6

Our securities subsidiaries in Japan, SMBC Nikko Securities and SMBC Friend Securities, are also subject to capital adequacy requirements under the FIEA described in “Item 4.B. Business Overview—Regulations in Japan—Regulations Regarding Capital Adequacy.” At March 31, 2013, the capital adequacy ratios are 557.6% for SMBC Nikko Securities and 969.0% for SMBC Friend Securities, and sufficiently above the 140%, below which level they would be required to file daily reports with the Commissioner of the FSA.

5.C. RESEARCH, DEVELOPMENT, PATENTS AND LICENSES

We did not conduct any significant research and development activities for the fiscal year ended March 31, 2013. However, there are certain research and development activities conducted by subsidiaries in charge of systems development and information processing for our information system infrastructure.

5.D. TREND INFORMATION

Our trend information is contained elsewhere in this annual report, including but not limited to “Item 4.B. Business Overview,” and “—A. Operating Results,” and “—B. Liquidity and Capital Resources” in this Item.

5.E. OFF-BALANCE SHEET ARRANGEMENTS

Loan Commitments and Financial Guarantees and Other Credit-related Contingent Liabilities

To meet our customers’ financing needs, we engage in various types of off-balance sheet arrangements in the ordinary course of business. Our arrangements include loan commitments, financial guarantees and other credit-related contingent liabilities. Loan commitment contracts on overdrafts and loans are agreements to lend up to a prescribed amount to customers, as long as there is no violation of any condition established in the contracts. Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument. Other credit-related contingent liabilities include performance bonds, which are contracts that provide compensation if another party fails to perform the contractual obligation.

The table below shows the nominal amounts of undrawn loan commitments, and financial guarantees and other credit-related contingent liabilities at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
	(In millions)	
Loan commitments	¥46,490,109	¥44,064,283
Financial guarantees and other credit-related contingent liabilities	5,891,617	5,320,993
Total	<u>¥52,381,726</u>	<u>¥49,385,276</u>

The nominal amounts of these off-balance sheet instruments generally represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions or from collateral held. For example, since many of these loan commitments are expected to expire without being drawn down, the total amount of unused commitments does not necessarily represent an actual future cash flow requirement. Many of these loan commitments include clauses under which we can reject an application from customers or reduce the contract amounts in the event that economic conditions change or we need to secure claims, or some other significant event occurs. In addition, we may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers’ financial positions, revising contracts when need arises and securing claims after the contracts are made. We regularly review the credit quality of the customer based on our risk management system as set forth in “Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk” and Note 45 “Financial Risk Management” to our consolidated financial statements included elsewhere in this annual report.

Some of the Group's off-balance sheet arrangements are related to activities of SPEs. Such arrangements include the following types of SPEs.

Special Purpose Entities

During the normal course of business, we become a party to numerous transactions involving entities commonly referred to as SPEs. These SPEs are primarily used to provide us and our clients with efficient access to funds or investment opportunities, through methods known as structured financing or collective investment schemes. In structured financing, SPEs generally purchase a pool of financial assets including, among others, trade accounts receivable, corporate and retail loans and lease receivables. SPEs fund the purchase by issuing various financial instruments including, among others, commercial paper, asset-backed notes, loans and trust beneficial interests. In some cases subordination is established among the instruments issued by an SPE to turn a single pool of homogeneous assets into multiple instruments with different risk characteristics so that the investment risk and return profile meets the investors' needs. Certain of these transactions utilize derivative financial instruments to synthetically create an asset whose risk and return is referenced to a targeted asset. In collective investment schemes, an SPE is established as a financing vehicle to raise funds from investors by issuing instruments primarily in the form of trust beneficiary interests, unit trusts, limited partnership interests or shares of investment companies. We may hold a trust beneficiary interest, unit trust, general partner interest, limited partner interest, debt financing or a combination of them.

We have participation in SPEs that are established by us as well as those established by third parties. We consolidate certain SPEs based on the nature of our involvement, while others remain outside of our consolidation group. Consolidation of an SPE is assessed based on whether our relationship with an SPE indicates substantial control by us. The potential indicators of control are set out below:

- the activities of the SPE are being conducted on our behalf according to our specific business needs so that we obtain benefits from the SPE's operation;
- we have the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up a "autopilot" mechanism, we have delegated its decision making powers;
- we have rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- we retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The consolidation assessment is performed when we have initial involvement with an SPE. Consolidation is reassessed whenever circumstances change and indicate that there has been a change in a control relationship between an SPE and parties involved.

To the extent SPEs are consolidated by us, the assets and liabilities held by SPEs are included in our consolidated statement of financial position. Parties involved in an SPE generally have recourse only to the assets held by an SPE, except where we provide a guarantee, which may take a form of committed liquidity support. Our involvement with nonconsolidated SPEs includes loans and advances and investments in securities, which are included in our consolidated statement of financial position, and off-balance sheet arrangements, including commitments and guarantees. In such cases, we only have recourse against the assets held by nonconsolidated SPEs except where other parties provide some sort of guarantee to the instruments.

Multi-seller Conduits (Consolidated)

We manage and administer several multi-seller conduits. The conduits purchase financial assets, primarily trade accounts receivables, lease receivables and corporate loans by issuing short-term instruments such as commercial paper and providing asset-backed loans. The short-term instruments issued by the conduits are primarily held by third-party investors whereas we provide most of the asset-backed loans to the conduits. Except

for certain limited cases, we provide liquidity and credit support to the conduits, which allows the conduits to draw funds from us whenever a cash shortage arises. We consolidate the above mentioned conduits, to which we provide loans or liquidity and credit support, since we retain the significant risk of the conduits.

At March 31, 2013 and 2012, the consolidated conduits had total assets of ¥2,340,772 million and ¥2,692,579 million, respectively. The minimum credit rating for these assets was BBB-. The weighted average life of the assets held in the conduits is 6.4 months. The weighted average life of the commercial paper issued by these conduits is 1.6 months. The total notional amount of the liquidity and credit support at March 31, 2013 and 2012 was ¥715,485 million and ¥722,608 million, respectively. All of the liquidity and credit support was undrawn at March 31, 2013 and 2012.

In order to manage risk, we have established internal credit assessment policies and procedures in relation to the asset-backed financing programs described above and which require, where necessary, certain credit enhancement from the originators (clients) of the assets to contain the risk to the level deemed appropriate. The notional amount of the liquidity and credit support represents the theoretical maximum amount of loss we could incur and does not reflect the likelihood of such loss ever materializing. We believe that our risk through the liquidity and credit support has been appropriately managed and monitored, and does not represent significant risk to our business.

The following tables summarize selected information related to consolidated multi-seller conduits categorized by the statement of financial position items at March 31, 2013 and 2012.

	At March 31, 2013		
	Conduits- domestic	Conduits- foreign (North America)	Total
	(In millions)		
Loans and advances:			
Corporations	¥1,984,007	¥187,573	¥2,171,580
Financial institutions	—	6,581	6,581
Consumer	—	114,721	114,721
Total loans and advances	<u>1,984,007</u>	<u>308,875</u>	<u>2,292,882</u>
Other assets	46,671	1,219	47,890
Total assets	<u>¥2,030,678</u>	<u>¥310,094</u>	<u>¥2,340,772</u>
	At March 31, 2012		
	Conduits- domestic	Conduits- foreign (North America)	Total
	(In millions)		
Loans and advances:			
Corporations	¥2,416,679	¥141,597	¥2,558,276
Financial institutions	—	9,034	9,034
Consumer	—	80,242	80,242
Total loans and advances	<u>2,416,679</u>	<u>230,873</u>	<u>2,647,552</u>
Other assets	44,358	669	45,027
Total assets	<u>¥2,461,037</u>	<u>¥231,542</u>	<u>¥2,692,579</u>

The following tables summarize selected information related to consolidated multi-seller conduits categorized by the funding structure at March 31, 2013 and 2012.

	At March 31, 2013		
	Conduits- domestic	Conduits- foreign (North America)	Total
	(In millions)		
Commercial paper	¥ 255,371	¥309,504	¥ 564,875
Term loans (provided by SMFG)	1,539,184	—	1,539,184
Others	222,409	—	222,409
Total	<u>¥2,016,964</u>	<u>¥309,504</u>	<u>¥2,326,468</u>

	At March 31, 2012		
	Conduits- domestic	Conduits- foreign (North America)	Total
	(In millions)		
Commercial paper	¥ 369,984	¥231,042	¥ 601,026
Term loans (provided by SMFG)	1,753,585	—	1,753,585
Others	314,554	—	314,554
Total	<u>¥2,438,123</u>	<u>¥231,042</u>	<u>¥2,669,165</u>

Securitizations of Our Loan Portfolio (Consolidated)

We use SPEs to securitize our loans and advances that we have originated, mainly in order to diversify our sources of funding for asset origination and to improve capital efficiency. These loans and advances, such as residential mortgages are transferred by us to the SPEs for cash, and the SPEs issue debt securities to investors. Retained interests in the financial assets are mainly in the form of subordinated tranches as well as some senior tranches. We consolidate such SPEs where we take all or a majority of the residual risks and rewards by retaining the subordinated tranches. Credit enhancements to the underlying assets provided by us may be used to obtain investment grade ratings on the senior debt issued by the SPEs.

The following table shows the carrying amount of total assets in consolidated SPEs at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
	(In millions)	
Residential mortgages	¥1,307,729	¥1,405,304
Corporate loans	76,273	79,476
Credit card receivables	24,082	154,663
Lease receivables	46,821	57,009
Consumer loans	—	157,768
Total	<u>¥1,454,905</u>	<u>¥1,854,220</u>

Real Estate Investment Vehicles (Nonconsolidated)

We are involved with investment vehicles that typically take the form of a limited partnership or SPE that are used to raise funds in connection with real estate development or acquisition of existing real estate properties. We provide the vehicles with debt financing, partnership or equity interests (which are subordinate to debt

financing), or both. The funds raised by the vehicles usually have recourse only to the assets held by them, except in certain cases where the providers of funds have recourse to the original owners of the assets or real estate developers through guarantees. None of our investments in these vehicles is significant in relation to the total funds raised by them, and consequently they are not considered to be our subsidiaries as we do not control them in substance. At March 31, 2013 and 2012, our investments in these vehicles amounted to ¥64,430 million and ¥73,188 million, respectively. With respect to the vehicles that have been established to acquire existing real estate properties, we have entered into commitments to provide funds up to specified amounts. Such commitments amounted to ¥72,008 million and ¥78,998 million at March 31, 2013 and 2012, respectively. Of these amounts, ¥7,578 million and ¥5,809 million remained undrawn at March 31, 2013 and 2012, respectively.

Private-equity Investment Funds (Nonconsolidated)

We have investments in private-equity investment funds that primarily invest in unlisted companies, engaging in various businesses across different industries. In addition to that, we have some investments in mezzanine funds, infrastructure funds and distressed debt funds. We only hold limited partner interests in these funds. These funds are not considered to be our subsidiaries since general partners control them.

At March 31, 2013 and 2012, the capital call commitments to these limited partnership funds entered into by us amounted to ¥318,887 million and ¥309,567 million, of which ¥97,852 million and ¥105,136 million remained undrawn, respectively. While the commitments are irrevocable, we believe that we do not have significant risk to meet the capital call commitments and the risks associated with the investments have been adequately controlled and managed.

5.F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

In the normal course of business, we enter into contractual obligations that require future cash payments. The following table sets forth a summary of our contractual cash obligations at March 31, 2013.

	At March 31, 2013				
	Due in one year or less	Due from one year to three years	Due from three years to five years	Due after five years	Total ⁽¹⁾
	(In millions)				
Time deposits	¥22,675,967	¥3,896,840	¥ 557,353	¥ 557,790	¥27,687,950
Negotiable certificate of deposits	11,266,119	479,774	9,761	—	11,755,654
Borrowings	3,041,411	1,115,576	425,043	1,794,289	6,376,319
Debt securities in issue	3,839,614	1,347,218	967,770	1,924,538	8,079,140
Capital (finance) lease obligation	21,117	31,988	20,238	30,720	104,063
Operating lease obligation	45,180	68,541	52,627	165,349	331,697
Purchase obligation ⁽²⁾	168,732	166,756	5,141	539	341,168
Total	¥41,058,140	¥7,106,693	¥2,037,933	¥4,473,225	¥54,675,991

(1) The amount of interest on debt instruments is not included in the maturity table above due to its insignificance.

(2) Purchase obligation in the above table includes the contractual commitments to purchase aircraft to be leased to customers and to purchase goods or services of construction and information technology that are binding on us for the payment of more than ¥100 million.

5.G. SAFE HARBOR

See the discussion under “Cautionary Statement Regarding Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees

6.A. DIRECTORS AND SENIOR MANAGEMENT

Directors, Senior Management and Corporate Auditors

Under our corporate governance system, our board of directors is responsible for supervising the business operations of the Group as a whole, and has established four board committees to enhance the effectiveness of governance by our board of directors in exercising its management responsibilities. Those committees are:

- the risk management committee;
- the auditing committee;
- the compensation committee; and
- the nominating committee.

For more information, see “Item 6.C. Board Practices.”

Our board of directors is comprised of twelve directors, three of whom are outside directors as defined under the Companies Act, and our board of corporate auditors is comprised of six corporate auditors, three of whom are outside corporate auditors as defined under the Companies Act.

At June 28, 2013, the following persons held the indicated positions with us:

Name (Date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director or corporate auditor
Masayuki Oku (December 2, 1944)	Chairman of the Board and Director of the Company	April 1968	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		June 1994	Director of Sumitomo Bank	
		November 1998	Managing Director of Sumitomo Bank	
		June 1999	Managing Director and Managing Executive Officer of Sumitomo Bank	
		January 2001	Senior Managing Director and Senior Managing Executive Officer of Sumitomo Bank	
		April 2001	Senior Managing Director and Senior Managing Executive Officer of the Bank	
		December 2002	Resigned as Director of the Bank	
		December 2002	Senior Managing Director of the Company	
		June 2003	Retired as Director of the Company Deputy President and Executive Officer of the Bank	
		June 2005	Chairman of the Board and Director of the Company (to present) President and Chief Executive Officer of the Bank	
Koichi Miyata (November 16, 1953)	President and Representative Director of the Company Director of the Bank	April 2011	Resigned as Director of the Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2014.
		April 1976	Joined Mitsui Bank	
		June 2003	Executive Officer of the Bank	
		October 2006	Managing Executive Officer of the Bank	
		April 2009	Director and Senior Managing Executive Officer of the Bank	
		April 2010	Senior Managing Executive Officer of the Company	
		June 2010	Director of the Company	
April 2011	Director and President of the Company (to present) Director of the Bank (to present)			
Takeshi Kunibe (March 8, 1954)	Director of the Company President and Chief Executive Officer of the Bank	April 1976	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		June 2003	Executive Officer of the Bank	
		October 2006	Managing Executive Officer of the Bank	
		April 2007	Managing Executive Officer of the Company	
		June 2007	Director of the Company (to present)	
		April 2009	Director and Senior Managing Executive Officer of the Bank	
		April 2011	President and Chief Executive Officer of the Bank (to present)	

Name (Date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director or corporate auditor
Ken Kubo (November 20, 1953)	Representative Director of the Company	April 1977	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		April 2004	Executive Officer of the Bank	
	Officer in charge of Consumer Business Planning Department and Consumer Finance & Transaction Business Department	April 2007	Resigned as Executive Officer of the Bank	
		May 2007	Vice President Executive Officer of Promise Co., Ltd. (currently, SMBC Consumer Finance Co., Ltd.)	
		June 2007	Representative Director and Vice President Executive Officer of Promise Co., Ltd.	
	Director and Deputy President of the Bank	November 2009	President and Representative Director, Chief Executive Officer of Promise Co., Ltd.	
		March 2013	Resigned as Director of SMBC Consumer Finance Co., Ltd.	
		March 2013	Director of the Bank	
		April 2013	Deputy President of the Company	
		June 2013	Director and Deputy President of the Bank (to present)	
Yujiro Ito (August 3, 1955)	Representative Director of the Company	April 1979	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		June 2003	General Manager of General Affairs Department of the Company	
	Officer in charge of General Affairs Department and Human Resources Department	June 2005	Executive Officer of the Bank	
		April 2009	Managing Executive Officer of the Bank	
	Director and Senior Managing Executive Officer of the Bank	April 2011	Managing Executive Officer of the Company	
			Director and Managing Executive Officer of the Bank	
		June 2011	Director of the Company (to present)	
		April 2012	Director and Senior Managing Executive Officer of the Bank (to present)	
Masahiro Fuchizaki (April 8, 1956)	Director of the Company	April 1979	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
	Officer in charge of IT Planning Department	April 2007	Executive Officer of the Bank	
		April 2009	Retired as Executive Officer of the Bank	
	Director and Senior Managing Executive Officer of the Bank	May 2009	Advisor of JSOL Corporation	
		June 2009	Director and Senior Managing Executive Officer of JSOL Corporation	
		March 2010	Resigned as Director of JSOL Corporation	
		April 2010	Managing Executive officer of the Bank	
		April 2011	Managing Executive officer of the Company	
		June 2011	Director of the Company (to present)	
		April 2012	Director and Senior Managing Executive officer of the Bank (to present)	

Name (Date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director or corporate auditor
Nobuaki Kurumatani (December 23, 1957)	Director of the Company	April 1980	Joined Mitsui Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2014.
	Officer in Charge of Public Relations Department, Corporate Planning Department, Financial Accounting Department, and Subsidiaries & Affiliates Department	April 2007	General Manager of Corporate Planning Department of the Company	
		January 2010	Executive Officer of the Bank	
	Director and Senior Managing Executive Officer of the Bank	April 2012	Managing Executive Officer of the Bank	
		June 2012	Managing Executive Officer of the Company	
		April 2013	Director of the Company (to present)	
Manabu Narita (March 29, 1959)	Director of the Company	April 1981	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
	Officer in charge of Audit Department	April 2008	Executive Officer of the Bank	
		April 2011	Managing Executive Officer of the Bank, commissioned as General Manager of Planning Dept., Corporate Banking Unit & Middle Market Banking Unit	
	Managing Executive Officer of the Bank	April 2012	Managing Executive Officer of the Bank (to present)	
		April 2013	Managing Executive Officer of the Company	
		June 2013	Director of the Company (to present)	
Kozo Ogino (May 9, 1958)	Director of the Company	April 1981	Joined Mitsui Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
	Officer in charge of Corporate Risk Management Department	April 2008	General Manager of Ikebukuro Corporate Business Office of the Bank	
		April 2009	General Manager of Tokyo Corporate Banking Dept. IV of the Bank	
	Managing Executive Officer of the Bank	April 2010	Executive Officer of the Bank	
		April 2011	Managing Executive Officer of the Bank, commissioned as Head of Nagoya Middle Market Banking Division	
		April 2013	Managing Executive Officer of the Company	
		June 2013	Managing Executive Officer of the Bank (to present)	
	June 2013	Director of the Company (to present)		

Name (Date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director or corporate auditor
Shigeru Iwamoto ⁽¹⁾ (March 31, 1941)	Director of the Company Director of the Bank	December 1965	Joined Syuji Ozawa Certified Public Accountant Office	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		October 1971	Joined Asahi Accounting Company (currently, KPMG AZSA LLC)	
	March 1976	Registered as a certified public accountant (to present)		
	July 1992	Representative Partner of ASAHI SHINWA & Co. (currently, KPMG AZSA LLC)		
	October 1993	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
	May 1999	President of Asahi & Co.		
	January 2004	President of KPMG AZSA & Co. (currently, KPMG AZSA LLC)		
	May 2004	Chairman of KPMG AZSA & Co.		
	June 2005	Retired from KPMG AZSA & Co.		
	June 2009	Director of the Company (to present) Director of the Bank (to present)		
Yoshinori Yokoyama ⁽¹⁾ (September 16, 1942)	Director of the Company Director of the Bank	April 1966	Joined Mayekawa Associates, Architects & Engineers	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2014.
		September 1973	Joined Davis Brody & Associates	
		September 1975	Joined McKinsey & Company, Inc.	
		July 1987	Director (Senior Partner) of McKinsey & Company, Inc.	
		June 2002	Retired from McKinsey & Company, Inc.	
		June 2002	Director of ORIX Corporation	
		April 2003	Corporate Auditor of Industrial Revitalization Corporation of Japan	
June 2006	Director of the Company (to present) Director of the Bank (to present)			
Kuniaki Nomura ⁽¹⁾ (June 13, 1945)	Director of Company Director of the Bank	April 1970	Registered as an attorney at law (to present) Attorney at law at Yanagida Law Office (currently, Yanagida & Partners)	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		June 2009	Director of the Company (to present) Director of the Bank (to present)	
		June 2009	Attorney at law at Nomura & Partners (to present)	

Name (Date of birth)	Current positions and principal outside positions	Business experience		Expiration of current term as director or corporate auditor
Koichi Minami (March 21, 1955)	Corporate Auditor of the Company	April 1977	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2017.
		June 2005	Executive Officer of the Bank	
	Corporate Auditor of the Bank	April 2008	Managing Executive Officer of the Bank	
		April 2011	Director and Senior Managing Executive Officer of the Bank	
		April 2013	Director of the Bank	
		June 2013	Corporate Auditor of the Company (to present)	
Yoji Yamaguchi (June 14, 1955)	Corporate Auditor of the Company	April 1978	Joined Mitsui Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2016.
		April 2006	Deputy General Manager of General Affairs Department of the Company	
			General Manager of Administrative Department of the Bank	
		April 2008	Senior Manager of Head Office of the Bank	
		June 2008	Corporate Auditor of the Company (to present)	
Shin Kawaguchi (August 26, 1956)	Corporate Auditor of the Company	April 1980	Joined Sumitomo Bank	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2015.
		April 2007	General Manager of Tobu Ikebukuro Block Consumer Business Office of the Bank	
			April 2009	
			General Manager of Quality Management Department of the Bank	
		April 2010	Senior General Manager of Quality Management Department of the Bank	
		April 2011	Senior Manager of Head Office of the Bank	
		June 2011	Corporate Auditor of the Company (to present)	

Name (Date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor	
Ikuo Uno ⁽²⁾ (January 4, 1935)	Corporate Auditor of the Company	March 1959	Joined Nippon Life Insurance Company	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2017.
	Corporate Auditor of the Bank	April 1997	President of Nippon Life Insurance Company	
	Executive Advisor to the Board of Nippon Life Insurance Company	April 2005	Chairman of the Board and Representative Director of Nippon Life Insurance Company	
		June 2005	Corporate Auditor of the Company (to present)	
		June 2006	Corporate Auditor of the Bank (to present)	
		April 2011	Director and Executive Advisor to the Board of Nippon Life Insurance Company	
		July 2011	Executive Advisor to the Board of Nippon Life Insurance Company (to present)	
Satoshi Itoh ⁽²⁾ (July 25, 1942)	Corporate Auditor of the Company	January 1967	Joined Tokyo Office of Arthur Andersen & Co.	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2017.
	Corporate Auditor of the Bank	December 1970	Registered as a certified public accountant (to present)	
		September 1978	Partner of Arthur Andersen & Co.	
		October 1993	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)	
		August 2001	Retired from Arthur Andersen & Co. Retired from Asahi & Co. (currently, KPMG AZSA LLC)	
		April 2002	Special Professor at Chuo University Graduate School of International Accounting	
		March 2007	Retired as Special Professor from Chuo University Graduate School of International Accounting	
		June 2009	Corporate Auditor of the Company (to present)	
			Corporate Auditor of the Bank (to present)	

Name (Date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director or corporate auditor
Rokuro Tsuruta ⁽²⁾ (June 16, 1943)	Corporate Auditor of the Company	April 1970	Appointed as a Prosecutor at Tokyo District Public Prosecutors Office	At the close of the annual general meeting of shareholders to be held for the fiscal year ended March 31, 2016.
	Corporate Auditor of the Bank	April 2005	Superintending Prosecutor of Nagoya High Public Prosecutors Office	
		June 2006	Retired from his position as Prosecutor	
		July 2006	Registered as an attorney at law (to present)	
		October 2006	Professor at Chiba University Law School	
		September 2008	Retired from his position as Professor at Chiba University Law School	
		April 2009	Professor at Surugadai University Law School	
		March 2012	Retired from his position as Professor at Surugadai University Law School	
		June 2012	Corporate Auditor of the Company (to present)	
	Corporate Auditor of the Bank (to present)			

(1) Messrs. Iwamoto, Yokoyama and Nomura satisfy the requirements for an “outside director” under the Companies Act.

(2) Messrs. Uno, Itoh and Tsuruta satisfy the requirements for an “outside corporate auditor” under the Companies Act.

For more information, see “Item 6.C. Board Practices.”

Familial Relationships

There are no familial relationships between any of the directors and corporate auditors listed above.

Arrangements and Understandings

There is no arrangement or understanding with any major shareholder, customer, supplier or other party, pursuant to which any of the directors and corporate auditors listed above were selected as a director or member of corporate auditors.

6.B. COMPENSATION

The aggregate amounts of compensation paid by us during the fiscal year ended March 31, 2013 to our directors and to our corporate auditors were ¥865 million and ¥176 million, respectively.

The following table sets forth the details of individual compensation, disclosed pursuant to the provision of the FIEA and related ordinance, by SMFG and its subsidiaries in amounts equal to or exceeding ¥100 million during the fiscal year ended March 31, 2013:

<u>Director</u>	<u>Aggregate amount</u>	<u>Paid by</u>	<u>Compensation</u>		
			<u>Annual salary</u>	<u>Stock option</u>	<u>Bonus</u>
			(In millions) ⁽¹⁾		
Masayuki Oku	¥121	SMFG	¥ 86	¥ 9	¥ 25
		SMBC	—	—	—
Koichi Miyata	¥127	SMFG	¥ 66	¥ 8	¥ 24
		SMBC	21	1	4
Takeshi Kunibe	¥127	SMFG	¥ 21	¥ 1	¥ 4
		SMBC	66	8	24

(1) Amounts less than one million yen have been truncated.

Compensation for our directors, including bonuses and incentive stock options, must be approved at our general meeting of shareholders, unless otherwise provided in our articles of incorporation. The shareholders' approval may specify the upper limit of the aggregate amount of compensation or calculation methods, but if compensation includes benefits in kind, the shareholders' approval must include the description of such benefits. Similarly, compensation to our corporate auditors must be approved by our shareholders at our general meeting of shareholders unless otherwise specified in our articles of incorporation. Our articles of incorporation currently do not have such provisions with respect to compensation for directors and corporate auditors.

Compensation for an individual director and corporate auditor is determined by our board of directors and by consultation among our corporate auditors, respectively, in accordance with our internal rules and our standard practice of approval at our general meeting of shareholders. To ensure objectivity in the process of determining such compensation, bonus and stock options to our board of directors and the board of directors of the Bank, we have formed a compensation committee in which an outside director serves as the chairman of the committee.

In June 2010, a shareholders resolution was passed at the general meeting of shareholders to introduce a stock option compensation program to certain directors and corporate auditors in connection with the abolition of their retirement benefit program. Following such resolution, we granted stock options for certain directors, corporate auditors and executive officers of the Company and the Bank on August 13, 2010. Because the resolution also abolished the retirement benefit program for our corporate directors and auditors, no amounts were set aside for the payment of any retirement benefits for them during the fiscal year ended March 31, 2013. For additional information, see "Item 6.E. Share Ownership" or Note 40 "Share-Based Payment" to our consolidated financial statements included elsewhere in this annual report.

6.C. BOARD PRACTICES

General

The Companies Act permits two types of governance systems for large public companies. The first system is for companies with committees (i.e., audit, nomination and compensation committees), and the other is for companies with a board of corporate auditors. We employ the board of corporate auditors governance system. Pursuant to Article 4 of our articles of incorporation, we maintain a corporate governance system consisting of a general meeting of shareholders, individual directors, a board of directors, individual corporate auditors, a board of corporate auditors and an accounting auditor as its primary components.

Our articles of incorporation provide for a board of directors of not less than three. We currently have twelve directors. Our board of directors has ultimate responsibility for the administration of our affairs.

By resolution, our board of directors elects representative directors from the directors who may represent us severally. Our board of directors may elect directors with titles (*yakutsuki-torishimariyaku*), executive officers with titles (*yakutsuki-shikkoyakuin*), and elect and/or remove executive officers and other important employees by resolution. In addition, our board of directors may assign or change the designation of the duties of the directors and executive officers by resolution.

Our president executes business affairs in accordance with resolutions made by the board of directors. Our deputy presidents, senior managing directors and managing directors assist the president in the management of our day-to-day operations. Our chairman serves as the chairman of and presides over our board of directors. This is done in order to separate the role of our president, whose responsibility is to exercise overall supervision of our business activities and other group companies, from the role of our chairman.

The Companies Act requires a resolution of the board of directors for a company to execute important business strategies, including the acquisition and disposal of material assets, borrowing substantial amounts of money, the establishment of, changes in or abolition of branch offices or other material corporate organizations, issuance of bonds, establishment of internal control systems and exemption of directors and corporate auditors from liability to the Company in accordance with applicable laws and regulations.

Under the Companies Act, a company with a board of corporate auditors is not obligated to have any outside directors or to have any audit, nomination or compensation committees. However, we have three outside directors as part of our efforts to enhance corporate governance. In addition, we have voluntarily established our auditing, risk management, compensation and nominating committees to enhance effectiveness of our board of directors. To ensure the compliance of our execution of our business operations with legal regulations and generally accepted practices, the outside directors have been selected from among experts (including certified public accountants, lawyers and persons with consulting experience).

“Outside director” means a director of any corporation who is neither an executive director nor an executive officer, nor an employee, including a manager, of such corporation or any of its subsidiaries, and who has never served in the past as an executive director, executive officer, or as an employee, including a manager, of such corporation or any of its subsidiaries.

Under the Companies Act, a corporation with a board of corporate auditors shall have three or more corporate auditors, and half or more of them shall be outside corporate auditors. The board of corporate auditors shall appoint full-time corporate auditors from among the corporate auditors. Outside corporate auditor means an auditor of any corporation who has never served in the past as a director, accounting advisor (*kaikei-sanyo*) or executive officer, or as an employee, including a manager, of such corporation or any of its subsidiaries.

We have six corporate auditors and three of them are outside corporate auditors. The auditors monitor the execution of business operations of us and our subsidiaries by attending meetings of the board of directors and listening to reports on operations from the directors and others. They also examine documents relating to important decisions and receive reports from the internal audit departments, representatives of our subsidiaries and our accounting auditor.

Our corporate auditors (who are not required to be and most of whom are not certified public accountants) have a statutory duty to examine the financial statements and business reports submitted by the board of directors to the general meeting of shareholders. They also have the duty to supervise the administration of our affairs by the directors in accordance with the auditing policy and rules prescribed by resolutions of the board of corporate auditors.

All directors and corporate auditors are elected by our shareholders at a general meeting of shareholders. The term of office of a director shall expire upon conclusion of the annual general meeting of shareholders to be held for the last fiscal year ending within two years after the election of the director. The term of office of a corporate auditor shall expire upon conclusion of the annual general meeting of shareholders to be held for the last fiscal year ending within four years after the election of the corporate auditor. Directors and corporate auditors may serve any number of consecutive terms.

As mentioned above, the committees of our board of directors were created to enhance effectiveness of governance by our board of directors to oversee our operations.

The auditing committee is responsible for matters relating to internal audits on a Group-wide basis, under delegated authority from the board of directors. Such matters include internal auditing policies and control systems for the Group, the Company and the Bank, and other important auditing issues of the Group. The committee regularly reports to the board of directors.

The chairman of the auditing committee is Shigeru Iwamoto, who is an outside director. Other outside directors on the auditing committee are Yoshinori Yokoyama and Kuniaki Nomura. Other directors on the auditing committee are Masayuki Oku, chairman of our board of directors, Koichi Miyata, our president, Takeshi Kunibe, a director and Manabu Narita, a director and the officer in charge of the audit department.

The compensation committee is responsible for matters relating to the compensation of the directors and executive officers of both the Company and the Bank, under delegated authority from the board of directors. Such matters include the determination of bonuses and stock option awards. The aim of the compensation committee is for the process of determining compensation to be transparent and objective and for the compensation to be appropriate. The committee reports to the board of directors.

The chairman of the compensation committee is Kuniaki Nomura, who is an outside director. Other outside directors on the compensation committee are Shigeru Iwamoto and Yoshinori Yokoyama. Other directors on the compensation committee are Masayuki Oku, chairman of our board of directors, Koichi Miyata, our president, and Takeshi Kunibe, a director.

In addition, the risk management committee supervises and reports to our board of directors on material Group-wide risk management and compliance issues. The nominating committee supervises and reports to our board of directors on the selection of directors of both the Company and the Bank, issues related to selection of candidates for directorships, the appointment of managing directors and the appointment of representative directors and other material director personnel issues.

These committees are each composed of six to nine members including the chairman of the board, the president, and three outside directors. Outside directors are appointed to all these committees to facilitate corporate governance from an objective perspective. As noted above, because the need for objectivity is particularly acute in the case of the auditing committee and the compensation committee, the chairmanship of these committees is assigned to outside directors.

At the operational level, we have created the Management Committee to act as the top decision-making body with respect to business administration and management supervision of the entire Group. The committee, composed of directors designated by our president, considers important matters relating to the execution of business in accordance with the basic policies set by the board of directors and based on discussions held by the committee members.

For the purpose of protecting the interests of shareholders in general, certain securities exchanges, including the Tokyo Stock Exchange, introduced a new rule regarding independent directors/corporate auditors, which requires a listed company to have, from amongst the outside directors or outside corporate auditors, at least one

independent director/corporate auditor who does not have conflicting interests with shareholders as specified under the rule. All companies on these securities exchanges are required to report the name of such independent director/corporate auditor, which is disclosed to the public. The rule became effective on the day immediately after the general meeting of shareholders for the fiscal year ended after March 1, 2010. We designated all three outside directors and outside corporate auditors as independent directors and independent corporate auditors, respectively.

Exemption from Liability

Under the Companies Act and our articles of incorporation, we may exempt our outside directors and outside corporate auditors from liabilities to us arising in connection with their failure to execute their duties, within the limits stipulated by applicable laws and regulations. We have entered into a liability limitation agreement with each outside director and outside corporate auditor which limits the maximum amount of their liability to the Company arising in connection with a failure to execute their duties to the greater of either ¥10 million or the minimum liability amount prescribed in applicable laws.

Corporate Governance Practices

Companies listed on the NYSE, must comply with certain corporate governance standards provided under Section 303A of the NYSE Listed Company Manual. However, NYSE-listed companies that are foreign private issuers, including us, are permitted to follow home country practices in lieu of certain provisions of Section 303A if such foreign private issuers meet certain criteria. See “Item 16.G. Corporate Governance” for a summary of significant ways in which our corporate governance practices differ from those followed by NYSE-listed U.S. companies.

Independent Registered Public Accounting Firm

We are required to appoint an independent registered public accounting firm, whose appointment is approved at a general meeting of shareholders. The independent registered public accounting firm has the statutory duty to examine the financial statements prepared in accordance with the Companies Act and approved by the board of directors, and report its opinion thereon to the designated corporate auditors and to the designated directors for notification to the shareholders. Examination by independent registered public accounting firm of our financial statements is also required for the purpose of the securities report filed through the Kanto Local Finance Bureau to the Prime Minister for public inspection in accordance with the FIEA. Our independent registered public accounting firm for these purposes is KPMG AZSA LLC (“KPMG AZSA”).

Benefits upon Termination of Employment

Neither we nor our subsidiaries maintain any directors’ service contracts providing for benefits upon termination of employment.

6.D. EMPLOYEES

At March 31, 2013, 2012 and 2011, on a consolidated basis, we had approximately 64,600, 64,200 and 61,600 employees, respectively, including locally hired staff in our foreign offices but excluding temporary employees. We also had an average of approximately 16,800 temporary employees during the fiscal year ended March 31, 2013.

The following tables show our full-time employees at March 31, 2013 on a consolidated basis under Japanese GAAP broken down based on business segment and geographical location:

	Percentage of full-time employees at March 31, 2013
Business segment:	
Commercial Banking ⁽¹⁾	47%
Leasing	4
Securities	15
Consumer Finance	14
Others	<u>20</u>
Total	<u>100%</u>

(1) The number of employees of the Bank represents 35% of the number of our employees on a consolidated basis. Further, the number of employees in the Bank's Consumer Banking Unit, Middle Market Banking Unit, Corporate Banking Unit, International Banking Unit, Treasury Unit and Others represent 12%, 8%, 1%, 4%, 1% and 9% of the number of our employees on a consolidated basis, respectively.

	Percentage of full-time employees at March 31, 2013
Location:	
Japan	90%
Americas	2
Europe and Middle East	2
Asia and Oceania	<u>6</u>
Total	<u>100%</u>

Most of the employees of the Bank are members of the Sumitomo Mitsui Banking Corporation Workers' Union, which negotiates with the Bank concerning remuneration and working conditions. The union is affiliated with the Federation of City Bank Workers' Unions. The Bank considers its labor relations to be excellent.

We consider our level of remuneration, fringe benefits (including an employee share ownership program), working conditions and other allowances, which include lump-sum payments and annuities to employees upon retirement, to be generally competitive with those offered by other large enterprises in Japan.

6.E. SHARE OWNERSHIP

Shareholdings by Directors, Senior Management and Corporate Auditors

The following table shows the number of shares of our common stock owned by our directors and corporate auditors at June 28, 2013:

	<u>Number of shares owned</u>
Directors and corporate auditors:	
Masayuki Oku	13,200
Koichi Miyata	9,800
Takeshi Kunibe	9,588
Ken Kubo	1,420
Yujiro Ito	5,922
Masahiro Fuchizaki	5,300
Nobuaki Kurumatani	7,400
Manabu Narita	5,622
Kozo Ogino	5,300
Shigeru Iwamoto	6,000
Yoshinori Yokoyama	—
Kuniaki Nomura	—
Koichi Minami	6,500
Yoji Yamaguchi	3,100
Shin Kawaguchi	1,200
Ikuo Uno	—
Satoshi Itoh	—
Rokuro Tsuruta	—

None of our directors or corporate auditors is the owner of more than one percent of our common stock, and no director or corporate auditor has voting rights with respect to our common stock that are different from any other holder of our common stock.

Stock Option Plans and Other Remuneration for Directors and Senior Management

In June 2010, a resolution was passed at the general meeting of shareholders to introduce a stock option compensation program for directors, corporate auditors and executive officers of the Company and the Bank (“SMFG Stock Acquisition Rights”). This serves to incentivize grantees to further contribute to the equity appreciation and improved corporate performance through a sharing of the benefits and risks of share price performance of our shares. These changes reflected a review of our compensation system and the elimination of retirement benefits for directors, corporate auditors and executive officers.

The following table provides an overview of the significant terms and conditions of our stock option plans:

	<u>Date of resolution</u>	<u>Number of grantees</u>	<u>Shares granted</u>	<u>Exercise period</u>	<u>Exercise price</u>
SMFG Stock Acquisition Rights (1st series)	July 28, 2010	82 directors, corporate auditors and executive officers of the Company and the Bank	102,600 shares of common stock of the Company	August 13, 2010 to August 12, 2040	¥1 per share granted upon exercise of each stock acquisition right, multiplied by the number of shares granted
SMFG Stock Acquisition Rights (2nd series) . . .	July 29, 2011	85 directors, corporate auditors and executive officers of the Company and the Bank	268,200 shares of common stock of the Company	August 16, 2011 to August 15, 2041	¥1 per share granted upon exercise of each stock acquisition right, multiplied by the number of shares granted
SMFG Stock Acquisition Rights (3rd series)	July 30, 2012	85 directors, corporate auditors and executive officers of the Company and the Bank	280,500 shares of common stock of the Company	August 15, 2012 to August 14, 2042	¥1 per share granted upon exercise of each stock acquisition right, multiplied by the number of shares granted

We have employee stock ownership associations in Japan for our, the Bank's and other subsidiaries' employees. Members of the employee stock ownership associations set aside certain amounts from their monthly salary to purchase our common stock through the relevant employee stock ownership association. The administrator of each association makes open-market purchases of our common stock for the account of the association on a monthly basis. We, the Bank and other subsidiaries contribute matching funds equivalent to 5% of the amount purchased by the relevant association. At March 31, 2013, none of the employee stock ownership associations held more than 1% of our common stock.

Item 7. Major Shareholders and Related Party Transactions

7.A. MAJOR SHAREHOLDERS

Major Shareholders

Our major shareholders, appearing on our register of common shareholders at March 31, 2013, were as follows:

Name:	Number of shares held	Percentage of shares issued ⁽¹⁾
Japan Trustee Services Bank, Ltd. (Trust Account)	76,570,818	5.41%
The Master Trust Bank of Japan, Ltd. (Trust Account)	70,319,200	4.97%
Sumitomo Mitsui Banking Corporation ⁽²⁾	56,160,924	3.97%
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	38,096,284	2.69%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	27,142,700	1.91%
STATE STREET BANK AND TRUST COMPANY 505225	22,957,272	1.62%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	17,660,849	1.24%
Nomura Securities Co., Ltd., Proprietary Account	17,347,000	1.22%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	14,973,601	1.05%
NATSCUMCO	14,283,505	1.01%

- (1) Percentages are calculated based on the total number of shares of common stock then issued, including our treasury stock, and have been truncated to the nearest second decimal point.
- (2) Pursuant to Article 67 of the Enforcement Ordinance of the Company Act, our subsidiary Sumitomo Mitsui Banking Corporation is not entitled to exercise the voting rights of our common shares it holds.

Our major shareholders do not have different voting rights.

Shareholders in the United States

Because some of our common stock was held by brokers or other nominees, the number of shares held by and the number of beneficiary holders with addresses in the United States is not fully ascertainable. At March 31, 2013, there were 220 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 17% of our outstanding common stock on that date.

Control of the Company

To our knowledge, we are not directly or indirectly owned or controlled by any another corporation(s), by any foreign government or by any other natural or legal person(s), severally or jointly.

Arrangements for Change in Control of the Company

We know of no arrangements the operation of which may at a later time result in a change of control.

7.B. RELATED PARTY TRANSACTIONS

We and our banking subsidiaries had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. For the fiscal year ended March 31, 2013, such transactions included, but were not limited to, loans, deposits and guarantees. Furthermore, such transactions were immaterial and were made at prevailing market rates, terms and conditions, and did not involve more than the normal risk of collectibility or present other unfavorable features.

During the fiscal year ended March 31, 2013, none of our directors or corporate auditors or the Bank's directors, and none of the close members of their respective families, had any transactions that were material or any transactions that were unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were a party, and no such transactions were proposed at March 31, 2013. During the fiscal year ended March 31, 2013, we made no loans to our directors or corporate auditors or the Bank's directors other than those that were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

Item 8. Financial Information

8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Financial Statements

All relevant financial statements are attached hereto. See "Item 18. Financial Statements." See "Item 5. Operating and Financial Review and Prospects—Reconciliation with Japanese GAAP" for a reconciliation of consolidated net profit and total equity for the fiscal year ended March 31, 2013 under IFRS, with those amounts under Japanese GAAP.

Export Sales

Not applicable.

Legal Proceedings

We are party to routine litigation incidental to our business, none of which is currently expected to have a material adverse effect on our financial condition or results of operations. However, there can be no assurance that an adverse decision in one or more of these lawsuits will not have a material adverse effect.

Dividend Policy and Dividends

The declaration, payment and determination of any year-end dividend are subject to the approval of shareholders of our common stock at our general meeting of shareholders and to statutory restrictions. The declaration, payment and determination of the amount of any interim dividend require a resolution of our board of directors and are subject to statutory restrictions. Dividend payments are made to shareholders or pledgees of record at the record dates for each payment. March 31 is the record date for year-end dividends and September 30 is the record date for interim dividends. The payment of year-end and interim dividends on common stock is subject to prior payment of dividends on our preferred stock, if any.

We have a basic policy of steadily increasing returns to shareholders through the sustainable growth of our enterprise value, while enhancing our capital to maintain financial soundness in consideration of our public nature as a bank holding company. We continuously aim to increase returns to shareholders while taking into account new capital requirements and the competitive environment, by maintaining a payout ratio of over 20% on a consolidated net income basis under Japanese GAAP.

The following table shows historical aggregate dividend payments per share of our common stock for each of the fiscal years from the fiscal year ended March 31, 2011 through the fiscal year ended March 31, 2013:

	<u>Dividend per share</u>	
	<u>Paid⁽¹⁾</u>	<u>Declared⁽²⁾</u>
Fiscal year ended March 31,		
2011	¥100	¥105
2012	100	100
2013	120 ⁽³⁾	100

- (1) Dividend per share based on dividends in respect of each fiscal year including dividends proposed after current fiscal year-end but not recognized in the financial statements and excluding dividends in respect of the previous fiscal year declared in current fiscal year.
- (2) Dividend per share based on dividends declared and recognized in the financial statements during each fiscal year.
- (3) Annual dividends for the fiscal year ended March 31, 2013 were ¥120 per share, consisting of a ¥110 per share ordinary dividend and a ¥10 per share commemorative dividend, celebrating our 10th anniversary in December 2012.

8.B. SIGNIFICANT CHANGES

Except as otherwise described in this annual report, no significant change in our financial position has occurred since the date of the financial statements included elsewhere in this annual report.

Item 9. The Offer and Listing

9.A. OFFER AND LISTING DETAILS

Offering Details

Not applicable.

Price History of the Shares

Market Price Information for Our American Depositary Shares

The following table sets forth, for the periods indicated, the high and low trading prices, and average daily trading volume for our ADSs on the NYSE since their listing on November 1, 2010:

	<u>Price per ADS</u>		<u>Average daily trading volume</u> (Number of shares)
	<u>High</u>	<u>Low</u>	
	(In dollars)		
Fiscal year ended March 31, except quarter and month data:			
2011 (from November 1, 2010):			
Third quarter	\$7.21	\$5.75	430,456
Fourth quarter	7.77	6.01	615,815
Full year	7.77	5.75	539,906
2012:			
First quarter	6.46	5.55	473,475
Second quarter	6.47	5.12	370,978
Third quarter	6.05	5.13	423,717
Fourth quarter	7.06	5.59	463,419
Full year	7.06	5.12	432,531
2013:			
First quarter	6.79	5.65	567,701
Second quarter	6.81	5.55	1,289,391
Third quarter	7.36	5.84	399,462
Fourth quarter	9.46	7.18	1,308,543
Full year	9.46	5.55	888,210
Most recent six months:			
January	8.19	7.18	880,288
February	8.39	7.80	1,726,700
March	9.46	8.00	1,360,960
April	9.64	7.32	3,205,495
May	9.96	7.94	2,228,790
June	9.29	7.59	2,062,788
July (through July 10, 2013)	9.55	9.27	917,946

Market Price Information for Our Shares

See “Item 9.C. Markets” for information on the stock exchanges on which our common stock is listed.

The following table sets forth, for the periods indicated, the high and low trading prices, and average daily trading volume for our common stock since the fiscal year ended March 31, 2009 on the Tokyo Stock Exchange.

	<u>Price per shares</u>		<u>Average daily trading volume</u>
	<u>High</u>	<u>Low</u>	<u>(Number of shares)</u>
	(In yen)		
Fiscal year ended March 31, except quarter and month data:			
2009	¥9,640	¥2,585	8,135,967
2010	4,520	2,591	13,310,559
2011	3,355	2,235	12,022,607
2012:			
First quarter	2,652	2,251	9,946,057
Second quarter	2,621	2,055	8,221,132
Third quarter	2,312	2,003	7,332,161
Fourth quarter	2,933	2,161	7,862,634
Full year	2,933	2,003	8,339,526
2013:			
First quarter	2,788	2,231	5,988,906
Second quarter	2,679	2,336	5,633,975
Third quarter	3,125	2,330	6,512,818
Fourth quarter	4,255	3,090	11,049,759
Full year	4,255	2,231	7,228,299
Most recent six months:			
January	3,690	3,090	9,320,337
February	3,935	3,555	12,741,832
March	4,255	3,685	11,085,240
April	4,710	3,545	15,564,505
May	4,995	4,010	13,829,810
June	4,610	3,760	12,871,500
July (through July 10, 2013)	4,820	4,550	8,372,900

9.B. PLAN OF DISTRIBUTION

Not applicable.

9.C. MARKETS

The primary trading market for our common stock is the Tokyo Stock Exchange (First Section), and our common stock is also listed on the Nagoya Stock Exchange (First Section). Our common stock is not listed on any stock exchange outside of Japan. Although our common stock had been listed on Osaka Securities Exchange (First Section), Osaka Securities Exchange (First Section) was integrated into Tokyo Stock Exchange (First Section) on July 16, 2013.

Our ADSs have been listed on the NYSE since November 1, 2010 and are quoted under the ticker symbol “SMFG.”

9.D. SELLING SHAREHOLDERS

Not applicable.

9.E. DILUTION

Not applicable.

9.F. EXPENSES OF THE ISSUE

Not applicable.

Item 10. Additional Information

10.A. SHARE CAPITAL

Not applicable.

10.B. MEMORANDUM AND ARTICLES OF INCORPORATION

Set out below is information concerning our share capital, including a summary of provisions of our articles of incorporation and share handling regulations and of the Companies Act relating to joint stock corporations (kabushiki-kaisha) and related legislation, each as currently in effect.

Register and Entry, Objects and Purposes of the Company

The Company is a joint stock corporation (*kabushiki-kaisha*) incorporated in Japan under the Companies Act (*kaishaho*) of Japan. It is registered in the commercial register (*shogyo-tokibo*) maintained by the Chiyoda Branch Office of the Tokyo Bureau of Legal Affairs.

Article 2 of our articles of incorporation provide that our purpose is to engage in the following business activities:

- management of banks and other corporations which are permitted to become, or to be established as, subsidiaries under the Banking Act; and
- any business incidental to the business mentioned in the foregoing item.

Provisions Relating to Directors

With respect to directors, the Companies Act and our articles of incorporation, bylaws and associated internal rules issued pursuant to the articles provide in summary as follows:

- a director is not entitled to vote on a proposal or arrangement or contract in which the director has a special interest;
- the aggregate remuneration for directors are determined at a general meeting of shareholders and, within the upper limit approved at the general meeting of shareholders, our board of directors will determine the amount of compensation for each director; our board of directors may, by its resolution, leave such decision to the discretion of our representative director;
- the board of directors has authority to approve transactions between the directors and us;
- there are no provisions requiring the mandatory retirement of directors at a specified age; and
- share ownership is not required in order to be eligible to serve as a director.

Rights, Preferences and Restrictions of the Shares

A joint stock corporation is a legal entity incorporated under the Companies Act. The rights of shareholders of a joint stock corporation are represented by shares of stock in the corporation, and shareholders' liability is limited to the amount of the subscription for the shares.

We may issue shares within our authorized but unissued share capital following a resolution by our board of directors. An increase in our authorized share capital requires an amendment of our articles of incorporation, which generally requires approval of our common and preferred shareholders, if any.

Common Stock

General

On January 5, 2009, a central clearing system of shares of Japanese listed companies was enacted under the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares and Other Securities (“Book-Entry Transfer Act”) and the shares of all Japanese companies listed on any Japanese stock exchange, including our shares, became subject to this system, and all share certificates of companies then listed in Japan became null and void on the effective date of the Book-Entry Transfer Act.

Under the clearing system, a person must have an account at an account managing institution or at Japan Securities Depository Center, Inc. (“JASDEC”) in order to purchase, hold, sell or otherwise dispose of listed shares. Account managing institutions include financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Transfer Act, and only those financial institutions that meet further stringent requirements of the Book-Entry Transfer Act can open accounts directly at JASDEC. Under the Book-Entry Transfer Act, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee’s account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Transfer Act, in order to assert shareholders’ rights against us, a shareholder’s name and address must be registered in our register of shareholders, except in limited circumstances. Under the clearing system, such registration is made upon our receipt of the necessary information from JASDEC. Nonresidents of Japan or non-Japanese corporations without a permanent establishment in Japan (“Nonresident Shareholders”) are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each Nonresident Shareholder must give notice of a standing proxy or a mailing address to the relevant account managing institution. That notice will be forwarded to us through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to Nonresident Shareholders are delivered to standing proxies or their mailing addresses in Japan.

Our transfer agent is Sumitomo Mitsui Trust Bank, Limited.

Distributions of Surplus

As a holding company, we expect that most of our cash flow will come from dividends that the Bank pays us. Under some circumstances, various statutory or contractual provisions may restrict the dividends the Bank can pay us. For example, if the Bank does not have sufficient distributable amounts, it will be unable to pay dividends and we, in turn, may be unable to pay dividends on shares of our common stock. Therefore, our ability to pay dividends mainly depends on the financial performance of our principal operating subsidiary, the Bank.

Under the Companies Act, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distributions of surplus (as described in “—Restriction on Distributions of Surplus”). We are permitted to make distributions of surplus to our shareholders any number of times per fiscal year, subject to limitations described in “—Restriction on Distributions of Surplus.” Distributions of surplus are required in principle to be authorized by a resolution of a general meeting of shareholders. Distributions of surplus are, however, permitted pursuant to a resolution of the board of directors if:

- (1) our articles of incorporation so provide (our current articles of incorporation do not have a provision to that effect);

- (2) the normal term of office of our directors is no longer than one year (our current articles of incorporation provide that the normal term of office of our directors expires upon the close of the general meeting of shareholders to be held for the last fiscal year ending within two years after the election); and
- (3) our nonconsolidated annual financial statements and certain documents for the latest fiscal year fairly present our assets and profit or loss, as required by an ordinance of the Ministry of Justice.

In an exception to the above rule, even if the requirements described in (1) through (3) are not met, we are permitted to make distributions of surplus in cash to our shareholders by resolutions of the board of directors once per fiscal year if our articles of incorporation so provide. Our current articles of incorporation provide for distributions of surplus as interim dividends, the record date for which is September 30 of each year.

Distributions of surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders or by the board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of assets to be distributed, the manner of allocation of the assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or by the board of directors, grant the right to our shareholders to require us to make the distribution in cash instead of in kind. If that right is not granted to shareholders, then the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders.

Under our articles of incorporation, the record dates for annual dividends and interim dividends are March 31 and September 30, respectively, in each year. In Japan, both “ex-dividend date” (the date from which purchasers at shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the shares of common stock is generally the third business day prior to the record date. Under our articles of incorporation, we are not obligated to pay any distributions of surplus to be made in cash which have not been received after five years from the commencement date of those distributions.

Restriction on Distributions of Surplus

Payment of dividends on shares of common stock is also subject to the prior payment of dividends on shares of preferred stock, if any. In the event we pay an interim dividend on shares of our common stock, the interim dividend payment is also subject to the prior payment of interim dividends on the shares of preferred stock, if any.

When we make a distribution of surplus, we must set aside in our capital reserve or retained earnings reserve an amount equal to one-tenth of the amount of surplus so distributed as required by an ordinance of the Ministry of Justice.

The amount of surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- “A” = the total amount of other capital surplus and other retained earnings, each being the amount that appears on our nonconsolidated balance sheet as of the end of the last fiscal year;
- “B” = if we have disposed of treasury stock after the end of the last fiscal year, the amount of the consideration for that treasury stock received by us less the book value thereof;

- “C” = if we have reduced our stated capital after the end of the last fiscal year, the amount of that reduction less the portion thereof that has been transferred to capital reserve or retained earnings reserve, if any;
- “D” = if we have reduced our capital reserve or retained earnings reserve after the end of the last fiscal year, the amount of that reduction less the portion thereof that has been transferred to stated capital, if any;
- “E” = if we have cancelled treasury stock after the end of the last fiscal year, the book value of that treasury stock;
- “F” = if we have distributed surplus to our shareholders after the end of the last fiscal year, the total book value of the surplus so distributed; and
- “G” = other amounts set forth in an ordinance of the Ministry of Justice, including:
- if we have reduced surplus and increased our stated capital, capital reserve or retained earnings reserve after the end of the last fiscal year, the amount of that reduction; and
 - if we have distributed surplus to shareholders after the end of the last fiscal year, the amount set aside in our capital reserve or retained earnings reserve, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of surplus distributed by us may not exceed a prescribed distributable amount as calculated on the effective date of the distribution. Our prescribed distributable amount at any given time shall be the amount of surplus less the aggregate of (a) the book value of our treasury stock, (b) the amount of consideration for any treasury stock we disposed of after the end of the last fiscal year, (c) the sum of net unrealized losses on other securities and unrealized losses on land valuation, and (d) other amounts set forth in an ordinance of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of the stated capital, capital reserve and retained earnings reserve, each being the amount in our nonconsolidated balance sheet at the end of the last fiscal year) all or a certain part of the exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice. If we have prepared interim financial statements in accordance with the ordinances of the Ministry of Justice as described below, and if the interim financial statements have been approved by the board of directors or (if so required) by a general meeting of shareholders, then the prescribed distributable amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of our treasury stock disposed of by us, during the period for which the interim financial statements have been prepared. We will be permitted to prepare nonconsolidated interim financial statements consisting of a balance sheet at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of the balance sheet. Interim financial statements so prepared by us must be audited by our corporate auditors and/or accounting auditors, as required by an ordinance of the Ministry of Justice.

Voting Rights

Holders of shares of common stock have one voting right for each unit of shares held by them. Except as otherwise provided by law or by our articles of incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of the voting rights represented at the meeting. In our articles of incorporation the quorum to elect directors and corporate auditors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. Our shareholders may cast their votes by mail or via the internet. Our shareholders may also exercise their voting rights through proxies, provided that the proxies are also holders of shares with voting rights.

The Companies Act provides that certain important matters shall be approved by a special resolution of a general meeting of shareholders. Under our articles of incorporation, the quorum for a special resolution is

one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Important matters include:

- amending the articles of incorporation (except for amendments that may be authorized by the board of directors under the Companies Act);
- reducing stated capital which meets certain requirements, with some exceptions;
- removing a corporate auditor;
- dissolving, merging or consolidating requiring shareholders' approval;
- establishing a parent and a wholly owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders' approval;
- transferring the whole or a substantial part of our business;
- taking over the whole business of another company requiring shareholders' approval;
- corporate split requiring shareholders' approval;
- consolidating shares of common stock;
- acquiring shares of common stock from a specific shareholder other than one of our subsidiaries;
- issuing or transferring new shares or existing shares held by us as treasury stock to persons other than the shareholders at a specially favorable price;
- issuing stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under specially favorable conditions;
- exempting some liability of a director or corporate auditor; and
- distributing surplus in-kind if shareholders are not granted the right to require us to make a distribution in cash instead of in-kind.

Capital and Reserves

When we issue new shares, the amount of the cash or assets paid or contributed by subscribers for new shares (with some exceptions) is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the cash or assets as capital reserve by resolutions of the board of directors.

We may reduce our capital reserve or retained earnings reserve generally by resolution of a general meeting of shareholders. We may account for the whole or any part of the reduction as stated capital if we so decide by the same resolution. On the other hand, we may reduce our stated capital generally by special resolution of a general meeting of shareholders and may account for the whole or any part of the reduction as capital reserve if we so decide by the same resolution. We may reduce our surplus and increase either (1) stated capital or (2) capital reserve and/or retained earnings reserve by the same amount, in either case by resolution of a general meeting of shareholders.

Stock Splits

We may at any time split our outstanding shares of common stock into a greater number of shares of common stock by resolution of the board of directors. When a stock split is to be made, so long as our only class of outstanding stock is the common stock, we may increase the number of authorized shares in the same ratio as that of the stock split by amending our articles of incorporation. We may effect such an amendment by resolution of the board of directors without shareholder approval.

We must give public notice of a stock split, specifying the record date therefore, not less than two weeks prior to the record date.

Unit Share System

We have a unit share system, under which 100 shares of our common stock constitute one unit. Under the unit share system, shareholders have one voting right for each unit of shares held by them at a general meeting of shareholders, and shares constituting a fractional unit carry no voting rights. Under our articles of incorporation, the holders of shares constituting a fractional unit do not have shareholder rights except for those specified in the Companies Act or an ordinance of the Ministry of Justice, which include the rights (1) to receive dividends, (2) to receive cash or other assets in case of consolidation or split of shares, share exchange or share transfer, or merger, or (3) to be allotted rights to subscribe for free new shares and stock acquisition rights when those rights are granted to shareholders. We may cease to use the unit share system by amendment to the articles of incorporation without shareholders' approval even though amendments to the articles of incorporation generally require a special resolution of the general meeting of shareholders.

A holder of shares of our common stock constituting less than one unit may at any time request us to purchase those shares. In addition, a holder of shares of our common stock constituting less than one unit may at any time request us to sell to it the number of shares necessary to raise its share ownership to a whole unit. Under the clearing system operated by JASDEC, such request must be made through the financial institution where the shareholder has opened its account.

The price at which shares of our common stock constituting less than one unit will be purchased or sold by us pursuant to such request will be equal to either (a) the closing price of shares of our common stock reported by the Tokyo Stock Exchange on the day when such request is received by our transfer agent, or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which sale of such shares is executed on the Tokyo Stock Exchange immediately thereafter. Pursuant to our share handling regulations, an amount equal to the applicable brokerage commission will be deducted from the price so determined.

Under the new clearing system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly, may not be sold on the Japanese stock exchanges.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and required distribution payments to preferred shareholders, if any, will be distributed among shareholders of common stock in proportion to the respective number of shares which they hold. For liquidation preference for residual assets to the holders of preferred stock, see “—Preferred Stock—Liquidation Rights.”

Redemption Provisions and Sinking Fund Provisions

Our common stock has no redemption provisions or sinking fund provisions.

Liability to Further Calls or Assessments

Our shares of common stock outstanding, including shares represented by the ADSs, are fully paid and nonassessable.

Legal Restrictions on Acquisitions of Shares

The FIEA and its related regulations require any person who has become solely or jointly a beneficial holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese stock exchange, to file with the director of an appropriate local finance bureau of the Ministry of Finance within five business days a report concerning the shareholdings. With some exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in those holdings or any change in material matters set out in reports

previously filed. For this purpose, shares issuable to a holder upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of each report must also be furnished to the company and to all the Japanese stock exchanges on which the shares are listed.

Under the Banking Act, a person who desires to hold 20% (in some exceptional cases, 15%) or more of the voting rights of a bank is required to obtain advance approval of the FSA Commissioner. In addition, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or a bank must report the ownership of the voting rights to the director of an appropriate local finance bureau within five business days. This requirement is separate from the significant shareholdings report required under the FIEA. See "Item 4.B. Business Overview—Regulations in Japan—Regulations for Stabilizing the Financial System—Examination and Reporting Applicable to Shareholders of a Bank."

Subscription Rights

Holders of shares of our common stock have no preemptive rights. Authorized but unissued shares of common stock may be issued at the times, and upon the terms the board of directors determines, subject to the limitations as to the issuance of new shares of common stock at a specially favorable price mentioned in "—Voting Rights" above. The board of directors may, however, determine that the holders of shares of common stock be given subscription rights to new shares of common stock, in which case they must be given on uniform terms to all holders of shares of common stock at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom subscription rights is given must also be given at least two weeks' prior notice of the date on which the rights expire.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu-yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us upon payment of the applicable exercise price and subject to other terms and conditions thereof. We may also issue bonds with stock acquisition rights (*shinkabu-yoyakuken-tsuki-shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the board of directors unless it is made under specially favorable conditions, as described in "—Voting Rights."

Record Date

March 31 is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the annual general meeting of shareholders. September 30 is the record date for payment of interim dividends. In addition, by a resolution of the board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to the common stock.

Under the Book-Entry Transfer Act, we are required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to give us notice of the names and addresses of our shareholders, the numbers of shares held by them, and other relevant information at a record date promptly after we set it.

Our Acquisition of Our Own Shares of Common Stock

We may acquire shares of our common stock (1) by way of purchase on any Japanese stock exchange on which shares of our common stock are listed, or by way of tender offer (in either case, pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the board of directors), (2) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders), or (3) from any of our subsidiaries (pursuant to a resolution of the board of directors). In the case

of (2) above, any other shareholder may make a request to a director, at least five days prior to the relevant shareholders' meeting, to include the shareholder as a seller in the proposed purchase. However, that right is not available if the purchase price or any other consideration to be received by the relevant specific shareholder does not exceed the then market price of the shares to be purchased from the shareholder.

The total amount of the purchase price of shares of common stock may not exceed the prescribed distributable amount, as described in “—Common Stock—Restriction on Distributions of Surplus.”

We may hold the shares of common stock acquired, and may generally dispose of or cancel those shares by resolution of the board of directors.

Disposal of Shares of Our Common Stock Held by Shareholders Whose Location Is Unknown

We are not required to send notices to a shareholder if notices have failed to arrive for five consecutive years or more at his or her address in our register of shareholders unless we are notified of a new address. If the shareholder also fails to receive distributions of surplus on the shares for five or more consecutive years at his or her address in our register of shareholders or otherwise as specified, then we may in general dispose of those shares at their then-market price and hold or deposit the proceeds of that disposal on behalf of that shareholder.

Preferred Stock

The following is a summary of information concerning provisions of our articles of incorporation.

General

At the date of this annual report, under our articles of incorporation, we are authorized to issue 167,000 shares of Type 5 preferred stock, 167,000 shares of Type 7 preferred stock, 115,000 shares of Type 8 preferred stock and 115,000 shares of Type 9 preferred stock. In June 2013, our articles of incorporation were amended to delete the provisions regarding Type 6 preferred stock, as these provisions have become unnecessary.

In February 2003, we issued 50,100 shares of Type 4 preferred stock for an aggregate price of ¥150.3 billion. The Type 4 preferred stock was issued at a price of ¥3,000,000 per share, ¥1,500,000 of which was accounted for as stated capital. On April 30, 2008, Goldman Sachs exercised the acquisition rights granted to 16,700 shares of the Type 4 preferred stock and on January 28, 2010, Goldman Sachs exercised the acquisition rights granted to 33,400 shares of Type 4 preferred stock.

In March 2005, we issued 70,001 shares of our 1st series Type 6 preferred stock for an aggregate issue price of ¥210 billion. The Type 6 preferred stock was allocated using a third-party allocation of shares at a price of ¥3,000,000 per share, ¥1,500,000 of which was accounted for as stated capital. Sumitomo Life Insurance Company acquired 23,334 shares, Nippon Life Insurance Company acquired 20,000 shares, Mitsui Life Insurance Company, Limited acquired 16,667 shares and Mitsui Sumitomo Insurance Company, Limited acquired 10,000 shares. On April 1, 2011, we acquired and cancelled all of the outstanding 1st series Type 6 preferred stock.

At the date of this annual report, we have no preferred stock outstanding. The following is a summary of the relevant provisions of our articles of incorporation regarding preferred stock.

Preferred Dividends

Our articles of incorporation provide that, if we pay dividends, we must pay cash dividends to holders of shares of our preferred stock in preference to the holders of our common stock. If preferred interim dividends stipulated in our articles of incorporation were paid during the relevant fiscal year, the amount of the preferred interim dividends shall be subtracted from the amount of annual preferred dividends.

Our failure to declare annual preferred dividends in full in respect of any fiscal year on a series of preferred stock gives the holders of that preferred stock certain voting rights.

Liquidation Rights

In the event of our voluntary or involuntary liquidation, holders of our preferred stock will be entitled, equally in rank as among themselves and in preference over shares of our common stock, to receive out of our residual assets upon liquidation a distribution of ¥3,000,000 per share.

Preferred stockholders are not entitled to any further dividends or other participation or distribution of our residual assets upon our liquidation.

Voting Rights

Our articles of incorporation provide that holders of preferred stock are only entitled to receive notice of, and to vote at, a general meeting of shareholders;

- from the commencement of our annual general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to the meeting; or
- from the close of our annual general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at the meeting.

In both cases, these rights of our preferred stockholders lapse when a resolution of a meeting of shareholders declaring a preferred dividend is approved.

The Companies Act provides that a separate resolution of a meeting of the holders of the preferred stock is required in order to approve certain matters which would prejudice their interests, including;

- amendments to the articles of incorporation to add new classes of shares to be issued, alter the terms of the shares or increase the number of shares or authorized number of any class of shares, with certain exceptions;
- consolidations or splits of shares;
- dividends of shares or stock acquisition rights to shareholders without any consideration;
- grants of preemptive rights for new shares or stock acquisition rights;
- amalgamations or mergers;
- certain corporate splits;
- share exchanges;
- share transfers; and
- other matters set forth in the articles of incorporation.

Except for the amendments described above, the articles of incorporation may expressly permit certain of the above matters to be approved without a separate resolution. Our articles of incorporation do not include that express permission.

Ranking

If issued, the outstanding shares of our preferred stock would rank *pari passu* with each other as to participation in our profits or assets, including dividends and distributions of residual assets upon our liquidation.

Unless holders of our preferred stock give approval, we may not create or issue any other shares ranking in priority in terms of the right to receive distributions of surplus or the right to receive distributions of residual assets or otherwise in priority to the preferred stock already issued. However, without obtaining the consent of

holders of the preferred stock, we may issue other preferred stock ranking *pari passu* with the preferred stock already issued as to the order of participation in our profits or assets, carrying rights to preferred dividends, or terms of conversion that our board of directors may determine, subject to limitations set forth in our articles of incorporation and the Companies Act.

Purchase or Redemption of Preferred Stock

Subject to the requirements of the Companies Act, we may purchase out of our prescribed distributable amounts any shares of our preferred stock outstanding at any time and cancel that preferred stock. In June 2013, we amended our articles of incorporation in order to qualify our preferred stock for inclusion in our regulatory capital in accordance with the new FSA capital adequacy guidelines based on the Basel III framework. Under the amended articles of incorporation, we will acquire our outstanding preferred stock without consideration or in exchange for common stock if we become non-viable.

Mandatory Redemption Provisions and Sinking Fund Provisions

Our articles of incorporation do not provide any mandatory redemption provisions and sinking fund provisions.

Stock Splits

Our articles of incorporation provide that no stock split shall be made to the preferred stock unless otherwise provided for in any law or regulation.

Subscription Rights

Our articles of incorporation provide that we shall not grant holders of preferred stock any right to subscribe for new shares or stock acquisition rights.

Conditions to Change Shareholders' Rights

Our articles of incorporation do not specify what actions or quorums are required to change the rights of holders of our stock.

General Meeting of Shareholders

Our annual general meeting of shareholders is held within three months after the end of each fiscal year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders' meeting stating the place, the time and the purpose thereof, and certain matters set forth in the Companies Act and in ordinances of the Ministry of Justice, must be given to each holder of shares of common stock with voting rights (or to the standing proxy or mailing address in Japan of a nonresident shareholder) at least two weeks prior to the date set for the meeting. The record date for an annual general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least three percent of the total outstanding voting rights, for a continuous period of six months or longer, may require the convocation of a general meeting of shareholders for a particular purpose. Unless such a general meeting of shareholders is convened promptly, or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholders may, upon obtaining court approval, convene such shareholders' meeting.

Any shareholder holding at least 300 voting rights or one percent of our total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a

written request to a director at least eight weeks prior to the date of the meeting. Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if our articles of incorporation so provide. Our articles of incorporation currently do not include any of those provisions.

To attend a shareholders' meeting in person or by proxy, shareholders must provide proof of identity upon request. Shareholders may appoint a proxy by a written power of attorney for the meeting. Such proxy must be one of our shareholders with voting rights.

Limitations on the Rights to Hold Our Common Stock by Foreign Investors

There are no specific limitations imposed by the laws of Japan, our articles of incorporation, or our other constituent documents, on the rights of nonresidents or foreign shareholders to hold or exercise voting rights on our shares of common stock or preferred stock. For additional information, See "Common Stock—Voting Rights."

Anti-Change in Control Provisions

There is no provision in our articles of incorporation that would have the effect of delaying, deferring or preventing a change in control of us, and that would operate only with respect to a merger, consolidation, acquisition or corporate restructuring involving us.

Provisions Governing Changes in the Company's Capital

We have no conditions more stringent than are required by law imposed by our articles of incorporation governing changes in capital.

10.C. MATERIAL CONTRACTS

All contracts that we are currently a party to, or were a party to during our two most recently completed fiscal years up to the date of this annual report, were entered into in the ordinary course of business or were otherwise immaterial.

10.D. EXCHANGE CONTROLS

Japanese Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Act of Japan, and the cabinet orders and ministerial ordinances, collectively known as the Foreign Exchange Act, set forth, among other things, the regulations relating to the receipt by nonresidents of Japan of payment with respect to our shares, and the acquisition and holding of our shares by nonresidents of Japan and foreign investors, both as defined below.

Nonresidents of Japan are individuals who are not residents in Japan and corporations whose principal offices are located outside Japan. Generally, branches and offices of nonresident corporations located in Japan are regarded as residents of Japan while the branches and offices of Japanese corporations located outside Japan are regarded as nonresidents of Japan.

"Foreign investors" are defined as:

- individuals not residing in Japan;
- corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan;

- corporations of which 50% or more of the voting rights are held, directly or indirectly, by individuals not residing in Japan and/or corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations, a majority of officers (or a majority of officers having the power of representation) of which are individuals not residing in Japan.

Acquisition of Shares

In general, a nonresident who acquires our shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Act authorizes the Minister of Finance of Japan and the Ministers responsible for the business to require a prior submission for any such acquisition in certain limited circumstances.

If a foreign investor acquires shares of our common stock, and, together with parties who have a special relationship with such foreign investor, holds 10% or more of the issued shares of our common stock as a result of the acquisition, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent minister by the fifteenth day of the month immediately following the month to which the date of such acquisition belongs.

Except for the general limitation under Japanese antitrust and antimonopoly regulations against shareholdings in the capital stock of a Japanese corporation, which lead or may lead to a restraint of trade or monopoly, and general limitations under the Companies Act or our articles of incorporation on the rights of shareholders applicable, regardless of residence or nationality, there is no limitation under Japanese law and regulations applicable to us, or under our articles of incorporation on the rights of nonresident or foreign shareholders to hold or exercise voting rights on our shares.

Dividends and Proceeds of Sale

Under the Foreign Exchange Act, dividends paid on, and the proceeds of sales in Japan of, shares held by nonresidents of Japan, may, in general, be converted into any foreign currency and repatriated abroad. The acquisition of our shares by nonresidents by way of a stock split is not, in general, subject to any notification or reporting requirements.

10.E. TAXATION

Japanese Taxation

The following is a summary of the principal Japanese national tax consequences to owners of shares of our common stock or ADSs representing shares of our common stock who are Nonresident Shareholders. The statements regarding Japanese tax laws set forth below are based on the laws and treaties currently in force and as interpreted by the Japanese tax authorities at the date of this annual report and are subject to changes in the applicable Japanese law or tax treaties, conventions or agreements, or in the interpretation thereof, occurring after that date. This summary does not include all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisors.

For the purpose of Japanese taxation, a Nonresident Shareholder of ADSs will generally be treated as the owner of the shares underlying the ADSs, which may be evidenced by one or more American Depositary Receipts (“ADRs”).

Generally, a Nonresident Shareholder of shares of our common stock or ADSs will be subject to Japanese income tax collected by way of withholding on dividends we pay. Stock splits are, in general, not subject to Japanese income tax or corporation tax.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by a Japanese corporation to Nonresident Shareholders is generally 20.42% (20% on or before December 31, 2012). However, with respect to dividends paid on listed shares issued by a Japanese corporation (including shares of our common stock or ADSs) to Nonresident Shareholders, except for any individual shareholder who owns 3% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20.42% (20% on or before December 31, 2012) withholding tax rate is reduced to (1) 7.147% for dividends due and payable on or after January 1, 2013 but on or before December 31, 2013, and (2) 15.315% for dividends due and payable on or after January 1, 2014 (and were reduced to 7% for dividends due and payable on or before December 31, 2012). Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 7%, 15% and 20%, as applicable, has been effectively increased, respectively, to 7.147%, 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037.

At the date of this annual report, Japan has income tax treaties in force, whereby the above-mentioned withholding tax rate is reduced, generally, to 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain and Sweden, while the income tax treaties with Australia, France, Hong Kong, the Netherlands, Switzerland, the United Kingdom and the United States generally reduce the withholding tax rate to 10% for portfolio investors. In addition, under the income tax treaty between Japan and the United States, dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by those pension funds. Under the income tax treaties with the Netherlands, Switzerland and the United Kingdom, similar treatment will be applied to dividends. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty will be available when the maximum rate is below the rate otherwise applicable under Japanese tax law referred to in the preceding paragraph with respect to the dividends to be paid by us on shares of common stock or ADSs. A Nonresident Shareholder of shares of our common stock who is entitled, under any tax treaty, to a reduced rate of Japanese withholding tax, or exemption therefrom, as the case may be, is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with any other required forms and documents) in advance, through the withholding agent, to the relevant tax authority before payment of dividends. A standing proxy for a Nonresident Shareholder may provide the application services. See “Item 10.B. Memorandum and Articles of Incorporation—Common Stock—General.” In addition, a simplified special application filing procedure will be available for Nonresident Shareholders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, with respect to dividends paid on or after January 1, 2014. With respect to ADSs, this reduced rate or exemption will be applicable to Nonresident Shareholders of ADSs if the Depositary or its agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends), together with certain other documents. To claim this reduced rate or exemption, Nonresident Shareholders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the Depositary. A Nonresident Shareholder who is entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law mentioned above, or exemption therefrom, as the case may be, but fails to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if the Nonresident Shareholder is entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if the Nonresident Shareholder is entitled to an exemption under the applicable tax treaty), as the case may be, by complying with certain subsequent filing

procedures. We do not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale outside Japan of shares of our common stock or ADSs by a Nonresident Shareholder who is a portfolio investor are, in general, not subject to Japanese income tax or corporation tax.

Any deposits or withdrawals of shares of our common stock by a Nonresident Shareholder in exchange for ADSs are, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of our common stock or ADSs from another individual as a legatee, heir or donee, even if the individual is not a Japanese resident.

Potential investors should consult with their own tax advisors regarding the Japanese tax consequences of the ownership and disposition of shares of common stock or ADSs in light of their particular situations.

United States Federal Income Taxation

The following is a discussion of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to hold the shares or ADSs. This discussion does not address U.S. state, local or non-U.S. tax consequences. As used herein, a U.S. Holder is a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes: (1) a citizen or resident of the United States; (2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or (3) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The discussion applies only to U.S. Holders who hold the shares or ADSs as capital assets for U.S. federal income tax purposes, and it does not address all of the tax consequences which may be applicable to special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- dealers and certain traders in securities;
- persons holding shares or ADSs as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- regulated investment companies;
- real estate investment trusts;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons who acquired our shares or ADSs pursuant to the exercise of an employee stock option or otherwise as compensation;
- persons holding shares or ADSs that own or are deemed to own 10% or more of our voting stock; or
- persons holding shares or ADSs in connection with a trade or business conducted outside the United States.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding shares or ADSs, and partners in such partnerships, should consult their own tax advisors.

This discussion is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and final, temporary and proposed United States Treasury regulations, as well as the double taxation treaty between Japan and the United States (“Treaty”) all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the Depositary and assumes that each obligation under the Deposit Agreement and any related agreement or undertaking will be performed in accordance with its terms.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom ADSs are released before shares are delivered to the depositary (“prerelease”), or intermediaries in the chain of ownership between holders and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain noncorporate holders. Accordingly, the creditability of Japanese taxes, and the availability of the reduced tax rate for dividends received by certain noncorporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

U.S. Holders should consult their own tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of shares or ADSs in their particular circumstances.

This discussion assumes that we are not, and will not become, a passive foreign investment company (a “PFIC”), as described below.

Taxation of Distributions

Distributions received by a U.S. Holder on shares or ADSs, including the amount of any Japanese taxes withheld, other than certain pro rata distributions of shares, will constitute foreign-source dividend income to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to a U.S. Holder as dividends. The amount of the dividend a U.S. Holder will be required to include in income will equal the U.S. dollar value of the yen dividend, calculated by reference to the exchange rate in effect on the date the payment is received by the holder, or in the case of ADSs, by the Depositary, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend payment. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Any foreign currency gain or loss realized by a U.S. Holder on a sale or other disposition of yen will be U.S.-source ordinary income or loss. Corporate U.S. Holders will not be entitled to claim a dividends-received deduction with respect to our dividends. Subject to applicable limitations, and the discussion above regarding concerns expressed by the U.S. Treasury, dividends received from us by certain noncorporate U.S. Holders may be taxable at favorable rates. Noncorporate U.S. Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at these favorable rates.

Subject to applicable restrictions and limitations that vary depending upon the U.S. Holder’s circumstances, Japanese taxes withheld from dividends on shares or ADSs (at a rate not exceeding the applicable rate provided

by the Treaty, in the case of a U.S. Holder who is eligible for the Treaty's benefits) will be creditable against the holder's U.S. federal income tax liability. Instead of claiming a credit, a U.S. Holder may elect to deduct such Japanese taxes in computing its taxable income, subject to generally applicable limitations. The limitation on foreign taxes eligible for credit is calculated separately with respect to two categories of income, passive income and general income. The rules governing foreign tax credits are complex. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and deductions in their particular circumstances.

Sale and Other Disposition of the Shares or ADSs

A U.S. Holder will generally recognize capital gain or loss on the sale or other disposition of shares or ADSs, which will be long-term capital gain or loss if the holder has held the shares or ADSs for more than one year. The amount of the U.S. Holder's gain or loss will equal the difference between the amount realized on the sale or other disposition and the holder's tax basis in the shares or ADSs, each as determined in U.S. dollars. The deductibility of capital losses is subject to limitations. Any gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

PFIC Rules

Based upon certain proposed Treasury regulations that are not yet in effect, but are generally proposed to become effective for taxable years beginning after December 31, 1994, we believe that we were not a PFIC for U.S. federal income tax purposes for our taxable year ended March 31, 2013. However, since PFIC status depends upon the composition of our income and assets and the market value of our assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year. If we were a PFIC for any taxable year during which a U.S. Holder held shares, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and to backup withholding unless the U.S. Holder is an exempt recipient or, in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals may be required to report information relating to their ownership of an interest in certain foreign financial assets, including stock of a non-U.S. person, generally on Form 8938, subject to exceptions (including an exception for stock held through a U.S. financial institution). Certain U.S. Holders that are entities may be subject to similar rules in the future. U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to the shares or ADSs.

10.F. DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G. STATEMENT BY EXPERTS

Not applicable.

10.H. DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Securities Exchange Act of 1934. In accordance with these requirements, we file annual reports on Form 20-F and furnish periodic reports on Form 6-K with the SEC.

These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's Public Reference Room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a website at <http://www.sec.gov> that contains reports and proxy information regarding issuers that file electronically with the Commission. Some of the information may also be found on our website at <http://www.smfg.co.jp>.

10.I. SUBSIDIARY INFORMATION

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk

Quantitative and Qualitative Information about Risk Management

Basic Approach

As risks in the financial services industry increase in diversity and complexity, risk management (identifying, measuring, and controlling risk) has never been more important in the management of a financial institution. We have established a basic approach to be employed in risk management and include these in the manual entitled Regulations on Risk Management. The basic approach is to do the following:

- set forth Group-wide basic policies for risk management after specifying the categories of risk to which these policies apply;
- provide all necessary guidance to the Group companies to enable them to follow the Group-wide basic policies for risk management set forth by us and set up their own appropriate risk management systems; and
- monitor the risk management procedures implemented by all Group companies to ensure that their practices meet the relevant standards.

Types of Risk to Be Managed

We classify risk into the following categories:

Credit Risk. Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet transactions) to lose value or become worthless.

Market Risk. Market risk is the possibility that fluctuations in interest rates, foreign exchange rates or stock prices will change the market value of financial products, leading to a loss.

Liquidity Risk. Liquidity risk is the risk that there may be difficulties in raising funds needed for settlements, as a result of the mismatching of uses of funds and sources of funds or unexpected outflows of funds, which may make it necessary to raise funds at higher rates than normal.

Operational Risk (including Processing Risk and System Risk). Operational risk is the possibility of losses arising from inadequate or failed internal processes, people, and systems or from external events.

Processing Risk. Processing risk is the possibility of losses arising from negligent processing by employees, accidents or unauthorized activities.

System Risk. System risk is the possibility of losses arising from failure, malfunction, or unauthorized use of computer systems.

Risk Management System

The Group-wide basic policies for risk management are determined by the Management Committee, which consists of designated board members, and they are authorized by the board of directors. The policies include:

- managing risk on a Group-wide basis;
- managing risk using quantification methods;
- ensuring consistency with business strategies;
- setting up a system of checks and balances;
- establishing contingency plans for emergencies and serious situations; and
- verifying preparedness to handle reasonably conceivable risk situations.

The policies also include fundamental principles for each risk category, which each Group company has to follow when establishing its own risk management system. The Corporate Risk Management Department, in cooperation with the Corporate Planning Department, performs risk management according to the above policies. In addition, the Internal Audit Department is responsible for the independent review of risk management within the Group.

Risk management systems are in place at individual Group companies and they have been established in accordance with the Group-wide basic policies for risk management and implementation guidance provided by us. Based on these policies and guidance, each Group company implements guidelines and establishes processes for risk management. On an ongoing basis, these processes and risks are monitored by us.

For example, at the Bank, specific departments have been appointed to oversee the handling of the four risk categories listed above, in addition to the risks associated with settlement. Each risk category is managed taking into account the particular characteristics of that category. In addition, the Risk Management Unit has been established—independent of the business units—and the risk management system has been strengthened by consolidating the functions for managing risks—credit, market, liquidity and operational—into the Risk Management Unit and enhancing our across-the-board risk monitoring ability. One board member is assigned to oversee the Risk Management Unit comprising the Corporate Risk Management Department and the Credit & Investment Planning Department. The Corporate Risk Management Department—the unit’s planning department—seeks to manage all categories of risk in cooperation with the Corporate Planning Department. Moreover the Internal Audit Unit—independent of all business units—conducts periodic audits to ensure that the management system is functioning properly.

The decision-making process for addressing the risks at the operating level is also strengthened by the Credit Risk Management Committee and the Market Risk Management Committee, which are subcommittees of the Management Committee of the Bank.

Integrated Risk Management

(1) Risk Capital-Based Management

In order to maintain a balance between risk and return, we employ a risk capital-based management method. We measure “risk capital” based on value at risk (“VaR”), and other specific measures such as uniform basic measures of credit, market and operational risks, taking into account the special characteristics of each type of risk and the business activities of each Group company.

We then allocate risk capital to each unit to keep the total exposure to various risks within the scope of our resources, i.e., capital. The allocation to each unit is determined by the Management Committee and authorized by the Board of Directors. In this framework, risk capital includes credit concentration risk and interest rate risk in the banking book, which are taken into account under the second pillar of Basel III. In addition, we conduct risk capital-based management activities on a consolidated basis, including each Group company.

Liquidity risk is managed within the context of cash-flow plans and funding gap. Other risk categories are managed with procedures closely attuned to the nature of the risk, as described in the following paragraphs.

Disclosures of the objectives, policies and processes to manage each risk and the methods used to measure each risk have been included in “Credit Risk,” “Market Risk and Liquidity Risk,” “Operational Risk, Processing Risk and System Risk” and “Other Risk”.

(2) Stress Tests

In the current volatile business environment, stress tests are essential to analyze and estimate the effects of stress events brought about by the economic recession and market turbulence. When we establish the management plan, we implement stress tests based on multiple assumptions to analyze and estimate such effects on our financial condition.

Implementation of Basel Regulation

Basel III is an international agreement on minimum capital, leverage, liquidity and other requirements applicable to internationally active banks. The Basel III capital framework was implemented in Japan from March 31, 2013 pursuant to revised capital adequacy guidelines adopted by the FSA, subject to the phase-in of some requirements, as contemplated by Basel III.

Prior to implementation of the Basel III capital requirements in Japan, internationally active Japanese banks were subject to capital requirements based on the Basel II framework. Basel II contemplates several alternative approaches to calculating capital ratios; we adopted the advanced IRB approach for credit risk from March 31, 2009, and the AMA for operational risk from March 31, 2008. In addition, in response to perceived inadequacies of Basel II that became apparent during the financial crises, the BCBS announced the so-called “Basel 2.5” measures to enhance the framework, mainly consisting of revisions to the treatment of securitized products and trading accounts. The Basel 2.5 revisions were implemented in Japan from the end of 2011.

Details of relevant initiatives are provided below, and detailed information on our capital ratio is provided in the discussion on Capital Ratio Information in “Item 4.B. Business Overview—Regulations in Japan—Regulations Regarding Capital Adequacy” and “Item 5.B. Liquidity and Capital Resources—Capital Management.”

Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as the deterioration in the financial condition of a borrower that causes an asset (including off-balance sheet transactions) to decline in value or become worthless. Overseas credits also include an element of country risk, which is closely related to credit risk. This is the risk of loss caused by changes in political or economic conditions. Credit exposures arise principally in lending activities such as loans and advances, acquiring investment securities, derivative transactions, and off-balance sheet transactions such as loan commitments.

Credit Risk Management System

Credit risk is the most significant risk to which we are exposed. The purpose of credit risk management is to keep the credit risk exposure to a permissible level relative to capital, to maintain the quality of assets, and to ensure returns commensurate with risk.

On the basis of Group-wide basic policies for risk management, our Group companies follow the fundamental principles established by us to assess and manage credit risk. Each of our Group companies manages credit risk according to the nature of its business, and assesses and manages credit risks of individual loans and credit portfolios quantitatively, using consistent standards.

At the Bank, our significant banking subsidiary, the Credit & Investment Planning Department within the Risk Management Unit is responsible for the comprehensive management of credit risk. This department drafts and administers credit policies, the internal rating system, credit authority guidelines, and credit application guidelines, and manages NPLs, including impaired loans, and other aspects of credit portfolio management. The department also cooperates with the Corporate Risk Management Department in quantifying credit risk (risk capital and risk-weighted assets) and controls the Bank's entire credit risk. Further, the Credit Portfolio Management Department within the Credit & Investment Planning Department strives to stabilize the credit portfolio and manage the risk through credit derivatives, loan asset sales and other instruments.

The credit departments within each business unit conduct credit risk management for loans handled by their units and manage their units' portfolios. The credit limits they use are based on the baseline amounts that the Credit & Investment Planning Department establishes for each grading category, with particular attention paid to evaluating and managing customers or loans perceived to have particularly high credit risk. The Corporate Research Department engages in research on industries and analyzes the business and financial conditions of borrower enterprises to detect early signs of problems or growth potential.

The Credit Administration Department within the Corporate Services Unit is responsible for handling NPLs of borrowers classified as potentially bankrupt or lower, and formulates plans for workouts, including write-offs, and corporate rehabilitation. The department closely liaises with SMBC Servicer Co., Ltd., our Group company, which engages in related services to efficiently reduce the amount of NPLs, including through the sale of loans.

The Internal Audit Unit, operating independently of the business units, audits asset quality, accuracy of grading and state of credit risk management, and reports the results directly to the board of directors and the Management Committee.

The Bank has established the Credit Risk Committee to undertake control of credit risk and to ensure the overall soundness of the loan operations.

Credit Risk Management Methods

To effectively manage the risk involved in individual loans as well as its credit portfolio as a whole, the Bank first acknowledges that every loan entails credit risk, assesses the credit risk posed by each borrower and loan using an internal rating system, and quantifies that risk for control purposes.

Credit Risk Evaluation

The Credit & Investment Planning Department manages an internal rating system for each asset control category set according to portfolio characteristics. For example, credits to commercial and industrial ("C&I") companies, individuals for business purposes (domestic only), sovereigns, public sector entities, and financial institutions are assigned an "obligor grade," which indicates the borrower's creditworthiness, and/or "facility grade," which indicates the collectibility of assets taking into account the transaction conditions such as guarantee/collateral, and tenor. The business units determine an obligor grade by first assigning a financial grade using a financial strength grading model and data obtained from the obligor's financial statements, including net worth and cash flows. The financial grade is then adjusted taking into account the actual state of the obligor's financial position and qualitative factors to derive the obligor grade. The qualitative factors mainly include the expected future cash flows taking into account factors such as historical loss information, the appropriateness of the borrower's business plan or operational improvement plan, the status of progress of its plan, and the overall support from financial institutions. In the event that the borrower is domiciled overseas, internal ratings for credit are made after taking into consideration the country rank, which represents an assessment of the credit quality of each country based on its political and economic situation, as well as its current account balance and external debt. Obligor grades and facility grades are reviewed once a year and as otherwise necessary, such as when there are changes in the credit situation. Our subsidiaries carry out credit risk evaluations in line with the Bank.

There are also grading systems for loans to individuals such as housing loans, loans to small businesses, and structured finance including project finance, where the repayment source is limited to the cash flows generated by a particular business or asset. For example, the obligor grade of housing loans is determined taking into account various relevant factors such as proportion of the repayment to revenue, proportion of down payment to the value and past due information.

The Credit & Investment Planning Department centrally manages the internal rating systems, and designs, operates, supervises and validates the grading models. It validates the grading models (including statistical validation) of main assets following the procedure manual once a year to ensure their effectiveness and suitability.

Quantification of Credit Risk

Credit risk quantification refers to the process of estimating the degree of credit risk of a portfolio or individual loan taking into account not just the obligor's PD, but also the concentration of risk in a specific customer or industry and the loss impact of fluctuations in the value of collateral, such as real estate and securities.

Specifically, the PD by grade, loss given default ("LGD"), credit quality correlation among obligors, and other parameter values are estimated using the historical data of obligors and facilities stored in a database to calculate the credit risk. Then, based on these parameters, the Bank runs a simulation of simultaneous default using the Monte Carlo Simulation to calculate the Bank's maximum loss exposure to the estimated amount of the maximum losses / expected shortfall that may be incurred. Based on these quantitative results, the Bank allocates risk capital.

Risk quantification is also executed for purposes such as to determine the portfolio's risk concentration, or to simulate economic movements (stress tests), and the results are used for making optimal decisions across the whole range of business operations, including formulating business plans and providing a standard against which individual credit applications are assessed.

Credit Assessment

At the Bank, the credit assessment of corporate loans involves a variety of financial analyses, including cash flows, to predict an enterprise's capability of loan repayment and its growth prospects. These quantitative measures, when combined with qualitative analyses of industrial trends, the enterprise's research and development capabilities, the competitiveness of its products or services, and its management caliber, result in a comprehensive credit assessment. The loan application is analyzed in terms of the intended utilization of the funds and the repayment schedule. In the assessment of housing loans for individuals, the Bank employs a credit assessment model based on credit data amassed and analyzed by the Bank over many years, taking into account various relevant factors including proportion of the repayment to revenue, proportion of down payment to the value and past due information.

Credit Monitoring

At the Bank, in addition to analyzing loans at the application stage, the Credit Monitoring System is utilized to reassess obligor grades, and review credit policies for each obligor so that problems can be detected at an early stage, and quick and effective action can be taken. The system includes periodic monitoring carried out each time the financial results of the obligor enterprise are obtained, as well as continuous monitoring performed each time credit conditions change.

Credit Portfolio Management

Risk-Taking Within the Scope of Capital

To keep the credit risk exposure to a permissible level relative to capital, the Bank's Corporate Risk Management Department sets credit risk limits for internal control purposes. Under these limits, separate guidelines are issued for each business unit, such as for real estate finance, fund investment, and investment in securitization products. The Corporate Risk Management Department conducts monthly monitoring to make sure that these guidelines are being followed.

Controlling Concentration Risk

As the concentration of credit risk in an industry or a corporate group has the potential to substantially impair capital, the Bank's Credit & Investment Planning Department sets guidelines for maximum loan amounts to prevent the excessive concentration of loans in an industry and to control large exposures to an individual company or a corporate group. Further, to manage country risk, the Credit Management Department of the International Banking Unit has credit limit guidelines based on each country's creditworthiness.

Toward Active Portfolio Management

The Bank's Credit Portfolio Management Department makes use of credit derivatives, loan asset sales, and other instruments to proactively and flexibly manage its portfolio to stabilize credit risk.

Market Risk and Liquidity Risk

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, stock prices or other market prices will change the market value of financial products, leading to a loss. The purpose of market risk management is to keep the market risk exposure to a permissible level relative to capital.

Liquidity risk is the risk that there may be difficulties in raising funds needed for settlements, as a result of the mismatching of uses of funds and sources of funds or unexpected outflows of funds, which may make it necessary to raise funds at higher rates than normal. The purpose of liquidity risk management is to ensure that we are in a position to address its liquidity obligations through monitoring the liquidity gap between assets and liabilities, and maintaining highly liquid supplementary funding resources.

On the basis of the Group-wide basic policies for risk management, we have a quantitative management process to control market and liquidity risks on a Group-wide basis by setting allowable risk limits by company. We annually review and identify which companies primarily carry the market and liquidity risks within the Group. We set permissible levels and upper limits of risk for each identified company in consideration of those companies' business plans. We ensure that each identified company establishes a risk management system that is appropriate to the risks it faces, and has built in transparent risk management processes, clearly separating front office, middle office and back office operations, and establishing a control system of mutual checks and balances.

Framework for Market and Liquidity Risk Management

The board of directors authorizes important matters relating to the management of market and liquidity risks, such as the basic policies and risk limits, which are decided by the Management Committee.

Additionally, at the Bank, the Corporate Risk Management Department manages market and liquidity risks in an integrated manner. The Corporate Risk Management Department is the planning department of the Risk Management Unit, which is independent of the business units that directly handle market transactions, and not only monitors the current risk situations but also reports regularly to the Management Committee and the board of directors. Furthermore, the Bank's Asset Liability Management ("ALM") Committee meets on a monthly basis to examine reports on the state of observance of the Bank's limits on market and liquidity risks and to review and discuss the Bank's ALM operations.

To prevent unforeseen processing errors as well as fraudulent transactions, it is important to establish a system of checks on the business units (front office). At the Bank, both the processing departments (back office) and the administrative departments (middle office) conduct the checks. In addition, the Internal Audit Unit of the Bank periodically performs internal audits to verify that the risk management framework is functioning properly.

Market Risk Management Methods

Market Risk Management Process

We manage market risk from trading activities and non-trading activities, including strategic equity investment and other transactions within the risk capital limit, which is determined taking into account our shareholders' equity and other principal indicators of our financial position. We also establish an upper limit on VaR and losses within the risk capital limits.

Our market risk can be divided into various factors: interest rates, foreign exchange rates, equity prices and option risks. We manage each of these risks employing the VaR method as well as supplemental indicators suitable for managing each risk, such as the basis point value ("BPV").

VaR is the largest predicted loss that is possible given a fixed confidence interval. For example, our VaR indicates the largest loss that is possible for a holding period of one day and a confidence interval of 99.0%. BPV is the amount of change in assessed value as a result of a one-basis-point (0.01%) movement in interest rates.

Market Risk Measurement Techniques—Value at Risk

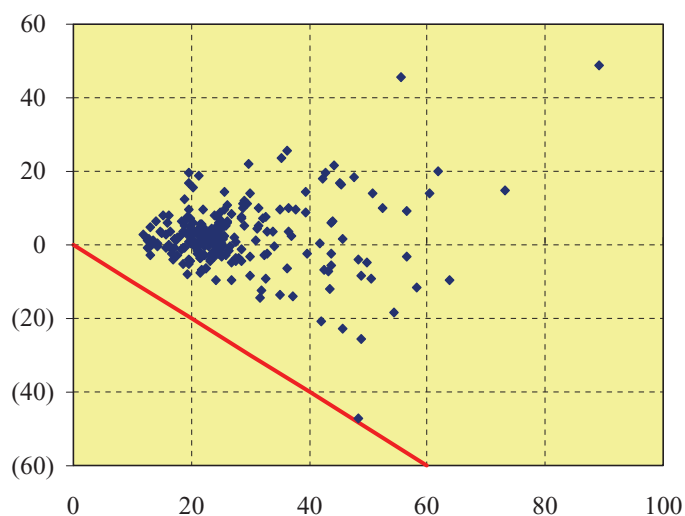
The principal Group companies' internal VaR model makes use of historical data to prepare scenarios for market fluctuations and, by conducting simulations of gains and losses, the model estimates the maximum losses that may occur. The VaR calculation method we employ for both trading and non-trading activities is based mainly on the following:

- the historical simulation method;
- a one-sided confidence interval of 99.0%;
- a one-day holding period (a one-year holding period for strategic equity investment portfolio); and
- an observation period of four years (ten years for the strategic equity investment portfolio).

The relationship between the VaR calculated with the model and the actual profit and loss data is back-tested periodically. The back-testing results for the Group's trading accounts during the fiscal year ended March 31, 2013 are shown below. A data point below the diagonal line indicates a loss in excess of the predicted VaR for that day; however, there were no significant excess losses as with the previous year. This demonstrates that the Group's VaR model, with a one-sided confidence interval of 99.0%, is sufficiently reliable.

Back-Testing Results (Trading Book—SMFG consolidated)

Marginal Profit or Loss (in ¥100 million)



VaR (in ¥100 million)

Trading Activities

Most of our trading activity is undertaken to accommodate the needs of commercial banking customers for interest rate and foreign exchange transactions. However, some interest rate and foreign exchange rate positions are taken using derivatives and other on-balance sheet instruments with the objective of earning a profit from favorable movements in market rates. The overall objective of managing market risk is to avoid unexpected losses due to changes in market prices.

Non-trading Activities

The market risk for non-trading activity arises principally from the interest rate risk of our ALM operations, or banking, including loans, debt investment securities, deposits, and long- and short-term borrowings, and from the equity risk of our strategic investments. ALM operations are regularly reviewed and discussed by the ALM Committee so as not to be heavily exposed to market fluctuations. Strategic equity investment is a portfolio that consists principally of publicly traded Japanese equities. This portfolio, like that of other financial institutions in Japan, has historically included shares of our customers.

VaR Summary for the Fiscal Years Ended March 31, 2013 and 2012

The following tables show our VaR by risk category and these figures are prepared based on the internal reporting provided to management.

Our material market risk exposure categories consist of interest rate risk, foreign exchange risk, equities and commodities risk and others. The section headed “VaR for Trading Activity” shows our VaR for instruments entered into for trading purposes and the VaR model for the trading book includes principal consolidated subsidiaries. The section headed “VaR for Non-Trading Activity” shows our VaR for instruments entered into for purposes other than trading purposes. “Strategic Equity Investment” in the “VaR for Non-Trading Activity” section is a portfolio that consists principally of publicly traded Japanese equities. This portfolio, like that of other financial institutions in Japan, has historically included shares of our customers.

VaR for Trading Activity

The aggregate VaR for our total trading activities at March 31, 2013 was ¥15.0 billion. VaR increased at March 31, 2013 compared with March 31, 2012 in the category of equities risk primarily reflecting an increased position in equities.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2013:					
SMBC Consolidated					
Maximum	¥ 9.7	¥3.6	¥16.7	¥0.3	¥24.9
Minimum	3.9	0.5	1.5	0.1	6.3
Daily average	5.3	2.0	6.2	0.2	12.7
At March 31, 2013	5.6	1.6	8.0	0.2	14.3
SMFG Consolidated					
Maximum	¥10.3	¥3.6	¥17.0	¥0.3	¥25.9
Minimum	4.3	0.5	1.7	0.1	7.1
Daily average	5.9	2.0	6.5	0.2	13.5
At March 31, 2013	6.3	1.6	8.0	0.2	15.0

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the trading book. For certain subsidiaries, we employ the standardized method and/or the historical simulation method for the VaR calculation method.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2012:					
SMBC Consolidated					
Maximum	¥7.6	¥2.6	¥4.4	¥0.3	¥11.8
Minimum	3.4	0.4	0.6	0.2	5.4
Daily average	5.3	1.2	2.2	0.2	8.2
At March 31, 2012	4.9	0.6	4.0	0.2	9.3
SMFG Consolidated					
Maximum	¥8.1	¥2.6	¥4.8	¥0.3	¥12.6
Minimum	3.8	0.5	0.8	0.2	5.9
Daily average	5.8	1.2	2.5	0.2	8.9
At March 31, 2012	5.4	0.6	4.1	0.2	10.0

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the trading book. For certain subsidiaries, we employ the standardized method and/or the historical simulation method for the VaR calculation method.

VaR for Non-trading Activity

• *Banking*

The aggregate VaR for our total banking activities at March 31, 2013 was ¥31.1 billion, which was not significantly changed from March 31, 2012, as VaR increased in the category of equities and commodities risk while it decreased in the category of interest rate risk reflecting fluctuations in positions of each risk category.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2013:					
SMBC Consolidated					
Maximum	¥31.8	¥0.0	¥22.1	¥0.0	¥34.4
Minimum	15.2	0.0	5.6	0.0	23.1
Daily average	25.1	0.0	11.1	0.0	28.8
At March 31, 2013	15.6	0.0	22.0	0.0	30.4
SMFG Consolidated					
Maximum	¥32.6	¥0.0	¥22.1	¥0.0	¥35.2
Minimum	15.8	0.0	5.6	0.0	23.6
Daily average	25.8	0.0	11.1	0.0	29.5
At March 31, 2013	16.2	0.0	22.0	0.0	31.1

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the banking book.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2012:					
SMBC Consolidated					
Maximum	¥49.3	¥0.0	¥14.0	¥0.0	¥52.2
Minimum	27.9	0.0	7.8	0.0	31.0
Daily average	34.7	0.0	10.1	0.0	38.0
At March 31, 2012	28.7	0.0	10.2	0.0	31.3
SMFG Consolidated					
Maximum	¥50.6	¥0.0	¥14.0	¥0.0	¥53.6
Minimum	28.6	0.0	7.8	0.0	31.8
Daily average	35.7	0.0	10.1	0.0	38.9
At March 31, 2012	29.4	0.0	10.2	0.0	32.1

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the banking book.

• *Strategic Equity Investment*

The aggregate VaR for our strategic equity investment at March 31, 2013 was ¥977.4 billion, an increase from ¥897.9 billion at March 31, 2012 due primarily to an increase in the fair value of the strategic equity investment portfolio.

	<u>Equities risk</u> (In billions)
For the fiscal year ended March 31, 2013:	
SMBC Consolidated	
Maximum	¥ 979.3
Minimum	681.2
Daily average	778.7
At March 31, 2013	943.7
SMFG Consolidated	
Maximum	¥1,013.0
Minimum	701.8
Daily average	802.8
At March 31, 2013	977.4
	<u>Equities risk</u> (In billions)
For the fiscal year ended March 31, 2012:	
SMBC Consolidated	
Maximum	¥918.2
Minimum	696.0
Daily average	814.2
At March 31, 2012	873.0
SMFG Consolidated	
Maximum	¥939.2
Minimum	712.5
Daily average	834.4
At March 31, 2012	897.9

Stress Tests

The market occasionally undergoes extreme fluctuations that exceed projections. Therefore, to manage market risk, it is important to run simulations of situations that may occur only once in many years, or so-called stress tests. To prepare for unexpected market swings, the Bank performs stress tests on a monthly basis based on various scenarios including historical simulations which reflect past market fluctuations.

The limitations of the VaR methodology include the following:

- The use of historical data as a proxy for estimating future events may underestimate the probability of extreme market movements. Past market movement is not necessarily a good indicator of future events;
- The use of a holding period assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible;
- The use of a confidence level neither takes account of, nor makes any statement about, any losses that might occur beyond this level of confidence; and
- VaR does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could underestimate potential losses.

Additional Information for Certain Risks

Interest Rate Risk

To supplement the above limitations of VaR methodologies, the Group adopts various indices to measure and monitor the sensitivity of interest rates, including delta, gamma and vega risks. The Group considers BPV as one of the most significant indices to manage interest rate risk. BPV is the amount of change in the value to the banking and trading book as a result of a one-basis-point (0.01%) movement in interest rates. The principal Group companies use BPV to monitor interest rate risk, not only on a net basis, but also by term to prevent the concentration of interest rate risk in a specific period. The table “Outlier Ratio” presented below is one of the sensitivity analyses for interest rate risk concerning the banking book using the BPV approach. In addition, as previously addressed, the Group enhances the risk management method of VaR and BPV by using them in combination with back-testing and stress tests.

Interest rate risk substantially changes depending on the method used for recognizing the expected maturity dates of demand deposits that can be withdrawn at any time or the method used for estimating the timing of cancellation prior to maturity of time deposits and consumer housing loans. At the Bank, the maturity of demand deposits that are expected to be left with the bank for a prolonged period is regarded to be at the longest five years (2.5 years on average) and the cancellation prior to maturity of time deposits and consumer housing loans is estimated based on historical data.

Outlier Ratio

In the event the economic value of a bank declines by more than 20% of total capital as a result of interest rate shocks, that bank would fall into the category of “outlier bank,” as stipulated under the Second Pillar of the Basel framework. This ratio, known as the outlier ratio, was 1.0% for the Bank on a consolidated basis at March 31, 2013, substantially below the 20% criterion. The decline in economic value of the Bank on a consolidated basis is shown in the following table.

Decline in Economic Value Based on Outlier Framework

	At March 31,	
	2013	2012
	(In billions, except percentages)	
SMBC Consolidated		
Total	¥96.2	¥240.2
Impact of yen interest rates	60.5	144.3
Impact of U.S. dollar interest rates	6.8	87.3
Impact of euro interest rates	16.5	1.3
Percentage of total capital	1.0%	2.6%

Notes:

1. Decline in economic value is the decline of the present value of a banking portfolio after interest rate shocks (1st and 99th percentile of observed interest rate changes using a one-year holding period and an observation period of five years).
2. Percentage of total capital at March 31, 2013 was calculated based on the Basel III rules, whereas the calculation at March 31, 2012 was based on the Basel II rules.

Foreign Exchange Risk

The principal Group companies set risk limits for each currency to manage the concentration of the foreign currency position. The foreign exchange risk is immaterial as shown above in VaR by risk category.

Strategic Equity Investment Risk

We establish limits on allowable risk for strategic equity investments, and monitor the observance of those limits to keep stock price fluctuation risk within acceptable parameters. We have been reducing our strategic equity investments, and the balance is within a permitted level which is less than 100% of our consolidated Tier 1 Capital. See “Item 4.B. Business Overview—Regulations in Japan—Regulations for Stabilizing the Financial System—Restriction on Aggregate Shareholdings by a Bank.”

Liquidity Risk Management Methods

To manage liquidity risk, we identify Group companies which have significant liquidity risk. Each identified Group company establishes a fundamental risk management framework, which includes, but is not limited to, establishing risk limits, such as funding gap limits, and contingency plans for liquidity management.

At the Bank, liquidity risk is regarded as one of the major risks. The Bank’s liquidity risk management is based on a framework consisting of setting funding gap limits, maintaining highly liquid supplementary funding sources and establishing contingency plans.

In order not to be overly dependent on short-term market-based funding to cover cash outflows, the Bank sets funding gap limits. The funding gap limits are set Bank-wide and for each location, taking into account the cash flow plans, external environment, funding status, characteristics of local currency and other factors. Additionally, a risk limit is set by currency as needed to achieve more rigorous management.

To minimize the impact of a crisis on its funding, the Bank manages highly liquid supplementary funding sources, whereby it maintains high quality liquid assets and has emergency borrowing facilities. High-quality liquid assets include Japanese government bonds, and U.S. Treasury and other U.S. government agency bonds, which are included in “Investment securities” in the consolidated statement of financial position. For more information, see “Item 5.A. Operating Results—Financial Condition—Investment Securities.”

For emergency situations, there are contingency plans in place for addressing the funding liquidity risk which include an action plan with measures for reducing the funding gap limits.

Operational Risk, Processing Risk and System Risk

Operational risk is the possibility of losses arising from inadequate or failed internal processes, people and systems or from external events. We have prepared operational risk management regulations to define the basic rules to be observed across our Group. Under these regulations, we are working to raise the level of sophistication of our management of operational risk across the group by providing an effective framework for the identification, assessment, control and monitoring of significant risk factors and by establishing a system for executing contingency and business continuity plans.

Processing risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities. We recognize that all operations entail processing risk. We are, therefore, working to raise the level of sophistication of our management of processing risk across the whole Group by ensuring that each branch conducts its own regular investigations of processing risk; minimizing losses in the event of processing errors or negligence by drafting exhaustive contingency plans; and carrying out thorough quantification of the risk under management.

System risk is the possibility of a loss arising from the failure, malfunction or unauthorized use of computer systems. We recognize that reliable computer systems are essential for the effective implementation of management strategy. We strive to minimize system risk by adopting and implementing risk management regulations and specific management standards, including a security policy. We also have contingency plans with the goal of minimizing losses in the event of a system failure. To prevent computer system breakdowns, we have

also implemented numerous measures, including the duplication of various systems and infrastructures, maintaining its computer system to facilitate steady, uninterrupted operation, and establishing a disaster-prevention system consisting of computer centers in eastern and western Japan.

Other Risk

Settlement risk is the possibility of losses arising from a transaction that cannot be settled as planned. Because this risk comprises elements of several types of risks, including credit, liquidity, processing, and system risk, it requires interdisciplinary management.

Item 12. Description of Securities other than Equity Securities

12.A. DEBT SECURITIES

Not applicable.

12.B. WARRANTS AND RIGHTS

Not applicable.

12.C. OTHER SECURITIES

Not applicable.

12.D. AMERICAN DEPOSITARY SHARES

Under the terms of the deposit agreement, an ADSs holder may have to pay the following service fees to the depositary:

Service	Fees
Issuance of ADSs	Up to U.S. 5¢ per ADS issued
Cancellation of ADSs	Up to U.S. 5¢ per ADS canceled
Distribution of cash dividends or other cash distributions	Up to U.S. 5¢ per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercises of rights	Up to U.S. 5¢ per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
Depositary services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary

An ADS holder will also be responsible for paying certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees applicable to transfers of shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits or withdrawals, respectively;
- the cable, telex and facsimile transmission and delivery expenses expressly provided in the deposit agreement to be at the expense of the person depositing or withdrawing shares or holders and beneficial owners of ADSs;

- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares, deposited securities, ADSs and ADRs; and
- the fees and expenses incurred by the depositary, the custodian or any nominee in connection with the servicing or delivery of deposited securities.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these transaction fees to their clients.

Citibank, N.A., as depositary, has agreed to reimburse us annually for expenses related to the administration and maintenance of the depositary receipt facility, subject to certain criteria. We did not receive any reimbursements from Citibank, N.A. in the fiscal year ended March 31, 2013.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including Koichi Miyata, our President and Representative Director, and Nobuaki Kurumatani, our Director, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) at March 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based upon the evaluation referred to above, Mr. Miyata and Mr. Kurumatani concluded that the design and operation of our disclosure controls and procedures at March 31, 2013 were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated the effectiveness of our internal control over financial reporting at March 31, 2013 based on the criteria established in "Internal Control—Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management has concluded that we maintained effective internal control over financial reporting at March 31, 2013.

The effectiveness of our internal control over financial reporting at March 31, 2013 has been audited by KPMG AZSA, our independent registered public accounting firm, as stated in their report appearing on page F-4.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of corporate auditors has determined that Mr. Satoshi Itoh is an “audit committee financial expert” as defined in Item 16A. of Form 20-F and is “independent” as defined in the listing standards of the NYSE. Mr. Itoh, an outside corporate auditor under the Companies Act, has spent most of his career auditing Japanese corporations as a certified public accountant and was a special professor at Chuo University Graduate School of International Accounting from April 2002 to March 2007.

Item 16B. Code of Ethics

We have adopted a code of ethics, which is comprised of internal rules included in our business ethics and compliance manual, each of which applies to all our directors, officers and other employees.

Our business ethics are commonly applicable principles of Corporate Social Responsibility (“CSR”) in which observance of the compliance system is regarded as very important. Our compliance manual sets forth the necessity of adherence to our management philosophy and code of conduct by our directors, officers and other employees, and the roles and responsibilities of our employees, compliance officers, Compliance Division and others in the event of a breach of the compliance rules.

This manual was created to identify, and to promote compliance by our directors, officers and other employees with relevant laws and regulations in conjunction with our management philosophy and code of conduct and compliance rules. This manual also sets forth the procedures regarding the handling of conflicts of interest for our directors and the promotion of conduct that meets our management philosophy and code of conduct and compliance rules for employees. For a detailed discussion of our management philosophy and code of conduct, see “Item 4.B. Business Overview—Management Philosophy.”

A copy of the sections of our business ethics and compliance manual equivalent to the “code of ethics” (as defined in paragraph (b) of Item 16B. of Form 20-F) is attached as Exhibit 11 to this annual report.

There were no material changes to the code of ethics during the fiscal year ended March 31, 2013. No waivers of the business ethics and compliance manual have been granted to any of our directors, officers or other employees, during the fiscal year ended March 31, 2013.

Item 16C. Principal Accountant Fees and Services

Fees for Services Provided by KPMG AZSA and its Affiliates

The aggregate fees billed by KPMG AZSA, our independent registered public accounting firm, and its affiliates, for the fiscal years ended March 31, 2013 and 2012 are presented in the following table:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
Audit fees ⁽¹⁾	¥3,814	¥3,678
Audit-related fees ⁽²⁾	122	110
Tax fees ⁽³⁾	138	102
All other fees ⁽⁴⁾	6	31
Total	<u>¥4,080</u>	<u>¥3,921</u>

- (1) Audit fees primarily include fees for the audit of our and our subsidiaries' annual financial statements and fees for the services that are normally provided in connection with our statutory and regulatory filings.
- (2) Audit-related fees primarily include fees for attestation and related services that are not reported under audit fees.
- (3) Tax fees primarily include fees for tax compliance, assistance with preparation of tax return filings and tax advisory services.
- (4) All other fees primarily include fees for regulatory IT compliance advisory services.

Pre-Approval Policies and Procedures

Pursuant to Rule 2-01(c)(7) of Regulation S-X, our board of corporate auditors pre-approves all engagements with KPMG AZSA and its affiliates. Under the policies and procedures established by our board of corporate auditors, SMFG and its subsidiaries must apply to our board of corporate auditors for pre-approval on either a periodic basis twice a year for services expected to be performed in the coming months or case-by-case basis before entering into the engagement with KPMG AZSA and its affiliates to perform audit and permitted non-audit services.

Pre-approval is granted by our board of corporate auditors prior to entering into the engagement. Additionally, if necessary, full-time corporate auditors may consider any case-by-case application for pre-approval on behalf of our board of corporate auditors prior to the next scheduled board meeting. Such pre-approvals made by full-time corporate auditors are reported to our board of corporate auditors at the next scheduled board meeting.

Fees approved pursuant to the procedures described in paragraph 2-01(c)(7)(i)(C) of Regulation S-X, which provides for an exception to the general requirement for pre-approval in certain circumstances, were none for the fiscal years ended March 31, 2013 and 2012.

Item 16D. Exemptions from the Listing Standards for the Audit Committee

We do not have an audit committee defined under the Securities Exchange Act of 1934. We are relying on the general exemption contained in Rule 10A-3(c)(3) under the Securities Exchange Act of 1934, which provides an exemption from the NYSE's listing standards relating to audit committees for foreign companies that have a board of corporate auditors that meets the requirements set forth in Rule 10A-3(c)(3). Our reliance on Rule 10A-3(c)(3) does not, in our opinion, materially adversely affect the ability of our board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth purchases of our common stock by us and our affiliated purchasers during the fiscal year ended March 31, 2013:

	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1 to April 30, 2012	3,355	¥2,649	—	—
May 1 to May 31, 2012	4,318	2,721	—	—
June 1 to June 30, 2012	1,310	2,414	—	—
July 1 to July 31, 2012	3,303	2,551	—	—
August 1 to August 31, 2012	1,694	2,508	—	—
September 1 to September 30, 2012	1,781	2,495	—	—
October 1 to October 31, 2012	1,987	2,409	—	—
November 1 to November 30, 2012	2,525	2,459	—	—
December 1 to December 31, 2012	38,154	2,773	—	—
January 1 to January 31, 2013	15,460	3,186	—	—
February 1 to February 28, 2013	8,149	3,716	—	—
March 1 to March 31, 2013	6,693	3,895	—	—
Total	<u>88,729</u>	<u>¥2,968</u>	<u>—</u>	<u>—</u>

(1) A total of 88,729 shares were purchased other than through a publicly announced plan or program during the fiscal year ended March 31, 2013, including our purchases of shares constituting less than one unit from registered holders of such shares at the current market prices of those shares.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Companies listed on the NYSE must comply with certain corporate governance standards provided under Section 303A of the NYSE Listed Company Manual. However, NYSE-listed companies that are foreign private issuers, including us, are permitted to follow home country practices in lieu of certain provisions of Section 303A if such foreign private issuers meet certain criteria. We rely on the exemption for home country practices concerning the listing of our ADSs on the NYSE.

Foreign private issuers listed on the NYSE are required to provide to their U.S. investors a brief, general summary of the significant differences of corporate governance practices that differ from U.S. companies under NYSE listing standards. The following is a summary of the significant ways in which our corporate governance practices differ from NYSE standards followed by U.S. companies:

- U.S. companies listed on the NYSE are required to have an audit committee composed entirely of independent directors. Under the Companies Act of Japan, we are required to have a corporate governance system based on either (i) a board of corporate auditors or (ii) committees. We adopt a corporate governance system based on a board of corporate auditors. The basic function of the board of corporate auditors is similar to that of independent directors, including those who are members of the audit committee, of a NYSE-listed U.S. company, i.e., to monitor the performance of the directors and review and express opinions on the method of auditing by the independent registered public accounting firm and on such accounting firm's audit reports for the protection of the company's shareholders. Under the Companies Act, we are required to have at least half of our corporate auditors be outside

corporate auditors who meet the independence requirements under the Companies Act. Currently, three of our six corporate auditors are outside corporate auditors that meet such independence requirements. In addition, none of the corporate auditors may at the same time be directors, managers or employees of the company or any of its subsidiaries, or accounting participants or executive officers of such subsidiaries. While the Companies Act does not require corporate auditors to have expertise in accounting or other special knowledge and experience, one of our corporate auditors is a certified public accountant in Japan. We rely on an exemption from the audit committee requirements imposed by Rule 10A-3 of the Securities Exchange Act of 1934, which is available to foreign private issuers with a board of auditors (or similar body) meeting specified criteria. With respect to our board of corporate auditors, the criteria that we meet include the following:

- responsible, to the extent permitted by law, for the appointment, retention and supervision of the work of an independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for us;
- subject to procedures for the receipt, retention and treatment of complaints and the confidential, anonymous submission of concerns by employees regarding the status of our internal control system on accounting and financial reporting and internal and external audits;
- each corporate auditor has the authority to engage independent counsel and other advisers if such engagement is necessary to carry out his or her duties; and
- each corporate auditor has the ability to require us to pay any and all expenses necessary for carrying out his or her duties.

Under the Companies Act, companies that adopt a corporate governance system based on a board of corporate auditors, such as us, are not required to maintain directors that are outside directors who meet the independence requirements under the Companies Act. However, three of our twelve directors are outside directors who meet such requirements.

- A NYSE-listed U.S. company is required to have a nominating/corporate governance committee and a compensation committee, all of which must be composed entirely of independent directors. While we, a company which has corporate auditors, are not required to establish a nominating committee or a compensation committee under the Companies Act, we voluntarily established similar committees, each with six members, three of which are outside directors, to advise the board of directors on these matters in order to ensure transparency and impartiality in matters of personnel decisions affecting the board of directors and directors' compensation.
- A NYSE-listed U.S. company must hold regularly scheduled executive sessions where participants are limited to non-management directors. Under the Companies Act, Japanese corporations are not obliged to hold executive sessions where participants are limited to non-management directors.
- The Companies Act requires that the aggregate amount of remuneration to be paid to all directors and the aggregate amount of remuneration to be paid to all corporate auditors to be determined by a resolution of a general meeting of shareholders, unless their remuneration is provided for in the articles of incorporation. Based on the above resolution, the distribution of remuneration among directors is broadly delegated to our board of directors, which takes into consideration the advisory opinion by the compensation committee, and the distribution of remuneration among corporate auditors is determined by consultation among our corporate auditors.
- A NYSE-listed U.S. company must adopt a code of business conduct and ethics and must post the code on its website. While we are not required to adopt such code under Japanese law or the rules of stock exchanges in Japan on which we are listed, we maintain our code of conduct as our standard for corporate conduct to be observed by our directors, officers and employees.
- A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan, subject to limited exemptions. Under the Companies Act of Japan, the adoption of

an equity compensation plan including stock option-based plans for directors and corporate auditors requires shareholder approval. In order to issue stock options, a public company such as us must obtain the approval of its board of directors, unless stock options are granted on preferential terms to the recipient, in which case it must obtain shareholder approval by a “special resolution” of a general meeting of shareholders. Under our articles of incorporation, the quorum for such a special resolution of our shareholders is at least one-third of the total number of voting rights of all of shareholders, and approval by at least two-thirds of the number of voting rights represented at the meeting is required.

We obtained shareholder approval at our June 2010 general meeting of shareholders to introduce stock compensation-type stock options to our directors and corporate auditors. Under the terms resolved at the meeting we may issue stock options to our directors and corporate auditors as part of their remuneration upon the approval of our board of directors unless stock options are issued on preferential terms to the recipient. For additional information, see “Item 6.E. Share Ownership.”

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of this item.

Item 18. Financial Statements

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this annual report.

Item 19. Exhibits

We have filed the following documents as exhibits to this document:

- Exhibit 1.1 Articles of Incorporation of Sumitomo Mitsui Financial Group, Inc., as amended on June 27, 2013
- Exhibit 1.2 Regulations of Board of Directors of Sumitomo Mitsui Financial Group, Inc., incorporated by reference from our registration statement on Form 20-F (Commission file number 001-34919) filed on October 20, 2010
- Exhibit 1.3 Share Handling Regulations of Sumitomo Mitsui Financial Group, Inc., as amended on April 1, 2012, incorporated by reference from our annual report on Form 20-F (Commission file number 001-34919) filed on July 23, 2012
- Exhibit 2.1 Form of Deposit Agreement among the registrant, Citibank, N.A., as Depositary, and all owners and holders from time to time of American Depositary Shares issued thereunder, incorporated by reference from our registration statement on Form 20-F (Commission file number 001-34919) filed on October 20, 2010
- Exhibit 8 List of subsidiaries of Sumitomo Mitsui Financial Group, Inc., at March 31, 2013
- Exhibit 11 Code of Ethics of Sumitomo Mitsui Financial Group, Inc., incorporated by reference from our annual report on Form 20-F (File No. 001-34919) filed on July 29, 2011
- Exhibit 12.1 CEO Certification Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))
- Exhibit 12.2 CFO Certification Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))
- Exhibit 13.1 Certification Required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
- Exhibit 13.2 Certification Required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

We have not included as exhibits certain instruments with respect to our long-term debt. The total amount of our long-term debt securities or that of our subsidiaries, authorized under any instrument does not exceed 10% of our total assets. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of our long-term debt or that of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Sumitomo Mitsui Financial Group, Inc.

By: /s/ Koichi Miyata

Name: Koichi Miyata

Title: President and Representative Director

Date: July 23, 2013

SELECTED STATISTICAL DATA

I. Distribution of Assets, Liabilities and Equity; Interest Rates and Interest Differential

Average Statements of Financial Positions, Interest and Average Rates

The following tables show the average balances of the SMFG Group's statement of financial positions items and related interest and average interest rates for the fiscal years ended March 31, 2013, 2012 and 2011. Average balances are generally based on a daily average. Weekly, month-end or quarter-end averages are used for certain average balances where it is not practical to obtain the applicable daily averages. The average balances determined by such methods are considered to be representative of the SMFG Group's operations. The allocation of amounts between domestic and foreign is based on the location of the office.

	For the fiscal year ended March 31,								
	2013			2012			2011		
	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
(In millions, except percentages)									
Interest-earning assets:									
Interest-earning deposits with other banks:									
Domestic offices	¥ 351,821	¥ 1,185	0.34%	¥ 292,043	¥ 1,602	0.55%	¥ 298,557	¥ 1,144	0.38%
Foreign offices	4,491,242	28,285	0.63%	3,626,677	26,557	0.73%	2,224,887	17,324	0.78%
Total	4,843,063	29,470	0.61%	3,918,720	28,159	0.72%	2,523,444	18,468	0.73%
Call loans and bills bought:									
Domestic offices	318,512	1,519	0.48%	346,962	2,081	0.60%	361,438	2,252	0.62%
Foreign offices	1,080,527	11,347	1.05%	832,860	12,269	1.47%	802,633	7,022	0.87%
Total	1,399,039	12,866	0.92%	1,179,822	14,350	1.22%	1,164,071	9,274	0.80%
Reverse repurchase agreements and cash collateral on securities borrowed:									
Domestic offices	3,922,361	7,535	0.19%	4,123,424	9,072	0.22%	4,467,165	11,271	0.25%
Foreign offices	287,563	5,465	1.90%	200,641	6,047	3.01%	76,189	2,375	3.12%
Total	4,209,924	13,000	0.31%	4,324,065	15,119	0.35%	4,543,354	13,646	0.30%
Trading assets ⁽¹⁾ :									
Domestic offices	4,275,579	35,507	0.83%	4,342,210	29,747	0.69%	4,218,883	35,268	0.84%
Foreign offices	55,042	692	1.26%	75,359	1,680	2.23%	114,134	2,262	1.98%
Total	4,330,621	36,199	0.84%	4,417,569	31,427	0.71%	4,333,017	37,530	0.87%
Financial assets at fair value through profit or loss ⁽²⁾ :									
Domestic offices	1,979,187	1,112	0.06%	2,010,408	4,165	0.21%	1,984,458	5,798	0.29%
Held-to-maturity investments ⁽³⁾ :									
Domestic offices	5,659,267	39,786	0.70%	4,818,061	37,895	0.79%	3,709,853	32,629	0.88%
Available-for-sale financial assets ⁽³⁾ :									
Domestic offices	23,444,037	65,814	0.28%	23,307,399	83,223	0.36%	19,297,268	103,026	0.53%
Foreign offices	1,687,202	21,572	1.28%	1,001,531	16,835	1.68%	1,229,769	19,076	1.55%
Total	25,131,239	87,386	0.35%	24,308,930	100,058	0.41%	20,527,037	122,102	0.59%
Loans and advances ⁽⁴⁾ :									
Domestic offices	60,183,531	1,200,792	2.00%	62,286,915	1,224,234	1.97%	63,761,723	1,282,041	2.01%
Foreign offices	15,301,802	342,423	2.24%	11,618,471	290,516	2.50%	9,702,902	242,021	2.49%
Total	75,485,333	1,543,215	2.04%	73,905,386	1,514,750	2.05%	73,464,625	1,524,062	2.07%
Total interest-earning assets:									
Domestic offices	100,134,295	1,353,250	1.35%	101,527,422	1,392,019	1.37%	98,099,345	1,473,429	1.50%
Foreign offices	22,903,378	409,784	1.79%	17,355,539	353,904	2.04%	14,150,514	290,080	2.05%
Total	123,037,673	¥1,763,034	1.43%	118,882,961	¥1,745,923	1.47%	112,249,859	¥1,763,509	1.57%
Non-interest-earning assets:									
Cash and due from banks	2,953,159			3,139,966			2,416,670		
Other non-interest-earning assets	16,599,700			14,500,755			14,975,785		
Allowance for loan losses	(1,343,024)			(1,476,293)			(1,548,825)		
Total non-interest-earning assets	18,209,835			16,164,428			15,843,630		
Total assets	¥141,247,508			¥135,047,389			¥128,093,489		
Total assets attributable to foreign offices	18.8%			15.1%			13.0%		

For the fiscal year ended March 31,

	2013			2012			2011		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
(In millions, except percentages)									
Interest-bearing liabilities:									
Deposits:									
Domestic offices	¥ 70,452,092	¥ 51,975	0.07%	¥ 69,331,354	¥ 61,690	0.09%	¥ 67,912,936	¥ 78,529	0.12%
Foreign offices	12,801,814	71,403	0.56%	9,819,810	67,773	0.69%	8,351,047	55,955	0.67%
Total	83,253,906	123,378	0.15%	79,151,164	129,463	0.16%	76,263,983	134,484	0.18%
Call money and bills sold:									
Domestic offices	1,233,733	1,039	0.08%	1,434,363	1,564	0.11%	1,613,628	2,166	0.13%
Foreign offices	642,899	3,098	0.48%	379,093	1,999	0.53%	334,514	1,672	0.50%
Total	1,876,632	4,137	0.22%	1,813,456	3,563	0.20%	1,948,142	3,838	0.20%
Repurchase agreements and cash collateral on securities lent:									
Domestic offices	4,970,577	7,781	0.16%	4,908,276	7,901	0.16%	5,074,570	9,421	0.19%
Foreign offices	1,079,763	4,228	0.39%	649,143	2,665	0.41%	602,510	2,183	0.36%
Total	6,050,340	12,009	0.20%	5,557,419	10,566	0.19%	5,677,080	11,604	0.20%
Trading liabilities ⁽¹⁾ :									
Domestic offices	1,953,735	22,474	1.15%	1,887,066	20,382	1.08%	1,909,663	22,653	1.19%
Foreign offices	3,417	48	1.40%	4,728	85	1.80%	3,801	76	2.00%
Total	1,957,152	22,522	1.15%	1,891,794	20,467	1.08%	1,913,464	22,729	1.19%
Borrowings:									
Domestic offices	6,999,912	63,926	0.91%	10,904,124	66,414	0.61%	8,600,247	70,713	0.82%
Foreign offices	808,775	21,293	2.63%	347,165	17,076	4.92%	451,803	14,762	3.27%
Total	7,808,687	85,219	1.09%	11,251,289	83,490	0.74%	9,052,050	85,475	0.94%
Debt securities in issue:									
Domestic offices	5,853,377	105,929	1.81%	5,336,930	77,083	1.44%	4,873,726	65,834	1.35%
Foreign offices	1,885,190	8,133	0.43%	820,798	8,712	1.06%	595,205	9,110	1.53%
Total	7,738,567	114,062	1.47%	6,157,728	85,795	1.39%	5,468,931	74,944	1.37%
Other interest-bearing liabilities:									
Domestic offices	81,915	683	0.83%	73,821	672	0.91%	72,261	635	0.88%
Foreign offices	7,732	32	0.41%	3,508	82	2.34%	4,147	76	1.83%
Total	89,647	715	0.80%	77,329	754	0.98%	76,408	711	0.93%
Total interest-bearing liabilities:									
Domestic offices	91,545,341	253,807	0.28%	93,875,934	235,706	0.25%	90,057,031	249,951	0.28%
Foreign offices	17,229,590	108,235	0.63%	12,024,245	98,392	0.82%	10,343,027	83,834	0.81%
Total	108,774,931	¥ 362,042	0.33%	105,900,179	¥ 334,098	0.32%	100,400,058	¥ 333,785	0.33%
Non-interest-bearing liabilities:									
Non-interest-bearing demand deposits	12,301,269			12,105,589			10,504,246		
Other non-interest-bearing liabilities	11,946,908			9,776,792			9,588,683		
Total non-interest-bearing liabilities	24,248,177			21,882,381			20,092,929		
Total equity	8,224,400			7,264,829			7,600,502		
Total equity and liabilities	¥141,247,508			¥135,047,389			¥128,093,489		
Total liabilities attributable to foreign offices	15.3%			11.8%			10.8%		
Net interest income and interest rate spread	¥1,400,992	1.10%		¥1,411,825	1.15%		¥1,429,724	1.24%	
Net interest income as a percentage of total interest-earning assets		1.14%			1.19%			1.27%	

- (1) The net amount of interest income on trading assets and interest expense on trading liabilities is reported as net trading income in our consolidated income statement.
- (2) Interest income on financial assets at fair value through profit or loss is reported in net income from financial assets at fair value through profit or loss in our consolidated income statement.
- (3) Taxable investment securities and non-taxable investment securities are not disclosed separately because the aggregate effect of these average balances and interest income would not be material. In addition, the yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material.
- (4) Loans and advances include impaired loans and advances. The amortized portion of net loan origination fees is included in interest income on loans and advances.

Analysis of Net Interest Income

The following tables show the changes to the SMFG Group's net interest income attributable to changes in the volume and changes in the rates for the fiscal year ended March 31, 2013 compared to the fiscal year ended March 31, 2012 and for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011.

Changes attributable to the combined impact of changes in the rates and the volume have been allocated proportionately to the changes in the volume and changes in the rates.

	Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012 Increase / (decrease)			Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 Increase / (decrease)		
	Volume	Rate	Net change	Volume	Rate	Net change
	(In millions)					
Interest income:						
Interest-earning deposits with other banks:						
Domestic offices	¥ 285	¥ (702)	¥ (417)	¥ (25)	¥ 483	¥ 458
Foreign offices	5,762	(4,034)	1,728	10,298	(1,065)	9,233
Total	6,047	(4,736)	1,311	10,273	(582)	9,691
Call loans and bills bought:						
Domestic offices	(161)	(401)	(562)	(88)	(83)	(171)
Foreign offices	3,110	(4,032)	(922)	272	4,975	5,247
Total	2,949	(4,433)	(1,484)	184	4,892	5,076
Reverse repurchase agreements and cash collateral on securities borrowed:						
Domestic offices	(426)	(1,111)	(1,537)	(819)	(1,380)	(2,199)
Foreign offices	2,095	(2,677)	(582)	3,749	(77)	3,672
Total	1,669	(3,788)	(2,119)	2,930	(1,457)	1,473
Trading assets ⁽¹⁾ :						
Domestic offices	(466)	6,226	5,760	1,010	(6,531)	(5,521)
Foreign offices	(378)	(610)	(988)	(838)	256	(582)
Total	(844)	5,616	4,772	172	(6,275)	(6,103)
Financial assets at fair value through profit or loss ⁽²⁾ :						
Domestic offices	(65)	(2,988)	(3,053)	74	(1,707)	(1,633)
Held-to-maturity investments:						
Domestic offices	6,187	(4,296)	1,891	9,009	(3,743)	5,266
Available-for-sale financial assets:						
Domestic offices	489	(17,898)	(17,409)	18,573	(38,376)	(19,803)
Foreign offices	9,484	(4,747)	4,737	(3,742)	1,501	(2,241)
Total	9,973	(22,645)	(12,672)	14,831	(36,875)	(22,044)
Loans and advances:						
Domestic offices	(41,872)	18,430	(23,442)	(29,327)	(28,480)	(57,807)
Foreign offices	84,872	(32,965)	51,907	47,885	610	48,495
Total	43,000	(14,535)	28,465	18,558	(27,870)	(9,312)
Total interest income:						
Domestic offices	(36,029)	(2,740)	(38,769)	(1,593)	(79,817)	(81,410)
Foreign offices	104,945	(49,065)	55,880	57,624	6,200	63,824
Total	¥ 68,916	¥(51,805)	¥ 17,111	¥ 56,031	¥(73,617)	¥(17,586)

	Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012 Increase / (decrease)			Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 Increase / (decrease)		
	Volume	Rate	Net change	Volume	Rate	Net change
	(In millions)					
Interest expense:						
Deposits:						
Domestic offices	¥ 993	¥(10,708)	¥ (9,715)	¥ 1,669	¥(18,508)	¥(16,839)
Foreign offices	18,183	(14,553)	3,630	10,092	1,726	11,818
Total	19,176	(25,261)	(6,085)	11,761	(16,782)	(5,021)
Call money and bills sold:						
Domestic offices	(200)	(325)	(525)	(218)	(384)	(602)
Foreign offices	1,282	(183)	1,099	232	95	327
Total	1,082	(508)	574	14	(289)	(275)
Repurchase agreements and cash collateral on securities lent:						
Domestic offices	100	(220)	(120)	(307)	(1,213)	(1,520)
Foreign offices	1,685	(122)	1,563	176	306	482
Total	1,785	(342)	1,443	(131)	(907)	(1,038)
Trading liabilities ⁽¹⁾ :						
Domestic offices	736	1,356	2,092	(266)	(2,005)	(2,271)
Foreign offices	(21)	(16)	(37)	17	(8)	9
Total	715	1,340	2,055	(249)	(2,013)	(2,262)
Borrowings:						
Domestic offices	(28,750)	26,262	(2,488)	16,418	(20,717)	(4,299)
Foreign offices	14,881	(10,664)	4,217	(3,965)	6,279	2,314
Total	(13,869)	15,598	1,729	12,453	(14,438)	(1,985)
Debt securities in issue:						
Domestic offices	7,960	20,886	28,846	6,498	4,751	11,249
Foreign offices	6,684	(7,263)	(579)	2,866	(3,264)	(398)
Total	14,644	13,623	28,267	9,364	1,487	10,851
Other interest-bearing liabilities:						
Domestic offices	70	(59)	11	14	23	37
Foreign offices	50	(100)	(50)	(13)	19	6
Total	120	(159)	(39)	1	42	43
Total interest expense:						
Domestic offices	(19,091)	37,192	18,101	23,808	(38,053)	(14,245)
Foreign offices	42,744	(32,901)	9,843	9,405	5,153	14,558
Total	¥ 23,653	¥ 4,291	¥ 27,944	¥ 33,213	¥(32,900)	¥ 313
Net interest income:						
Domestic offices	¥(16,938)	¥(39,932)	¥(56,870)	¥(25,401)	¥(41,764)	¥(67,165)
Foreign offices	62,201	(16,164)	46,037	48,219	1,047	49,266
Total	¥ 45,263	¥(56,096)	¥(10,833)	¥ 22,818	¥(40,717)	¥(17,899)

- (1) The net amount of interest income on trading assets and interest expense on trading liabilities is reported as net trading income in our consolidated income statement.
- (2) Interest income on financial assets at fair value through profit or loss is reported in net income from financial assets at fair value through profit or loss in our consolidated income statement.

II. Investment Portfolio

The information as to the value of held-to-maturity investments and available-for-sale financial assets at March 31, 2013, 2012 and 2011 is presented on “Item 5.A. Operating Results—Investment Securities.”

The following table shows the book values, maturities and weighted average yields of held-to-maturity investments and available-for-sale financial assets, excluding equity instruments, at March 31, 2013. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such a calculation would not be material.

	Not later than one year		Later than one year and not later than five years		Later than five years and not later than ten years		Later than ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(In millions, except percentages)										
Held-to-maturity investments:										
Domestic:										
Japanese government bonds . . .	¥1,180,156	1.01%	¥4,223,577	0.48%	¥110,463	1.39%	¥ —	—	¥ 5,514,196	0.61%
Japanese municipal bonds	56,647	1.00%	102,501	0.92%	—	—	—	—	159,148	0.95%
Japanese corporate bonds	77,251	0.99%	87,641	1.27%	2,021	1.17%	—	—	166,913	1.14%
Other debt instruments	—	—	—	—	—	—	—	—	—	—
Total domestic	<u>1,314,054</u>	1.01%	<u>4,413,719</u>	0.50%	<u>112,484</u>	1.39%	<u>—</u>	<u>—</u>	<u>5,840,257</u>	0.63%
Foreign:										
U.S. Treasury and other U.S. government agency bonds . .	—	—	—	—	—	—	—	—	—	—
Other governments and official institutions bonds	—	—	—	—	—	—	—	—	—	—
Other debt instruments	—	—	—	—	—	—	—	—	—	—
Total foreign	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>—</u>	<u>—</u>	<u>—</u>	—
Total	<u>¥1,314,054</u>	1.01%	<u>¥ 4,413,719</u>	0.50%	<u>¥112,484</u>	1.39%	<u>¥ —</u>	<u>—</u>	<u>¥ 5,840,257</u>	0.63%
Available-for-sale financial assets:										
Domestic:										
Japanese government bonds . . .	¥6,935,688	0.12%	¥12,038,541	0.19%	¥597,595	0.40%	¥ 5,311	1.69%	¥19,577,135	0.17%
Japanese municipal bonds	24,992	0.69%	171,298	0.60%	1,572	1.32%	45	1.96%	197,907	0.62%
Japanese corporate bonds	58,970	0.69%	427,932	0.49%	39,362	2.39%	—	—	526,264	0.65%
Other debt instruments	—	—	—	—	—	—	—	—	—	—
Total domestic	<u>7,019,650</u>	0.13%	<u>12,637,771</u>	0.21%	<u>638,529</u>	0.52%	<u>5,356</u>	1.69%	<u>20,301,306</u>	0.19%
Foreign:										
U.S. Treasury and other U.S. government agency bonds . .	56,511	0.19%	3,655,134	0.43%	92,835	0.95%	—	—	3,804,480	0.44%
Other governments and official institutions bonds	548,008	1.25%	594,890	1.11%	72,768	0.96%	—	—	1,215,666	1.16%
Mortgage-backed securities . . .	2	0.00%	281	0.00%	—	—	328,321	2.56%	328,604	2.56%
Other debt instruments	105,710	1.92%	192,984	2.17%	449	0.57%	—	—	299,143	2.07%
Total foreign	<u>710,231</u>	1.26%	<u>4,443,289</u>	0.59%	<u>166,052</u>	0.95%	<u>328,321</u>	2.56%	<u>5,647,893</u>	0.80%
Total	<u>¥7,729,881</u>	0.23%	<u>¥17,081,060</u>	0.31%	<u>¥804,581</u>	0.61%	<u>¥333,677</u>	2.54%	<u>¥25,949,199</u>	0.32%

Excluding U.S. Treasury and other U.S. government agency bonds and Japanese government bonds, there are no investments in any individual issuers held in the SMFG Group’s investment portfolio which exceeded 10% of shareholders’ equity in the consolidated statement of financial position at March 31, 2013.

III. Loan Portfolio

The following table shows our outstanding loans and advances by the domicile and industry type of the borrowers at March 31, 2013, 2012, 2011, 2010 and 2009. The classification of loans and advances by industry is based on the industry segment loan classification as defined by the Bank of Japan (“BOJ”) for regulatory reporting purposes.

	At March 31,				
	2013	2012	2011	2010	2009
	(In millions)				
Domestic:					
Manufacturing	¥ 8,071,044	¥ 8,462,004	¥ 8,344,261	¥ 8,428,854	¥ 8,836,291
Agriculture, forestry, fisheries and mining	164,420	152,128	162,727	162,879	163,647
Construction	1,167,115	1,284,882	1,327,475	1,492,690	1,716,567
Transportation, communications and public enterprises	4,708,870	4,414,102	4,036,780	3,519,279	3,606,748
Wholesale and retail	5,388,032	5,480,393	5,616,084	5,552,637	6,201,520
Finance and insurance	2,715,862	2,170,776	2,568,670	3,431,882	3,613,653
Real estate and goods rental and leasing	8,145,769	7,982,741	8,281,048	8,751,450	9,264,523
Services	4,404,359	4,076,818	4,316,724	4,644,737	4,947,995
Municipalities	1,270,981	1,234,355	1,440,167	1,346,611	1,274,196
Lease financing	2,058,284	2,056,972	2,205,451	2,320,651	2,562,727
Consumer ⁽¹⁾	18,834,079	19,185,574	18,552,987	17,544,284	16,377,870
Others	3,341,636	4,155,960	4,378,791	5,137,721	5,446,206
Total domestic	<u>60,270,451</u>	<u>60,656,705</u>	<u>61,231,165</u>	<u>62,333,675</u>	<u>64,011,943</u>
Foreign:					
Public sector	121,611	130,426	83,109	147,115	82,598
Financial institutions	2,500,624	2,012,751	1,794,794	2,031,812	1,812,218
Commerce and industry	13,502,283	10,364,685	8,949,629	8,161,198	9,282,120
Lease financing	208,099	191,966	172,361	205,547	239,728
Others	793,653	706,175	528,847	442,225	1,017,223
Total foreign	<u>17,126,270</u>	<u>13,406,003</u>	<u>11,528,740</u>	<u>10,987,897</u>	<u>12,433,887</u>
Gross loans and advances	77,396,721	74,062,708	72,759,905	73,321,572	76,445,830
Adjust: Unearned income, unamortized premiums-net and deferred loan fees-net	(147,186)	(144,731)	(152,443)	(153,889)	(176,906)
Less: Allowance for loan losses	<u>(1,262,478)</u>	<u>(1,381,164)</u>	<u>(1,587,133)</u>	<u>(1,533,555)</u>	<u>(1,599,630)</u>
Net loans and advances	<u>¥75,987,057</u>	<u>¥72,536,813</u>	<u>¥71,020,329</u>	<u>¥71,634,128</u>	<u>¥74,669,294</u>

(1) The balance in Consumer mainly consists of housing loans. The housing loan balances amounted to ¥14,520,154 million, ¥14,574,702 million, ¥14,577,945 million, ¥14,436,921 million and ¥13,577,902 million at March 31, 2013, 2012, 2011, 2010 and 2009, respectively.

Maturities and Sensitivities of Loans and Advances to Changes in Interest Rates

The following table shows the maturities of loans and advances by the domicile and industry type of the borrower at March 31, 2013.

	Maturity			Total
	Not later than one year	Later than one year and not later than five years	Later than five years	
(In millions)				
Domestic:				
Manufacturing	¥ 4,438,314	¥ 2,718,988	¥ 913,742	¥ 8,071,044
Agriculture, forestry, fisheries and mining	80,799	28,295	55,326	164,420
Construction	677,357	353,986	135,772	1,167,115
Transportation, communications and public enterprises	1,391,342	2,203,741	1,113,787	4,708,870
Wholesale and retail	3,272,582	1,614,980	500,470	5,388,032
Finance and insurance	2,040,571	502,305	172,986	2,715,862
Real estate and goods rental and leasing	2,293,671	3,989,391	1,862,707	8,145,769
Services	1,696,808	1,690,160	1,017,391	4,404,359
Municipalities	220,301	581,436	469,244	1,270,981
Lease financing	716,872	1,138,039	203,373	2,058,284
Consumer	3,248,567	3,905,703	11,679,809	18,834,079
Others	412,140	925,641	2,003,855	3,341,636
Total domestic	<u>20,489,324</u>	<u>19,652,665</u>	<u>20,128,462</u>	<u>60,270,451</u>
Foreign:				
Public sector	16,594	31,256	73,761	121,611
Financial institutions	1,271,363	908,266	320,995	2,500,624
Commerce and industry	4,637,984	6,043,926	2,820,373	13,502,283
Lease financing	30,370	94,309	83,420	208,099
Others	347,681	397,920	48,052	793,653
Total foreign	<u>6,303,992</u>	<u>7,475,677</u>	<u>3,346,601</u>	<u>17,126,270</u>
Total	<u>¥26,793,316</u>	<u>¥27,128,342</u>	<u>¥23,475,063</u>	<u>¥77,396,721</u>

The above loans and advances due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2013 are shown below:

	Domestic	Foreign	Total
	(In millions)		
Predetermined rate	¥11,445,857	¥ 1,310,568	¥12,756,425
Floating or adjustable rate	28,335,270	9,511,710	37,846,980
Total	<u>¥39,781,127</u>	<u>¥10,822,278</u>	<u>¥50,603,405</u>

Impaired Loans and Advances

The SMFG Group's credit risk elements analyzed by categories for loans and advances differ from those required by the U.S. Securities and Exchange Commission. The SMFG Group's impaired loans and advances are comprised of "potentially bankrupt, effectively bankrupt and bankrupt (loans and advances)," "past due three months or more (loans)," "restructured (loans)" and "other impaired (loans and advances)." "Potentially bankrupt, effectively bankrupt and bankrupt (loans and advances)" comprises of loans and advances to the borrowers that are perceived to have a high risk of falling into bankruptcy, may not have been legally or formally declared bankrupt but are essentially bankrupt, or have been legally or formally declared bankrupt. Loans classified as "past due three months or more (loans)" represent those loans that are three months or more past due as to principal or interest, other than those loans to borrowers who are potentially bankrupt, effectively bankrupt and bankrupt. The category "restructured (loans)" comprises of loans not included above for which the terms of the loans have been modified to grant concessions because of problems with the borrower. Examples of modifications to grant concessions include reductions of the original interest rate, deferrals of interest payments, deductions of the contractual repayment amounts and extensions of principal repayments such as the extension of the repayment date and the suspension of contracted repayments. "Other impaired (loans and advances)" represent impaired loans and advances, which are not included in "potentially bankrupt, effectively bankrupt and bankrupt (loans and advances)," "past due three months or more (loans)," or "restructured (loans)," but for which information about credit problems cause management to classify them as impaired loans and advances. All loans and advances for which management has serious doubts about the ability of the borrowers to comply in the near future with the repayment terms are included in impaired loans and advances.

An allowance is recorded if there is objective evidence of impairment and the carrying value of the loans and advances exceeds the present value of their estimated future cash flows discounted at the original effective interest rate. Cash receipts on impaired loans and advances are recorded as a credit to the balance of loans and advances on the statement of financial position. To the extent that cash receipts are different from expectations built into the calculation of the recoverable amount of the loans and advances, the amount of allowance for loan losses is revised. In accordance with IFRS, the accrual of interest as per the contractual terms is discontinued when loans and advances are determined to be impaired. Interest income recognized in the consolidated income statement on impaired loans and advances represents the accretion of the net present value of the written down amount due to the passage of time based on the original effective interest rate of the loans and advances.

The following table shows the distribution of impaired loans and advances by “potentially bankrupt, effectively bankrupt and bankrupt (loans and advances),” “past due three months or more (loans),” “restructured (loans),” and “other impaired (loans and advances)” at March 31, 2013, 2012, 2011, 2010 and 2009 by the domicile and industry type of the borrowers.

	At March 31,				
	2013	2012	2011	2010	2009
	(In millions)				
Potentially bankrupt, effectively bankrupt and bankrupt (loans and advances):					
Domestic:					
Manufacturing	¥ 215,600	¥ 187,982	¥ 211,597	¥ 180,642	¥ 164,736
Agriculture, forestry, fisheries and mining	5,210	5,295	6,635	7,014	4,842
Construction	101,255	118,413	120,696	125,674	141,581
Transportation, communications and public enterprises	109,449	68,768	59,775	78,726	64,451
Wholesale and retail	232,779	225,399	243,346	233,124	217,549
Finance and insurance	15,822	13,350	11,496	30,287	53,776
Real estate and goods rental and leasing	449,163	499,485	534,596	622,944	566,916
Services	203,197	213,142	249,093	260,917	227,103
Lease financing	17,030	10,742	27,716	52,648	45,379
Consumer	270,060	312,181	297,732	242,106	214,620
Others	69,859	67,174	55,909	62,351	61,663
Total domestic	1,689,424	1,721,931	1,818,591	1,896,433	1,762,616
Foreign:					
Public sector	14	14	14	4,564	13
Financial institutions	6,191	19,383	42,350	36,381	64,827
Commerce and industry	178,022	162,509	128,534	135,958	165,772
Lease financing	7,522	4,140	5,037	33	3,151
Others	2,271	3,019	3,831	15,901	6,617
Total foreign	194,020	189,065	179,766	192,837	240,380
Total	1,883,444	1,910,996	1,998,357	2,089,270	2,002,996
Past due three months or more (loans):					
Domestic	27,102	32,069	40,699	28,434	31,012
Foreign	557	1,130	1,336	635	11,045
Total	27,659	33,199	42,035	29,069	42,057
Restructured (loans):					
Domestic	337,494	390,060	296,751	127,392	160,658
Foreign	29,650	24,644	59,296	37,007	7,940
Total	367,144	414,704	356,047	164,399	168,598
Other impaired (loans and advances):					
Domestic	204,775	255,615	252,457	158,653	121,971
Foreign	119	2,588	527	1,760	6,069
Total	204,894	258,203	252,984	160,413	128,040
Gross impaired loans and advances	2,483,141	2,617,102	2,649,423	2,443,151	2,341,691
Less: Allowance for loan losses	(1,144,130)	(1,234,299)	(1,395,659)	(1,282,610)	(1,204,091)
Net impaired loans and advances	¥ 1,339,011	¥ 1,382,803	¥ 1,253,764	¥ 1,160,541	¥ 1,137,600

Interest Foregone on Impaired Loans and Advances

Interest income which would have been accrued at the original terms on domestic impaired loans and advances during the fiscal year ended March 31, 2013 was ¥73 billion, of which ¥35 billion was included in profit or loss for the fiscal year then ended. Interest income which would have been accrued at the original terms on foreign impaired loans and advances during the fiscal year ended March 31, 2013 was ¥3 billion, of which ¥3 billion was included in profit or loss for the fiscal year then ended.

Cross-border Outstanding

Cross-border outstandings are defined as loans, acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Local currency outstandings are netted out from cross-border outstandings. This cross-border disclosure is based on the reports to the BOJ required under Japanese foreign exchange-related laws. There were no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets at March 31, 2013, 2012 and 2011.

Loan Concentrations

At March 31, 2013, there were no concentrations of loans and advances to a single industry group of borrowers, as defined by the BOJ industry segment loan and advance classifications, which exceeded 10% of the SMFG Group's consolidated total loans and advances, except for loans and advances in a category disclosed in the table of outstanding loans and advances above.

IV. Summary of Loan Loss Experience

The following table shows an analysis of our loan loss experience by the borrowers' domicile and industry type for the fiscal years ended March 31, 2013, 2012, 2011, 2010 and 2009.

	For the fiscal year ended March 31,				
	2013	2012	2011	2010	2009
	(In millions, except percentages)				
Allowance for loan losses at beginning of period	¥1,381,164	¥1,587,133	¥1,533,555	¥1,599,630	¥1,094,226
Provision for loan losses	138,375	144,022	259,292	215,886	849,495
Charge-offs:					
Domestic:					
Manufacturing	16,037	46,229	27,355	43,059	26,405
Agriculture, forestry, fisheries and mining	553	173	372	713	648
Construction	7,848	14,204	12,190	31,779	40,185
Transportation, communications and public enterprises	7,062	11,296	26,126	24,999	28,004
Wholesale and retail	18,062	64,492	29,602	73,299	71,934
Finance and insurance	354	679	172	701	8,717
Real estate and goods rental and leasing	36,003	61,683	33,371	53,930	30,989
Services	17,325	35,498	13,078	66,826	47,742
Lease financing	3,689	3,319	1,364	1,400	3,664
Consumer	127,804	64,329	29,481	57,436	47,255
Others	6,400	4,705	2,606	6,753	598
Total domestic	241,137	306,607	175,717	360,895	306,141
Foreign:					
Public sector	—	—	600	—	—
Financial institutions	4,063	14,784	9,332	504	13,667
Commerce and industry	13,735	33,173	13,087	23,095	15,982
Lease financing	2,060	38	15	19	50
Others	3,203	623	1,010	2	1,034
Total foreign	23,061	48,618	24,044	23,620	30,733
Total	264,198	355,225	199,761	384,515	336,874
Recoveries:					
Domestic:					
Manufacturing	14	252	195	31	6
Agriculture, forestry, fisheries and mining	—	—	3	—	—
Construction	21	64	64	11	4
Transportation, communications and public enterprises	12	52	241	7	8
Wholesale and retail	22	328	266	27	3
Finance and insurance	19	3	1	—	—
Real estate and goods rental and leasing	19	283	97	11	1
Services	16	142	65	26	7
Consumer	9,976	3,453	1,648	836	820
Others	4	18	44	4	233
Total domestic	10,103	4,595	2,624	953	1,082
Foreign:					
Public sector	—	—	6	—	—
Financial institutions	2	3	—	—	1
Commerce and industry	18	187	117	6	5
Others	313	17	67	10	9
Total foreign	333	207	190	16	15
Total	10,436	4,802	2,814	969	1,097
Net charge-offs	253,762	350,423	196,947	383,546	335,777
Others ⁽¹⁾	(3,299)	432	(8,767)	101,585	(8,314)
Allowance for loan losses at end of period	¥1,262,478	¥1,381,164	¥1,587,133	¥1,533,555	¥1,599,630
Allowance for loan losses applicable to foreign activities:					
Balance at beginning of period	¥ 87,344	¥ 108,612	¥ 121,797	¥ 192,325	¥ 92,248
Balance at end of period	¥ 74,868	¥ 87,344	¥ 108,612	¥ 121,797	¥ 192,325
Provision (credit) for loan losses	¥ 1,692	¥ 30,675	¥ 19,501	¥ (42,830)	¥ 137,898
Ratio of net charge-offs to average loans outstanding during the period	0.34%	0.47%	0.27%	0.51%	0.45%

(1) Others mainly include foreign exchange translations as well as the exclusion of the allowance for loan losses related to ORIX Credit Corporation, as the Bank transferred all of its shares of ORIX Credit Corporation to ORIX in June 2012 for the fiscal year ended March 31, 2013, whereas the amounts for the fiscal year ended March 31, 2011 and 2009 mainly include foreign exchange translations. The amount for the fiscal year ended March 31, 2010 mainly includes an increase in the allowance for loan losses of ¥102,687 million from the acquisition of subsidiaries.

The following table shows an allocation of the allowance for loan losses by the borrower's domicile and industry type at March 31, 2013, 2012, 2011, 2010 and 2009.

	At March 31,									
	2013		2012		2011		2010		2009	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
(In millions, except percentages)										
Domestic:										
Manufacturing	¥ 140,424	10.43%	¥ 126,773	11.43%	¥ 178,030	11.47%	¥ 163,598	11.50%	¥ 155,886	11.56%
Agriculture, forestry, fisheries and mining	3,968	0.21%	4,374	0.21%	4,499	0.22%	4,453	0.22%	2,621	0.21%
Construction	63,032	1.51%	69,605	1.73%	87,514	1.82%	87,178	2.04%	104,320	2.25%
Transportation, communications and public enterprises	50,789	6.08%	47,723	5.96%	52,832	5.55%	82,113	4.80%	88,272	4.72%
Wholesale and retail	151,075	6.96%	159,740	7.40%	197,995	7.72%	179,494	7.58%	203,240	8.11%
Finance and insurance	12,373	3.51%	14,045	2.93%	15,418	3.53%	18,231	4.68%	36,596	4.73%
Real estate and goods rental and leasing	312,614	10.53%	338,162	10.78%	385,889	11.38%	386,706	11.94%	301,135	12.12%
Services	132,377	5.69%	144,984	5.50%	176,388	5.93%	172,037	6.33%	197,215	6.47%
Municipalities	1	1.64%	2	1.67%	3	1.98%	182	1.84%	252	1.67%
Lease financing	17,151	2.66%	11,942	2.78%	25,071	3.03%	49,596	3.17%	47,938	3.35%
Consumer	250,282	24.33%	315,211	25.90%	290,468	25.50%	214,224	23.93%	196,729	21.42%
Others	53,524	4.32%	61,259	5.61%	64,414	6.02%	53,946	6.98%	73,101	7.13%
Total domestic	<u>1,187,610</u>	<u>77.87%</u>	<u>1,293,820</u>	<u>81.90%</u>	<u>1,478,521</u>	<u>84.15%</u>	<u>1,411,758</u>	<u>85.01%</u>	<u>1,407,305</u>	<u>83.74%</u>
Foreign:										
Public sector	209	0.16%	568	0.18%	135	0.11%	84	0.20%	103	0.11%
Financial institutions	5,454	3.23%	15,217	2.72%	34,926	2.47%	45,805	2.77%	45,375	2.37%
Commerce and industry	63,261	17.45%	64,014	13.99%	67,805	12.30%	69,043	11.13%	139,572	12.14%
Lease financing	3,195	0.27%	4,324	0.26%	2,905	0.24%	3,098	0.28%	3,321	0.31%
Others	2,749	1.02%	3,221	0.95%	2,841	0.73%	3,767	0.61%	3,954	1.33%
Total foreign	<u>74,868</u>	<u>22.13%</u>	<u>87,344</u>	<u>18.10%</u>	<u>108,612</u>	<u>15.85%</u>	<u>121,797</u>	<u>14.99%</u>	<u>192,325</u>	<u>16.26%</u>
Total	<u>¥1,262,478</u>	<u>100.00%</u>	<u>¥1,381,164</u>	<u>100.00%</u>	<u>¥1,587,133</u>	<u>100.00%</u>	<u>¥1,533,555</u>	<u>100.00%</u>	<u>¥1,599,630</u>	<u>100.00%</u>

V. Deposits

The following table shows the average amount of, and the average rate paid on, the following deposit categories for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,					
	2013		2012		2011	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(In millions, except percentages)					
Domestic offices:						
Non-interest-bearing demand deposits	¥11,878,091	—	¥11,676,103	—	¥10,193,114	—
Interest-bearing demand deposits	34,555,344	0.02%	32,822,329	0.02%	31,264,556	0.03%
Deposits at notice	852,078	0.02%	925,210	0.02%	963,722	0.01%
Time deposits	25,333,058	0.11%	25,499,940	0.14%	25,373,367	0.20%
Negotiable certificates of deposit	6,279,012	0.14%	6,552,965	0.15%	7,144,913	0.17%
Others	3,432,600	0.23%	3,530,910	0.27%	3,166,378	0.20%
Total domestic offices	<u>82,330,183</u>		<u>81,007,457</u>		<u>78,106,050</u>	
Foreign offices:						
Non-interest-bearing demand deposits	423,178	—	429,486	—	311,132	—
Interest-bearing demand deposits	986,801	0.21%	711,238	0.31%	675,202	0.25%
Deposits at notice	4,426,059	0.31%	4,435,426	0.44%	3,926,027	0.43%
Time deposits	2,041,210	1.24%	1,587,145	1.41%	1,601,750	1.07%
Negotiable certificates of deposit	5,231,609	0.55%	2,970,769	0.73%	2,016,689	0.93%
Others	116,135	1.44%	115,232	1.84%	131,379	1.18%
Total foreign offices	<u>13,224,992</u>		<u>10,249,296</u>		<u>8,662,179</u>	
Total	<u>¥95,555,175</u>		<u>¥91,256,753</u>		<u>¥86,768,229</u>	

Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance of withdrawal.

The total amount of deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2013, 2012 and 2011 were ¥992,016 million, ¥914,298 million and ¥914,460 million, respectively.

At March 31, 2013, the balances and remaining maturities of time deposits and negotiable certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately \$106,372 at the median exchange rate for buying and selling spot dollars for yen by telegraphic transfer as determined by the Bank at the end of the current fiscal year) or more and total foreign deposits issued in amounts of \$100,000 or more are shown in the following table.

	Time deposits	Negotiable certificates of deposit	Total
	(In millions)		
Domestic offices:			
Not later than three months	¥ 3,277,982	¥3,936,270	¥ 7,214,252
Later than three months and not later than six months	2,111,338	679,265	2,790,603
Later than six months and not later than one year	5,667,515	909,124	6,576,639
Later than one year	2,204,782	29,251	2,234,033
Total	<u>¥13,261,617</u>	<u>¥5,553,910</u>	<u>¥18,815,527</u>
Foreign offices	<u>¥ 2,479,085</u>	<u>¥6,201,723</u>	<u>¥ 8,680,808</u>

VI. Return on Equity and Assets

The following table shows the ratio of return on equity and assets for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,		
	2013	2012	2011
Return on average total assets	0.4%	0.3%	0.4%
Return on average shareholders' equity	9.3%	6.6%	8.4%
Dividends payout ratio ⁽¹⁾ :			
Basic	23.6%	40.2%	32.0%
Diluted	23.7%	40.3%	32.0%
Average shareholders' equity to average total assets	4.4%	3.9%	4.3%

(1) Dividends declared per common share as a percentage of net profit per share.

VII. Short-Term Borrowings

The following table shows certain additional information with respect to our short-term borrowings for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions, except percentages)		
Call money, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the period	¥7,926,972	¥7,370,875	¥7,625,222
Maximum balance outstanding at any month-end during the period	9,935,203	9,632,233	9,212,189
Balance at end of period	9,464,679	9,632,233	9,069,005
Weighted average interest rate during the period	0.20%	0.19%	0.20%
Weighted average interest rate on balance at end of period	0.19%	0.19%	0.21%
Commercial paper:			
Average balance outstanding during the period	3,087,708	2,044,158	1,934,738
Maximum balance outstanding at any month-end during the period	3,190,675	2,743,664	2,046,794
Balance at end of period	3,190,675	2,743,664	2,019,334
Weighted average interest rate during the period	0.25%	0.23%	0.23%
Weighted average interest rate on balance at end of period	0.21%	0.29%	0.20%
Short-term borrowings:			
Average balance outstanding during the period	4,136,273	7,347,792	5,245,423
Maximum balance outstanding at any month-end during the period	6,056,549	8,037,680	8,486,842
Balance at end of period	2,467,661	6,392,554	8,486,842
Weighted average interest rate during the period	0.32%	0.24%	0.27%
Weighted average interest rate on balance at end of period	0.40%	0.27%	0.22%

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated financial statements and the reports thereon by its independent registered public accounting firm are filed as part of this annual report:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Financial Statements	
Consolidated Statement of Financial Position at March 31, 2013 and 2012	F-5
Consolidated Income Statement for the Fiscal Years Ended March 31, 2013, 2012 and 2011	F-6
Consolidated Statement of Comprehensive Income for the Fiscal Years Ended March 31, 2013, 2012 and 2011	F-7
Consolidated Statement of Changes in Equity for the Fiscal Years Ended March 31, 2013, 2012 and 2011	F-8
Consolidated Statement of Cash Flows for the Fiscal Years Ended March 31, 2013, 2012 and 2011 ...	F-9
Notes to Consolidated Financial Statements	F-10
1 General Information	F-10
2 Summary of Significant Accounting Policies	F-10
3 Critical Accounting Estimates and Judgments	F-29
4 Segment Analysis	F-32
5 Cash and Deposits with Banks	F-39
6 Trading Assets	F-39
7 Derivative Financial Instruments	F-39
8 Financial Assets at Fair Value Through Profit or Loss	F-42
9 Investment Securities	F-43
10 Loans and Advances	F-44
11 Investments in Associates and Joint Ventures	F-46
12 Property, Plant and Equipment	F-48
13 Leases	F-49
14 Intangible Assets	F-51
15 Other Assets	F-55
16 Deposits	F-55
17 Trading Liabilities	F-55
18 Borrowings	F-56
19 Debt Securities in Issue	F-57
20 Provisions	F-58
21 Other Liabilities	F-59
22 Deferred Income Tax	F-59
23 Retirement Benefits	F-62
24 Shareholders' Equity	F-66
25 Non-Controlling Interests	F-69
26 Net Interest Income	F-70
27 Net Fee and Commission Income	F-71
28 Net Trading Income	F-71
29 Net Income from Financial Assets at Fair Value Through Profit or Loss	F-72
30 Net Investment Income	F-72
31 Other Income	F-72
32 Impairment Charges on Financial Assets	F-73
33 General and Administrative Expenses	F-73
34 Other Expenses	F-73
35 Income Tax Expense	F-74

	<u>Page</u>
36 Earnings Per Share	F-75
37 Transfers of Financial Assets	F-75
38 Assets Pledged and Received as Collateral	F-77
39 Deferred Day One Profit and Loss	F-77
40 Share-Based Payment	F-78
41 Dividends Per Share	F-80
42 Contingency and Capital Commitments	F-80
43 Analysis of Financial Assets and Liabilities by Measurement Basis	F-82
44 Fair Value of Financial Assets and Liabilities	F-83
45 Financial Risk Management	F-91
46 Related-Party Transactions	F-120
47 Principal Subsidiaries	F-122
48 Acquisitions	F-123
49 Current and Non-Current Distinction	F-128
50 Condensed Financial Information of Registrant (SMFG)	F-129

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Sumitomo Mitsui Financial Group, Inc.:

We have audited the accompanying consolidated statement of financial position of Sumitomo Mitsui Financial Group, Inc. and subsidiaries (the “SMFG Group”) as of March 31, 2013 and 2012, and the related consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the SMFG Group as of March 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sumitomo Mitsui Financial Group, Inc.’s internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 23, 2013 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG AZSA LLC

Tokyo, Japan
July 23, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Sumitomo Mitsui Financial Group, Inc.:

We have audited Sumitomo Mitsui Financial Group, Inc.'s internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, included in Item 15 "Controls and Procedures" of the accompanying Form 20-F. Our responsibility is to express an opinion on Sumitomo Mitsui Financial Group Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sumitomo Mitsui Financial Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Sumitomo Mitsui Financial Group, Inc. and subsidiaries as of March 31, 2013 and 2012, and the related consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2013, and our report dated July 23, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG AZSA LLC

Tokyo, Japan
July 23, 2013

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

	Note	At March 31,	
		2013	2012
(In millions)			
Assets:			
Cash and deposits with banks	5	¥ 11,804,873	¥ 8,050,562
Call loans and bills bought		1,393,440	1,297,082
Reverse repurchase agreements and cash collateral on securities borrowed		3,930,557	4,937,025
Trading assets	6	4,097,084	4,461,258
Derivative financial instruments	7	6,855,486	5,901,526
Financial assets at fair value through profit or loss	8	2,045,046	2,150,409
Investment securities	9	35,728,537	37,324,100
Loans and advances	10	75,987,057	72,536,813
Investments in associates and joint ventures	11	260,495	206,660
Property, plant and equipment	12	1,757,994	1,045,006
Intangible assets	14	903,264	899,167
Other assets	15	2,810,755	2,367,300
Current tax assets		51,449	65,298
Deferred tax assets	22	381,689	632,220
Total assets		<u>¥148,007,726</u>	<u>¥141,874,426</u>
Liabilities:			
Deposits	16	¥101,021,413	¥ 92,853,566
Call money and bills sold		2,954,052	2,144,600
Repurchase agreements and cash collateral on securities lent		6,510,627	7,487,633
Trading liabilities	17	1,910,905	2,173,567
Derivative financial instruments	7	6,936,991	5,850,813
Borrowings	18	6,475,543	10,412,858
Debt securities in issue	19	8,085,263	7,377,742
Provisions	20	279,131	425,350
Other liabilities	21	4,776,912	5,401,790
Current tax liabilities		206,977	61,786
Deferred tax liabilities	22	107,262	69,330
Total liabilities		<u>139,265,076</u>	<u>134,259,035</u>
Equity:			
Capital stock	24	2,337,896	2,337,896
Capital surplus	24	862,305	862,933
Retained earnings	24	2,596,104	2,162,696
Other reserves	24	1,069,603	437,177
Treasury stock	24	(227,373)	(236,037)
Equity attributable to shareholders of Sumitomo Mitsui Financial Group, Inc.		6,638,535	5,564,665
Non-controlling interests	25	2,104,115	2,050,726
Total equity		<u>8,742,650</u>	<u>7,615,391</u>
Total equity and liabilities		<u>¥148,007,726</u>	<u>¥141,874,426</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Income Statement

	Note	For the fiscal year ended March 31,		
		2013	2012	2011
(In millions, except per share data)				
Interest income		¥1,725,723	¥1,710,331	¥1,720,181
Interest expense		339,520	313,631	311,056
Net interest income	26	1,386,203	1,396,700	1,409,125
Fee and commission income		948,685	869,407	806,704
Fee and commission expense		127,099	132,562	132,560
Net fee and commission income	27	821,586	736,845	674,144
Net trading income	28	179,750	182,296	324,479
Net income from financial assets at fair value through profit or loss	29	15,794	33,734	30,116
Net investment income	30	216,967	239,365	235,911
Other income	31	324,404	245,563	204,470
Total operating income		2,944,704	2,834,503	2,878,245
Impairment charges on financial assets	32	267,243	284,310	433,928
Net operating income		2,677,461	2,550,193	2,444,317
General and administrative expenses	33	1,443,196	1,366,705	1,293,546
Other expenses	34	288,307	239,292	212,292
Operating expenses		1,731,503	1,605,997	1,505,838
Share of post-tax profit (loss) of associates and joint ventures		19,593	(25,004)	(5,796)
Profit before tax		965,551	919,192	932,683
Income tax expense	35	274,795	461,194	361,165
Net profit		¥ 690,756	¥ 457,998	¥ 571,518
Profit attributable to:				
Shareholders of Sumitomo Mitsui Financial Group, Inc.		¥ 572,916	¥ 345,430	¥ 464,007
Non-controlling interests		117,840	112,568	107,511
Earnings per share:				
Basic	36	¥ 423.15	¥ 248.98	¥ 328.32
Diluted	36	422.65	248.29	328.31

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

	<u>For the fiscal year ended March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In millions)		
Net profit	¥ 690,756	¥457,998	¥ 571,518
Other comprehensive income:			
Available-for-sale financial assets:			
Gains (losses) arising during the period, before tax	763,457	253,865	(349,080)
Reclassification adjustments for (gains) losses included in net profit, before tax	(8,378)	(21,563)	10,957
Exchange differences on translating the foreign operations:			
Gains (losses) arising during the period, before tax	235,947	(34,781)	(121,593)
Reclassification adjustments for (gains) losses included in net profit, before tax	4,579	7,350	(505)
Share of other comprehensive income (loss) of associates and joint ventures	3,354	(2,832)	(4,225)
Income tax relating to components of other comprehensive income ..	(292,137)	(43,809)	146,520
Other comprehensive income (loss), net of tax	<u>706,822</u>	<u>158,230</u>	<u>(317,926)</u>
Total comprehensive income	<u>¥1,397,578</u>	<u>¥616,228</u>	<u>¥ 253,592</u>
Total comprehensive income attributable to:			
Shareholders of Sumitomo Mitsui Financial Group, Inc.	¥1,205,342	¥501,316	¥ 189,372
Non-controlling interests	192,236	114,912	64,220

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Capital stock	Capital surplus	Retained earnings	Available-for-sale financial assets	Exchange differences on translating the foreign operations	Treasury stock	Shareholders' equity	Non-controlling interests	Total equity
	(In millions)								
Balance at April 1, 2010	¥2,337,896	¥1,081,432	¥1,663,618	¥ 663,907	¥(108,618)	¥(124,062)	¥5,514,173	¥2,047,497	¥7,561,670
Comprehensive income:									
Net profit	—	—	464,007	—	—	—	464,007	107,511	571,518
Other comprehensive loss	—	—	—	(198,830)	(75,805)	—	(274,635)	(43,291)	(317,926)
Total comprehensive income (loss)	—	—	464,007	(198,830)	(75,805)	—	189,372	64,220	253,592
Acquisition of subsidiaries	—	—	—	—	—	—	—	38,020	38,020
Transaction with non-controlling interest shareholders	—	—	(678)	108	21	—	(549)	(2,554)	(3,103)
Dividends to shareholders	—	—	(152,878)	—	—	—	(152,878)	(98,521)	(251,399)
Purchase of treasury stock	—	—	—	—	—	(47,759)	(47,759)	—	(47,759)
Sale of treasury stock	—	—	—	—	—	60	60	—	60
Loss on sale of treasury stock	—	(46)	—	—	—	—	(46)	—	(46)
Others	—	170	—	—	—	—	170	—	170
Balance at March 31, 2011	2,337,896	1,081,556	1,974,069	465,185	(184,402)	(171,761)	5,502,543	2,048,662	7,551,205
Comprehensive income:									
Net profit	—	—	345,430	—	—	—	345,430	112,568	457,998
Other comprehensive income (loss)	—	—	—	184,238	(28,352)	—	155,886	2,344	158,230
Total comprehensive income (loss)	—	—	345,430	184,238	(28,352)	—	501,316	114,912	616,228
Acquisition of subsidiaries	—	—	—	—	—	—	—	2,443	2,443
Transaction with non-controlling interest shareholders	—	(8,368)	(14,792)	508	—	44,127	21,475	(23,270)	(1,795)
Dividends to shareholders	—	—	(142,011)	—	—	—	(142,011)	(92,021)	(234,032)
Purchase of treasury stock	—	—	—	—	—	(111,518)	(111,518)	—	(111,518)
Sale of treasury stock	—	—	—	—	—	3,115	3,115	—	3,115
Loss on sale of treasury stock	—	(679)	—	—	—	—	(679)	—	(679)
Purchase of Type 6 preferred stock	—	—	—	—	—	(210,003)	(210,003)	—	(210,003)
Cancellation of Type 6 preferred stock	—	(210,003)	—	—	—	210,003	—	—	—
Others	—	427	—	—	—	—	427	—	427
Balance at March 31, 2012	2,337,896	862,933	2,162,696	649,931	(212,754)	(236,037)	5,564,665	2,050,726	7,615,391
Comprehensive income:									
Net profit	—	—	572,916	—	—	—	572,916	117,840	690,756
Other comprehensive income	—	—	—	469,122	163,304	—	632,426	74,396	706,822
Total comprehensive income	—	—	572,916	469,122	163,304	—	1,205,342	192,236	1,397,578
Acquisition and disposal of subsidiaries-net	—	—	—	—	—	—	—	(16,239)	(16,239)
Transaction with non-controlling interest shareholders	—	(1,166)	(4,255)	—	—	8,900	3,479	(9,325)	(5,846)
Dividends to shareholders	—	—	(135,253)	—	—	—	(135,253)	(100,783)	(236,036)
Redemption of preferred securities	—	—	—	—	—	—	—	(12,500)	(12,500)
Purchase of treasury stock	—	—	—	—	—	(263)	(263)	—	(263)
Sale of treasury stock	—	—	—	—	—	27	27	—	27
Loss on sale of treasury stock	—	(4)	—	—	—	—	(4)	—	(4)
Others	—	542	—	—	—	—	542	—	542
Balance at March 31, 2013	¥2,337,896	¥ 862,305	¥2,596,104	¥1,119,053	¥ (49,450)	¥(227,373)	¥6,638,535	¥2,104,115	¥8,742,650

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Operating Activities:			
Profit before tax	¥ 965,551	¥ 919,192	¥ 932,683
Adjustments for:			
Gains on financial assets at fair value through profit or loss and investment securities	(24,173)	(55,639)	(17,439)
Foreign exchange (profit) losses	(1,098,484)	79,258	420,015
Provision for loan losses	138,375	144,022	259,292
Depreciation and amortization	198,825	172,953	163,400
Share of post-tax (profit) loss of associates and joint ventures	(19,593)	25,004	5,796
Net changes in assets and liabilities:			
Net increase of term deposits with original maturities over three months	(69,047)	(133,235)	(343,404)
Net (increase) decrease of call loans and bills bought	3,819	(446,175)	202,797
Net decrease of reverse repurchase agreements and cash collateral on securities borrowed	1,009,096	110,676	640,766
Net (increase) decrease of loans and advances	(3,452,294)	(1,138,608)	1,380,486
Net change of trading assets and liabilities and derivative financial instruments	191,542	(427,125)	43,119
Net increase of deposits	7,677,011	2,540,054	5,129,774
Net increase (decrease) of call money and bills sold	759,135	(478,629)	544,332
Net increase (decrease) of repurchase agreements and cash collateral on securities lent	(978,541)	1,049,082	1,009,568
Net increase (decrease) of other unsubordinated borrowings and debt securities in issue	(3,283,724)	(1,112,860)	4,867,822
Income taxes paid—net	(126,129)	(100,884)	(125,618)
Other operating activities—net	89,686	173,925	(204,794)
Net cash and cash equivalents provided by operating activities	1,981,055	1,321,011	14,908,595
Investing Activities:			
Purchases of financial assets at fair value through profit or loss and available-for-sale financial assets	(48,845,613)	(48,064,086)	(65,533,905)
Proceeds from sale of financial assets at fair value through profit or loss and available-for-sale financial assets	45,389,973	31,909,764	36,486,703
Proceeds from maturities of financial assets at fair value through profit or loss and available-for-sale financial assets	6,114,500	15,010,487	18,795,275
Purchases of held-to-maturity investments	(880,207)	(1,267,389)	(983,404)
Proceeds from maturities of held-to-maturity investments	314,946	170,911	72,313
Acquisitions of the subsidiaries, net of cash and cash equivalents acquired	(949)	(47,108)	82,773
Investments in associates and joint ventures	(34,085)	(580)	(10,724)
Proceeds from sale of investments in associates and joint ventures	4,618	16,912	309
Purchases of property, plant and equipment, and investment properties	(288,533)	(129,993)	(178,406)
Purchases of intangible assets	(105,966)	(101,341)	(101,646)
Proceeds from sale of property, plant and equipment, investment properties and intangible assets	97,048	30,337	7,598
Other investing activities—net	34,629	25	243
Net cash and cash equivalents provided by (used in) investing activities	1,800,361	(2,472,061)	(11,362,871)
Financing Activities:			
Proceeds from issuance of subordinated borrowings	33,200	106,000	80,000
Redemption of subordinated borrowings	(93,000)	(103,000)	(87,500)
Proceeds from issuance of subordinated bonds	127,095	552,726	252,218
Redemption of subordinated bonds	(552,997)	(306,398)	(314,900)
Redemption of preferred securities	(12,500)	—	—
Purchase of Type 6 preferred stock	—	(210,003)	—
Dividends paid to shareholders of Sumitomo Mitsui Financial Group, Inc.	(135,203)	(141,922)	(152,612)
Dividends paid to non-controlling interest shareholders	(100,728)	(91,983)	(98,431)
Purchase of treasury stock and proceeds from sale of treasury stock—net	(240)	(109,128)	(47,745)
Transactions with non-controlling interest shareholders—net	(5,486)	(1,493)	2,668
Net cash and cash equivalents used in financing activities	(739,859)	(305,201)	(366,302)
Effect of exchange rate changes on cash and cash equivalents	624,446	(61,678)	(217,386)
Net increase (decrease) of cash and cash equivalents	3,666,003	(1,517,929)	2,962,036
Cash and cash equivalents at beginning of period	7,055,670	8,573,599	5,611,563
Cash and cash equivalents at end of period	¥ 10,721,673	¥ 7,055,670	¥ 8,573,599
Net cash and cash equivalents provided by operating activities includes:			
Interests and dividends received	¥ 1,803,332	¥ 1,787,503	¥ 1,757,233
Interests paid	344,621	315,311	322,298
Significant non-cash investing and financing activities:			
The SMFG Group made SMBC Consumer Finance Co., Ltd. and Cedyna Financial Corporation a wholly owned subsidiary of the SMFG Group by share exchange transaction during the fiscal years ended March 31, 2013 and 2012, respectively. The details of the transactions are described in Note 25 "Non-controlling interests."			

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1 GENERAL INFORMATION

Sumitomo Mitsui Financial Group, Inc. (“SMFG”) was established on December 2, 2002, as a holding company for Sumitomo Mitsui Banking Corporation (“SMBC”) and its subsidiaries through a statutory share transfer (*kabushiki-iten*) of all of the outstanding equity securities of SMBC in exchange for SMFG’s newly issued securities. SMFG is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Companies Act of Japan (“Companies Act”). Upon the formation of SMFG and the completion of the statutory share transfer, SMBC became a direct, wholly owned subsidiary of SMFG. SMFG has a primary listing on the Tokyo Stock Exchange (First Section), with further listing on the Nagoya Stock Exchange (First Section). SMFG’s American Depositary Shares are listed on the New York Stock Exchange.

SMFG and its subsidiaries (the “SMFG Group”) offer a diverse range of financial services, including commercial banking, leasing, securities, consumer finance and other services.

The accompanying consolidated financial statements have been authorized for issue by the Management Committee on July 23, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the fiscal years presented, unless otherwise stated.

Basis of Preparation

Compliance with International Financial Reporting Standards

The consolidated financial statements of the SMFG Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- trading assets and liabilities are measured at fair value;
- derivative financial instruments are measured at fair value;
- financial assets at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- the liabilities and the assets recognized in the consolidated statement of financial position in respect of defined benefit plans are the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Functional and presentation currency

The consolidated financial statements are presented in Japanese yen, which is also SMFG’s functional currency. All financial information presented in Japanese yen has been rounded to the nearest million, except as otherwise indicated.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. Actual results may differ from these estimates. The notes to the consolidated financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements, such as allowance for loan losses (Notes 10, 32), fair value of financial instruments (Note 44), impairment of available-for-sale financial assets (Notes 9, 32), impairment of goodwill (Note 14), provision for interest repayment (Note 20), retirement benefits (Note 23), deferred tax assets (Note 22), and special purpose entities.

Refer to Note 3 “Critical Accounting Estimates and Judgments” for further information.

New and amended standards adopted by the SMFG Group

During the fiscal year ended March 31, 2013, a number of interpretations and amendments to standards have become effective; however, they have not resulted in any material changes to the SMFG Group’s accounting policies.

Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the SMFG Group including special purpose entities (“SPEs”). The SMFG Group considers that it controls an entity if it has the power to govern the financial and operating policies of the entity, in general by having a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the SMFG Group controls another entity. Subsidiaries are fully consolidated from the date on which the SMFG Group obtains control. They are de-consolidated from the date on which the SMFG Group loses control.

The SMFG Group has become a party to a number of SPEs for the purpose of, but not limited to, structured financing transactions, investment vehicles, securitization of financial assets and leasing transactions. The following circumstances may indicate a relationship in which, in substance, the SMFG Group controls and consequently consolidates the SPE:

- the activities of the SPE are being conducted on behalf of the SMFG Group according to its specific business needs so that the SMFG Group obtains benefits from the SPE’s operation;
- the SMFG Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an “autopilot” mechanism, the SMFG Group has delegated its decision-making powers;
- the SMFG Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- the SMFG Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Consolidation is reassessed whenever circumstances change and indicate that there has been a change in the control relationship between the SMFG Group and the SPE.

The acquisition method is used to account for the business combinations including the acquisition of subsidiaries by the SMFG Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued. Identifiable assets acquired and liabilities assumed in a business

combination are measured initially at their fair values at the acquisition date. The SMFG Group's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and any gain or loss is recognized in profit or loss. For each business combination, the SMFG Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the SMFG Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recorded as goodwill in the consolidated statement of financial position. If the aggregate of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the SMFG Group's previously held equity interest in the acquiree is less than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, the difference is recognized immediately in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between the SMFG Group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the SMFG Group.

Non-controlling interests

Changes in the SMFG Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interests in the equity of subsidiaries not attributable to the SMFG Group are reported in the consolidated statement of financial position as a separate component of equity as non-controlling interests. Profits or losses attributable to non-controlling interests are separately reported in the consolidated income statement.

Associates and joint ventures

An associate is an entity over which the SMFG Group has significant influence, but does not control the financial and operating policy decisions of the entity. Significant influence is generally presumed to exist when the SMFG Group holds 20% or more, but less than 50%, of the voting rights.

Entities that are jointly controlled by more than one party, including the SMFG Group, may be determined to be a joint venture.

The SMFG Group accounts for investments in associates and joint ventures using the equity method from the date on which they become associates or joint ventures. The SMFG Group discontinues the use of the equity method from the date on which the SMFG Group ceases to have significant influence or joint control over the investees.

Under the equity method, the SMFG Group's investments in associates and joint ventures are initially recognized at cost. The carrying amount of the investments are subsequently increased or decreased to recognize the SMFG Group's share of the post-acquisition profit or loss of the associate or joint venture and other movements included directly in the equity of the associate or joint venture. The SMFG Group's share of the results of associates and joint ventures is based on the financial statements of its associates, adjusted to conform with the accounting policies of the SMFG Group. Profits on transactions between the SMFG Group and its associates and joint ventures are eliminated to the extent of the SMFG Group's interest in the associates or joint ventures. Losses are also eliminated to the extent of the SMFG Group's interest in the associates or joint ventures unless the transaction provides evidence of impairment in the asset transferred.

The carrying amounts of the investments in associates and joint ventures include goodwill (net of any accumulated impairment loss) arising on the acquisition of the interests in the entities. Because goodwill arising

on the acquisition of the interest in an associate or joint venture is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment in an associate or joint venture is tested for impairment as a single asset by comparing its recoverable amount, which is the higher of value in use and fair value less costs to sell, with its carrying amount, whenever there is any objective evidence that the investment is impaired. An impairment loss recognized in prior periods for the investment is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment since the last impairment loss was recognized. If this is the case, the carrying amount of the investment is increased to its recoverable amount. That increase is a reversal of an impairment loss.

When the SMFG Group's share of losses in an associate or joint venture exceeds the SMFG Group's carrying amount of the investment, the SMFG Group does not recognize further losses, unless it has a binding obligation or has made payments on behalf of the entity.

Segment Reporting

The SMFG Group determines its operating segments based on the management approach, which requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by management, in order to allocate resources to a segment and to assess its performance.

Foreign Currency Translation

Items included in the financial statements of each of the SMFG Group companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in Japanese yen, which is also SMFG's functional currency.

Transactions and balances

Foreign currency transactions that are denominated or settled in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the retranslation and settlement of monetary items are recognized in the consolidated income statement. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date the fair value is determined. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are not included in the consolidated income statement but are recognized directly in equity. Non-monetary items that are measured at historical cost in a foreign currency are translated into the functional currency using the exchange rate at the date of the initial transaction.

Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency of the SMFG Group using the exchange rate at the end of the reporting period, and their income statements are translated using the exchange rates at the dates of the transactions or average exchange rates where these approximate to actual rates.

The exchange differences arising on the translation of a foreign operation are included in other comprehensive income within equity and subsequently included in profit or loss on full or partial disposal of the operation.

Financial Assets

At initial recognition, the financial assets of the SMFG Group are classified into one of the following categories: trading assets, derivative financial instruments, financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Regular way purchases and sales of trading assets, derivative financial instruments, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognized on the trade date—the date on which the SMFG Group commits to purchase or sell the assets.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the SMFG Group has transferred substantially all the risks and rewards of ownership at a consolidated level. The SMFG Group consolidates all subsidiaries in accordance with IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation—Special Purpose Entities” before determining derecognition of financial assets under IAS 39 “Financial Instruments: Recognition and Measurement.”

Trading assets

Financial assets are classified as held for trading and included in “Trading assets” in the consolidated statement of financial position, if they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or if they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets are initially recognized at fair value with transaction costs being recognized in the consolidated income statement, and subsequently measured at fair value. Gains and losses arising from changes in the fair values of trading assets are included in “Net trading income” in the consolidated income statement.

Derivative financial instruments

Derivatives are also classified as held for trading and included in “Derivative financial instruments” in the consolidated statement of financial position. The SMFG Group does not apply hedge accounting under IFRS. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are initially recognized at fair value with transaction costs being recognized in the consolidated income statement, and subsequently measured at fair value. Gains and losses arising from changes in the fair values of derivatives are included in “Net trading income” in the consolidated income statement.

The derivative component of a hybrid instrument containing both a derivative and non-derivative component (“host contract”) is referred to as an embedded derivative. Certain embedded derivatives are accounted for as separate derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value and are presented in the consolidated statement of financial position together with the host contract.

Financial assets at fair value through profit or loss

Financial assets, other than those held for trading, are classified as financial assets at fair value through profit or loss and are included in “Financial assets at fair value through profit or loss” in the consolidated statement of financial position, if they meet one of the following criteria, and are so designated by management:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency;
- a group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
- the instrument contains one or more embedded derivatives unless (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or (b) it is clear with little or no analysis that separation is prohibited.

In addition, the SMFG Group classifies the entire hybrid instrument at fair value through profit or loss when the SMFG Group is required to separate an embedded derivative from its host contract, but is unable to measure

the embedded derivative separately either at acquisition or at the end of a subsequent reporting period. Financial assets at fair value through profit or loss are initially recognized at fair value with transaction costs being recognized in the consolidated income statement, and subsequently measured at fair value. Gains and losses arising from changes in the fair value of such financial assets are included in “Net income from financial assets at fair value through profit or loss” in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the SMFG Group intends to sell immediately or in the near term, which are classified as held for trading, and those that the SMFG Group upon initial recognition designates as at fair value through profit or loss;
- those that the SMFG Group upon initial recognition classifies as available-for-sale; or
- those for which the SMFG Group may not recover substantially all of its initial investment, other than because of credit deterioration.

The financial assets classified as loans and receivables are mainly included in “Loans and advances” in the consolidated statement of financial position. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

When the SMFG Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within “Loans and advances” in the consolidated statement of financial position.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the SMFG Group has the positive intention and ability to hold to maturity. If the SMFG Group were to sell other than an insignificant amount of held-to-maturity investments, the remaining investments in this category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are initially recognized at fair value plus directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale at initial recognition or are not classified into any of the other categories described above. Available-for-sale financial assets are initially recognized at fair value plus directly attributable transaction costs, and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, until they are derecognized or impaired. At that time, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated income statement. However, interest income calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the entity’s right to receive payment is established.

Financial Liabilities

Financial liabilities, except for held for trading and derivatives, are initially recognized at fair value net of transaction costs incurred, including premiums, discounts and issuance costs, and subsequently measured at amortized cost based on the effective interest method. Financial liabilities carried at amortized cost are mainly “Deposits,” “Borrowings,” and “Debt securities in issue” included in the consolidated statement of financial position.

Financial liabilities held for trading and derivatives are initially measured at fair value with transaction costs being recognized in the consolidated income statement, and subsequently measured at fair value. Financial liabilities held for trading and derivatives are mainly included in “Trading liabilities” and “Derivative financial instruments,” respectively, in the consolidated statement of financial position.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

Hedge Accounting

The SMFG Group does not apply hedge accounting under IAS 39.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position, only if the SMFG Group currently has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. In all other situations, they are presented on a gross basis.

Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction. The fair values of quoted financial instruments in active markets are based on current bid or asking prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or pricing service and those prices represent actual and regularly occurring market transactions on an arm’s-length basis. If there is no active market for a financial instrument, the SMFG Group establishes the fair value using valuation techniques. These include the use of recent arm’s-length transactions, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants. Details of fair value measurement are described in Note 44 “Fair Value of Financial Assets and Liabilities.”

Recognition of Deferred Day One Profit and Loss

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique which includes variables such as data from observable markets.

The SMFG Group has certain financial instruments, such as derivatives and hybrid financial instruments, where fair value is determined using valuation techniques for which not all inputs are market observable. Such a financial instrument is initially recognized at the transaction price, although the value obtained from the relevant valuation technique may be different. The difference between the transaction price and the fair value based on the valuation technique, commonly referred to as “day one profit and loss,” is not recognized immediately in the consolidated income statement but is deferred.

The timing of recognition of the deferred day one profit and loss is determined on an instrument by instrument basis. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement. The financial instrument is subsequently measured at fair value, the value obtained from the valuation technique, and adjusted for the change in deferred day one profit and loss. Subsequent changes in fair value are recognized immediately in the consolidated income statement.

Repurchase and Reverse Repurchase Agreements, and Securities Borrowing and Lending Agreements

In the ordinary course of business, the SMFG Group lends or sells securities under agreements to repurchase them at a predetermined price on a future date ("repos"). Since the majority of the risks and rewards are retained by the SMFG Group, the securities remain on the consolidated statement of financial position and a liability is recorded in respect of the consideration received. On the other hand, the SMFG Group borrows or purchases securities under agreements to resell them at a predetermined price on a future date ("reverse repos"). Since the SMFG Group does not retain the risks and rewards of ownership, these transactions are treated as collateralized loans and the securities are not included in the consolidated statement of financial position.

The difference between the sale and purchase price is accrued over the life of the transactions. Securities lent to counterparties remain on the consolidated statement of financial position. Securities borrowed are not recognized in the consolidated statement of financial position, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss is included in "Net trading income" in the consolidated income statement.

For the fiscal years ended March 31, 2013, 2012 and 2011, there were no transactions pursuant to repurchase agreements, securities lending transactions or other transactions involving the transfer of financial assets with an obligation to repurchase such transferred assets that were treated as sales and hence derecognized for accounting purposes.

Impairment of Financial Assets

Loans and advances and held-to-maturity investments

At the end of each reporting period, the SMFG Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the SMFG Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of an issuer or an obligor;
- a default or delinquency in interest or principal payments;
- restructuring of a financial asset by the SMFG Group due to the borrower's financial difficulties on terms that the SMFG Group would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security because of the borrower's financial difficulties; and
- other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or national or local economic conditions that correlate with defaults in the group.

The SMFG Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the SMFG Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

The allowance for individually significant impaired financial assets is measured by the discounted cash flow (“DCF”) method, which is used to calculate the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. If financial assets have a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate determined under the contract, for the current period. The estimated future cash flows are individually calculated taking into account factors including historical loss information, the appropriateness of the borrower’s business plan or operational improvement plan, the status of progress of its plan, the overall support from financial institutions, and the realizable value of any collateral held.

The collective allowance for financial assets is classified into two types: (1) the allowance for impaired financial assets that are not individually significant, and (2) the allowance for non-impaired financial assets, which reflects incurred but not yet identified (“IBNI”) losses for the period between the impairment occurring and the loss being identified. The collective allowance is estimated by applying historical loss experience to groups of homogenous loans. The historical loss experience data includes the number of borrowers for whom objective evidence of impairment has been identified for the most recent rolling one-year period, and the amount ultimately recovered from impaired financial assets. The SMFG Group has collected and accumulated historical data on amounts ultimately recovered from impaired financial assets. The homogeneous groups are determined on the basis of similar credit risk characteristics. For every group, the SMFG Group’s grading processes are established considering asset type, industry, geographical location, collateral type, past-due status and other relevant characteristics (see Note 45 “Financial Risk Management”). These characteristics are relevant to the estimation of future cash flows for groups of such assets as being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Historical loss experience is adjusted on the basis of current observable data, including bankruptcy trends after the occurrence of significant events which had a negative effect on the global economy and the economies in which a large portion of the SMFG Group’s assets are located, to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The carrying amount of the asset is reduced by the impairment loss either directly or through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in “Impairment charges on financial assets” in the consolidated income statement.

If a financial asset is determined to be uncollectible, it is written off against the related allowance account. Uncollectible financial assets are normally written off when there is no expectation of further recovery after any collateral is foreclosed and the amount of the loss has been determined. Those assets primarily include loans for borrowers that have been legally or formally declared bankrupt and borrowers that may not have been legally or formally declared bankrupt but are essentially bankrupt.

Loans and advances that would otherwise be past due or impaired, but whose terms have been renegotiated without providing any financial concessions, are not classified as impaired loans and advances as the terms of the

renegotiated loans and advances do not result in a decrease in the net present value of the loan discounted at its original effective interest rate. The collective allowance is estimated for these loans and advances by including them in homogenous groups on the basis of applying the SMFG Group's grading process, taking into account the renegotiation and their consequent higher risk status. These loans and advances are continually assessed for impairment until maturity or derecognition.

In addition, provisions for loan commitments are calculated where it is probable that the SMFG Group will incur a loss and recognized in other provisions (see Note 20 "Provisions").

Available-for-sale financial assets

At the end of each reporting period, the SMFG Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the instruments below cost is also considered in determining whether the assets are impaired. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as for loans and advances and held-to-maturity investments. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in the consolidated income statement.

Impairment losses recognized in the consolidated income statement on equity instruments classified as available-for-sale are not reversed through the consolidated income statement. For debt instruments classified as available-for-sale, if the fair value recovers in a subsequent period and it can be objectively associated with an event occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets. Repairs and maintenance costs are expensed as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings: 7–50 years;
- Leased assets: the shorter of the lease term and the estimated useful life, which is principally 5–20 years; and
- Assets for rent (including assets for aircraft leasing business) and others: 2–20 years.

The residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in "Other income" and "Other expenses" in the consolidated income statement.

Intangible Assets

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the SMFG Group's previously held equity interest in the

acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, and is initially recognized at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. Impairment testing is performed at least annually and whenever there is an indication that the cash-generating unit may be impaired. When the SMFG Group disposes of all or part of a cash-generating unit to which goodwill is allocated, the goodwill associated with the cash-generating unit is included in the carrying amount of the cash-generating unit when determining the gain or loss on disposal.

Software

Purchased software is carried at cost less accumulated amortization and accumulated impairment losses, if any.

Expenditure on internally generated software is recognized as an asset if the SMFG Group can demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and it can reliably measure the costs to complete the development. Internally generated software is carried at capitalized cost less accumulated amortization and accumulated impairment losses, if any. Costs associated with maintaining software are expensed as incurred.

Software is amortized using the straight-line method over the estimated useful life, which is generally five years.

Contractual customer relationships and trademarks

Contractual customer relationships and trademarks acquired in a business combination are recognized at fair value at the acquisition date. Contractual customer relationships and trademarks are carried at cost less accumulated amortization or impairment losses, if any. Contractual customer relationships and trademarks are amortized using the straight-line method over their estimated useful lives of 10 to 20 years.

Other intangible assets

Other intangible assets primarily consist of leasehold rights. They are recognized only when the SMFG Group legally obtains the rights and can reliably measure the fair value. Leasehold rights have an indefinite useful life and they are not amortized but are tested for impairment annually.

Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the consolidated income statement if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is estimated as the higher of the asset's fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. In addition, irrespective of whether there is any indication of impairment, intangible assets that have an indefinite useful life are tested for impairment annually.

For the purposes of conducting impairment reviews, assets are grouped into cash-generating units to which the assets belong. Non-financial assets other than impaired goodwill are reviewed for possible reversal of the impairment loss at the end of each reporting period. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

As lessee

A lease agreement in which the lessor retains a significant portion of the risks and rewards of ownership of assets is classified as an operating lease. The leases entered into by the SMFG Group as a lessee are primarily operating leases. Operating lease payments, net of lease incentives received from the lessor, are recognized in the consolidated income statement on a straight-line basis over the lease term.

A lease agreement in which the lessor transfers to the lessee substantially all the risks and rewards of ownership of assets, with or without ultimate legal title, is classified as a finance lease. For finance leases, the SMFG Group initially recognizes the leased asset at the lower of the fair value of the asset or the present value of the minimum lease payments. Subsequent to initial recognition, assets are accounted for in accordance with the accounting policy applicable to those assets. The corresponding liability to the lessor is recognized as a lease obligation within "Borrowings" in the consolidated statement of financial position. Interest expense is recognized over the term of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

As lessor

When the SMFG Group acts as a lessor in an operating lease, the leased assets are included in "Property, plant and equipment" in the consolidated statement of financial position and are depreciated over their expected useful lives on a basis consistent with similar assets in property, plant and equipment. Income from operating leases (net of any incentives given to the lessee) is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognized as an expense on a straight-line basis over the lease term.

When the SMFG Group is a lessor in a finance lease, the leased assets are derecognized and the present value of the future lease payments is recognized as a lease receivable within "Loans and advances" in the consolidated statement of financial position. The difference between the gross receivables, i.e., undiscounted future cash flows, and the present value of the receivables is recognized as unearned finance income. Finance income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

Sale and leaseback

For sale and leaseback transactions leading to an operating lease, and the transaction took place at fair value, any profit or loss is recognized immediately. If the sale price is at or below fair value, any profit and loss is recognized immediately. However, if the loss is compensated for by future rentals at a below market price, the loss is deferred and amortized over the period that the asset is expected to be used. If the sale price is above fair value, any profit is deferred and amortized over the useful life of the asset. If the fair value of the asset is less than the carrying value of the asset at the date of transaction, that difference is recognized immediately as a loss on the sale.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and other short-term highly liquid financial assets with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value.

Provisions

A provision is recognized if, as a result of a past event, the SMFG Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required

to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantees are initially recognized at fair value on the date the guarantee is given.

Subsequent to initial recognition, the SMFG Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the consolidated income statement the fee income earned over the guarantee period, and the best estimate of the expenditure required to settle any financial obligation arising at the end of the reporting period. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any increase in the liability relating to financial guarantee contracts is included in "Other expenses" in the consolidated income statement.

Employee Benefits

The SMFG Group operates various retirement benefit plans and other employee benefit plans.

Retirement benefits

The SMFG Group has defined benefit plans, such as defined benefit pension plans and lump-sum severance indemnity plans, and defined contribution plans.

(a) Defined benefit plans

The liabilities and the assets recognized in the consolidated statement of financial position in respect of defined benefit plans are the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The present value of the defined benefit obligation is calculated annually by qualified actuaries. The SMFG Group attributes the retirement benefits to periods of service on a straight-line basis because an employee's service in later years will lead to a materially higher level of benefit than in earlier years. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of AA credit-rated corporate bonds that have terms to maturity approximating those of the related obligations. In cases where there is no deep market in corporate bonds with a sufficiently long maturity to match the estimated maturity of the benefit payments, the SMFG Group uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rates for longer maturities by extrapolating current market rates along the yield curve.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets and 10% of the present value of the defined benefit obligation are recognized in the consolidated income statement over the employees' expected average remaining working lives, in accordance with the corridor approach.

Past service costs are recognized immediately in the consolidated income statement, unless the changes to the plan are conditional on the employee's remaining in service for a specified period of time ("vesting period"). If the changes to the plan are conditional on the employee's remaining in service for a vesting period, the past service costs are amortized on a straight-line basis over the vesting period.

When the calculations above result in a benefit to the SMFG Group, the recognized asset is limited to the net total of any cumulative unrecognized actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the SMFG Group if it is realizable during the life of the plan or on settlement of the plan obligations.

(b) **Defined contribution plans**

Contributions to defined contribution plans are recognized as an expense in the consolidated income statement when they are due.

Other long-term employee benefits

The SMFG Group's net obligation with respect to long-term employee benefits other than retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rates are market yields of AA credit-rated corporate bonds that have terms to maturity approximating those of the related obligations. The calculation of obligations is performed using the projected unit credit method. Any actuarial gains or losses and past service costs are recognized in the consolidated income statement in the period in which they arise.

Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences and other benefits are accounted for on an accrual basis over the period in which employees have provided services. Bonuses are recognized to the extent that the SMFG Group has a present obligation to its employees that can be measured reliably.

Income Tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the consolidated income statement except for that related to items recognized directly in equity. In such case, the income tax expense is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the fiscal year.

Deferred taxes are provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled.

Deferred tax assets principally arise from tax losses carried forward, impairment of investment securities and loans, and the allowance for loan losses.

Deferred taxes are not recognized for the following temporary differences: (a) the initial recognition of goodwill; (b) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and (c) the temporary differences associated with investments in subsidiaries, associates, and joint ventures, when the parent investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets relating to tax losses carried forward and deductible temporary differences are recognized, only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the deductible temporary differences can be utilized.

Debt and equity securities in issue

On initial recognition, financial instruments issued by the SMFG Group are classified in accordance with the substance of the contractual agreement as financial liabilities where the contractual arrangement results in the SMFG Group having a present obligation to either deliver cash or another financial asset to the holder, or to satisfy the obligation other than by delivering a fixed number of equity shares in exchange for a fixed amount of cash or another financial asset. The instruments or their components are classified as equity where they do not meet the definition of a liability and show evidence of a residual interest in the entity's assets after deducting all of its liabilities. Compound financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the entire value of the compound financial instrument the fair value of the liability component which has been determined separately.

Shareholders' Equity

Stock issuance costs

Incremental costs directly attributable to the issuance of new shares or options including those issued as a result of a business combination transaction are deducted from the proceeds and shown in equity, net of tax.

Dividends on common stock and preferred stock

Dividends on common stock and preferred stock are recognized in equity in the period in which they are approved by the shareholders. Dividends for the fiscal year that are declared after the reporting period are described in Note 41 "Dividends Per Share."

Treasury stock

Where SMFG or the SMFG Group companies purchase SMFG's common or preferred stock, the consideration paid is deducted from equity as treasury stock until they are cancelled or sold. No gain or loss is recognized on the purchase, sale, or cancellation of SMFG's own equity instruments and the consideration paid or received is recognized in equity.

Interest Income and Expense

Interest income and expense for all financial instruments, except for those classified as held for trading and financial assets at fair value through profit or loss, are recognized in "Interest income" and "Interest expense" in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the SMFG Group estimates cash flows, considering the contractual terms of the financial instrument but not including future credit losses. The calculation includes fees and points paid or received between parties to the contract that are an integral part of the effective interest rate of the financial instrument, transaction costs and other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For financial assets measured at amortized cost, the interest rate is the original effective interest rate.

Fee and Commission Income

Fee and commission income includes fee and commission income arising from a diverse range of services that the SMFG Group provides to its customers. Fee and commission income can be divided into two categories: fee and commission income from providing transaction services, and fee and commission income earned from services that are provided over a certain period of time. Fee and commission income earned from providing transaction services is recognized when the service has been completed or the event has occurred. This fee and commission income includes fees on funds transfer and collection services, service charges from deposit accounts, fees and commissions on the securities business, underwriting fees, brokerage fees, and fee and commission income from other services. Fee and commission income earned from services over a period of time is recognized over that service period. This fee and commission income includes fees on credit-related businesses, investment fund businesses, and fee and commission income from other services. Loan commitment fees, together with the related direct cost, for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan. Loan commitment fees are recognized over the term of the commitment period when it is unlikely that a loan will be drawn down.

Net Trading Income

Net trading income consists of margins made on market-making and customer business, as well as changes in fair value of trading assets and liabilities and derivative financial instruments, caused by movements in interest rates, exchange rates, equity prices and other market variables. It also includes net interest and dividend income on trading assets and liabilities.

Net Income from Financial Assets at Fair Value through Profit or Loss

Net income from financial assets at fair value through profit or loss includes all gains and losses arising from changes in the fair value of these financial assets and sales of such assets, and interest and dividend income on these financial assets.

Net Investment Income

Net investment income includes gains and losses on the disposal of available-for-sale financial assets, and dividends from available-for-sale equity instruments.

Earnings Per Share

The SMFG Group presents basic and diluted earnings per share (“EPS”) data for its common stock. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the SMFG Group by the weighted average number of common stock outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common stock outstanding for the effects of all dilutive potential common stock including share options and other convertible instruments.

Recent Accounting Pronouncements

The SMFG Group is currently assessing the impact of the following standards, amendments to standards, and interpretations that are not yet effective and have not been early adopted:

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” to require entities to separate items presented in other comprehensive income into two groups, based on whether or not they

may be reclassified to profit or loss in the future. Items that will not be reclassified will be presented separately from items that may be reclassified in the future. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after July 1, 2012.

IFRS 10 “Consolidated Financial Statements”

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements,” which replaces the consolidation requirements of IAS 27 and SIC-12. IFRS 10 contains a single consolidation model that identifies control as the basis for consolidation for all types of entities. Under IFRS 10, control is based on whether an investor has (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. IFRS 10 sets out requirements for assessing control, including cases involving potential voting rights, agency relationships, control of specified assets and circumstances in which voting rights are not the dominant factor in determining control. In June 2012, the IASB issued *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* (“Transition Guidance”). Transition Guidance clarifies the transition guidance in IFRS 10 and provides additional transition relief which limits the requirement to present adjusted comparative information to only the annual period immediately preceding the first annual period for which IFRS 10 is applied. The standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

IFRS 11 “Joint Arrangements”

In May 2011, the IASB issued IFRS 11 “Joint Arrangements,” which replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers.” IFRS 11 improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. Under IFRS 11, joint arrangements are classified either as joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. IFRS 11 also eliminates proportionate consolidation as a method to account for joint ventures. In June 2012, the IASB issued Transition Guidance to provide transition relief in IFRS 11 which limits the requirement to present adjusted comparative information to only the annual period immediately preceding the first annual period for which IFRS 11 is applied. The standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

IFRS 12 “Disclosure of Interests in Other Entities”

In May 2011, the IASB issued IFRS 12 “Disclosure of Interests in Other Entities,” which provides a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements in IAS 28 “Investments in Associates.” It expands the disclosure requirements for subsidiaries with non-controlling interests, joint arrangements and associates that are individually material. It also requires an entity to disclose the nature of, and changes in, the risk associated with its interests in both its consolidated and unconsolidated structured entities. In June 2012, the IASB issued Transition Guidance to provide transition relief in IFRS 12 which limits the requirement to present adjusted comparative information to only the annual period immediately preceding the first annual period for which IFRS 12 is applied. Transition Guidance further removes the requirement to present comparative information for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The standard is effective for annual periods beginning on or after January 1, 2013.

IAS 27 “Separate Financial Statements”

In May 2011, the IASB issued amended and retitled IAS 27 “Separate Financial Statements,” which supersedes the previous version of IAS 27. The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of the previous version of IAS 27 are replaced by IFRS 10. The amended standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

IAS 28 “Investments in Associates and Joint Ventures”

In May 2011, the IASB issued amended and retitled IAS 28 “Investments in Associates and Joint Ventures,” which supersedes the previous version of IAS 28 and conforms changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12. The amended standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

IFRS 13 “Fair Value Measurement”

In May 2011, the IASB issued IFRS 13 “Fair Value Measurement,” which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. IFRS 13 provides clear and consistent guidance for measuring fair value and addressing valuation uncertainty in markets that are no longer active. It also increases the transparency of fair value measurements by requiring detailed disclosures about fair values derived by using models. The standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

IAS 19 “Employee Benefits”

In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits” to require entities to recognize all changes in the net defined benefit liability (asset) in the period in which those changes occur. The requirements include immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components and recognition of remeasurements in other comprehensive income. The amended standard also requires additional disclosures about the risks arising from defined benefit plans. The amended standard is effective for annual periods beginning on or after January 1, 2013. If the SMFG Group had adopted the standard from the fiscal year ended March 31, 2013, shareholders’ equity would have decreased by approximately ¥180 billion at March 31, 2013.

IFRIC Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”

In October 2011, the IASB issued IFRIC Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine,” which provides guidance on the accounting for stripping costs in the production phase of a surface mine. This interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a material impact on the SMFG Group’s consolidated financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

In December 2011, the IASB issued amendments to IFRS 7 “Financial Instruments: Disclosures” to require additional disclosures for all recognized financial instruments that are set off in the statement of financial position and those recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32 “Financial Instruments: Presentation.” The amendments are effective for annual periods beginning on or after January 1, 2013.

Annual Improvements to IFRSs 2009-2011 Cycle

In May 2012, the IASB issued Annual Improvements to IFRSs 2009-2011 Cycle, a collection of amendments to standards, as part of its annual improvements process under which the IASB makes necessary, but non-urgent, amendments to standards. Five standards are primarily affected by the amendments, with consequential amendments to other standards. The amendments are effective for annual periods beginning on or after January 1, 2013 and are not expected to have a material impact on the SMFG Group's consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

In December 2011, the IASB issued amendments to IAS 32 to clarify the requirements for offsetting financial assets and financial liabilities. The amendments clarify the meaning of an entity's current legally enforceable right of set-off; that is, the right of set-off must not be contingent on a future event and must be legally enforceable for the entity and all counterparties in the normal course of business, in the event of default and in the event of insolvency or bankruptcy. The amendments also clarify that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014. The SMFG Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

In October 2012, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries. The amendments also introduce new disclosure requirements related to investment entities in IFRS 12 and IAS 27. The amendments are effective for annual periods beginning on or after January 1, 2014. The SMFG Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IFRIC Interpretation 21 "Levies"

In May 2013, the IASB issued IFRIC Interpretation 21 "Levies," which provides guidance on when an entity should recognize liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which sets out criteria for the recognition of a liability. This interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is effective for annual periods beginning on or after January 1, 2014. The SMFG Group is currently evaluating the potential impact that the adoption of the interpretation will have on its consolidated financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When the IASB issued IFRS 13, it made consequential amendments to the disclosure requirement of IAS 36 about the recoverable amount of impaired assets. The newly issued amendments clarify that the scope of those disclosures is limited, as is originally intended by the IASB, to the recoverable amount of impaired assets that is based on fair value less costs of disposals. The amendments also require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014. The SMFG Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

In June 2013, the IASB issued narrow-scope amendments to IAS 39 to allow an entity to continue hedge accounting where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2014. The SMFG Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IFRS 9 “Financial Instruments”

In November 2009 and October 2010, the IASB issued IFRS 9 “Financial Instruments,” which introduces new requirements for classifying and measuring financial assets and liabilities. The standard requires all financial assets to be classified as fair value or amortized cost. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, and the asset’s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are measured at fair value. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an instrument-by-instrument basis, to present all fair value changes from the investment in other comprehensive income. The standard also requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead, the hybrid financial instrument is assessed in its entirety as to whether it should be measured at fair value or amortized cost. The standard maintains most of the requirements in IAS 39 regarding the classification and measurement of financial liabilities. However, with the new requirements, if an entity chooses to measure a financial liability at fair value, the amount of change in its fair value that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income, rather than in profit or loss. The standard was initially issued with a mandatory effective date of January 1, 2013. However, in December 2011, the IASB issued *Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)*, which defers the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide the relief from restating prior periods by amending IFRS 7 to require additional disclosures on transition from IAS 39 to IFRS 9. The SMFG Group is currently evaluating the potential impact that the adoption of the standard will have on its consolidated financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The consolidated financial statements are influenced by estimates and management judgment, which necessarily have to be made in the course of preparation of the consolidated financial statements. Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and which are continually evaluated.

Key Sources of Estimation Uncertainty

Allowance for loan losses

Allowance for loan losses represents management’s estimate of the losses incurred in the loan portfolios at the end of each reporting period. Management exercises judgment in making assumptions and estimations when calculating the allowance for loan losses on both individually and collectively assessed loans.

The allowance for loan losses for individually significant impaired loans is estimated by management based on the expected future cash flows, taking into account factors such as historical loss information, the appropriateness of the borrower’s business plan or operational improvement plan, the status of progress of its plan, the overall support from financial institutions, and the realizable value of any collateral held. The allowance for loan losses for the remaining loans is collectively estimated by grouping financial assets into portfolios on the basis of similar credit risk characteristics and using the historical loss experience for these portfolios adjusted for

the effect of the current economic environment. To assess the losses on the loan portfolios where loss events have occurred but not yet been identified, management develops assumptions and methodologies to estimate the loss identification period.

Management estimates and judgments may change from time to time as the economic environment changes or new information becomes available. Changes in these estimates and judgments will result in a different allowance for loan losses and may have a direct impact on impairment charges. The impairment charges for loan losses totaled ¥138,375 million, ¥144,022 million and ¥259,292 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively. For additional information, refer to Note 10 “Loans and Advances” and Note 32 “Impairment Charges on Financial Assets.”

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, inputs to valuation techniques are based on observable data with respect to similar financial instruments or by using models. Where observable inputs are not available, the fair value is estimated based on appropriate assumptions that a market participant would take into account. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are certified before they are used, and calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of these financial instruments. More details about the SMFG Group’s valuation techniques, and the sensitivity analyses of fair values for financial instruments with significant unobservable inputs to reasonably possible alternative assumptions are given in Note 44 “Fair Value of Financial Assets and Liabilities.”

Impairment of available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment as a result of loss events. The SMFG Group exercises judgment in determining whether there is objective evidence of occurrence of loss events, which result in a decrease in estimated future cash flows of the financial assets. The estimation of future cash flows also requires judgment. In the assessment of impairment of available-for-sale equity instruments, the SMFG Group also considers whether there has been a significant or prolonged decline in fair value below their cost. The determination of what is a significant or prolonged decline requires management judgment.

Impairment may occur when there is objective evidence of deterioration in the financial conditions of the investee, industry and sector performance, or changes in operating and financing cash flows. The determination of impairment in this respect also includes significant management judgment.

Management estimates and judgments may change from time to time based upon future events that may or may not occur and changes in these estimates and judgments could adversely affect the carrying amounts of available-for-sale financial assets. Impairment charges on available-for-sale financial assets totaled ¥128,868 million, ¥140,288 million and ¥174,636 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively. For additional information, refer to Note 9 “Investment Securities” and Note 32 “Impairment Charges on Financial Assets.”

Impairment of goodwill

Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that it may not be recoverable. If any such indication exists, then its recoverable amount is estimated. The process to determine the recoverable amount is inherently uncertain because such recoverable

amount is determined based on a number of management estimates and judgments. The SMFG Group determines the recoverable amount using the estimated future cash flows, pre-tax discount rates, growth rates, and other factors. The estimation of future cash flows inherently reflects management judgments, even though such forecasts are prepared taking into account actual performance and external economic data. The pre-tax discount rates and growth rates may be significantly affected by market interest rates or other market conditions, which are beyond management's control, and therefore significant management judgments are made to determine these assumptions. These management judgments are made based on the facts and circumstances at the time of the impairment test, and may vary depending on the situation and the time. Changes in management judgments may result in different impairment test results and different impairment amounts recognized. For the fiscal years ended March 31, 2013, 2012 and 2011, impairment losses on goodwill were nil, ¥1,884 million and nil, respectively. For additional information, refer to Note 14 "Intangible Assets."

Provision for Interest Repayment

Provision for interest repayment represents management's estimate of future claims for the refund of so-called "gray zone interest" (interest on loans in excess of the maximum rate prescribed by the Interest Rate Restriction Act (ranging from 15% to 20%) up to the 29.2% maximum rate permitted under the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates), taking into account historical experience such as the number of customer claims for a refund, the amount of repayments and the customers' characteristics, and the length of the period the claims are expected to be received in the future.

Management estimates and judgments may change from time to time as the legal environment and market conditions change or new information becomes available. Changes in these estimates and judgments could affect the balance of provision for interest repayment. Provision for interest repayment is recorded in provisions as a liability, and it totaled ¥245,129 million and ¥400,233 million at March 31, 2013 and 2012, respectively. For additional information, refer to Note 20 "Provisions."

Retirement benefits

The SMFG Group has defined benefit plans such as defined benefit pension plans and lump-sum severance indemnity plans. The present value of the defined benefit obligation is calculated based on actuarial valuations that are dependent upon a number of assumptions, including discount rates, mortality rates and future salary (benefit) increases. The discount rates are equivalent to market yields of AA credit-rated corporate bonds that have terms to maturity approximating those of the related obligations. Future mortality rates are based on the official mortality table generally used for actuarial assumptions in Japan. Other assumptions used for the calculation of the defined benefit obligation are based on historical records. The expected return on plan assets is developed separately for each plan, typically using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Any change in these assumptions will impact actuarial gains and losses, as well as the present value of the defined benefit obligations and the net retirement benefit expense for each period. Actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets and 10% of the present value of the defined benefit obligation are recognized in the consolidated income statement over the employees' expected average remaining working lives. The amounts of cumulative unrecognized actuarial losses, net of gains, at March 31, 2013 and 2012 were ¥279,226 million and ¥307,776 million, respectively. For additional information, refer to Note 23 "Retirement Benefits."

Deferred tax assets

Deferred tax assets relating to tax losses carried forward and deductible temporary differences are recognized, only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the deductible temporary differences can be utilized. This assessment requires significant management estimates and judgments. Future taxable profit is estimated based on, among other

relevant factors, forecasted operating results, which are based on historical financial performance and the business plans that management believes to be prudent and feasible. While the SMFG Group carefully assesses the realization of tax losses carried forward and deductible temporary differences, the actual taxable profit in the future may be less than the forecast. The net deferred tax assets amounted to ¥274,427 million and ¥562,890 million at March 31, 2013 and 2012, respectively. For additional information, refer to Note 22 “Deferred Income Tax.”

Critical Accounting Judgments

Special purpose entities

The SMFG Group is involved in transactions using special purpose vehicles, which may be deemed as SPEs under IFRS in areas including the securitization of financial assets.

The SMFG Group consolidates SPEs, if the SMFG Group controls the SPEs in terms of potential indicators of control under IFRS. As it can sometimes be difficult to determine whether the SMFG Group controls an SPE, management makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

4 SEGMENT ANALYSIS

Business Segments

The SMFG Group’s business segment information is prepared based on the internal reporting system utilized by management to assess the performance of its business segments.

The SMFG Group has four main business segments: Commercial Banking, Leasing, Securities, and Consumer Finance, with the remaining operations recorded in Others. The SMFG Group changed its business segment information for the fiscal year ended March 31, 2013 in connection with making SMBC Consumer Finance Co., Ltd. (“SMBC Consumer Finance”), formerly known as Promise Co., Ltd. (“Promise”), a wholly owned subsidiary of the SMFG Group through a share exchange on April 1, 2012. The business segment previously reported as Credit Card is now reported as Consumer Finance, together with SMBC Consumer Finance and other consumer finance companies. Comparative information has been restated accordingly.

The business segment information covers SMBC, which accounts for the major portion of the SMFG Group’s total assets and revenue, in Commercial Banking, Sumitomo Mitsui Finance and Leasing Company, Limited (“SMFL”) in Leasing, SMBC Nikko Securities Inc. (“SMBC Nikko Securities”) and SMBC Friend Securities Co., Ltd. (“SMBC Friend Securities”) in Securities, and Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”), Cedyne Financial Corporation (“Cedyne”) and SMBC Consumer Finance in Consumer Finance.

Commercial Banking

SMBC represents the majority of the Commercial Banking segment, and the remainder includes domestic banking subsidiaries, such as Kansai Urban Banking Corporation (“KUBC”), THE MINATO BANK, LTD. (“The Minato Bank”) and The Japan Net Bank, Limited, as well as foreign subsidiaries, such as Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC Europe”), Manufacturers Bank and Sumitomo Mitsui Banking Corporation (China) Limited (“SMBC (China)”). Since SMBC has a significant impact on the overall performance of the SMFG Group, its performance is reported to management in more detail by dividing it into five business units by customer market: the Consumer Banking Unit, the Middle Market Banking Unit, the Corporate Banking Unit, the International Banking Unit and the Treasury Unit. In addition to the five business units, SMBC also has several cross-sectional units and divisions. The revenues and expenses of these units and divisions are in principle allocated to each business unit.

SMBC's Consumer Banking Unit

SMBC's Consumer Banking Unit provides financial services to individual consumers residing in Japan. This business unit offers a wide range of financial services including, but not limited to, personal bank accounts, investment trusts, pension-type insurance products, life insurance products and housing loans.

SMBC's Middle Market Banking Unit

SMBC's Middle Market Banking Unit provides financial services targeting mid-sized companies and small- and medium-sized enterprises. This business unit, through its sales channels and certain of other SMFG Group companies, offers its customer lending, cash management, settlement, leasing, factoring, management information systems consulting, collection and investment banking services.

SMBC's Corporate Banking Unit

SMBC's Corporate Banking Unit provides a wide range of financial products and services such as loans, deposits and settlement services, targeting large Japanese corporations and listed companies. This business unit also provides products and services such as loan syndication, structured finance, commitment lines and nonrecourse loans.

SMBC's International Banking Unit

SMBC's International Banking Unit mainly supports companies, financial institutions, sovereign/quasi-sovereign entities outside Japan, and multinational companies operating in Japan. This business unit has branches in the Americas, Europe and Middle East, and Asia and Oceania regions, forming a global network. This business unit provides a variety of tailored products and services including loans, deposits, clearing services, trade finance, project finance, loan syndication and global cash management services.

SMBC's Treasury Unit

SMBC's Treasury Unit operates in the domestic and international money, foreign exchange, securities and derivatives markets to serve customer needs and SMBC's own asset liability management requirements. To further expand SMBC's customer base, this business unit also seeks to provide specialized solutions and enhance customer service capabilities in market transactions through providing a variety of products from traditional money and foreign exchange transactions to derivative transactions.

SMBC's Others

SMBC's Others represents the difference between the aggregate of SMBC's five business units and SMBC as a whole. SMBC's Others includes the profit and loss amounts related to the Corporate Staff Unit, the Corporate Services Unit, the Compliance Unit, the Risk Management Unit and the Internal Audit Unit, which do not belong to any of the five business units. Those amounts mainly consist of administrative expenses related to the headquarters operations and profit or loss on the activities related to capital management.

Leasing

Leasing mainly consists of SMFL, SMBC Leasing and Finance, Inc., a U.S. subsidiary, and Sumitomo Mitsui Auto Service Company Limited, an associate of the SMFG Group. SMFL is one of the major leasing companies in Japan and provides a variety of leasing services such as equipment lease, operating lease, leveraged lease and aircraft operating lease. The aircraft leasing business commenced in June 2012 as SMBC Aviation Capital is included in SMFL.

Securities

Securities mainly consists of SMBC Nikko Securities and SMBC Friend Securities. SMBC Nikko Securities is one of the major Japanese securities brokers and offers a wide range of financial products, investment consultation and administration services to its individual and corporate customers in Japan. For individual customers, SMBC Nikko Securities provides consulting services to meet diversified asset management needs, and an online trading tool. For corporate customers, it offers trading capabilities and financial products, debt and equity underwriting, and M&A advisory services, mainly in Japan. SMBC Friend Securities is a full-line securities company focusing on retail business in Japan.

Consumer Finance

Consumer Finance mainly consists of Sumitomo Mitsui Card, Cedyna and SMBC Consumer Finance. Sumitomo Mitsui Card is a leading company in the domestic credit card industry, having introduced the Visa brand into the Japanese market. Sumitomo Mitsui Card conducts a comprehensive credit card business and offers a variety of settlement and financing services. Cedyna, which became the SMFG Group's subsidiary in May 2010 and became a wholly owned subsidiary in May 2011, conducts credit card, installment (such as shopping credit and automobile loan), and solution (such as collection and factoring) businesses. SMBC Consumer Finance, which became the SMFG Group's subsidiary in December 2011 and its wholly owned subsidiary on April 1, 2012, provides consumer loans that consist mainly of unsecured loans to individuals, and engages in other business including a loan guarantee business. It changed its company name from Promise in July 2012.

SMFG's Others

SMFG's Others represents the difference between the aggregate of Commercial Banking, Leasing, Securities, and Consumer Finance segments, and the SMFG Group as a whole. It mainly consists of profit or loss from SMFG on a stand-alone basis, other subsidiaries and equity-method associates, including The Japan Research Institute, Limited. It also includes internal transactions between the SMFG Group companies, which are eliminated in the consolidated financial statements.

Measurement of Segment Profit or Loss

The business segment information is prepared under the management approach. Consolidated net business profit is used as a profit indicator of banks in Japan. Consolidated net business profit is calculated by deducting general and administrative expenses (i.e., the total of personnel expense, non-personnel expense and tax, excluding nonrecurring factors) from gross profits (i.e., the total of net interest income, trust fees, net fee and commission income, net trading income and net other operating income). While the SMFG Group's disclosure complies with the requirements on segment information in accordance with IFRS, the figures reported to management and disclosed herein are prepared under accounting principles generally accepted in Japan ("Japanese GAAP"). Consequently, the business segment information does not agree with the figures in the consolidated financial statements under IFRS. These differences are addressed in the "Reconciliation of Segmental Results of Operation to Consolidated Income Statement."

Information regarding the total assets of each segment is not used by management in deciding how to allocate resources and assess performance. Accordingly, total assets are not included in the business segment information.

Segmental Results of Operation

For the fiscal year ended March 31, 2013:

	Commercial Banking								Total ⁽³⁾
	SMBC							SMBC Total	
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others			
	(In billions)								
Gross profit	¥ 374.9	¥ 412.2	¥208.0	¥240.5	¥295.3	¥ 9.2	¥1,540.1	¥1,798.6	
Net interest income	307.7	236.2	128.2	142.0	125.5	31.6	971.2	1,127.2	
Net non-interest income	67.2	176.0	79.8	98.5	169.8	(22.4)	568.9	671.4	
General and administrative expenses	(284.4)	(216.7)	(39.6)	(72.9)	(21.0)	(93.1)	(727.7)	(876.9)	
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(30.4)	
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 90.5	¥ 195.5	¥168.4	¥167.6	¥274.3	¥(83.9)	¥ 812.4	¥ 891.3	

	Leasing		Securities		Consumer Finance			Others	Total		
	SMFL	Total ⁽³⁾	SMBC	SMBC	Sumitomo Mitsui Card	Cedyna	SMBC	Total ⁽³⁾			
			Nikko Securities	Friend Securities			Consumer Finance				
	(In billions)										
Gross profit	¥114.8	¥120.4	¥ 268.9	¥ 59.4	¥ 341.5	¥ 183.1	¥ 153.5	¥165.8	¥ 526.5	¥ 15.4	¥ 2,802.4
Net interest income	40.8	46.2	(0.7)	0.4	—	15.5	29.4	117.7	164.0	61.5	1,398.9
Net non-interest income	74.0	74.2	269.6	59.0	341.5	167.6	124.1	48.1	362.5	(46.1)	1,403.5
General and administrative expenses	(51.7)	(50.8)	(194.9)	(41.4)	(247.3)	(132.6)	(118.2)	(66.2)	(331.2)	61.7	(1,444.5)
Other profit (loss) ⁽¹⁾	(4.1)	(0.3)	(0.6)	—	(2.0)	(5.7)	(21.6)	(47.7)	(73.1)	(85.9)	(191.7)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 59.0	¥ 69.3	¥ 73.4	¥ 18.0	¥ 92.2	¥ 44.8	¥ 13.7	¥ 51.9	¥ 122.2	¥ (8.8)	¥ 1,166.2

For the fiscal year ended March 31, 2012:

	Commercial Banking								Total ⁽³⁾
	SMBC							SMBC Total	
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others			
	(In billions)								
Gross profit	¥ 383.7	¥ 422.9	¥212.6	¥197.4	¥319.3	¥ (3.4)	¥1,532.5	¥1,763.9	
Net interest income	326.9	256.8	136.6	111.6	123.1	1.9	956.9	1,113.5	
Net non-interest income	56.8	166.1	76.0	85.8	196.2	(5.3)	575.6	650.4	
General and administrative expenses	(289.5)	(222.8)	(38.2)	(64.9)	(19.2)	(84.9)	(719.5)	(851.3)	
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(20.5)	
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 94.2	¥ 200.1	¥174.4	¥132.5	¥300.1	¥(88.3)	¥ 813.0	¥ 892.1	

	Leasing		Securities		Consumer Finance			Others	Total	
	SMFL	Total ⁽³⁾	SMBC	SMBC	Sumitomo Mitsui Card	Cedyna	SMBC	Total ⁽³⁾		
			Nikko Securities	Friend Securities			Consumer Finance			
	(In billions)									
Gross profit	¥ 99.1	¥102.1	¥ 222.1	¥ 48.0	¥ 277.9	¥ 179.3	¥ 160.1	¥ 436.2	¥ 30.0	¥ 2,610.1
Net interest income	58.8	62.3	(1.7)	0.5	(0.7)	18.5	36.4	111.6	62.8	1,349.5
Net non-interest income	40.3	39.8	223.8	47.5	278.6	160.8	123.7	324.6	(32.8)	1,260.6
General and administrative expenses	(43.2)	(42.6)	(180.1)	(39.1)	(224.5)	(126.6)	(120.5)	(291.9)	35.7	(1,374.6)
Other profit (loss) ⁽¹⁾	7.0	8.3	(1.7)	—	(2.6)	(9.6)	(67.3)	(134.6)	(72.2)	(221.6)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 62.9	¥ 67.8	¥ 40.3	¥ 8.9	¥ 50.8	¥ 43.1	¥ (27.7)	¥ 9.7	¥ (6.5)	¥ 1,013.9

For the fiscal year ended March 31, 2011:

	Commercial Banking							Total ⁽³⁾
	SMBC						SMBC Total	
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others		
	(In billions)							
Gross profit	¥ 387.8	¥ 443.9	¥ 201.3	¥ 186.5	¥ 330.7	¥ (18.4)	¥ 1,531.8	¥ 1,773.5
Net interest income	337.5	272.9	131.4	107.7	136.3	(18.0)	967.8	1,117.6
Net non-interest income	50.3	171.0	69.9	78.8	194.4	(0.4)	564.0	655.9
General and administrative expenses	(290.3)	(221.7)	(36.0)	(57.9)	(17.9)	(75.4)	(699.2)	(834.2)
Other profit (loss) ⁽¹⁾	—	—	—	—	—	—	—	(34.4)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 97.5	¥ 222.2	¥ 165.3	¥ 128.6	¥ 312.8	¥ (93.8)	¥ 832.6	¥ 904.9

	Leasing		Securities			Consumer Finance		Others	Total	
	SMFL	Total ⁽³⁾	SMBC Nikko Securities	SMBC Friend Securities	Total ⁽³⁾	Sumitomo Mitsui Card	Cedyna ⁽⁴⁾			
			Total ⁽³⁾	Total ⁽³⁾		Total ⁽³⁾				
	(In billions)									
Gross profit	¥105.8	¥108.4	¥ 206.2	¥ 53.3	¥ 261.6	¥ 182.3	¥ 134.4	¥ 369.9	¥ 19.2	¥ 2,532.6
Net interest income	63.0	64.8	(1.7)	0.6	(1.3)	22.9	36.8	87.6	66.9	1,335.6
Net non-interest income	42.8	43.6	207.9	52.7	262.9	159.4	97.6	282.3	(47.7)	1,197.0
General and administrative expenses	(42.0)	(41.2)	(166.6)	(42.7)	(212.4)	(129.8)	(97.5)	(252.6)	39.3	(1,301.1)
Other profit (loss) ⁽¹⁾	(14.8)	(12.2)	(1.3)	—	(5.6)	(19.9)	(37.7)	(82.6)	(94.7)	(229.5)
Consolidated net business profit ⁽²⁾⁽⁵⁾	¥ 49.0	¥ 55.0	¥ 38.3	¥ 10.6	¥ 43.6	¥ 32.6	¥ (0.8)	¥ 34.7	¥ (36.2)	¥ 1,002.0

- (1) Other profit (loss) includes non-operating profits and losses of subsidiaries other than SMBC and ordinary profit or loss of equity-method associates taking into account the ownership ratio. For the fiscal years ended March 31, 2012 and 2011, equity-method associates included Promise, a consumer lending company, which became the SMFG Group's subsidiary in December 2011 and changed its company name to SMBC Consumer Finance in July 2012.
- (2) The Group's consolidated net business profit = SMBC's business profit on a nonconsolidated basis, excluding the effect of the reversal of reserve for possible loan losses + ordinary profit of other subsidiaries (with adjustment for nonrecurring factors) + (ordinary profit of equity-method associates * ownership ratio) – internal transactions (such as dividends) under Japanese GAAP.
For the fiscal year ended March 31, 2013, consolidated net business profit of SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card and Cedyna represent the ordinary profit (loss) of each company on a nonconsolidated basis and consolidated net business profit of SMFL and SMBC Consumer Finance represent the ordinary profit (loss) of each company on a consolidated basis. Before the current fiscal year, consolidated net business profit of these subsidiaries represented the operating profit (loss) of each company on a nonconsolidated basis. Comparative information has been restated accordingly. Ordinary profit (loss) comprises profits and losses from ordinary activities which include operating and non-operating profits and losses, but exclude extraordinary items.
- (3) Total under each business segment includes the aggregation of the results from the operating units that were not separately identified (e.g., the difference between "Total" in Commercial Banking and "SMBC Total" consists of SMFG's banking subsidiaries except SMBC, such as SMBC Europe, SMBC (China), KUBC and The Minato Bank.)
- (4) The results of Cedyna for the fiscal year ended March 31, 2011 include the SMFG Group's ownership ratio of the first quarter of Cedyna's results and the full results of Cedyna for subsequent quarters.
- (5) The SMFG Group's total credit cost (reversal) for the fiscal years ended March 31, 2013, 2012 and 2011 were ¥173.1 billion, ¥116.8 billion and ¥217.3 billion, respectively, of which ¥63.7 billion, ¥78.1 billion and ¥144.6 billion were for Commercial Banking, ¥5.3 billion, ¥(4.0) billion and ¥15.0 billion were for Leasing, ¥0.3 billion, ¥1.2 billion and ¥(0.02) billion were for Securities and ¥69.3 billion, ¥46.2 billion and ¥58.4 billion were for Consumer Finance. Credit costs, including gains on recoveries of written-off claims, of SMBC are not included in consolidated net business profit, but in "Loans and advances" in the reconciliation table in the section "Reconciliation of Segmental Results of Operation to Consolidated Income Statement."

Reconciliation of Segmental Results of Operation to Consolidated Income Statement

The figures provided in the tables above are calculated by aggregating the figures used for management reporting under Japanese GAAP for each segment. The total amount of consolidated net business profit that is calculated by each segment based on the internal managerial data is reconciled to profit before tax reported in the consolidated financial statements under IFRS as shown in the following tables:

For the fiscal year ended March 31, 2013:

	Reconciliation between Consolidated net business profit and Profit before tax		
	Differences between Management reporting and Japanese GAAP	Differences between IFRS and Japanese GAAP	Total
	(In billions)		
Consolidated net business profit	¥1,166.2		¥1,166.2
Scope of consolidation	90.6	¥ 39.8	130.4
Derivative financial instruments	—	(53.3)	(53.3)
Investment securities	(35.7)	(116.3)	(152.0)
Loans and advances	(49.6)	44.2	(5.4)
Investments in associates and joint ventures	(14.4)	22.4	8.0
Property, plant and equipment	(9.8)	0.4	(9.4)
Defined benefit plans	(24.0)	19.4	(4.6)
Foreign currency translation	—	(56.9)	(56.9)
Lease accounting	—	(7.7)	(7.7)
Others	(59.2)	9.5	(49.7)
Profit before tax under Japanese GAAP	¥1,064.1		
Total differences between IFRS and Japanese GAAP		¥ (98.5)	
Profit before tax under IFRS			¥ 965.6

For the fiscal year ended March 31, 2012:

	Reconciliation between Consolidated net business profit and Profit before tax		
	Differences between Management reporting and Japanese GAAP	Differences between IFRS and Japanese GAAP	Total
	(In billions)		
Consolidated net business profit	¥1,013.9		¥1,013.9
Scope of consolidation	86.1	¥ (1.1)	85.0
Derivative financial instruments	—	(56.5)	(56.5)
Investment securities	(15.2)	(43.2)	(58.4)
Loans and advances	(56.7)	(5.1)	(61.8)
Investments in associates and joint ventures	(6.5)	23.4	16.9
Property, plant and equipment	(7.6)	6.1	(1.5)
Defined benefit plans	(32.2)	34.3	2.1
Foreign currency translation	—	0.6	0.6
Lease accounting	—	(5.3)	(5.3)
Others	(28.8)	13.0	(15.8)
Profit before tax under Japanese GAAP	¥ 953.0		
Total differences between IFRS and Japanese GAAP		¥(33.8)	
Profit before tax under IFRS			¥ 919.2

For the fiscal year ended March 31, 2011:

	Reconciliation between Consolidated net business profit and Profit before tax		
	Differences between Management reporting and Japanese GAAP	Differences between IFRS and Japanese GAAP	Total
	(In billions)		
Consolidated net business profit	¥1,002.0		¥1,002.0
Scope of consolidation	85.1	¥ 30.2	115.3
Derivative financial instruments	—	97.3	97.3
Investment securities	(87.3)	(19.2)	(106.5)
Loans and advances	(97.0)	(62.8)	(159.8)
Investments in associates and joint ventures	(12.9)	(0.4)	(13.3)
Property, plant and equipment	(10.4)	3.0	(7.4)
Defined benefit plans	(38.6)	48.6	10.0
Foreign currency translation	—	9.9	9.9
Lease accounting	—	(9.2)	(9.2)
Others	(13.6)	8.0	(5.6)
Profit before tax under Japanese GAAP	¥ 827.3		
Total differences between IFRS and Japanese GAAP		¥105.4	
Profit before tax under IFRS			¥ 932.7

Information about Geographical Areas

The following table shows the total operating income in accordance with IFRS by the main geographical areas. The SMFG Group's services are provided to domestic and foreign clients on a worldwide basis. These include transactions where SMBC's branches in Japan may deal with customers located in foreign countries and where SMBC's overseas branches may provide services to Japanese companies.

To identify income attributed to each geographical area for the purposes of this disclosure, they are aggregated based on the geographical location of the booking entity, with the assumption that transactions booked in booking entities are deemed to have occurred in their respective geographical areas.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Domestic⁽²⁾:			
Japan	¥2,426,401	¥2,501,305	¥2,584,873
Total domestic	2,426,401	2,501,305	2,584,873
Foreign⁽²⁾⁽³⁾:			
Americas	131,961	91,472	110,339
Europe and Middle East	194,887	94,698	70,791
Asia and Oceania	191,455	147,028	112,242
Total foreign	518,303	333,198	293,372
Total operating income ⁽¹⁾	¥2,944,704	¥2,834,503	¥2,878,245

(1) Total operating income comprises net interest income, net fee and commission income, net trading income, net income from financial assets at fair value through profit or loss, net investment income and other income.

(2) The geographical segmentation is determined based on the degrees of the following factors: geographic proximity, similarity of economic activities and relationship of business activities among regions.

(3) Americas includes the United States, Brazil, Canada and others; Europe and Middle East include the United Kingdom, Germany, France and others; Asia and Oceania include China, Singapore, Australia and others except Japan.

5 CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks at March 31, 2013 and 2012 consisted of the following:

	At March 31,	
	2013	2012
	(In millions)	
Cash	¥ 1,015,395	¥ 989,279
Deposits with banks	10,789,478	7,061,283
Total cash and deposits with banks	<u>¥11,804,873</u>	<u>¥8,050,562</u>

The reconciliation of cash and cash equivalents used for the purposes of the consolidated statement of cash flows at March 31, 2013, 2012 and 2011 is shown as follows:

	At March 31,		
	2013	2012	2011
	(In millions)		
Cash and deposits with banks	¥11,804,873	¥8,050,562	¥9,436,358
Less: term deposits with original maturities over three months	(711,081)	(727,139)	(680,935)
Less: cash segregated as deposits and others	(372,119)	(267,753)	(181,824)
Cash and cash equivalents	<u>¥10,721,673</u>	<u>¥7,055,670</u>	<u>¥8,573,599</u>

Private depository institutions in Japan are required to maintain certain minimum reserve funds with the Bank of Japan, based on average deposit balances and certain other factors. There are similar reserve deposit requirements for the SMFG Group's foreign offices engaged in banking businesses in foreign countries. At March 31, 2013, 2012 and 2011, the reserves at the central banks, including those minimum reserve funds, which were included in cash and cash equivalents, amounted to ¥5,400,547 million, ¥3,960,209 million and ¥3,829,002 million, respectively.

6 TRADING ASSETS

Trading assets at March 31, 2013 and 2012 consisted of the following:

	At March 31,	
	2013	2012
	(In millions)	
Debt instruments	¥3,331,405	¥4,132,979
Equity instruments	765,679	328,279
Total trading assets	<u>¥4,097,084</u>	<u>¥4,461,258</u>

Trading debt instruments mainly consist of Japanese government bonds, Japanese municipal bonds and commercial paper. Trading equity instruments mainly consist of investment funds and Japanese listed stocks.

7 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include futures, forwards, swaps, options and other types of derivative contracts, which are transactions listed on exchanges or over-the-counter ("OTC") transactions. In the normal course of business, the SMFG Group enters into a variety of derivatives for trading and risk management purposes. The SMFG Group uses derivatives for trading activities, which include facilitating customer transactions, market-making and arbitrage activities. The SMFG Group also uses derivatives to reduce its exposures to market and credit risks as part of its asset and liability management, but does not apply hedge accounting.

Derivatives are financial instruments that derive their value from the price of underlying items such as interest rates, foreign exchange rates, equities, bonds, commodities, credit spreads and other indices. The SMFG Group's derivative financial instruments mainly consist of interest rate derivatives and currency derivatives. Interest rate derivatives include interest rate swaps, interest rate futures and interest rate swaptions. Currency derivatives include foreign exchange forward transactions, currency swaps and currency options.

The tables below represent the derivative financial instruments by type and purpose of derivatives at March 31, 2013 and 2012.

	At March 31, 2013					
	Trading			Risk Management ⁽¹⁾		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
	(In millions)					
Interest rate derivatives	¥492,027,223	¥4,919,951	¥4,924,124	¥41,712,769	¥612,511	¥572,924
Futures	50,052,108	32,310	37,518	2,079,056	675	19
Listed Options	11,753,767	473	230	—	—	—
Forwards	5,747,526	521	570	—	—	—
Swaps	396,125,080	4,790,851	4,806,602	39,614,265	611,305	572,633
OTC Options	28,348,742	95,796	79,204	19,448	531	272
Currency derivatives	70,701,405	1,067,136	971,826	4,766,529	148,504	335,064
Futures	94,294	46	1	—	—	—
Listed Options	—	—	—	—	—	—
Forwards	42,511,790	730,474	667,860	295,309	431	3,595
Swaps	21,442,243	147,203	120,889	4,471,220	148,073	331,469
OTC Options	6,653,078	189,413	183,076	—	—	—
Equity derivatives	965,478	54,823	59,902	158,717	683	24,785
Futures	479,766	4,748	9,667	—	—	—
Listed Options	42,795	436	860	—	—	—
Forwards	26,599	747	389	—	—	—
Swaps	16,700	208	307	158,717	683	24,785
OTC Options	399,618	48,684	48,679	—	—	—
Commodity derivatives	231,737	45,981	28,232	—	—	—
Futures	3,386	47	87	—	—	—
Listed Options	—	—	—	—	—	—
Forwards	—	—	—	—	—	—
Swaps	212,659	45,420	27,640	—	—	—
OTC Options	15,692	514	505	—	—	—
Credit derivatives	1,899,823	5,897	20,134	—	—	—
Total derivative financial instruments	<u>¥565,825,666</u>	<u>¥6,093,788</u>	<u>¥6,004,218</u>	<u>¥46,638,015</u>	<u>¥761,698</u>	<u>¥932,773</u>

(1) Derivative financial instruments categorized as "Risk Management" are used for economic hedging, such as managing the exposure to changes in fair value of the loan portfolio, and are identified as hedges under Japanese GAAP, but the SMFG Group does not apply hedge accounting under IFRS.

At March 31, 2012

	Trading			Risk Management ⁽¹⁾		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
	(In millions)					
Interest rate derivatives	¥451,332,001	¥4,009,540	¥4,040,326	¥44,595,733	¥451,528	¥427,772
Futures	32,034,925	30,100	29,755	8,045,954	65	308
Listed Options	339,147	60	73	—	—	—
Forwards	8,824,022	1,463	1,628	—	—	—
Swaps	368,792,521	3,899,877	3,900,163	36,205,248	448,516	427,198
OTC Options	41,341,386	78,040	108,707	344,531	2,947	266
Currency derivatives	64,352,811	964,172	1,167,005	3,637,149	337,040	81,703
Futures	1,414,647	—	—	—	—	—
Listed Options	—	—	—	—	—	—
Forwards	36,202,320	570,465	496,637	244,547	755	543
Swaps	19,733,333	56,151	425,896	3,392,602	336,285	81,160
OTC Options	7,002,511	337,556	244,472	—	—	—
Equity derivatives	800,990	52,093	57,086	13,057	30	366
Futures	382,950	1,504	6,830	—	—	—
Listed Options	630	2	1	—	—	—
Forwards	32,228	823	305	—	—	—
Swaps	10,035	23	185	13,057	30	366
OTC Options	375,147	49,741	49,765	—	—	—
Commodity derivatives	284,731	68,062	40,141	—	—	—
Futures	11,737	136	146	—	—	—
Listed Options	—	—	—	—	—	—
Forwards	—	—	—	—	—	—
Swaps	255,285	67,379	39,279	—	—	—
OTC Options	17,709	547	716	—	—	—
Credit derivatives	1,675,561	19,061	36,414	—	—	—
Total derivative financial instruments	<u>¥518,446,094</u>	<u>¥5,112,928</u>	<u>¥5,340,972</u>	<u>¥48,245,939</u>	<u>¥788,598</u>	<u>¥509,841</u>

(1) Derivative financial instruments categorized as “Risk Management” are used for economic hedging, such as managing the exposure to changes in fair value of the loan portfolio, and are identified as hedges under Japanese GAAP, but the SMFG Group does not apply hedge accounting under IFRS.

Credit derivatives

The SMFG Group enters into credit derivatives to manage the risk of its commercial banking credit portfolio containing loans by hedging, as well as diversifying the credit exposure in the portfolio, and to undertake credit loss protection transactions based on the needs from customers as financial intermediation. The tables below provide information regarding the notional amounts and the fair value of credit derivatives by purpose.

	At March 31, 2013					
	Protection purchased			Protection sold		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
	(In millions)					
Managing the SMFG Group's credit risk portfolio	¥339,560	¥ 684	¥1,041	¥ 482,115	¥1,023	¥15,318
Trading purposes	103	—	3	—	—	—
Facilitating client transactions	488,635	2,065	803	589,410	2,125	2,969
Total	<u>¥828,298</u>	<u>¥2,749</u>	<u>¥1,847</u>	<u>¥1,071,525</u>	<u>¥3,148</u>	<u>¥18,287</u>

	At March 31, 2012					
	Protection purchased			Protection sold		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
	(In millions)					
Managing the SMFG Group's credit risk portfolio	¥243,077	¥ 462	¥316	¥423,232	¥ 975	¥16,837
Trading purposes	6,250	—	98	156	—	7
Facilitating client transactions	480,948	17,474	100	521,898	150	19,056
Total	<u>¥730,275</u>	<u>¥17,936</u>	<u>¥514</u>	<u>¥945,286</u>	<u>¥1,125</u>	<u>¥35,900</u>

The following table summarizes the notional amounts of the SMFG Group's credit derivative portfolio by type of counterparty at March 31, 2013 and 2012.

	At March 31, 2013		At March 31, 2012	
	Protection purchased	Protection sold	Protection purchased	Protection sold
	(In millions)			
Banks and broker-dealers	¥656,325	¥1,071,525	¥494,176	¥945,286
Insurance and other financial guaranty firms	171,973	—	236,099	—
Total	<u>¥828,298</u>	<u>¥1,071,525</u>	<u>¥730,275</u>	<u>¥945,286</u>

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss at March 31, 2013 and 2012 consisted of the following:

	At March 31,	
	2013	2012
	(In millions)	
Debt instruments	¥1,911,478	¥2,019,559
Equity instruments	133,568	130,850
Total financial assets at fair value through profit or loss	<u>¥2,045,046</u>	<u>¥2,150,409</u>

The SMFG Group classifies the entire hybrid instrument as financial assets at fair value through profit or loss when the SMFG Group is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent reporting period.

The SMFG Group also classifies certain financial assets held by a venture capital investment subsidiary as financial assets at fair value through profit or loss. These financial assets are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

9 INVESTMENT SECURITIES

Investment securities at March 31, 2013 and 2012 consisted of the following:

	At March 31,	
	2013	2012
(In millions)		
Held-to-maturity investments:		
Domestic:		
Japanese government bonds	¥ 5,514,196	¥ 4,857,096
Japanese municipal bonds	159,148	177,732
Japanese corporate bonds	166,913	242,440
Total domestic	<u>5,840,257</u>	<u>5,277,268</u>
Total held-to-maturity investments	<u>¥ 5,840,257</u>	<u>¥ 5,277,268</u>
Available-for-sale financial assets:		
Domestic:		
Japanese government bonds	¥19,577,135	¥22,530,293
Japanese municipal bonds	197,907	297,815
Japanese corporate bonds	526,264	381,963
Other debt instruments	—	117,045
Equity instruments	3,458,978	2,837,017
Total domestic	<u>23,760,284</u>	<u>26,164,133</u>
Foreign:		
U.S. Treasury and other U.S. government agency bonds	3,804,480	4,404,769
Other governments and official institutions bonds	1,215,666	538,175
Mortgage-backed securities	328,604	331,071
Other debt instruments	299,143	256,799
Equity instruments	480,103	351,885
Total foreign	<u>6,127,996</u>	<u>5,882,699</u>
Total available-for-sale financial assets	<u>¥29,888,280</u>	<u>¥32,046,832</u>
Total investment securities	<u>¥35,728,537</u>	<u>¥37,324,100</u>

Financial Stabilization Funds

The Financial Stabilization Funds were established in 1996 by the Government of Japan in connection with the restructuring program for the loans of certain failed housing-loan companies. The Government of Japan requested Japanese domestic financial institutions to contribute to the funds, including commercial banks, insurance companies, securities companies, as well as the Bank of Japan. The contributions to the funds were non-interest earning and expected to mature 15 years from the contribution date.

The funds invested principally in Japanese government bonds. The investment returns of the funds were used to make up for the losses incurred from the restructuring program. On maturity of the funds, if there were accumulated losses incurred through the collection of the loans made by the housing-loan companies (so-called “stage two losses”), the Government of Japan indicated that it would bear half of such losses.

The SMFG Group contributed ¥218,426 million to the funds when they were established. Since the contributions to the funds were non-interest earning, they were discounted to their present value at the time of the contribution and the discount was accrued until the expected maturity date using the effective interest method. The contributions to the funds were included in other debt instruments in available-for-sale financial assets and were measured at fair value. The fair value of the funds at the end of each reporting period was calculated by the DCF method using Japanese government bond yields. In March 2011, the Government of Japan approved the outline of final treatment for this program, where the Japanese domestic financial institutions, including the SMFG Group, would share the stage two losses evenly with the government and, as a consequence, would not recover a portion of the contributions to the funds. Accordingly, at March 31, 2011, the SMFG Group calculated the fair value of the funds and recognized an impairment loss based on the above development. The funds had been closed progressively in accordance with the above-mentioned outline. The SMFG Group received ¥88,476 million as part of the closure in September 2011 and ¥117,045 million as final distributions of the funds in June 2012. The SMFG Group did not recognize any additional loss for the fiscal years ended March 31, 2013 and 2012.

The balance of the SMFG Group's holdings of the funds was nil and ¥117,045 million at March 31, 2013 and 2012, respectively.

10 LOANS AND ADVANCES

The following are the principal components of loans and advances at March 31, 2013 and 2012 by industry classification.

	At March 31,	
	2013	2012
(In millions)		
Domestic:		
Manufacturing	¥ 8,071,044	¥ 8,462,004
Agriculture, forestry, fisheries and mining	164,420	152,128
Construction	1,167,115	1,284,882
Transportation, communications and public enterprises	4,708,870	4,414,102
Wholesale and retail	5,388,032	5,480,393
Finance and insurance	2,715,862	2,170,776
Real estate and goods rental and leasing	8,145,769	7,982,741
Services	4,404,359	4,076,818
Municipalities	1,270,981	1,234,355
Lease financing	2,058,284	2,056,972
Consumer ⁽¹⁾	18,834,079	19,185,574
Others	3,341,636	4,155,960
Total domestic	<u>60,270,451</u>	<u>60,656,705</u>
Foreign:		
Public sector	121,611	130,426
Financial institutions	2,500,624	2,012,751
Commerce and industry	13,502,283	10,364,685
Lease financing	208,099	191,966
Others	793,653	706,175
Total foreign	<u>17,126,270</u>	<u>13,406,003</u>
Gross loans and advances	77,396,721	74,062,708
Adjust: Unearned income, unamortized premiums—net and deferred loan fees—net	(147,186)	(144,731)
Less: Allowance for loan losses	(1,262,478)	(1,381,164)
Net loans and advances	<u>¥75,987,057</u>	<u>¥72,536,813</u>

(1) The balance in Consumer mainly consists of housing loans. The housing loan balances amounted to ¥14,520,154 million and ¥14,574,702 million at March 31, 2013 and 2012, respectively.

Reconciliation of allowance for loan losses is as follows:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions, except percentages)		
Allowance for loan losses at beginning of period	¥1,381,164	¥1,587,133	¥1,533,555
Provision for loan losses	138,375	144,022	259,292
Charge-offs:			
Domestic	241,137	306,607	175,717
Foreign	23,061	48,618	24,044
Total	<u>264,198</u>	<u>355,225</u>	<u>199,761</u>
Recoveries:			
Domestic	10,103	4,595	2,624
Foreign	333	207	190
Total	<u>10,436</u>	<u>4,802</u>	<u>2,814</u>
Net charge-offs	253,762	350,423	196,947
Others ⁽¹⁾	(3,299)	432	(8,767)
Allowance for loan losses at end of period	<u>¥1,262,478</u>	<u>¥1,381,164</u>	<u>¥1,587,133</u>
Allowance for loan losses applicable to foreign activities:			
Balance at beginning of period	<u>¥ 87,344</u>	<u>¥ 108,612</u>	<u>¥ 121,797</u>
Balance at end of period	<u>¥ 74,868</u>	<u>¥ 87,344</u>	<u>¥ 108,612</u>
Provision for loan losses	<u>¥ 1,692</u>	<u>¥ 30,675</u>	<u>¥ 19,501</u>
Ratio of net charge-offs to average loans outstanding during the period	0.34%	0.47%	0.27%

(1) Others mainly include foreign exchange translations as well as the exclusion of the allowance for loan losses related to ORIX Credit Corporation, as SMBC transferred all of its shares of ORIX Credit Corporation to ORIX Corporation in June 2012 for the fiscal year ended March 31, 2013, whereas the amount for the fiscal year ended March 31, 2011 mainly includes foreign exchange translations.

11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following table presents the SMFG Group's principal associates and joint venture at March 31, 2013. Investments in associates and joint ventures of the SMFG Group are accounted for using the equity method unless they are held for sale.

Company Name	Country of Incorporation	Proportion of Ownership Interest ⁽¹⁾ (%)	Proportion of Voting Rights ⁽¹⁾ (%)	Main Business
Principal Associates				
Vietnam Export Import Commercial Joint Stock Bank	Vietnam	15.0	15.0	Commercial banking
Sumitomo Mitsui Auto Service Company, Limited	Japan	33.9	33.9	Leasing
NEC Capital Solutions Limited	Japan	25.0	25.0	Leasing
POCKET CARD CO., LTD.	Japan	35.5	35.5	Credit card
JSOL Corporation	Japan	50.0	50.0	System development and data processing
Sakura Information Systems Co., Ltd.	Japan	49.0	49.0	System engineering and data processing
Daiwa SB Investments Ltd.	Japan	43.9	43.9	Investment advisory and investment trust management
Sumitomo Mitsui Asset Management Company, Limited	Japan	40.0	40.0	Investment advisory and investment trust management
China Post & Capital Fund Management Co., Ltd.	China	24.0	24.0	Investment advisory and investment trust management
Principal Joint Venture				
Daiwa Securities SMBC Principal Investments Co., Ltd.	Japan	40.0	40.0	Investments, fund management

(1) Percentages of proportion of ownership interest and proportion of voting rights have been truncated.

The SMFG Group accounts for certain investees, including Vietnam Export Import Commercial Joint Stock Bank, as associates regardless of its below 20% holdings of the voting rights to these investees, since the SMFG Group has the ability to exercise significant influence over these investees through participation in the policy making process at the meeting of the board of directors, the provision of essential technical information, or other relevant agreements or relationships.

On the other hand, the SMFG Group accounts for certain investees as available-for-sale financial assets regardless of its 20% or more holdings of the voting rights to these investees because the SMFG Group has contracts or arrangements with other investors by which the SMFG Group loses the power to exert significant influence over such investees.

The changes in the SMFG Group's share of net assets of associates and joint ventures for the fiscal years ended March 31, 2013 and 2012 were as follows:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
At beginning of period	¥206,660	¥201,135
Share of post-tax profit (loss) of associates and joint ventures	19,593	(25,004)
Dividends paid	(4,789)	(3,743)
Changes in scope of consolidation	(943)	21,455
New investments	34,085	580
Disposals	(3,422)	(2,829)
Impairment losses ⁽¹⁾	(7,347)	(656)
Reversal of impairment losses ⁽²⁾	14,970	19,333
Exchange differences and others	1,688	(3,611)
At end of period	<u>¥260,495</u>	<u>¥206,660</u>

(1) Impairment losses are included in "Other expenses" in the consolidated income statement.

(2) Reversal of impairment losses is included in "Other income" in the consolidated income statement.

Summarized financial information of the SMFG Group's associates and joint ventures at and for the fiscal years ended March 31, 2013 and 2012 was as follows:

	At and for the fiscal year ended March 31,	
	2013	2012
	(In millions)	
Total assets	¥2,735,250	¥2,726,397
Total liabilities	2,190,779	2,221,169
Revenues	778,943	932,912
Expenses	734,667	1,055,524
Net profit (loss)	44,276	(122,612)

The above amounts represent the aggregate of total assets, total liabilities, revenues, expenses and net profit or loss of each associate and joint venture. They are principally based on the financial statements of the associates and joint ventures at March 31, 2013 and 2012. For the fiscal year ended March 31, 2011, revenues, expenses and net loss of the SMFG Group's associates and joint ventures were ¥1,050,230 million, ¥1,083,956 million and ¥33,726 million, respectively.

The fair value of investments in associates for which there were published price quotations at March 31, 2013 and 2012 was as follows:

	At March 31,	
	2013	2012
	(In millions)	
Vietnam Export Import Commercial Joint Stock Bank	¥12,093	¥12,825
NEC Capital Solutions Limited	12,672	7,390
POCKET CARD CO., LTD.	16,339	9,754

There are no significant restrictions on the ability of associates or joint ventures to transfer funds to the SMFG Group in the form of cash dividends, repayment of loans and advances.

12 PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment for the fiscal years ended March 31, 2013 and 2012.

	<u>Assets for rent</u>	<u>Land</u>	<u>Buildings</u>	<u>Leased assets</u>	<u>Others</u>	<u>Total</u>
	(In millions)					
Cost	¥ 259,640	¥510,874	¥ 614,043	¥ 19,781	¥ 359,034	¥1,763,372
Accumulated depreciation and impairment losses	(115,588)	(9,355)	(340,229)	(8,735)	(249,982)	(723,889)
Net carrying amount at April 1, 2011	144,052	501,519	273,814	11,046	109,052	1,039,483
Additions	36,105	1,473	27,659	1,149	53,850	120,236
Acquisition of subsidiaries	—	3,360	2,339	197	3,308	9,204
Disposals	(12,266)	(3,612)	(3,707)	(293)	(3,502)	(23,380)
Depreciation	(27,270)	—	(18,784)	(2,831)	(28,882)	(77,767)
Impairment losses	—	(751)	(2,927)	(76)	(3)	(3,757)
Exchange differences	(777)	(277)	(104)	2	(113)	(1,269)
Others	(43)	(8,575)	9,623	(14)	(18,735)	(17,744)
Net carrying amount	139,801	493,137	287,913	9,180	114,975	1,045,006
Cost	257,388	501,364	621,188	19,240	392,488	1,791,668
Accumulated depreciation and impairment losses	(117,587)	(8,227)	(333,275)	(10,060)	(277,513)	(746,662)
Net carrying amount at March 31, 2012	139,801	493,137	287,913	9,180	114,975	1,045,006
Additions	126,534	112	22,823	2,372	40,093	191,934
Acquisition of subsidiaries	592,868	—	365	21	56	593,310
Disposals	(76,131)	(7,055)	(3,608)	(221)	(2,222)	(89,237)
Depreciation	(42,199)	—	(20,317)	(2,284)	(28,347)	(93,147)
Impairment losses	—	(505)	(3,720)	—	(108)	(4,333)
Exchange differences	116,756	9	800	(5)	1,416	118,976
Others	8,196	(7,771)	3,192	2	(8,134)	(4,515)
Net carrying amount	865,825	477,927	287,448	9,065	117,729	1,757,994
Cost	1,003,315	484,186	628,293	16,114	383,819	2,515,727
Accumulated depreciation and impairment losses	(137,490)	(6,259)	(340,845)	(7,049)	(266,090)	(757,733)
Net carrying amount at March 31, 2013	<u>¥ 865,825</u>	<u>¥477,927</u>	<u>¥ 287,448</u>	<u>¥ 9,065</u>	<u>¥ 117,729</u>	<u>¥1,757,994</u>

The impairment losses on property, plant and equipment are included in “Other expenses” in the consolidated income statement.

The SMFG Group had ¥283,970 million and ¥44,058 million of contractual commitments to acquire property, plant and equipment at March 31, 2013 and 2012, respectively.

The carrying amount of items of property, plant and equipment on which there was a restriction on sale was ¥10,004 million and ¥10,126 million at March 31, 2013 and 2012, respectively.

The carrying amount of items of property, plant and equipment pledged as security for liabilities was ¥12,496 million and ¥14,336 million at March 31, 2013 and 2012, respectively.

13 LEASES

As Lessee

The SMFG Group leases land and buildings, office equipment, and other tangible and intangible assets from third parties under finance leases or operating leases.

The carrying amount of assets held under finance leases

The carrying amount of assets held under finance leases at March 31, 2013 and 2012 consisted of the following:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Tangible assets:		
Land and buildings	¥4,869	¥4,266
Other tangible assets ⁽¹⁾	4,196	4,914
Total ⁽²⁾	<u>9,065</u>	<u>9,180</u>
Intangible assets:		
Software	104	200
Total ⁽³⁾	<u>¥9,169</u>	<u>¥9,380</u>

(1) Other tangible assets include mainly equipment, machinery and vehicles.

(2) Cross-reference to Leased assets in Note 12 "Property, Plant and Equipment."

(3) The SMFG Group has sublet leased assets classified as finance leases (the carrying amount of those assets is not included in table above). Future minimum sublease payments related to sublet leased assets are included in finance lease commitments.

Finance lease commitments

The total of future minimum lease payments and their present value under finance leases at March 31, 2013 and 2012 were as follows:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Not later than one year	¥ 21,117	¥19,225
Later than one year and not later than five years	52,226	31,991
Later than five years	30,720	5,608
Total	104,063	56,824
Less: Future interest charges	(6,109)	(2,533)
Present value of finance lease commitments ⁽¹⁾	<u>¥ 97,954</u>	<u>¥54,291</u>

(1) Present value of finance lease commitments is included in "Borrowings" in the consolidated statement of financial position. See Note 18 "Borrowings."

At March 31, 2013 and 2012, the total amounts of future minimum sublease payments to be received under non-cancellable subleases were ¥64,093 million and ¥45,552 million, respectively.

Operating lease commitments

The total amounts of future minimum lease payments under non-cancellable operating leases at March 31, 2013 and 2012 were as follows:

	At March 31,	
	2013	2012
	(In millions)	
Not later than one year	¥ 45,180	¥ 42,247
Later than one year and not later than five years	121,168	114,998
Later than five years	165,349	179,414
Total future minimum lease payments under non-cancellable operating leases	<u>¥331,697</u>	<u>¥336,659</u>

For the fiscal years ended March 31, 2013, 2012 and 2011, ¥41,709 million, ¥38,106 million and ¥30,360 million were recognized as expenses in respect of operating lease and sublease agreements, of which ¥41,660 million, ¥38,047 million and ¥30,303 million related to minimum lease payments, and ¥49 million, ¥59 million and ¥57 million related to sublease payments, respectively. Lease expenses recognized in respect of lease and sublease agreements are included in “General and administrative expenses” in the consolidated income statement.

As Lessor

The SMFG Group leases assets to third parties under finance leases or operating leases, including machinery, equipment, aircraft, vessel and property.

Finance lease receivable

The gross investment in the lease, unearned finance income, present value of the minimum lease payments receivable and unguaranteed residual values under finance leases at March 31, 2013 and 2012 were as follows:

	At March 31, 2013			
	Gross investment in the lease	Unearned finance income	Present value of the minimum lease payments receivable ⁽¹⁾	Unguaranteed residual values ⁽¹⁾
	(In millions)			
Not later than one year	¥ 778,552	¥ 65,413	¥ 713,139	¥ 34,103
Later than one year and not later than five years . . .	1,233,768	95,767	1,138,001	94,347
Later than five years	268,057	32,158	235,899	50,894
Total	<u>¥2,280,377</u>	<u>¥193,338</u>	<u>¥2,087,039</u>	<u>¥179,344</u>

	At March 31, 2012			
	Gross investment in the lease	Unearned finance income	Present value of the minimum lease payments receivable ⁽¹⁾	Unguaranteed residual values ⁽¹⁾
	(In millions)			
Not later than one year	¥ 777,722	¥ 68,133	¥ 709,589	¥ 15,937
Later than one year and not later than five years . . .	1,260,688	97,041	1,163,647	115,586
Later than five years	251,528	34,591	216,937	27,242
Total	<u>¥2,289,938</u>	<u>¥199,765</u>	<u>¥2,090,173</u>	<u>¥158,765</u>

(1) Present value of the minimum lease payments receivable and unguaranteed residual values are included in “Loans and advances” in the consolidated statement of financial position.

Accumulated allowance for uncollectible minimum lease payments receivable was ¥20,346 million and ¥16,266 million at March 31, 2013 and 2012, respectively.

Operating lease receivable

The total amounts of the future minimum lease payments receivable under non-cancellable operating leases at March 31, 2013 and 2012 were as follows:

	At March 31,	
	2013	2012
	(In millions)	
Not later than one year	¥113,679	¥ 35,329
Later than one year and not later than five years	288,443	100,369
Later than five years	179,357	58,446
Total	<u>¥581,479</u>	<u>¥194,144</u>

For the fiscal years ended March 31, 2013, 2012 and 2011, ¥11,331 million, nil and nil were recognized as income in respect of contingent rents, respectively.

14 INTANGIBLE ASSETS

Goodwill

The table below shows the changes in goodwill by business segment for the fiscal years ended March 31, 2013 and 2012.

	Commercial Banking	Leasing	Securities	Consumer Finance	Others	Total
	(In millions)					
Gross amount of goodwill	¥11,197	¥102,710	¥256,936	¥10,644	¥ 1,958	¥383,445
Accumulated impairment losses	—	—	(10,067)	(3,918)	(74)	(14,059)
Net carrying amount at April 1, 2011	<u>11,197</u>	<u>102,710</u>	<u>246,869</u>	<u>6,726</u>	<u>1,884</u>	<u>369,386</u>
Acquisitions ⁽¹⁾	—	—	—	56,692	—	56,692
Impairment losses	—	—	—	—	(1,884)	(1,884)
Net carrying amount	<u>11,197</u>	<u>102,710</u>	<u>246,869</u>	<u>63,418</u>	<u>—</u>	<u>424,194</u>
Gross amount of goodwill	11,197	102,710	256,936	67,336	1,958	440,137
Accumulated impairment losses	—	—	(10,067)	(3,918)	(1,958)	(15,943)
Net carrying amount at March 31, 2012	<u>11,197</u>	<u>102,710</u>	<u>246,869</u>	<u>63,418</u>	<u>—</u>	<u>424,194</u>
Acquisitions ⁽²⁾	—	6,064	—	—	—	6,064
Impairment losses	—	—	—	—	—	—
Exchange differences	—	1,162	—	—	—	1,162
Net carrying amount	<u>11,197</u>	<u>109,936</u>	<u>246,869</u>	<u>63,418</u>	<u>—</u>	<u>431,420</u>
Gross amount of goodwill	11,197	109,936	256,936	63,418	1,958	443,445
Accumulated impairment losses	—	—	(10,067)	—	(1,958)	(12,025)
Net carrying amount at March 31, 2013	<u>¥11,197</u>	<u>¥109,936</u>	<u>¥246,869</u>	<u>¥63,418</u>	<u>¥ —</u>	<u>¥431,420</u>

(1) The SMFG Group recognized goodwill of ¥56,692 million in Consumer Finance resulting from the acquisition of SMBC Consumer Finance, formerly known as Promise. For additional information, refer to Note 48 "Acquisitions."

(2) The SMFG Group recognized goodwill of ¥6,064 million in Leasing resulting from the acquisition of the aircraft leasing business commenced in June 2012 as SMBC Aviation Capital. For additional information, refer to Note 48 "Acquisitions."

Since the SMFG Group changed its business segment for the fiscal year ended March 31, 2013 as described in Note 4 “Segment Analysis,” the comparative information for prior periods has been restated.

The impairment losses on goodwill are included in “Other expenses” in the consolidated income statement.

Impairment testing of goodwill

(a) Allocating goodwill to cash-generating units

For the purpose of impairment testing, goodwill is allocated to cash-generating units or group of cash-generating units, which represent the lowest level within the entity at which goodwill is monitored for internal purposes.

At March 31, 2013 and 2012, the SMFG Group allocated goodwill to KUBC within Commercial Banking amounting to ¥11,197 million, to SMFL within Leasing amounting to ¥102,710 million, to SMBC Nikko Securities and SMBC Friend Securities within Securities amounting to ¥172,253 million and ¥74,616 million, respectively, and to SMBC Consumer Finance within Consumer Finance amounting to ¥56,692 million.

The aggregate amounts of other goodwill were ¥13,952 million and ¥6,726 million at March 31, 2013 and 2012, respectively, and they were not considered individually significant.

(b) Timing of impairment tests

The SMFG Group performs impairment tests at least annually and whenever there is an indication that the cash-generating unit may be impaired.

(c) Recoverable amount of cash-generating units

To determine whether an impairment loss shall be recognized, the carrying amount of a cash-generating unit is compared to its recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell: The fair value less costs to sell is determined using an observable market price for the cash-generating unit in the active market at the date of the impairment test.

Value in use: The value in use is determined based on discounted future cash flows, which are based on the financial plans which have been approved by management and which are valid when the impairment test is performed. The financial plans are prepared taking into account the current economic and regulatory environment, direction of the regulation and business forecasts of the individual cash-generating units.

The SMFG Group determined the recoverable amounts of the primary cash-generating units based on the value in use.

The financial plans, which are used to estimate the cash flow projections of the cash-generating units, cover three to five years. The cash flow projections beyond the period covered by the financial plans are extrapolated by applying the appropriate growth rates in perpetuity.

(d) Key assumptions used in impairment testing

The key assumptions used for the value in use calculations for the fiscal years ended March 31, 2013 and 2012 were as follows:

	<u>KUBC</u>	<u>SMFL</u>	<u>SMBC Nikko Securities</u>	<u>SMBC Friend Securities</u>	<u>SMBC Consumer Finance</u>
For the fiscal year ended March 31, 2013:					
Pre-tax discount rate	7.08%	7.17%	12.47%	8.83%	7.92%
Growth rate	1.00%	1.00%	1.00%	1.00%	1.00%
For the fiscal year ended March 31, 2012:					
Pre-tax discount rate	6.78%	9.50%	11.14%	8.01%	11.81%
Growth rate	1.00%	1.00%	1.00%	1.00%	1.00%

Management considers that the pre-tax discount rates and the growth rates are the most sensitive key assumptions to determine the value in use of the cash-generating units.

Pre-tax discount rate: The pre-tax discount rates used to estimate the discounted cash flow of the primary cash-generating units are determined based on the Capital Asset Pricing Model (“CAPM”). The risk-free interest rate, the market risk premium and the beta factor that are used in the CAPM are determined based on market data and other external sources of information. The beta factor is determined based on a respective group of peer companies of the cash-generating units.

Growth rate: The growth rates used to estimate the cash flow projections beyond the period covered by the financial plans, which shall cover a maximum period of five years, are determined based on the expected long-term inflation rate and long-term average growth rates for the industries. The growth rate does not exceed the long-term growth rate for the industry in which the cash-generating unit operates.

Management believes that there were no reasonably possible changes in any of the key assumptions that would lead to the recoverable amounts of the cash-generating units being below these carrying amounts for the fiscal years ended March 31, 2013 and 2012.

Other intangible assets

The table below shows the changes in other intangible assets for the fiscal years ended March 31, 2013 and 2012.

	Internally generated software	Purchased software	Contractual customer relationships	Trademarks	Other intangibles	Total
	(In millions)					
Cost	¥ 349,843	¥185,232	¥ 96,330	¥ 37,308	¥22,382	¥ 691,095
Accumulated amortization and impairment losses	(216,473)	(56,533)	(9,049)	(5,577)	(3,172)	(290,804)
Net carrying amount at April 1, 2011	133,370	128,699	87,281	31,731	19,210	400,291
Additions	64,474	32,311	—	—	4,596	101,381
Acquisition of subsidiaries	2,548	1,302	58,832	3,848	23	66,553
Disposals	(419)	(401)	—	—	(268)	(1,088)
Amortization	(47,485)	(33,252)	(7,246)	(3,827)	(613)	(92,423)
Impairment losses	—	(5)	—	—	(100)	(105)
Exchange differences	(10)	(36)	—	—	1	(45)
Others	2,316	(614)	—	—	(1,293)	409
Net carrying amount	154,794	128,004	138,867	31,752	21,556	474,973
Cost	430,080	195,202	155,162	41,156	24,589	846,189
Accumulated amortization and impairment losses	(275,286)	(67,198)	(16,295)	(9,404)	(3,033)	(371,216)
Net carrying amount at March 31, 2012 ..	154,794	128,004	138,867	31,752	21,556	474,973
Additions	74,496	27,300	—	—	4,184	105,980
Acquisition of subsidiaries	—	—	—	—	4,594	4,594
Disposals	(247)	(529)	—	—	(7,594)	(8,370)
Amortization	(53,060)	(35,026)	(10,004)	(4,116)	(751)	(102,957)
Impairment losses	—	—	—	—	(35)	(35)
Exchange differences	39	796	—	—	886	1,721
Others	1,128	(925)	—	—	(4,265)	(4,062)
Net carrying amount	177,150	119,620	128,863	27,636	18,575	471,844
Cost	519,174	186,470	155,162	41,156	22,263	924,225
Accumulated amortization and impairment losses	(342,024)	(66,850)	(26,299)	(13,520)	(3,688)	(452,381)
Net carrying amount at March 31, 2013 ..	¥ 177,150	¥119,620	¥128,863	¥ 27,636	¥18,575	¥ 471,844

The impairment losses on intangible assets are included in “Other expenses” and the amortization expenses of intangible assets are included in “General and administrative expenses” in the consolidated income statement.

The SMFG Group had ¥2,469 million and ¥503 million of contractual commitments to acquire intangible assets at March 31, 2013 and 2012, respectively.

The amounts of research and development expenditure recognized as expenses for the fiscal years ended March 31, 2013, 2012 and 2011 were ¥141 million, ¥291 million and ¥521 million, respectively, and they were included in “General and administrative expenses” in the consolidated income statement.

Other intangibles at March 31, 2013 and 2012 include leasehold rights, amounting to ¥7,565 million and ¥7,616 million, respectively, which are rights to use land for the purpose of owning the buildings. Since the

SMFG Group has a long history of renewal, these contracts are not expected to be terminated in the foreseeable future. Leasehold rights are expected to generate cash flows for an indefinite period of time. They are not amortized but are tested for impairment annually, irrespective of whether there is any indication of impairment.

15 OTHER ASSETS

Other assets at March 31, 2013 and 2012 consisted of the following:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Prepaid expenses	¥ 42,421	¥ 40,650
Accrued income	357,174	329,956
Receivables from brokers, dealers and customers for securities transactions	1,260,309	1,034,097
Retirement benefit assets	212,336	180,911
Security deposits	115,835	120,637
Investment properties ⁽¹⁾	242,065	149,772
Others	580,615	511,277
Total other assets	<u>¥2,810,755</u>	<u>¥2,367,300</u>

- (1) Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses. The fair values of investment properties were ¥239,542 million and ¥143,722 million at March 31, 2013 and 2012, respectively. The fair values were mainly determined based on market values provided by independent valuation appraisers having the appropriate recognized professional qualifications and recent experience in the locations and categories of properties being valued. Rental income from investment properties was ¥11,198 million, ¥11,392 million and ¥10,871 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

16 DEPOSITS

Deposits at March 31, 2013 and 2012 consisted of the following:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Non-interest-bearing demand deposits	¥ 14,315,261	¥13,834,841
Interest-bearing deposits:		
Demand deposits	37,216,578	35,149,464
Deposits at notice	6,106,279	4,497,785
Time deposits	27,701,057	26,863,517
Negotiable certificates of deposit	11,755,654	8,593,638
Others ⁽¹⁾	3,926,584	3,914,321
Total deposits	<u>¥101,021,413</u>	<u>¥92,853,566</u>

- (1) Others include, among other items, foreign currency deposits in domestic offices and Japanese yen accounts held by foreign depositors in domestic offices.

17 TRADING LIABILITIES

Trading liabilities at March 31, 2013 and 2012 consisted of the following:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Debt instruments "short position"	¥1,908,138	¥2,171,010
Equity instruments "short position"	2,767	2,557
Total trading liabilities	<u>¥1,910,905</u>	<u>¥2,173,567</u>

Trading liabilities include the instruments classified as held for trading. Trading debt instruments mainly consist of Japanese government bonds. Trading equity instruments mainly consist of Japanese listed stocks.

18 BORROWINGS

Short-term borrowings and long-term borrowings (with original maturities of more than one year) at March 31, 2013 and 2012 consisted of the following:

	Interest rate	At March 31,	
		2013	2012
(In millions)			
SMBC:			
Short-term borrowings	0.10%-3.54%	¥ 736,545	¥ 3,151,463
Long-term borrowings:			
Unsubordinated			
Floating rate borrowing, payable in Japanese yen, due 2012-2033	0.05%-0.35%	84,997	77,332
Floating rate borrowing, payable in United States dollars, due 2014-2028	0.45%-1.12%	528,984	322,270
Other fixed or floating rate borrowing, due 2012-2026	0.01%-6.10%	93,570	85,421
Subordinated			
Fixed rate borrowing, payable in Japanese yen, due 2012-2027	1.28%-4.50%	298,000	358,000
Floating rate borrowing, payable in Japanese yen, due 2012	1.64%	—	5,000
Total SMBC		<u>1,742,096</u>	<u>3,999,486</u>
Other subsidiaries:			
Short-term borrowings	0.05%-6.44%	1,731,116	3,241,091
Long-term borrowings:			
Unsubordinated			
Fixed rate borrowing, payable in Japanese yen, due 2012-2031	0.10%-5.65%	411,531	613,543
Fixed rate borrowing, payable in United States dollars, due 2012-2020	0.86%-5.96%	92,853	81,909
Fixed rate borrowing, payable in Thai baht, due 2012-2017	2.85%-6.30%	14,500	12,197
Fixed rate borrowing, payable in Chinese yuan, due 2012-2017	4.00%-6.15%	18,244	27,168
Floating rate borrowing, payable in Japanese yen, due 2012-2033	0.25%-3.44%	713,375	892,996
Floating rate borrowing, payable in United States dollars, due 2012-2027	0.36%-2.33%	369,539	44,084
Floating rate borrowing, payable in Chinese yuan, due 2012-2015	4.86%-7.32%	35,169	42,342
Floating rate borrowing, payable in euros, due 2015	1.00%	31,378	50,411
Other fixed or floating rate borrowing, due 2012-2017	0.73%-8.95%	4,518	3,927
Subordinated			
Fixed rate borrowing, payable in Japanese yen, due 2021	1.35%	5,200	—
Floating rate borrowing, payable in Japanese yen, due 2015-2022	2.15%-2.85%	11,250	11,250
Total other subsidiaries		<u>3,438,673</u>	<u>5,020,918</u>
Liabilities associated with securitization transactions:			
Fixed rate borrowing, payable in Japanese yen, due 2012-2047	0.32%-3.13%	1,102,271	1,233,810
Floating rate borrowing, payable in Japanese yen, due 2012-2033	0.43%-2.50%	94,549	104,353
Total liabilities associated with securitization transactions		<u>1,196,820</u>	<u>1,338,163</u>
Lease obligations	—	<u>97,954</u>	<u>54,291</u>
Total borrowings		<u>¥6,475,543</u>	<u>¥10,412,858</u>

The interest rates shown in the above table are the contractual rates in effect at March 31, 2013 and 2012, and thus do not represent the actual effective interest rates. Maturity information for certain subordinated borrowings is based on the date of callable options.

19 DEBT SECURITIES IN ISSUE

Debt securities in issue at March 31, 2013 and 2012 consisted of the following:

	Interest rate	At March 31,	
		2013	2012
(In millions)			
SMBC:			
Commercial paper	0.05%-1.02%	¥1,519,500	¥1,213,249
Bonds:			
Bonds, payable in Japanese yen, due 2012-2037	0.00%-4.59%	1,087,501	1,253,026
Bonds, payable in United States dollars, due 2013-2023	0.90%-3.95%	1,135,379	572,761
Bonds, payable in Australian dollars, due 2013-2016	3.29%-5.76%	116,439	82,642
Bonds, payable in British pounds sterling, due 2016	1.06%	35,773	—
Subordinated bonds:			
Subordinated bonds, payable in Japanese yen, due 2012-Perpetual	0.45%-2.97%	1,567,612	1,930,059
Subordinated bonds, payable in United States dollars, due 2012-Perpetual	4.85%-8.00%	169,135	208,595
Subordinated bonds, payable in euros, due 2020-Perpetual	4.00%-4.38%	128,919	117,246
Total SMBC		<u>5,760,258</u>	<u>5,377,578</u>
Other subsidiaries:			
Commercial paper	0.10%-0.45%	1,671,175	1,530,415
Bonds:			
Bonds, payable in Japanese yen, due 2012-2043	0.23%-16.60%	359,722	267,529
Bonds, payable in United States dollars, due 2012	5.95%	—	41,638
Bonds, payable in Chinese yuan, due 2013-2015	2.50%-4.00%	16,665	6,520
Subordinated bonds:			
Subordinated bonds, payable in Japanese yen, due 2018-Perpetual	2.01%-4.50%	142,200	142,200
Other:			
Liabilities to third parties under investment contracts	—	135,243	11,862
Total other subsidiaries		<u>2,325,005</u>	<u>2,000,164</u>
Total debt securities in issue		<u>¥8,085,263</u>	<u>¥7,377,742</u>

Interest rates represent the contractual interest rates that were applied at March 31, 2013 and 2012, and thus do not represent the actual effective interest rates.

20 PROVISIONS

The following table presents movements by class of provisions for the fiscal years ended March 31, 2013 and 2012.

	<u>Provision for interest repayment</u>	<u>Other provisions</u>	<u>Total</u>
	(In millions)		
Balance at April 1, 2011	¥ 72,219	¥24,134	¥ 96,353
Additional provisions	27,473	9,659	37,132
Amounts used	(66,121)	(6,712)	(72,833)
Unused amounts reversed	(293)	(2,076)	(2,369)
Amortization of discount and effect of change in discount rate	(266)	190	(76)
Acquisition of subsidiaries	367,221	—	367,221
Others	—	(78)	(78)
Balance at March 31, 2012	<u>400,233</u>	<u>25,117</u>	<u>425,350</u>
Additional provisions	39	16,922	16,961
Amounts used	(154,752)	(7,571)	(162,323)
Unused amounts reversed	(370)	(646)	(1,016)
Amortization of discount and effect of change in discount rate	748	213	961
Acquisition of subsidiaries	—	—	—
Others	(769)	(33)	(802)
Balance at March 31, 2013	<u>¥ 245,129</u>	<u>¥34,002</u>	<u>¥ 279,131</u>

Provision for Interest Repayment

Japan has two laws restricting interest rates on loans. The Interest Rate Restriction Act sets the maximum interest rates on loans ranging from 15% to 20%. The Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates capped the interest rate on loans at 29.2% up to June 2010. Interest rates on loans greater than the range of 15-20% but below the maximum allowable of 29.2% were called “gray zone interest,” and many consumer lending and credit card companies were charging interest in this zone.

In January 2006, judicial decisions strictly interpreted the conditions under which consumer finance companies may retain gray zone interest. As a result, claims for refunds of gray zone interest have increased, and consumer lending and credit card companies have recorded a provision for claims for refunds of gray zone interest.

In December 2006, the Government of Japan made amendments to laws regulating money lenders to implement regulatory reforms affecting the consumer finance industry. As a result, in June 2010, the maximum legal interest rates on loans were reduced to the range of 15-20%, and gray zone interest was abolished.

The provision for interest repayment is calculated by estimating the future claims for the refund of gray zone interest, taking into account historical experience such as the number of customer claims for a refund, the amount of repayments and the customers’ characteristics, and the length of the period the claims are expected to be received in the future. The timing of the settlement of these claims is uncertain.

In December 2011, SMBC Consumer Finance, formerly known as Promise, became a subsidiary of the SMFG Group, and as a result, the provision for interest repayment increased significantly at March 31, 2012. The provision for interest repayment decreased significantly for the fiscal year ended March 31, 2013 due mainly to the use of the provision recognized at SMBC Consumer Finance.

Other Provisions

Other provisions include asset retirement obligations and provisions for reimbursement of deposits, loan commitments, product warranties and litigation claims. Most of these provisions occurred in the normal course of business and none of them were individually significant at March 31, 2013 and 2012.

21 OTHER LIABILITIES

Other liabilities at March 31, 2013 and 2012 consisted of the following:

	At March 31,	
	2013	2012
	(In millions)	
Accrued expenses	¥ 229,521	¥ 199,252
Unearned income	165,126	169,130
Financial guarantees and other credit-related contingent liabilities	108,025	117,900
Due to trust account	643,350	443,724
Payables to brokers, dealers and customers for securities transactions	1,631,409	2,620,192
Payables related to credit card services	423,008	406,480
Obligations from factoring transactions	224,116	220,861
Retirement benefit liabilities	55,511	58,112
Guarantee deposits received	155,171	141,961
Others	1,141,675	1,024,178
Total other liabilities	<u>¥4,776,912</u>	<u>¥5,401,790</u>

22 DEFERRED INCOME TAX

The changes of net deferred tax assets and liabilities for the fiscal years ended March 31, 2013 and 2012 were as follows:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
At beginning of period	¥ 562,890	¥1,001,140
Deferred tax expense	(2,859)	(358,937)
Deferred tax relating to other comprehensive income:		
Available-for-sale financial assets reserve	(268,219)	(41,194)
Exchange differences on translating the foreign operations reserve	(23,918)	(2,615)
Acquisition and disposal of subsidiaries	(5,703)	(35,913)
Exchange differences and others	12,236	409
At end of period	<u>¥ 274,427</u>	<u>¥ 562,890</u>

The deferred tax assets and liabilities at March 31, 2013 and 2012 were attributable to the following items:

	At March 31,	
	2013	2012
	(In millions)	
Deferred tax assets:		
Loans and advances	¥435,500	¥439,131
Derivative financial instruments	51,002	68,285
Retirement benefits	31,031	38,369
Tax losses carried forward	26,196	46,550
Investment securities	2,676	77,025
Other deductible temporary differences	147,561	123,538
Total deferred tax assets	693,966	792,898
Deferred tax liabilities:		
Investment securities	221,653	26,036
Goodwill and intangible assets	76,374	63,132
Property, plant and equipment	32,774	15,316
Lease transactions	21,368	25,332
Deposits	14,243	49,468
Other taxable temporary differences	53,127	50,724
Total deferred tax liabilities	419,539	230,008
Net deferred tax assets ⁽¹⁾	¥274,427	¥562,890

(1) Deferred tax assets and deferred tax liabilities were offset in the consolidated statement of financial position if the entity has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

On December 2, 2011, the Government of Japan promulgated (i) an amendment to the Corporation Tax Act and (ii) the Act on Special Measures Concerning Securing Necessary Financial Resources for Funding the Restoration from the Great East Japan Earthquake. Those laws (i) reduce the Japanese national corporation tax rate by 4.5 percentage points from fiscal years beginning April 1, 2012 but (ii) impose a 10% corporation surtax, i.e., an additional tax to be paid calculated as 10% of the corporation tax payable after the 4.5-percentage-point rate reduction, during the three fiscal years beginning April 1, 2012 through March 31, 2015. As a result, the effective statutory tax rate (including local taxes) of SMFG is 38.0% during the three fiscal years beginning April 1, 2012 and will be 35.6% for the fiscal years beginning April 1, 2015. The SMFG Group measured deferred tax assets and deferred tax liabilities at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

The net deferred tax assets of the SMFG Group consist mainly of the net deferred tax assets of SMBC. At March 31, 2013 and 2012, SMBC recognized ¥238 billion and ¥462 billion of net deferred tax assets, respectively. The deferred tax assets of SMBC mainly consisted of deferred tax assets for loans and advances or derivative financial instruments, which were generally related to the accumulated losses from the fair value change or the impairment of these assets which would be deductible for tax purposes in future periods. SMBC considers that it will be able to use most of the deductible temporary differences based mainly on future taxable profit estimated based on, among other relevant factors, forecasted operating results, which are based on historical financial performance and the business plans that management believes to be prudent and feasible. In SMFG's other subsidiaries, deferred tax assets relating to tax losses carried forward and deductible temporary differences are recognized only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the deductible temporary differences can be utilized. No deferred tax assets were recognized in SMFG, SMBC and certain SMFG subsidiaries for the tax losses carried forward projected to expire, or for the deductible temporary differences estimated not to be realized due to the uncertainty of sufficient future taxable profit.

The following table shows the amounts of deductible temporary differences and tax losses carried forward by expiration date at March 31, 2013 and 2012 for which no deferred tax assets were recognized.

	At March 31,	
	2013	2012
	(In millions)	
Deductible temporary differences	¥ 644,231	¥ 561,054
Tax losses carried forward which will expire in 1 year	149	269,336 ⁽¹⁾
2 years	84,115	4,860
3 years	—	83,113
4 years	1,874	41
5 years	138,378	1,703
6 years	238,354	140,023
7 years	162,173	234,127
8 years	253,628	163,366
9 years and thereafter	76,087	282,233
Total deductible temporary differences and tax losses carried forward	<u>¥1,598,989</u>	<u>¥1,739,856</u>

(1) The amount of unrecognized deferred tax assets for ¥269 billion of tax losses carried forward at March 31, 2012 would be ¥17 billion if recognized. The majority of these unrecognized deferred tax assets were for tax losses of enterprise taxes in Japan. Most of the other unrecognized deferred tax assets for temporary differences and tax losses carried forward at March 31, 2012 would be calculated using an applicable tax rate of 38.0% or 35.6%, if recognized.

In addition to the above table, the SMFG Group does not recognize deferred tax assets for deductible temporary differences related to investments in subsidiaries, associates and joint ventures where SMFG has no intention to reverse these differences in the foreseeable future. The amount of those deductible temporary differences was approximately ¥2,446 billion and ¥3,474 billion at March 31, 2013 and 2012, respectively. Most of the temporary differences were associated with investments in SMBC, which resulted from a statutory share transfer made at the establishment of SMFG in December 2002.

At March 31, 2013 and 2012, the amount of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures for which deferred tax liabilities had not been recognized was approximately ¥588 billion and ¥369 billion, respectively. SMFG can control the timing of reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax expense for the fiscal years ended March 31, 2013 and 2012 was attributable to the following temporary differences and tax losses carried forward:

	For the fiscal year ended	
	March 31,	
	2013	2012
	(In millions)	
Deposits	¥ 35,226	¥ 6,940
Tax losses carried forward	(20,834)	(140,982)
Derivative financial instruments	(19,706)	10,792
Goodwill and intangible assets	(13,243)	(9,316)
Property, plant and equipment	(10,941)	3,141
Retirement benefits	(7,343)	(25,552)
Lease transactions	5,901	5,575
Investment securities	(2,705)	(108,754)
Loans and advances	(934)	(111,162)
Other temporary differences—net	31,720	10,381
Total deferred tax expense	<u>¥ (2,859)</u>	<u>¥(358,937)</u>

23 RETIREMENT BENEFITS

Defined Benefit Plans

SMBC and some of SMFG's other subsidiaries have various defined benefit plans such as defined benefit pension plans and lump-sum severance indemnity plans, which define the amount of benefits that an employee will receive on or after retirement, usually based on one or more factors, such as age, years of service, compensation, classes and earned points based on service.

SMBC's defined benefit plans account for the vast majority of the defined benefit obligations and plan assets in the SMFG Group. SMBC has a Corporate Defined Benefit Pension Plan and a lump-sum severance indemnity plan. SMBC has set up retirement benefit trusts in relation to both of these plans as described below.

Defined benefit pension plans

SMBC's Corporate Defined Benefit Pension Plan is a funded defined benefit pension plan, which is defined and regulated by the Corporate Defined Benefit Pension Plan Law, one of the Japanese pension laws. The pension plan is funded through SMBC's contribution to a "Pension Fund," a special entity established in accordance with the pension laws. The Pension Fund administers and manages the plan assets. Other defined benefit pension plans in the SMFG Group are typically established and managed in the same way.

Lump-sum severance indemnity plans

SMBC and some of SMFG's other subsidiaries have lump-sum severance indemnity plans under which their employees are provided with lump-sum cash payments upon leaving the company. While funding of these plans is not required under Japanese pension laws, some of these plans are funded with assets held by retirement benefit trusts as described below.

Retirement benefit trusts

SMBC and some of SMFG's other subsidiaries in Japan established some retirement benefit trusts and contributed some of their marketable securities to these trusts in order to isolate these assets for retirement benefits by entering into contracts with trust banks. Retirement benefit trusts are voluntary funds that are used either to contribute assets to the Pension Funds or to directly settle retirement benefits. Among the SMFG Group, retirement benefit trusts are set up for the defined benefit pension plans which have the Pension Funds as described above, as well as for the lump-sum severance indemnity plans.

The assets retained in the retirement benefit trusts, as well as the assets retained in the Pension Funds, are held by an entity or a fund that is legally separated from the SMFG Group and exists solely to pay or fund retirement benefits. They are available to be used only to pay or fund retirement benefits, are not available to the SMFG Group's own creditors even in bankruptcy and cannot be returned to the SMFG Group, unless either the remaining assets are sufficient to meet all the related obligations or the entities (funds) reimburse to the SMFG Group the retirement benefits which are already paid by the SMFG Group. Therefore, these assets are accounted for as plan assets.

The following tables provide detailed information for the defined benefit plans.

The amounts of the retirement benefit liabilities and the retirement benefit assets recognized in the consolidated statement of financial position at March 31, 2013 and 2012 were determined as follows:

	At March 31,	
	2013	2012
	(In millions)	
Present value of unfunded obligations	¥ (41,446)	¥ (39,690)
Present value of funded obligations	(1,114,274)	(1,044,139)
Fair value of plan assets	1,033,030	899,154
Net deficit	(122,690)	(184,675)
Unrecognized actuarial losses	279,226	307,776
Unrecognized past service cost	289	(302)
Net retirement benefit assets	¥ 156,825	¥ 122,799
Of which retirement benefit liabilities included in "Other liabilities"	¥ (55,511)	¥ (58,112)
Of which retirement benefit assets included in "Other assets"	¥ 212,336	¥ 180,911

The movements in the defined benefit obligations for the fiscal years ended March 31, 2013 and 2012 were as follows:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
At beginning of period	¥1,083,829	¥1,004,860
Current service cost	28,655	25,660
Interest cost	19,373	23,127
Actuarial losses	81,648	76,039
Benefits paid	(39,858)	(38,829)
Lump-sum payments	(14,298)	(17,998)
Past service cost	—	(1,265)
Acquisition and disposal of subsidiaries	(3,198)	15,008
Settlements	—	(2,174)
Others	(431)	(599)
At end of period	¥1,155,720	¥1,083,829

The movements in the fair value of plan assets for the fiscal years ended March 31, 2013 and 2012 were as follows:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
At beginning of period	¥ 899,154	¥880,155
Expected return on plan assets	34,674	36,521
Actuarial gains (losses)	95,292	(30,604)
Contributions by employer	48,602	43,887
Benefits paid	(39,858)	(38,829)
Acquisition and disposal of subsidiaries	(4,865)	7,996
Others	31	28
At end of period	¥1,033,030	¥899,154

The amounts recognized in “General and administrative expenses” in the consolidated income statement for the fiscal years ended March 31, 2013, 2012 and 2011 were as follows:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Current service cost	¥ 28,655	¥ 25,660	¥ 25,647
Interest cost	19,373	23,127	21,239
Expected return on plan assets	(34,674)	(36,521)	(41,225)
Amortization of actuarial losses	13,769	9,662	5,100
Amortization of past service cost	5	(1,474)	756
Losses (gains) on settlements	—	(297)	283
Total	¥ 27,128	¥ 20,157	¥ 11,800

The plan assets at March 31, 2013 and 2012 were composed as follows:

	At March 31,	
	2013	2012
	(% of total fair value of plan assets)	
Plan assets retained in the Pension Funds		
Equity instruments	28.7%	27.0%
Debt instruments	23.6%	25.2%
General account of life insurance companies	5.3%	5.6%
Other short-term assets	8.5%	9.7%
Plan assets retained in the retirement benefit trusts		
Japanese equity instruments	27.9%	26.0%
Other short-term assets	6.0%	6.5%
Total	100.0%	100.0%

The plan assets in the Pension Funds included the common stocks issued by the SMFG Group at March 31, 2013 and 2012. The amounts of these stocks were not significant.

The assets in retirement benefit trusts were primarily composed of Japanese equity instruments. The SMFG Group retained the voting rights of some of these equity instruments with fair values of ¥263,113 million and ¥215,288 million (25.5% and 23.9% of the total fair values of plan assets) at March 31, 2013 and 2012, respectively. The assets in retirement benefit trusts included common stocks issued by a subsidiary (The Minato Bank) with a fair value of ¥26,480 million and ¥25,487 million (2.6% and 2.8% of the total fair values of plan assets) at March 31, 2013 and 2012, respectively. The SMFG Group retained the voting rights of these stocks (40.4% of the voting rights of The Minato Bank, for all periods presented). Refer to Note 47 “Principal Subsidiaries” for further information.

The principal actuarial assumptions used at March 31, 2013, 2012 and 2011 were as follows:

	At March 31,		
	2013	2012	2011
Discount rates	1.3%	1.8%	2.3%
Expected rates of return on plan assets	3.9%	4.1%	4.5%
Expected rates of salary (benefit) increases	6.1%	6.1%	5.9%

The expected rates of returns on plan assets are weighted on the basis of the fair value of the plan assets. All other assumptions are weighted on the basis of the defined benefit obligations.

The expected return on plan assets is developed separately for each plan, typically using a building block approach recognizing the plan's specific asset allocation and the assumed return on assets for each asset category.

The assumptions for future mortality are based on the official mortality table generally used for actuarial assumptions in Japan. Under the mortality table used at March 31, 2013, 2012 and 2011, the average remaining life expectancy of an individual retiring at age 60 was 23 years, 22 years and 22 years for males, respectively, and 28 years, 28 years and 28 years for females, respectively.

The actual returns on plan assets for the fiscal years ended March 31, 2013, 2012 and 2011 were a positive return of ¥129,966 million, a positive return of ¥5,917 million, and a negative return of ¥34,104 million, respectively.

The experience adjustments on the defined benefit obligations and plan assets at March 31, 2013, 2012, 2011, 2010 and 2009 were as follows:

	At March 31,				
	2013	2012	2011	2010	2009
	(In millions)				
Present value of defined benefit obligations	¥(1,155,720)	¥(1,083,829)	¥(1,004,860)	¥(997,287)	¥(974,398)
Fair value of plan assets	1,033,030	899,154	880,155	888,577	737,978
Net deficit	¥ (122,690)	¥ (184,675)	¥ (124,705)	¥(108,710)	¥(236,420)
Experience losses on defined benefit obligations	¥ (7,135)	¥ (2,993)	¥ (4,242)	¥ (8,524)	¥ (3,125)
Experience gains (losses) on plan assets	95,292	(30,604)	(75,329)	95,762	(265,098)

Expected contribution

Expected contributions to the defined benefit plans for the fiscal year ending March 31, 2014 are ¥44,473 million.

Defined Contribution Plans

Some of SMFG's subsidiaries provide defined contribution plans. The amounts recognized as expenses for the defined contribution plans were ¥5,071 million, ¥4,416 million and ¥3,751 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively, which were included in "General and administrative expenses" in the consolidated income statement.

Employees' Pension Insurance Plan

In Japan, the national government operates the Employees' Pension Insurance Plan which covers most of the private entities' employees. The amounts of contributions charged to expense for the Employees' Pension Insurance Plan were ¥30,922 million, ¥29,991 million and ¥27,898 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively, which were included in "General and administrative expenses" in the consolidated income statement.

24 SHAREHOLDERS' EQUITY

Common Stock

The changes in the number of issued shares of common stock and common stock held by SMFG or its subsidiaries and associates during the fiscal years ended March 31, 2013, 2012 and 2011 were as follows:

	For the fiscal year ended March 31,					
	2013		2012		2011	
	Outstanding	In treasury	Outstanding	In treasury	Outstanding	In treasury
At beginning of period	1,414,055,625	62,939,559	1,414,055,625	32,581,914	1,414,055,625	17,070,340
Net change	—	(2,760,183) ⁽¹⁾	—	30,357,645 ⁽²⁾	—	15,511,574 ⁽³⁾
At end of period . . .	<u>1,414,055,625</u>	<u>60,179,376</u>	<u>1,414,055,625</u>	<u>62,939,559</u>	<u>1,414,055,625</u>	<u>32,581,914</u>

- (1) Includes a decrease of 2,840,076 shares delivered to shareholders of SMBC Consumer Finance, formerly known as Promise, on April 1, 2012.
- (2) Includes an increase of 45,686,368 shares acquired mainly to prepare for the share exchange to make SMBC Consumer Finance a wholly owned subsidiary of SMFG, and a decrease of 15,328,723 shares mainly delivered to shareholders of Cedyna on May 1, 2011.
- (3) Includes an increase of 15,479,400 shares acquired by SMFG Card & Credit, Inc. ("SMFG Card & Credit") to prepare for the share exchange to make Cedyna a wholly owned subsidiary of SMFG Card & Credit through a share exchange.

The total number of authorized shares of common stock was 3,000 million at March 31, 2013 and 2012 with no stated value. All issued shares are fully paid. The details of the stock options outstanding to subscribe for shares of SMFG common stock are described in Note 40 "Share-Based Payment."

Preferred Stock

The following table shows the number of shares of preferred stock at March 31, 2013 and 2012.

	At March 31, 2013		At March 31, 2012	
	Authorized	Issued	Authorized	Issued
Type 5 preferred stock	167,000	—	167,000	—
Type 6 preferred stock ⁽¹⁾	70,001	—	70,001	—
Type 7 preferred stock	167,000	—	167,000	—
Type 8 preferred stock	115,000	—	115,000	—
Type 9 preferred stock	115,000	—	115,000	—

- (1) At the general meeting of shareholders on June 27, 2013, SMFG amended its articles of incorporations to delete the provision regarding 70,001 shares of authorized Type 6 preferred stock.

The movement of preferred stock for the fiscal years ended March 31, 2013, 2012 and 2011 was as follows:

	Type 6 preferred stock	
	Aggregate amount	Number of shares
	(In millions)	
Balance at April 1, 2010	¥ 210,003	70,001
Balance at March 31, 2011	210,003	70,001
Acquisition and cancellation	(210,003)	(70,001)
Balance at March 31, 2012	—	—
Balance at March 31, 2013	¥ —	—

All the preferred stocks have no stated value. The numbers in "Aggregate amount" in the table above represent the initial proceeds upon issuance.

Type 6 preferred stock

On March 10, 2005, SMFG's Board of Directors resolved at the meeting to issue an aggregate amount of ¥210 billion of Type 6 preferred stock by means of a third-party allocation. On March 29, 2005, SMFG issued Type 6 preferred stock totaling 70,001 stocks to qualified institutional investors as defined in the Financial Instruments and Exchange Act of Japan (Sumitomo Life Insurance Company, Nippon Life Insurance Company and Mitsui Life Insurance Company).

The Type 6 preferred stock had noncumulative and nonparticipating dividend rights. When SMFG paid annual dividends or interim dividends to its common stockholders, SMFG was required to pay to the holders of the Type 6 preferred stock an annual dividend of ¥88,500 or an interim dividend of ¥44,250 in preference to the common stockholders (Any such interim dividend on the Type 6 preferred stock reduced the following annual dividend by the same amount). The holders of the Type 6 preferred stock were not entitled to any other dividends. The holders of the Type 6 preferred stock were not entitled to vote at the general meeting of shareholders unless a proposal to pay dividends to the holders of the Type 6 preferred stock was not submitted to a stockholder vote or was rejected by a stockholder vote.

In the event of SMFG's voluntary or involuntary liquidation, the holders of the Type 6 preferred stock would have been entitled to receive out of SMFG's residual assets a distribution of ¥3 million per share. The holders of the Type 6 preferred stock would have ranked equally with the holders of SMFG's other preferred stocks and in preference to common stockholders in this right. The holders of the Type 6 preferred stock were not entitled to any further distribution upon SMFG's liquidation. The Type 6 preferred stock was not convertible to common stock.

On February 28, 2011, SMFG's Board of Directors resolved at a meeting to acquire and cancel all of the issued Type 6 preferred stock (70,001 shares). Subsequent to the resolution, SMFG acquired and cancelled those preferred stocks on April 1, 2011.

Under IFRS, in accordance with the substance of the contractual arrangement, the Type 6 preferred stock was treated as equity in its entirety because there was no legally binding obligation to pay dividends or principal.

Capital stock, Capital surplus and Treasury stock

"Capital stock" represents share capital under the Companies Act adjusted by the amount corresponding to the preferred stock which is accounted for as a liability under IFRS. Purchases of treasury stock are recognized at cost in "Treasury stock." Any additional paid-in capital, net gains or losses on the sale of treasury stock, and other changes in equity resulting from transactions with shareholders except for dividends are included in "Capital surplus."

Restriction on the Payment of Dividends

The amount of the capital surplus and retained earnings of SMFG that can be paid out as dividends is subject to restrictions under the Companies Act. These amounts are calculated based on SMFG's nonconsolidated statement of financial position prepared in accordance with Japanese GAAP. Therefore, the adjustments made to prepare the IFRS consolidated financial statements have no impact on the calculation. The total amount that SMFG can pay out as a dividend was ¥743 billion at March 31, 2013.

Other than the restriction by the Companies Act, SMFG is required to maintain a risk-weighted capital ratio as per the Banking Act of Japan ("Banking Act"). The detail of the restriction is described in Note 45 "Financial Risk Management." Therefore, SMFG would not be able to pay a dividend if the ratio were to fall below the minimum amount as a result of the payment of the dividends.

Since SMFG is a holding company, its earnings rely mostly on dividend income from SMBC, and SMFG's other subsidiaries and associates. SMBC is subject to some restrictions on its dividend payment by the Companies Act and the Banking Act, similar to those applied to SMFG.

Other Reserves

Available-for-sale financial assets reserve

The available-for-sale financial assets reserve includes the accumulated gains and losses of available-for-sale financial assets excluding the amount reclassified to profit or loss when the assets are derecognized or impaired.

The movements of the available-for-sale financial assets reserve for the fiscal years ended March 31, 2013, 2012 and 2011 were as follows:

	<u>For the fiscal year ended March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In millions)		
At beginning of period	¥ 649,931	¥465,185	¥ 663,907
Gains (losses) arising during the period, before tax	763,457	253,865	(349,080)
Income tax (expenses) benefits for changes arising during the period	(271,397)	(50,061)	142,268
Reclassification adjustments for (gains) losses included in net profit, before tax	(8,378)	(21,563)	10,957
Income tax expenses (benefits) for reclassification adjustments	3,178	8,867	(5,131)
Amount attributable to non-controlling interests	(17,564)	(6,167)	2,543
Share of other comprehensive loss of associates and joint ventures	(174)	(195)	(279)
At end of period	<u>¥1,119,053</u>	<u>¥649,931</u>	<u>¥ 465,185</u>

Exchange differences on translating the foreign operations reserve

Exchange differences on translating the foreign operations reserve include foreign exchange differences arising from the translation of the net assets of foreign operations from their functional currencies to the SMFG Group's presentation currency, Japanese yen.

The movements of exchange differences on translating the foreign operations reserve for the fiscal years ended March 31, 2013, 2012 and 2011 were as follows:

	<u>For the fiscal year ended March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In millions)		
At beginning of period	¥(212,754)	¥(184,402)	¥(108,618)
Gains (losses) arising during the period, before tax	235,947	(34,781)	(121,593)
Income tax (expenses) benefits for changes arising during the period	(22,181)	(503)	9,383
Reclassification adjustments for (gains) losses included in net profit, before tax	4,579	7,350	(505)
Income tax benefits for reclassification adjustments	(1,737)	(2,112)	—
Amount attributable to non-controlling interests	(56,832)	4,331	40,877
Share of other comprehensive income (loss) of associates and joint ventures	3,528	(2,637)	(3,946)
At end of period	<u>¥ (49,450)</u>	<u>¥(212,754)</u>	<u>¥(184,402)</u>

25 NON-CONTROLLING INTERESTS

Non-controlling interests at March 31, 2013 and 2012 consisted of the following:

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Preferred securities issued by subsidiaries	¥1,625,358	¥1,588,893
Others ⁽¹⁾	478,757	461,833
Total non-controlling interests	¥2,104,115	¥2,050,726

(1) For the fiscal years ended March 31, 2013 and 2012, the SMFG Group recognized the decrease of retained earnings by ¥4 billion and ¥15 billion, respectively, from the transactions with non-controlling interests that do not result in a loss of control. Most of the decreases were recognized by the share exchange transactions to make SMBC Consumer Finance, formerly known as Promise, and Cedyna a wholly owned subsidiary in April 2012 and May 2011. Through these exchanges, ¥8 billion and ¥36 billion of treasury stocks were exchanged with non-controlling interests of SMBC Consumer Finance and Cedyna.

Preferred securities issued by subsidiaries consisted of the following:

	<u>Redemption at the option of Issuer⁽¹⁾</u>	<u>At March 31,</u>	
		<u>2013</u>	<u>2012</u>
		(In millions)	
Issued by SMFG's subsidiaries:			
SMFG Preferred Capital USD 1 Limited (non-cumulative step-up perpetual preferred securities)	January 2017	¥ 61,026	¥ 53,314
SMFG Preferred Capital GBP 1 Limited (non-cumulative step-up perpetual preferred securities)	January 2017	10,528	9,657
SMFG Preferred Capital JPY 1 Limited (non-cumulative perpetual preferred securities)	January 2018	135,000	135,000
SMFG Preferred Capital USD 2 Limited (non-cumulative perpetual preferred securities)	July 2013	169,218	147,834
SMFG Preferred Capital USD 3 Limited (non-cumulative step-up perpetual preferred securities)	July 2018	126,914	110,876
SMFG Preferred Capital GBP 2 Limited (non-cumulative step-up perpetual preferred securities)	January 2029	35,772	32,812
SMFG Preferred Capital JPY 2 Limited Series A (non-cumulative step-up perpetual preferred securities)	January 2019	113,000	113,000
Series B (non-cumulative perpetual preferred securities)	July 2019	140,000	140,000
Series C (non-cumulative perpetual preferred securities)	January 2016	140,000	140,000
Series D (non-cumulative perpetual preferred securities)	January 2014	145,200	145,200
Series E (non-cumulative perpetual preferred securities)	July 2019	33,000	33,000
Series F (non-cumulative perpetual preferred securities)	January 2016	2,000	2,000
Series G (non-cumulative perpetual preferred securities)	January 2014	125,700	125,700
SMFG Preferred Capital JPY 3 Limited Series A (non-cumulative step-up perpetual preferred securities)	January 2020	99,000	99,000
Series B (non-cumulative perpetual preferred securities)	January 2020	164,500	164,500
Series C (non-cumulative perpetual preferred securities)	January 2015	79,500	79,500
Series D (non-cumulative perpetual preferred securities)	January 2015	45,000	45,000
Issued by a subsidiary of KUBC:			
KUBC Preferred Capital Cayman Limited (non-cumulative step-up perpetual preferred securities)	July 2012	—	12,500
Preferred securities issued by subsidiaries		¥1,625,358	¥1,588,893

(1) Subject to the prior approval of the Financial Services Agency ("FSA"), preferred securities are redeemable at any dividend payment date on and after a specific month and the month shown in this column is such a specific month of each preferred security.

26 NET INTEREST INCOME

Net interest income for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Interest income from:			
Deposits with banks	¥ 29,470	¥ 28,159	¥ 18,468
Call loans and bills bought	12,866	14,350	9,274
Reverse repurchase agreements and cash collateral on securities borrowed	13,000	15,119	13,646
Investment securities	127,172	137,953	154,731
Loans and advances	1,543,215	1,514,750	1,524,062
Total interest income	<u>1,725,723</u>	<u>1,710,331</u>	<u>1,720,181</u>
Interest expense from:			
Deposits	123,378	129,463	134,484
Call money and bills sold	4,137	3,563	3,838
Repurchase agreements and cash collateral on securities lent	12,009	10,566	11,604
Borrowings	85,219	83,490	85,475
Debt securities in issue	114,062	85,795	74,944
Others	715	754	711
Total interest expense	<u>339,520</u>	<u>313,631</u>	<u>311,056</u>
Net interest income	<u>¥1,386,203</u>	<u>¥1,396,700</u>	<u>¥1,409,125</u>

Interest income recorded on impaired financial assets was ¥38,465 million, ¥28,971 million and ¥33,176 million for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

27 NET FEE AND COMMISSION INCOME

Net fee and commission income for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Fee and commission income from:			
Loans	¥111,153	¥ 83,919	¥ 75,860
Credit card business	225,071	210,449	181,160
Guarantees	54,067	41,059	28,779
Securities-related business	80,076	80,965	61,467
Deposits	17,622	16,802	16,256
Remittances and transfers	128,647	125,796	126,916
Safe deposits	5,989	6,324	6,508
Trust fees	1,488	1,373	2,328
Investment trusts	162,950	142,941	163,708
Agency	18,146	18,897	18,056
Others	143,476	140,882	125,666
Total fee and commission income	948,685	869,407	806,704
Fee and commission expense from:			
Remittances and transfers	42,192	33,114	34,062
Guarantees	1,843	18,487	21,645
Others	83,064	80,961	76,853
Total fee and commission expense	127,099	132,562	132,560
Net fee and commission income	¥821,586	¥736,845	¥674,144

28 NET TRADING INCOME

Net trading income for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Interest rate	¥ 270,243	¥131,736	¥205,102
Foreign exchange	(141,001)	37,951	104,037
Equity	40,215	14,790	17,243
Credit	9,966	(1,907)	(2,543)
Others	327	(274)	640
Total net trading income	¥ 179,750	¥182,296	¥324,479

Net trading income includes income and losses from trading assets and liabilities, and derivative financial instruments.

29 NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net income from financial assets at fair value through profit or loss for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Net income from debt instruments	¥10,265	¥34,334	¥29,150
Net income (loss) from equity instruments	5,529	(600)	966
Total net income from financial assets at fair value through profit or loss	¥15,794	¥33,734	¥30,116

30 NET INVESTMENT INCOME

Net investment income for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Net gain from disposal of debt instruments	¥ 99,855	¥149,484	¥141,982
Net gain from disposal of equity instruments	36,828	11,657	20,779
Dividend income	80,284	78,224	73,150
Total net investment income	¥216,967	¥239,365	¥235,911

31 OTHER INCOME

Other income for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Income from operating leases	¥110,906	¥ 72,483	¥ 63,199
Gains on disposal of assets leased	84,631	24,977	6,774
Income related to IT solution services	30,709	39,648	43,775
Gains on disposal of property, plant and equipment, and other intangible assets	240	2,741	885
Reversal of impairment losses of investments in associates and joint ventures	14,970	19,333	13,533
Gains on step acquisition of subsidiaries	141	27,491	15,623
Others	82,807	58,890	60,681
Total other income	¥324,404	¥245,563	¥204,470

32 IMPAIRMENT CHARGES ON FINANCIAL ASSETS

Impairment charges on financial assets for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Loans and advances ⁽¹⁾	¥138,375	¥144,022	¥259,292
Available-for-sale financial assets	128,868	140,288	174,636
Total impairment charges on financial assets	<u>¥267,243</u>	<u>¥284,310</u>	<u>¥433,928</u>

(1) Cross-reference to provision for loan losses in Note 10 "Loans and Advances."

33 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Personnel expenses	¥ 662,065	¥ 612,512	¥ 577,970
Depreciation and amortization	130,382	121,611	112,618
Rent and lease expenses	111,327	105,196	92,160
Building and maintenance expenses	7,926	8,283	10,186
Supplies expenses	14,267	14,192	15,135
Communication expenses	33,099	34,170	33,538
Publicity and advertising expenses	48,979	41,957	40,213
Taxes and dues	57,672	56,582	56,648
Outsourcing expenses	87,583	85,196	79,525
Premiums for deposit insurance	53,687	59,600	57,637
Office equipment expenses	35,749	32,201	29,234
Others	200,460	195,205	188,682
Total general and administrative expenses	<u>¥1,443,196</u>	<u>¥1,366,705</u>	<u>¥1,293,546</u>

34 OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2013, 2012 and 2011 consisted of the following:

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Cost of operating leases	¥ 58,252	¥ 46,278	¥ 36,652
Losses on disposal of assets leased	81,083	20,678	2,599
Cost related to IT solution services	107,475	98,914	95,625
Losses on disposal of property, plant and equipment, and other intangible assets	5,432	6,541	5,813
Impairment losses of property, plant and equipment	4,333	3,757	5,360
Impairment losses of intangible assets	35	1,989	59
Losses on sale of investments in subsidiaries and associates	8	439	138
Impairment losses of investments in associates and joint ventures	7,347	656	16,837
Others	24,342	60,040	49,209
Total other expenses	<u>¥288,307</u>	<u>¥239,292</u>	<u>¥212,292</u>

35 INCOME TAX EXPENSE

The detail of income tax expense for the fiscal years ended March 31, 2013, 2012 and 2011 was as follows:

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Current tax:			
Charge for period	¥271,936	¥102,257	¥ 97,991
Deferred tax:			
Origination and reversal of temporary differences	26,347	243,205	262,877
Change in the write-down of deferred tax assets on the current fiscal year			
income tax expense	(23,488)	11,788	297
Changes in Japanese corporation tax rates ⁽¹⁾	—	103,944	—
Total deferred tax expense	<u>2,859</u>	<u>358,937</u>	<u>263,174</u>
Total income tax expense	<u>¥274,795</u>	<u>¥461,194</u>	<u>¥361,165</u>

(1) See Note 22 “Deferred Income Tax” for further information on changes in Japanese corporation tax rates.

The following table shows the reconciliations of the effective income tax rates for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions, except percentages)		
Profit before tax	¥965,551	¥919,192	¥932,683
Income tax expense	274,795	461,194	361,165
Effective income tax rate	28.5%	50.2%	38.7%
Statutory tax rate in Japan ⁽¹⁾	38.0%	40.7%	40.7%
Non-Japanese earnings	(4.6%)	(0.9%)	(1.1%)
Effect of the change in the write-down of deferred tax assets on the current fiscal year income tax expense	(2.4%)	1.3%	0.1%
Nontaxable dividends received	(1.1%)	(1.2%)	(1.0%)
Tax impact of share of post-tax (profit) loss in associates and joint ventures	(0.8%)	1.1%	0.2%
Tax impact of impairment losses and reversal of impairment losses for investments in associates and joint ventures—net	(0.3%)	(0.8%)	0.1%
Gains on step acquisition of subsidiaries which were not taxable	—	(1.1%)	(0.7%)
Changes in Japanese corporation tax rates	—	11.3%	—
Others—net	(0.3%)	(0.2%)	0.4%
Effective income tax rate	<u>28.5%</u>	<u>50.2%</u>	<u>38.7%</u>

(1) The statutory tax rate in Japan for the fiscal year ended March 31, 2013 is the aggregate of the effective corporation tax rate of 26.1% including corporation surtax of 2.4%, the effective inhabitant tax rate of 4.9% and the effective enterprise tax rate of 7.0%, which is payable by corporate entities on taxable profits under the tax laws in Japan. The effective corporation tax rate and effective inhabitant tax rate were changed from 27.9% and 5.8% which were applied to the fiscal years ended March 31, 2012 and 2011.

36 EARNINGS PER SHARE

The following table shows the income and share data used in the basic and diluted earnings per share calculations for the fiscal years ended March 31, 2013, 2012 and 2011.

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions, except number of shares and per share data)		
Basic:			
Profit attributable to shareholders of SMFG	¥ 572,916	¥ 345,430	¥ 464,007
Dividend payable on preferred stock classified as equity	—	—	(6,195)
Profit attributable to the common shareholders of SMFG	¥ 572,916	¥ 345,430	¥ 457,812
Weighted average number of common stock in issue (in thousands of shares)	1,353,926	1,387,405	1,394,391
Basic earnings per share	¥ 423.15	¥ 248.98	¥ 328.32
Diluted:			
Profit attributable to the common shareholders of SMFG	¥ 572,916	¥ 345,430	¥ 457,812
Dilutive impact of convertible instruments issued by subsidiaries	(465)	(896)	—
Net profit used to determine diluted earnings per share	¥ 572,451	¥ 344,534	¥ 457,812
Weighted average number of common stock in issue (in thousands of shares)	1,353,926	1,387,405	1,394,391
Adjustments for stock options (in thousands of shares)	519	244	68
Weighted average number of common stock for diluted earnings per share (in thousands of shares)	1,354,445	1,387,649	1,394,459
Diluted earnings per share	¥ 422.65	¥ 248.29	¥ 328.31

Stock options granted to certain directors and employees of SMBC before the establishment of SMFG had an effect on the potential common stock and were forfeited in June 2012. Those stock options were antidilutive and not included in the calculation of diluted earnings per share for the fiscal years ended March 31, 2013, 2012 and 2011. The details of stock options are described in Note 40 "Share-Based Payment."

37 TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the SMFG Group transfers financial assets mainly through repurchase agreements, securities lending transactions and securitizations. Depending on the nature of the transactions, the transfers may either result in financial assets being derecognized or continuing to be recognized on the consolidated statement of financial position.

Full derecognition occurs when the SMFG Group transfers its contractual rights to receive cash flows from financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party, and transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. Derecognition does not occur when the SMFG Group retains substantially all the risks and rewards of ownership of the financial assets, where the contractual rights to receive cash flows from the financial assets are transferred, or the rights are retained but an obligation to pay the cash flows are assumed.

The following table shows the carrying amount and fair value of transferred financial assets that did not qualify for derecognition and their associated financial liabilities at March 31, 2013:

	At March 31, 2013			
	Repurchase agreements and securities lending transactions	Loans and advances		
		Residential mortgages	Corporate loans	Others
		(In millions)		
Carrying amount of assets	¥5,643,960	¥1,279,446	¥632,206	¥101,871
Carrying amount of associated liabilities	5,588,102	1,088,672	628,665	71,707
For those liabilities that have recourse only to the transferred assets:				
Fair value of assets	¥ —	¥1,443,233	¥634,795	¥102,218
Fair value of associated liabilities	—	1,174,315	629,778	72,074
Net position	¥ —	¥ 268,918	¥ 5,017	¥ 30,144

At March 31, 2012, the carrying amount of assets and their associated liabilities for repurchase agreements and securities lending transactions were ¥6,861,236 million and ¥6,856,937 million, respectively. At March 31, 2012, the carrying amount of assets and their associated liabilities for loans and advances were ¥63,609 million and ¥43,477 million, respectively.

Repurchase Agreements and Securities Lending Transactions

The SMFG Group lends or sells securities under agreements to repurchase them at a predetermined price on a future date. Since substantially all the risks and rewards of the securities are retained by the SMFG Group, the securities remain on the consolidated statement of financial position and their associated financial liabilities are recorded. The recourse of the counterparties to their associated financial liabilities is not limited to the underlying securities.

Loans and Advances

The SMFG Group transfers its loans and advances, including residential mortgages and corporate loans, mainly to bankruptcy-remote SPEs for securitizations whereby the SPEs issue debt securities to the SMFG Group for subordinated tranches and to investors for senior tranches. The investors have only recourse to the underlying financial assets due to their bankruptcy-remoteness. Since the SMFG Group retains substantially all the risks and rewards of ownership, the transferred financial assets do not qualify for derecognition. The SMFG Group therefore continues to recognize these transferred financial assets as loans and advances, and recognizes their associated financial liabilities arising from issuing debt securities to investors on the consolidated statement of financial position.

38 ASSETS PLEDGED AND RECEIVED AS COLLATERAL

Assets Pledged

The carrying amounts of assets pledged as collateral at March 31, 2013 and 2012 were as follows:

	At March 31,	
	2013	2012
	(In millions)	
Cash and deposits with banks	¥ 225,442	¥ 318,376
Call loans and bills bought	496,343	490,255
Trading assets	2,557,463	3,805,912
Financial assets at fair value through profit or loss	1,469,245	1,386,242
Held-to-maturity investments	5,725,145	5,163,048
Available-for-sale financial assets	22,922,725	24,998,239
Loans and advances	2,517,326	2,700,373
Property, plant and equipment	12,496	14,336
Other assets	399,932	329,394
Total	¥36,326,117	¥39,206,175

The SMFG Group pledges assets as collateral to secure payables under repurchase agreements, securities lending transactions and securitizations, borrowings or for cash settlements, variation margins on futures markets and certain other purposes. These transactions are conducted under terms that are usual and customary to standard contracts.

Unsecured loaned securities for which the borrowers have the right to sell or repledge were ¥5,799,375 million and ¥7,216,071 million at March 31, 2013 and 2012, respectively.

For the reserve funds with the Bank of Japan and other reserve deposits for foreign offices maintained by the SMFG Group, refer to Note 5 “Cash and Deposits with Banks.”

Assets Received as Collateral

Under certain transactions, including reverse repurchase agreements, securities borrowing, and discounting of bills, the SMFG Group is permitted to resell or repledge the collateral held in the absence of default by the owner of the collateral. These transactions are conducted under terms that are usual and customary for standard contracts. The fair values of securities and bills accepted as collateral were ¥5,469,126 million and ¥5,947,179 million at March 31, 2013 and 2012, respectively. As to the securities received in the reverse repurchase agreements and securities borrowing transactions, the SMFG Group has the obligation to return equivalent securities upon completion of the transactions. The fair value of securities sold or repledged to others was ¥3,046,093 million and ¥4,200,677 million at March 31, 2013 and 2012, respectively.

39 DEFERRED DAY ONE PROFIT AND LOSS

The aggregate deferred day one profit yet to be recognized in profit at the beginning and end of the fiscal years ended March 31, 2013 and 2012, and reconciliation of changes in the balances were as follows:

	For the fiscal year ended March 31,	
	2013	2012
	(In millions)	
Balance at beginning of period	¥ 1,790	¥ 4,051
Released to profit	(1,790)	(2,261)
Balance at end of period	¥ —	¥ 1,790

The SMFG Group has entered into transactions where the fair value is determined using valuation techniques for which not all inputs are observable in the market. The difference between the transaction price and the fair value that would be determined at initial recognition using a valuation technique is referred to as “day one profit and loss,” which is not recognized immediately in the consolidated income statement. The table above shows the day one profit balances, all of which are derived from financial assets at fair value through profit or loss. The release to profit is due to the amortization of the deferred day one profit over the life of the instruments and the realization through settlement. See Note 44 “Fair Value of Financial Assets and Liabilities” for additional information.

40 SHARE-BASED PAYMENT

Before the establishment of SMFG in December 2002, SMBC granted common stock options to certain directors and employees of SMBC. When SMFG was established, SMFG took over the obligations related to the stock options from SMBC (“Pre-2002 stock option”). SMFG elected not to apply IFRS 2 “Share-based Payments” to those stock options because they were granted and vested prior to the date of transition to IFRS, April 1, 2008. By the end of the exercise period, all remaining options were forfeited in June 2012.

In June 2010, a resolution was passed at the general meeting of shareholders to introduce the compensation-type stock options to directors, corporate auditors, and executive officers of SMFG and SMBC (“SMFG Stock Acquisition Rights”). This serves as an incentive for them to further contribute to the equity appreciation and achieve better corporate performance through sharing the benefits and risks of the share price performance with the shareholders. These changes reflected a review of the compensation system where the retirement benefit for directors, corporate auditors and executive officers was abolished. The following table provides an overview of the significant terms and conditions of these stock option plans.

	<u>Title of grantees</u>	<u>Exercise period</u>	<u>Requisite service period</u>	<u>Method of settlement</u>
Pre-2002 stock option	Directors and employees of SMFG and SMBC	June 28, 2004 to June 27, 2012	Not applicable	Common stock of SMFG
SMFG Stock Acquisition Rights	Directors, corporate auditors and executive officers of SMFG and SMBC	Not exceeding 30 years from the date of allocation of stock acquisition rights ⁽¹⁾	One year from the date of the ordinary general meeting of shareholders of SMFG to the closing of the next ordinary general meeting of shareholders of SMFG	Common stock of SMFG

(1) A stock acquisition rights holder can exercise the rights from the day they are relieved of their positions either as a director, a corporate auditor or an executive officer (“Start of Exercise Date”) to 20 years from the Start of Exercise Date.

The number and the weighted average exercise prices of stock options for the fiscal years ended on March 31, 2013 and 2012 were as follows:

	For the fiscal year ended March 31,			
	2013		2012	
	Number of options ⁽¹⁾	Weighted average exercise price	Number of options ⁽¹⁾	Weighted average exercise price
Outstanding at beginning of period	474,500	¥1,516	210,700	¥3,412
Granted	280,500	1	268,200	1
Exercised	(3,100)	1	(500)	1
Forfeited or expired	(110,800)	6,487	(3,900)	1
Outstanding at end of period	641,100	¥ 1	474,500	¥1,516
Exercisable at end of period	68,400	¥ 1	139,800	¥5,142

(1) Number of options is the number of SMFG's common stock granted by the exercise of stock options.

The weighted average stock price at the date of exercise was ¥3,082 and ¥2,336 for the fiscal years ended March 31, 2013 and 2012, respectively.

Summarized information about stock options outstanding at March 31, 2013 and 2012 was as follows:

	Exercise price	At March 31,			
		2013		2012	
		Number of options	Remaining contractual lives in years	Number of options	Remaining contractual lives in years
Pre-2002 stock option	¥6,649	—	—	108,100	0.3
SMFG Stock Acquisition Rights	¥ 1	641,100	28.7	366,400	29.1

The amounts of stock options recognized as expenses were measured based on the fair value of stock options granted, which were ¥542 million and ¥431 million for the fiscal years ended March 31, 2013 and 2012, respectively, and included in "General and administrative expenses" in the consolidated income statement. The fair value of stock options was measured using Black-Scholes option-pricing model.

The following table represents the fair value of stock options and the assumptions used to measure the fair value.

	For the fiscal year ended March 31,	
	2013	2012
Fair value at measurement date	¥2,042	¥1,872
Stock price	¥2,412	¥2,239
Exercise price	¥ 1	¥ 1
Expected volatility ⁽¹⁾	46.26%	51.64%
Expected remaining lives (in years) ⁽²⁾	4	4
Expected dividends per share ⁽³⁾	¥ 100	¥ 100
Risk free interest rate ⁽⁴⁾	0.14%	0.30%

- (1) Calculated based on the actual stock prices during the 4 years from August 16, 2008 to August 15, 2012, and from August 17, 2007 to August 16, 2011, respectively.
- (2) The average expected remaining life could not be estimated rationally due to insufficient amount of data. Therefore, it was estimated based on average remaining service life of directors of SMFG and its consolidated subsidiaries.
- (3) Expected dividends are based on the estimated dividends to be paid in next twelve months from the date of grant.
- (4) Japanese government bond yield corresponding to the average expected remaining life.

41 DIVIDENDS PER SHARE

The dividends recognized by the SMFG Group for the fiscal years ended March 31, 2013, 2012 and 2011 were as follows:

	<u>Dividends per share</u> (In yen)	<u>Aggregate amount</u> (In millions)
For the fiscal year ended March 31, 2013:		
Common stock	¥ 100	¥135,253
For the fiscal year ended March 31, 2012:		
Common stock	¥ 100	¥138,913
1 st series Type 6 preferred stock	44,250	3,098
For the fiscal year ended March 31, 2011:		
Common stock	¥ 105	¥146,683
1 st series Type 6 preferred stock	88,500	6,195

On June 27, 2013, the general meeting of shareholders approved a dividend of ¥70 per share of common stock totaling ¥98,714 million in respect of the fiscal year ended March 31, 2013. The amount included ¥3,943 million of dividends distributed to SMFG's subsidiaries. The consolidated financial statements for the fiscal year ended March 31, 2013 do not include this dividend payable.

42 CONTINGENCY AND CAPITAL COMMITMENTS

Legal Proceedings

The SMFG Group is engaged in various legal proceedings in Japan and a number of overseas jurisdictions, involving claims by and against it, which arise in the normal course of business. The SMFG Group does not expect that the outcome of these proceedings will have a significant adverse effect on the consolidated financial statements of the SMFG Group. The SMFG Group has recorded adequate provisions with respect to litigation arising out of normal business operations. The SMFG Group has not disclosed any contingent liability associated with these legal actions because it cannot reliably be estimated.

Capital Commitments

At March 31, 2013 and 2012, the SMFG Group had ¥2,469 million and ¥503 million, respectively, of contractual commitments to acquire intangible assets, such as software. In addition, the SMFG Group had ¥283,970 million and ¥44,058 million of contractual commitments to acquire property, plant and equipment at March 31, 2013 and 2012, respectively. The increase in contractual commitments to acquire property, plant and equipment at March 31, 2013 was due mainly to the inclusion of the aircraft leasing business which commenced in June 2012 as SMBC Aviation Capital. The SMFG Group's management is confident that future net revenues and funding will be sufficient to cover these commitments.

Loan Commitments

Loan commitment contracts on overdrafts and loans are agreements to lend up to a prescribed amount to customers, as long as there is no violation of any condition established in the contracts. Since many of these loan commitments are expected to expire without being drawn down, the total amount of unused commitments does not necessarily represent an actual future cash flow requirement. Many of these loan commitments include clauses under which the SMFG Group can reject an application from customers or reduce the contract amounts in the event that economic conditions change or the SMFG Group needs to secure claims, or some other significant event occurs.

Financial Guarantees and Other Credit-related Contingent Liabilities

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument. Other credit-related contingent liabilities include performance bonds, which are contracts that provide compensation if another party fails to perform the contractual obligation.

The table below shows the nominal amounts of undrawn loan commitments, financial guarantees and other credit-related contingent liabilities at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
	(In millions)	
Loan commitments	¥46,490,109	¥44,064,283
Financial guarantees and other credit-related contingent liabilities	5,891,617	5,320,993
Total	<u>¥52,381,726</u>	<u>¥49,385,276</u>

43 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

After initial recognition, financial assets and liabilities are measured either at fair value or amortized cost, within the measurement categories as defined in IAS 39. The summary of significant accounting policies in Note 2 describes how these categories of financial assets and liabilities are measured, and how income and expenses are recognized either in profit or loss, or in other comprehensive income. The following tables present the carrying amounts of the financial assets and liabilities, by category and by line item, of the consolidated statement of financial position.

At March 31, 2013						
	Financial assets and liabilities at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Total
(In millions)						
Financial assets:						
Cash and deposits with banks	¥ —	¥ —	¥11,804,873	¥ —	¥ —	¥ 11,804,873
Call loans and bills bought	—	—	1,393,440	—	—	1,393,440
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	3,930,557	—	—	3,930,557
Trading assets	4,097,084	—	—	—	—	4,097,084
Derivative financial instruments	6,855,486	—	—	—	—	6,855,486
Financial assets at fair value through profit or loss	2,045,046	—	—	—	—	2,045,046
Investment securities	—	5,840,257	—	29,888,280	—	35,728,537
Loans and advances ⁽¹⁾	9,368	—	75,977,689	—	—	75,987,057
Other financial assets ⁽²⁾	—	—	2,240,756	—	—	2,240,756
Total	<u>¥13,006,984</u>	<u>¥5,840,257</u>	<u>¥95,347,315</u>	<u>¥29,888,280</u>	<u>¥ —</u>	<u>¥144,082,836</u>
Financial liabilities:						
Deposits ⁽¹⁾	¥ 13,107	¥ —	¥ —	¥ —	¥101,008,306	¥101,021,413
Call money and bills sold	—	—	—	—	2,954,052	2,954,052
Repurchase agreements and cash collateral on securities lent	—	—	—	—	6,510,627	6,510,627
Trading liabilities	1,910,905	—	—	—	—	1,910,905
Derivative financial instruments	6,936,991	—	—	—	—	6,936,991
Borrowings ⁽¹⁾	1,270	—	—	—	6,474,273	6,475,543
Debt securities in issue ⁽¹⁾	14,232	—	—	—	8,071,031	8,085,263
Other financial liabilities ⁽²⁾	—	—	—	—	4,358,835	4,358,835
Total	<u>¥ 8,876,505</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥129,377,124</u>	<u>¥138,253,629</u>

At March 31, 2012

	Financial assets and liabilities at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Total
(In millions)						
Financial assets:						
Cash and deposits with banks	¥ —	¥ —	¥ 8,050,562	¥ —	¥ —	¥ 8,050,562
Call loans and bills bought	—	—	1,297,082	—	—	1,297,082
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	4,937,025	—	—	4,937,025
Trading assets	4,461,258	—	—	—	—	4,461,258
Derivative financial instruments	5,901,526	—	—	—	—	5,901,526
Financial assets at fair value through profit or loss	2,150,409	—	—	—	—	2,150,409
Investment securities	—	5,277,268	—	32,046,832	—	37,324,100
Loans and advances ⁽¹⁾	14,273	—	72,522,540	—	—	72,536,813
Other financial assets ⁽²⁾	—	—	1,899,432	—	—	1,899,432
Total	<u>¥12,527,466</u>	<u>¥5,277,268</u>	<u>¥88,706,641</u>	<u>¥32,046,832</u>	<u>¥ —</u>	<u>¥138,558,207</u>
Financial liabilities:						
Deposits ⁽¹⁾	¥ (2,901)	¥ —	¥ —	¥ —	¥ 92,856,467	¥ 92,853,566
Call money and bills sold	—	—	—	—	2,144,600	2,144,600
Repurchase agreements and cash collateral on securities lent	—	—	—	—	7,487,633	7,487,633
Trading liabilities	2,173,567	—	—	—	—	2,173,567
Derivative financial instruments	5,850,813	—	—	—	—	5,850,813
Borrowings ⁽¹⁾	1,204	—	—	—	10,411,654	10,412,858
Debt securities in issue ⁽¹⁾	5,497	—	—	—	7,372,245	7,377,742
Other financial liabilities ⁽²⁾	—	—	—	—	4,953,425	4,953,425
Total	<u>¥ 8,028,180</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥125,226,024</u>	<u>¥133,254,204</u>

(1) Embedded derivatives, which are separately accounted for, but presented together with the host contract in the consolidated statement of financial position, are disclosed in this table within the category of “Financial assets and liabilities at fair value through profit or loss.” Although the separated embedded derivatives may have a positive or a negative fair value, they have been presented in this table as assets or liabilities to be consistent with the line of the host contract.

(2) Other financial assets and liabilities comprise of those included in other assets and liabilities, which meet the definition of a financial asset and liability.

44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair values stated below represent the best estimates based on a range of methods and assumptions. In determining the fair value of financial assets and liabilities, the SMFG Group gives the highest priority to a quoted market price in an active market. If such prices are not available, it establishes fair value using valuation techniques. The valuation techniques, if used, make maximum use of observable inputs, and rely as little as possible on unobservable inputs.

The table below presents the carrying amounts of financial assets and liabilities presented on the SMFG Group's consolidated statements of financial position at March 31, 2013 and 2012, together with the associated fair value.

	Notes	At March 31,			
		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
(In millions)					
Financial assets:					
Cash and deposits with banks:					
		¥ 6,191,605	¥ 6,190,097	¥ 4,597,372	¥ 4,597,370
		5,613,268	5,612,133	3,453,190	3,452,202
Call loans and bills bought:					
		1,341,576	1,341,878	1,254,014	1,253,852
		51,864	51,827	43,068	43,026
Reverse repurchase agreements and cash collateral on securities borrowed					
		3,930,557	3,931,556	4,937,025	4,937,747
Trading assets					
		4,097,084	4,097,084	4,461,258	4,461,258
Derivative financial instruments					
		6,855,486	6,855,486	5,901,526	5,901,526
Financial assets at fair value through profit or loss					
		2,045,046	2,045,046	2,150,409	2,150,409
Investment securities:					
		5,840,257	5,901,664	5,277,268	5,346,854
		29,888,280	29,888,280	32,046,832	32,046,832
Loans and advances					
		75,987,057	77,736,934	72,536,813	74,048,420
Other financial assets					
		2,240,756	2,235,739	1,899,432	1,893,938
Financial liabilities:					
Deposits:					
		¥57,638,118	¥57,637,968	¥53,482,090	¥53,482,035
		43,383,295	43,385,998	39,371,476	39,378,994
Call money and bills sold:					
		2,954,052	2,954,051	2,144,600	2,144,599
		—	—	—	—
Repurchase agreements and cash collateral on securities lent					
		6,510,627	6,510,627	7,487,633	7,487,633
Trading liabilities					
		1,910,905	1,910,905	2,173,567	2,173,567
Derivative financial instruments					
		6,936,991	6,936,991	5,850,813	5,850,813
Borrowings					
		6,475,543	6,605,607	10,412,858	10,524,586
Debt securities in issue					
		8,085,263	8,260,887	7,377,742	7,514,031
Other financial liabilities					
		4,358,835	4,357,554	4,953,425	4,951,566

Notes:

- a. (i) The carrying amounts of deposits with banks without maturity and loans with no specified repayment dates represent a reasonable estimate of fair value as these financial instruments are short-term in nature.
- (ii) Financial assets with a remaining maturity of six months or less: The carrying amounts represent a reasonable estimate of fair value.
- (iii) Financial assets with a remaining maturity of more than six months: Except for impaired loans and advances, the fair values are mostly determined using discounted cash flow models taking into account certain factors including counterparties' credit ratings, pledged collateral, and market interest rates. The fair values of impaired loans and advances are generally determined by discounting the estimated future cash flows over the time period they are expected to be recovered, and may be based on the appraisal value of underlying collateral as appropriate.

Note that some of the financial assets in this category include embedded derivatives, which are separately accounted for, but presented together with the host contract.

- b. The carrying amounts of financial instruments which are classified as trading assets and trading liabilities, derivative financial instruments, financial assets at fair value through profit or loss, and available-for-sale financial assets are measured at fair value. Further description and analysis of these fair values, including the detailed valuation techniques, are set out below.
- c. The fair values for held-to-maturity investments are determined using quoted prices in active markets.
- d. (i) The carrying amounts of demand deposits and deposits without maturity represent reasonable estimates of fair value as these financial instruments are short-term in nature.
- (ii) Financial liabilities with a remaining maturity of six months or less: The carrying amounts represent a reasonable estimate of fair value.
- (iii) Financial liabilities with a remaining maturity of more than six months: The fair values are, in principle, based on the present values of future cash flows calculated using the refinancing rate applied to the same type of instruments for similar remaining maturities. The fair values of debt securities in issue are based on the present values of future cash flows calculated using the rate derived from yields of bonds issued by SMBC and publicly offered subordinated bonds published by securities firms.

Note that some of the financial liabilities in this category include embedded derivatives, which are separately accounted for, but presented together with the host contract.

Valuation Control

The SMFG Group undertakes a valuation process based on its valuation control framework, which governs internal control standards, methodologies, and procedures to ensure that the fair values are determined or validated independently of the front office.

The SMFG Group uses valuation techniques commonly used by market participants to price the financial instruments and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The valuation techniques include the discounted cash flow method, option pricing models and reference to the current fair value of another instrument that is substantially the same. Key adjustments, such as bid-ask spread, liquidity risk and credit risk adjustments are also taken into account to derive fair values.

Where valuation techniques are used to determine fair values, they are validated and reviewed. In principal banking subsidiaries, their risk management departments review significant valuation methodologies at least once a year, and recalibrate model parameters and inputs to ensure the appropriate estimation of fair value. These departments are independent from the business units and have a specific group which reviews these techniques. In addition, their accounting departments are responsible for ensuring that the accounting policies and procedures to determine fair values are in compliance with relevant accounting standards.

Fair Value Hierarchy

Financial assets and liabilities carried at fair value are categorized under the three levels of the fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following tables present the carrying amounts of the financial instruments held at fair value across the three levels of the fair value hierarchy at March 31, 2013 and 2012.

At March 31, 2013				
Quoted market price in an active market (Level 1)	Valuation techniques—observable inputs (Level 2)	Valuation techniques—significant unobservable inputs (Level 3)	Total	
(In millions)				
Assets:				
Trading assets	¥ 2,951,033	¥1,084,788	¥ 61,263	¥ 4,097,084
Derivative financial instruments	38,734	6,816,363	389	6,855,486
Financial assets at fair value through profit or loss	4,507	1,873,679	166,860	2,045,046
Available-for-sale financial assets	27,207,815	1,966,625	713,840	29,888,280
Others ⁽¹⁾	—	9,368	—	9,368
Liabilities:				
Trading liabilities	¥ 1,858,136	¥ 52,769	¥ —	¥ 1,910,905
Derivative financial instruments	48,383	6,873,962	14,646	6,936,991
Others ⁽¹⁾	—	28,609	—	28,609
At March 31, 2012				
Quoted market price in an active market (Level 1)	Valuation techniques—observable inputs (Level 2)	Valuation techniques—significant unobservable inputs (Level 3)	Total	
(In millions)				
Assets:				
Trading assets	¥ 3,667,000	¥ 740,748	¥ 53,510	¥ 4,461,258
Derivative financial instruments	32,297	5,869,008	221	5,901,526
Financial assets at fair value through profit or loss	1,556	1,887,882	260,971	2,150,409
Available-for-sale financial assets	29,725,227	1,635,881	685,724	32,046,832
Others ⁽¹⁾	—	14,273	—	14,273
Liabilities:				
Trading liabilities	¥ 2,156,266	¥ 17,301	¥ —	¥ 2,173,567
Derivative financial instruments	37,233	5,796,110	17,470	5,850,813
Others ⁽¹⁾	—	3,800	—	3,800

(1) Embedded derivatives, which are separately accounted for, but presented together with the host contract in the consolidated statement of financial position, are disclosed in this table within Others. Although the separated embedded derivatives may have a positive or a negative fair value, they have been presented in this table as assets or liabilities to be consistent with the host contract.

There were no significant transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2013 and 2012.

The following table presents a reconciliation from the beginning to the ending balances for those assets and liabilities that are measured in the consolidated statement of financial position at fair value based on a valuation technique for which one or more significant inputs are not based on observable market data (Level 3) for the fiscal years ended March 31, 2013 and 2012.

	<u>Trading assets</u>	<u>Derivative financial instruments</u>	<u>Financial assets at fair value through profit or loss</u> (In millions)	<u>Available-for- sale financial assets</u>	<u>Total</u>
At April 1, 2011	¥ 88,216	¥ (7,281)	¥272,789	¥679,210	¥1,032,934
Total gains (losses)	(2,025)	(1,988)	(3,034)	10,860	3,813
In profit or loss	9,411	(1,731)	(3,034)	(10,661)	(6,015)
In other comprehensive income	(11,436)	(257)	—	21,521	9,828
Purchases	3,677	37	2,375	71,730	77,819
Sales	(36,358)	—	(6,363)	(46,891)	(89,612)
Settlements	—	(8,074)	(1,789)	(29,227)	(39,090)
Transfers into Level 3	—	—	55	536	591
Transfers out of Level 3	—	57	(3,062)	(494)	(3,499)
At March 31, 2012	<u>53,510</u>	<u>(17,249)</u>	<u>260,971</u>	<u>685,724</u>	<u>982,956</u>
Total gains (losses)	12,366	9,344	1,551	56,951	80,212
In profit or loss	4,625	11,323	1,551	(792)	16,707
In other comprehensive income	7,741	(1,979)	—	57,743	63,505
Purchases	—	46	5,790	58,909	64,745
Sales	(4,613)	—	(14,525)	(29,826)	(48,964)
Settlements	—	(7,140)	(85,778)	(53,286)	(146,204)
Transfers into Level 3	—	—	108	—	108
Transfers out of Level 3	—	742	(1,257)	(4,632)	(5,147)
At March 31, 2013	<u>¥ 61,263</u>	<u>¥(14,257)</u>	<u>¥166,860</u>	<u>¥713,840</u>	<u>¥ 927,706</u>

The following table shows total gains or losses included in profit or loss for the Level 3 assets and liabilities held at March 31, 2013 and 2012.

	<u>Trading assets</u>	<u>Derivative financial instruments</u>	<u>Financial assets at fair value through profit or loss</u> (In millions)	<u>Available-for- sale financial assets</u>	<u>Total</u>
Total gains (losses) included in profit or loss for assets and liabilities held at March 31, 2013	¥ 4,674	¥10,891	¥ 1,198	¥(4,630)	¥ 12,133
Total gains (losses) included in profit or loss for assets and liabilities held at March 31, 2012	¥(3,679)	¥(1,660)	¥(2,871)	¥(3,144)	¥(11,354)

Gains or losses included in profit or loss are presented in net trading income, net income from financial assets at fair value through profit or loss, net investment income, and impairment charges on financial assets.

	Net trading income	Net income from financial assets at fair value through profit or loss	Net investment income	Impairment charges on financial assets	Total
	(In millions)				
For the fiscal year ended March 31, 2013:					
Total gains (losses) included in profit or loss					
loss	¥15,948	¥ 1,551	¥ 7,798	¥ (8,590)	¥ 16,707
Total gains (losses) included in profit or loss for assets and liabilities held at March 31, 2013	15,565	1,198	3,570	(8,200)	12,133
For the fiscal year ended March 31, 2012:					
Total gains (losses) included in profit or loss					
loss	¥ 7,680	¥(3,034)	¥ 8,381	¥(19,042)	¥ (6,015)
Total gains (losses) included in profit or loss for assets and liabilities held at March 31, 2012	(5,339)	(2,871)	15,825	(18,969)	(11,354)

Valuation Techniques

Financial instruments which are classified as trading assets and liabilities, derivative financial instruments, financial assets at fair value through profit or loss, and available-for-sale financial assets are measured at fair value in the consolidated statement of financial position. These instruments are measured at fair value using a quoted market price, if they are traded in an active market, or, for others, using the fair value measurement techniques as discussed below.

Trading assets and trading liabilities

Debt and equity instruments traded in an active market are measured at fair value using a quoted market price in such a market and they are classified as Level 1. If a quoted market price is not available, they are measured by using a price quoted by a third party, such as a pricing service or broker, or by reference to the current fair value of another instrument that is substantially the same, based on inputs such as prices obtained from brokers, observable interest rates and spreads. These financial instruments are classified as Level 2.

Certain investment funds classified as held for trading are measured at fair value determined based on the unit price, calculated by fund administrators. The unit price is determined based on net asset value, market approach or income approach, which may use significant unobservable inputs. In such a case, the funds are classified as Level 3.

Commercial paper is measured at fair value using the DCF method, where primary inputs are observable interest rates and credit spreads, inferred from the prevailing market rates. Therefore, commercial paper is classified as Level 2.

Derivative financial instruments

Listed derivatives (including interest rates, bonds, currencies, stocks and commodities) are measured at fair value using the settlement price announced by the major exchange on which transactions are traded because the settlement price in the exchange reflects the most current transaction price, and is readily and regularly available from the exchange. Listed derivatives are classified as Level 1.

OTC derivatives (non-exchange-traded derivatives) are measured at fair value using valuation techniques such as the present value of estimated future cash flows and option pricing models, generally based on observable interest rates, foreign exchange, commodities, stock prices and other factors as inputs. The valuation models for some complex transactions, such as yield curve spread options, use inputs which are not directly observable in the market, such as historical correlation coefficients. However, as the impact of these unobservable inputs is insignificant to the fair value, the SMFG Group classifies most of those transactions as Level 2.

The credit loss protection scheme which the SMFG Group offers to Goldman Sachs (“GS”) is considered to be a credit derivative, where the underlying reference entities are the American and European corporate entities covered in the commitment line portfolio of the GS group. The fair value of this derivative is determined using an ordinary collateralized debt obligation (“CDO”) pricing model, commonly used in the financial markets. The SMFG Group takes some portions of the positions in subordinated and mezzanine tranches, which covers the first and second credit losses from the portfolio. The major inputs for this derivative are credit default swap (“CDS”) spread rates, correlation ratios of CDS indices for similar portfolios, and the expected additional commitment withdrawal ratio. Although CDS spread rates and correlation ratios are observable in an active market or available from brokers, this whole scheme is classified as Level 3 as the expected additional withdrawal ratio, which is considered to be a significant input, is not usually observable in the market and is estimated based on historical data.

In addition, the fair value of OTC derivatives incorporates both counterparty credit risk in relation to OTC derivative assets and own credit risk in relation to OTC derivative liabilities. The SMFG Group calculates the credit risk adjustment by applying the probability of default that reflects the counterparty’s or its own credit risk to the OTC derivative exposure and multiplying the result by the loss expected in the event of default. For the probability of default, the SMFG Group uses observable market data, where possible. The OTC derivative exposure used is determined taking into consideration the effect of master netting agreements and collateral.

Financial assets at fair value through profit or loss

The majority of debt instruments classified in this category are measured at fair value, using a valuation technique based on the observable prices in the market and they are classified as Level 2.

Some equity and debt instruments in this category are hybrid instruments which have both equity and debt features. These include preferred stocks and bonds with equity risk, such as convertible bonds, which are measured at fair value using various valuation models, such as the Monte Carlo Simulation and the binomial lattice model, if they are indexed to the market prices in a stock exchange. These valuation models use the historical volatility of the listed stocks as an input, which are not observable in the market, resulting in these instruments being classified as Level 3. Other types of preferred stocks and other non-hybrid equity instruments are evaluated using fair value techniques for unlisted stocks, which are normally used for private equity investments. The SMFG Group calculates the fair values of these financial instruments based on the income approach or market approach using market multiples that are not usually observable in the market, and they are classified as Level 3.

Available-for-sale financial assets

(a) Debt instruments

Debt instruments are measured at fair value using a quoted market price and classified as Level 1 if they are traded in an active market. Debt instruments are classified as Level 2 if they are measured at fair value using a price quoted by a third party, such as a pricing service or broker, or by reference to the current fair value of another bond that is substantially the same based on inputs such as prices obtained from brokers, observable interest rates and spreads.

The Financial Stabilization Funds were measured at fair value using the DCF method based on actual prices for government bonds of similar maturities, which were observable in an active market. These funds were classified as Level 2. See Note 9 “Investment Securities” for further information on the Financial Stabilization Funds.

The fair value of some securitized products is calculated based on broker quotes. Since they are calculated using valuation techniques with inputs such as unobservable interest rates, foreign exchange and prices of credit products, these securitized products are classified as Level 3.

(b) Equity instruments

Listed stocks are measured at fair value based on the market price at a stock exchange and classified as Level 1.

Unlisted common and preferred stocks in this category are measured at fair value using valuation techniques, similar to those described in “Financial assets at fair value through profit or loss” above.

Publicly offered investment trusts and funds are measured at fair value using a unit price or the market price on which such instruments are listed, and they are classified as Level 1. Instruments whose prices are not available in the market, such as privately offered investment trusts, are measured at fair value based on the unit price, which is usually regarded as an exit price, obtained from the fund administrator or investment management firm. In such a case, these investment trusts and funds are classified as Level 2. Other investment funds, such as private equity and real estate investment funds, are generally measured at fair value based on net asset value, which may include significant unobservable inputs. In such cases, the funds are classified as Level 3.

Sensitivity Analysis

The fair value of certain financial instruments are measured using valuation techniques based on inputs such as prices and rates that are not observable in the market. The following tables present the impact of the valuation sensitivity, if these inputs fluctuate to the extent deemed reasonable and the volatility of such inputs has a significant impact on the fair value.

	At March 31, 2013				
	Total fair value measured using valuation techniques	Effect recorded in profit or loss		Effect recorded directly in equity	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
		(In millions)			
Trading assets	¥ 61,263	¥ 872	¥ (872)	¥ —	¥ —
Derivative financial instruments—assets	389	239	(64)	—	—
Derivative financial instruments—liabilities	(14,646)	8,713	(7,181)	—	—
Financial assets at fair value through profit or loss	166,860	2,634	(2,746)	—	—
Available-for-sale financial assets	713,840	—	—	22,465	(21,642)

	At March 31, 2012				
	Total fair value measured using valuation techniques	Effect recorded in profit or loss		Effect recorded directly in equity	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
		(In millions)			
Trading assets	¥ 53,510	¥1,119	¥(1,119)	¥ —	¥ —
Derivative financial instruments—assets	221	453	(146)	—	—
Derivative financial instruments—liabilities	(17,470)	8,149	(6,436)	—	—
Financial assets at fair value through profit or loss	260,971	4,065	(2,639)	—	—
Available-for-sale financial assets	685,724	—	—	16,749	(16,043)

Trading assets

The investment funds based on net asset value, market approach or income approach are managed by value at risk (“VaR”) based on historical gain or loss data. Hence, the impact of the valuation sensitivity is estimated using a one-day VaR of the portfolio.

Derivative financial instruments

With respect to the credit loss protection scheme offered to GS, the expected additional withdrawal ratio is considered to be a significant unobservable input for its fair value measurement because the anticipated losses will vary significantly depending on the expected additional withdrawal ratio of unfunded commitment lines in the reference portfolio (mainly revolving credit facilities for commercial paper backup). The expected additional withdrawal ratio is estimated based on historical data of actual funded amounts at default for similar portfolios. The tables above present the estimates of the impact of changing the expected additional withdrawal ratio from an optimistic (favorable) scenario to a pessimistic (unfavorable) scenario.

Financial assets at fair value through profit or loss / Available-for-sale financial assets

With respect to preferred stocks convertible into listed stocks and bonds with equity risk, valuation techniques such as Monte Carlo Simulation or the binomial lattice model are used to measure the fair value of the conversion options. Historical volatilities of the related listed stocks are used as input for the valuation because current implied volatility is generally not observable in the market. The impact resulting from using a reasonable range for the volatility is statistically estimated where it would be significant. With respect to unlisted stocks which are measured at fair value based on a market approach, the impact of changing the market multiples within a reasonable range ($\pm 10\%$) is estimated in the tables above.

45 FINANCIAL RISK MANAGEMENT

The SMFG Group classifies risks into the following categories: credit risk, market risk, liquidity risk and operational risk (including processing risk and system risk). This note presents information about the SMFG Group’s exposure to credit risk, market risk, and liquidity risk, and its policies and processes for measuring and managing these risks.

Risk Management System

The SMFG Group has established a basic approach for risk management. This basic approach includes establishing Group-wide basic policies for risk management, providing all necessary implementation guidance to the SMFG Group companies and monitoring the risk management procedures implemented by all Group companies to ensure their practices meet the relevant standards.

The Group-wide basic policies for risk management are determined by the Management Committee, which consists of designated Board Members, and such policies are authorized by the Board of Directors. The policies include:

- managing risk on a Group-wide basis;
- managing risk using quantification methods;
- ensuring consistency with business strategies;
- setting up a system of checks and balances;
- establishing contingency plans for emergencies and serious situations; and
- verifying preparedness to handle reasonably conceivable risk situations.

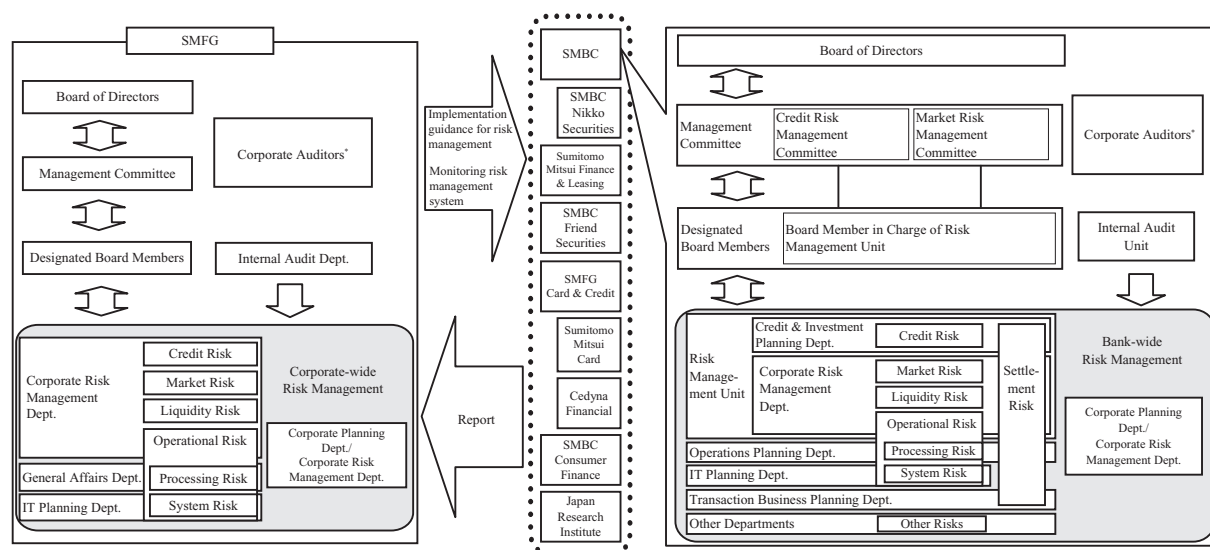
The policies also include fundamental principles for each risk category, which each SMFG Group company has to follow when establishing its own risk management system. The Corporate Risk Management Department, in cooperation with the Corporate Planning Department, performs risk management according to the above policies. In addition, the Internal Audit Department is responsible for the independent review of risk management within the SMFG Group.

Risk management systems are in place at the individual SMFG Group companies, and have been established in accordance with the Group-wide basic policies for risk management and implementation guidance provided by SMFG. Based on these policies and guidance, each SMFG Group company implements guidelines and establishes processes for risk management. On an ongoing basis, these processes and risks are monitored by SMFG.

For example, at SMBC, specific departments have been appointed to oversee the handling of the four risk categories listed above, in addition to the risks associated with settlement. Each risk category is managed taking into account, the particular characteristics of that category. In addition, the Risk Management Unit has been established—independent of the business units—and the risk management system has been strengthened by consolidating the functions for managing risks—credit, market, liquidity and operational—into the Risk Management Unit and enhancing SMBC’s across-the-board risk monitoring ability. One board member is assigned to oversee the Risk Management Unit comprising the Corporate Risk Management Department and Credit & Investment Planning Department. The Corporate Risk Management Department—the unit’s planning department—seeks to manage all categories of risk in cooperation with the Corporate Planning Department. Moreover, the Internal Audit Unit—independent of all business units—conducts periodic audits to ensure that the management system is functioning properly.

The decision-making process for addressing the risks at the operating level is also strengthened by the Credit Risk Management Committee and the Market Risk Management Committee, which are subcommittees of the Management Committee of SMBC.

The diagram below represents the risk management system of the SMFG Group and SMBC.



* Under the Companies Act, the SMFG Group has corporate auditors who have a statutory duty to examine the financial statements and business reports submitted by the Board of Directors to the general shareholders' meeting. Corporate auditors also have the duty to supervise the administration of the SMFG Group's affairs by the directors in accordance with the auditing policy and rules prescribed by resolutions of the Board of Corporate Auditors.

Risk Capital-Based Management

In order to maintain a balance between risk and return, the SMFG Group employs a risk capital-based management method. The SMFG Group measures “risk capital” based on VaR and other specific measures such as uniform basic measures of credit, market and operational risks, taking into account the special characteristics of each type of risk, and the business activities of each SMFG Group company.

The SMFG Group then allocates risk capital to each unit to keep the total exposure to various risks within the scope of the SMFG Group’s resources, i.e., capital. The allocation to each unit is determined by the Management Committee and authorized by the Board of Directors. In this framework, risk capital includes credit concentration risk and interest rate risk in the banking book, which are taken into account under the second pillar of Basel III. In addition, the SMFG Group conducts risk capital management activities on a consolidated basis, including each SMFG Group company.

Credit Risk

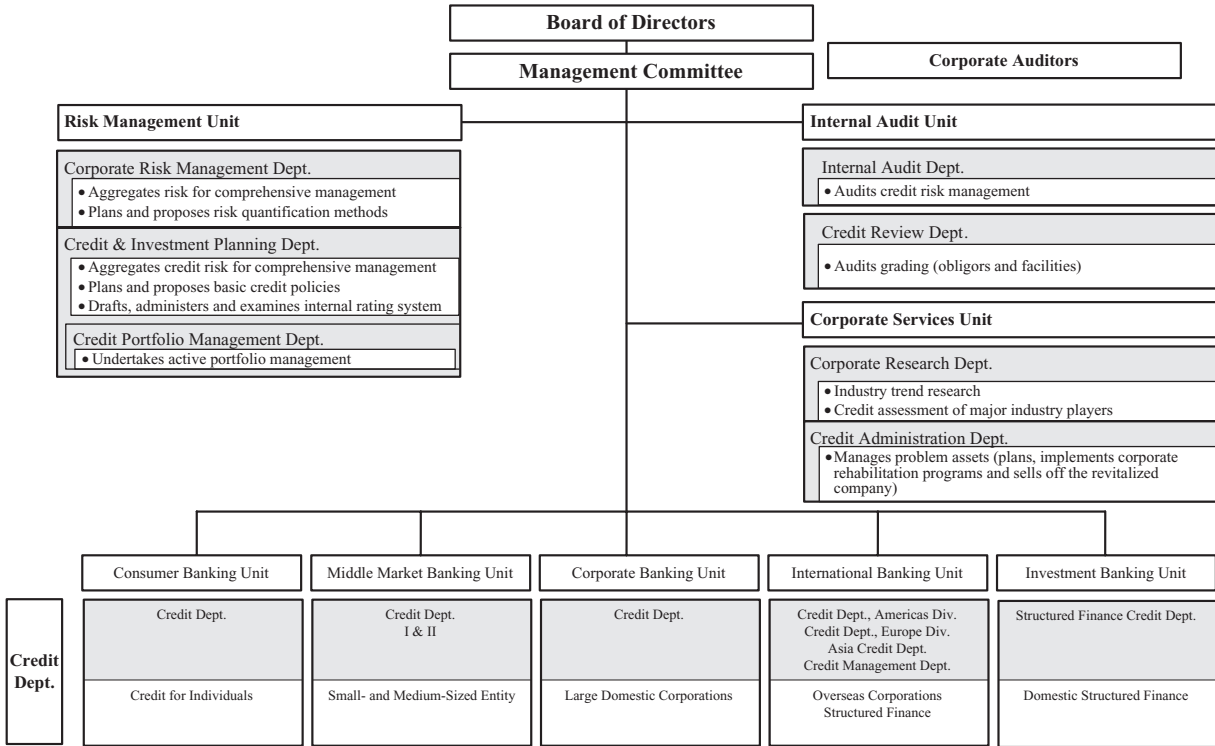
Credit risk is the possibility of a loss arising from a credit event, such as the deterioration in the financial condition of a borrower that causes an asset (including off-balance sheet transactions) to decline in value or become worthless. Overseas credits also include an element of country risk, which is closely related to credit risk. This is the risk of loss caused by changes in political or economic conditions. Credit exposures arise principally in lending activities such as loans and advances, acquiring investment securities, derivative transactions, and off-balance sheet transactions such as loan commitments.

Credit risk management system

Credit risk is the most significant risk to which the SMFG Group is exposed. The purpose of credit risk management is to keep the credit risk exposure to a permissible level relative to capital, to maintain the quality of assets and to ensure returns commensurate with risk.

On the basis of Group-wide basic policies for risk management, the SMFG Group companies follow the fundamental principles established by the SMFG Group to assess and manage credit risk. Each SMFG Group company manages credit risk according to the nature of its business, and assesses and manages the credit risks of individual loans and credit portfolios quantitatively, using consistent standards.

The following chart shows the credit risk management system of SMBC, the SMFG Group’s significant banking subsidiary.



At SMBC, the Credit & Investment Planning Department within the Risk Management Unit is responsible for the comprehensive management of credit risk. This department drafts and administers credit policies, the internal rating system, credit authority guidelines and credit application guidelines, and manages non-performing loans (“NPLs”), including impaired loans, and other aspects of credit portfolio management. The department also cooperates with the Corporate Risk Management Department in quantifying credit risk (risk capital and risk-weighted assets) and controls SMBC’s entire credit risk. Further, the Credit Portfolio Management Department within the Credit & Investment Planning Department strives to stabilize the credit portfolio and manage the risk through credit derivatives, loan asset sales and other instruments.

The credit departments within each business unit conduct credit risk management for loans handled by their units and manage their units’ portfolios. The credit limits they use are based on the baseline amounts that the Credit & Investment Planning Department establishes for each grading category, with particular attention paid to evaluating and managing customers or loans perceived to have particularly high credit risk. The Corporate Research Department engages in research on industries and analyzes the business and financial conditions of borrower enterprises to detect early signs of problems or growth potential.

The Credit Administration Department within the Corporate Services Unit is responsible for handling NPLs of borrowers classified as potentially bankrupt or lower, and formulates plans for workouts, including write-offs, and corporate rehabilitation. The department closely liaises with SMBC Servicer Co., Ltd., an SMFG Group company, which engages in related services to efficiently reduce the amount of NPLs, including through the sale of loans.

The Internal Audit Unit, operating independently of the business units, audits asset quality, accuracy of grading and state of credit risk management, and reports the results directly to the board of directors and the Management Committee.

SMBC has established the Credit Risk Committee to undertake control of credit risk and to ensure the overall soundness of the loan operations.

Credit risk management methods

To effectively manage the risk involved in individual loans as well as the credit portfolio as a whole, SMBC first acknowledges that every loan entails credit risk, assesses the credit risk posed by each borrower and loan using an internal rating system, and quantifies that risk for control purposes.

(a) Credit risk evaluation

The Credit & Investment Planning Department manages an internal rating system for each asset control category set according to portfolio characteristics. For example, credits to commercial and industrial (“C&I”) companies, individuals for business purposes (domestic only), sovereigns, public sector entities, and financial institutions are assigned an “obligor grade,” which indicates the borrower’s creditworthiness, and/or “facility grade,” which indicates the collectibility of assets taking into account the transaction conditions such as guarantee/collateral, and tenor. The business units determine an obligor grade by first assigning a financial grade using a financial strength grading model and data obtained from the obligor’s financial statements, including net worth and cash flows. The financial grade is then adjusted taking into account the actual state of the obligor’s financial position and qualitative factors to derive the obligor grade. The qualitative factors mainly include the expected future cash flows taking into account factors such as historical loss information, the appropriateness of the borrower’s business plan or operational improvement plan, the status of progress of its plan, and the overall support from financial institutions. In the event that the borrower is domiciled overseas, internal ratings for credit are made after taking into consideration the country rank, which represents an assessment of the credit quality of each country based on its political and economic situation, as well as its current account balance and external debt. Obligor grades and facility grades are reviewed once a year and as otherwise necessary, such as when there are changes in the credit situation. The SMFG Group’s subsidiaries carry out credit risk evaluations in line with SMBC.

The table below shows the corporate obligor grading system of SMBC.

Obligor Grade		Definition	Borrower Category
Domestic (C&I), etc.	Overseas (C&I), etc.		
J1	G1	Very high certainty of debt repayment	Normal Borrowers
J2	G2	High certainty of debt repayment	
J3	G3	Satisfactory certainty of debt repayment	
J4	G4	Debt repayment is likely, but this could change in cases of significant changes in economic trends or business environment	
J5	G5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term, and the situation could change in cases of significant changes in economic trends or business environment	
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems	
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution
J7R	G7R	Obligors with loans that are more than three months past due or with restructured loans within the “Borrowers Requiring Caution” category	Substandard Borrowers
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring and highly likely to go bankrupt	Potentially Bankrupt Borrowers
J9	G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Effectively Bankrupt Borrowers
J10	G10	Legally or formally bankrupt	Bankrupt Borrowers

There are also grading systems for loans to individuals such as housing loans, loans to small businesses, and structured finance including project finance, where the repayment source is limited to the cash flows generated by a particular business or asset. For example, the obligor grade of housing loans is determined taking into account various relevant factors such as proportion of the repayment to revenue, proportion of down payment to the value and past due information.

The Credit & Investment Planning Department centrally manages the internal rating systems, and designs, operates, supervises and validates the grading models. It validates the grading models (including statistical validation) of main assets following the procedure manual once a year to ensure their effectiveness and suitability.

(b) Quantification of credit risk

Credit risk quantification refers to the process of estimating the degree of credit risk of a portfolio or individual loan taking into account not just the obligor’s probability of default (“PD”), but also the concentration of risk in a specific customer or industry, and the loss impact of fluctuations in the value of collateral, such as real estate and securities.

Specifically, the PD by grade, loss given default (“LGD”), credit quality correlation among obligors, and other parameter values are estimated using the historical data of obligors and facilities stored in a database to calculate the credit risk. Then, based on these parameters, SMBC runs a simulation of simultaneous default using the Monte Carlo Simulation to calculate SMBC’s maximum loss exposure to the estimated amount of the maximum losses/expected shortfall that may be incurred. Based on these quantitative results, SMBC allocates risk capital.

Risk quantification is also executed for purposes such as to determine the portfolio’s risk concentration or to simulate economic movements (stress tests), and the results are used for making optimal decisions across the whole range of business operations, including formulating business plans and providing a standard against which individual credit applications are assessed.

Credit assessment

At SMBC, the credit assessment of corporate loans involves a variety of financial analyses, including cash flows, to predict an enterprise’s capability of loan repayment and its growth prospects. These quantitative measures, when combined with qualitative analyses of industrial trends, the enterprise’s research and development capabilities, the competitiveness of its products or services, and its management caliber, result in a comprehensive credit assessment. The loan application is analyzed in terms of the intended utilization of the funds and the repayment schedule. In the assessment of housing loans for individuals, SMBC employs a credit assessment model based on credit data amassed and analyzed by SMBC over many years, taking into account various relevant factors including proportion of the repayment to revenue, proportion of down payment to the value and past-due information.

Credit monitoring

At SMBC, in addition to analyzing loans at the application stage, the Credit Monitoring System is utilized to reassess obligor grades, and review credit policies for each obligor so that problems can be detected at an early stage, and quick and effective action can be taken. The system includes periodic monitoring carried out each time the financial results of the obligor enterprise are obtained, as well as continuous monitoring performed each time credit conditions change.

Credit portfolio management

(a) Risk-taking within the scope of capital

To keep the credit risk exposure to a permissible level relative to capital, SMBC’s Corporate Risk Management Department sets credit risk limits for internal control purposes. Under these limits, separate guidelines are issued for each business unit, such as for real estate finance, fund investment, and investment in securitization products. The Corporate Risk Management Department conducts monthly monitoring to make sure that these guidelines are being followed.

(b) Controlling concentration risk

As the concentration of credit risk in an industry or a corporate group has the potential to substantially impair capital, SMBC’s Credit & Investment Planning Department sets guidelines for maximum loan amounts to prevent the excessive concentration of loans in an industry and to control large exposures to an individual company or a corporate group. Further, to manage country risk, the Credit Management Department of the International Banking Unit has credit limit guidelines based on each country’s creditworthiness.

(c) Toward active portfolio management

SMBC’s Credit Portfolio Management Department makes use of credit derivatives, loan asset sales, and other instruments to proactively and flexibly manage its portfolio to stabilize credit risk.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows the maximum exposure to credit risk before taking into account any collateral held or other credit enhancements at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
(In millions)		
Credit risk exposures relating to assets on the consolidated statement of financial position:		
Deposits with banks	¥ 10,789,478	¥ 7,061,283
Call loans and bills bought	1,393,440	1,297,082
Reverse repurchase agreements and cash collateral on securities borrowed	3,930,557	4,937,025
Trading assets	3,331,405	4,132,979
Derivative financial instruments	6,855,486	5,901,526
Financial assets at fair value through profit or loss	1,911,478	2,019,559
Investment securities:		
Held-to-maturity investments	5,840,257	5,277,268
Available-for-sale financial assets	25,949,199	28,857,930
Loans and advances	75,987,057	72,536,813
Other financial assets	2,240,756	1,899,432
Credit risk exposures relating to off-balance sheet items⁽¹⁾:		
Loan commitments	46,490,109	44,064,283
Financial guarantees and other credit-related contingent liabilities	5,891,617	5,320,993
Total	¥190,610,839	¥183,306,173

(1) The off-balance sheet items represent the nominal amounts of undrawn loan commitments, financial guarantees and other credit-related contingent liabilities.

Based on the table above, excluding loan commitments (refer to Note 42 “Contingency and Capital Commitments”), the majority of the total exposure to credit risk is derived from “Loans and advances” and “Available-for-sale financial assets.”

Collateral and other credit enhancements

The SMFG Group considers the acquisition of collateral and guarantees as a secondary repayment source to further enhance loan recovery and minimize credit risk. Based on the assessment of a borrower’s real financial condition and potential future cash flows, the SMFG Group shall analyze the borrower’s repayment ability and require sufficient collateral in the form of an asset or third-party obligation. This serves to mitigate the inherent credit risk in the exposure, by either improving recoveries in the event of a default or transferring the borrower’s obligation to guarantors. Collateral received is mainly segregated into (1) financial collateral such as cash, deposits and securities, (2) real estate collateral such as land and buildings, and (3) guarantees received from sovereigns, municipal corporations, credit guarantee corporations and other public entities, financial institutions, and other companies.

The SMFG Group’s credit risk management is mainly based on an analysis of the repayment ability from the cash flows of the borrower’s business performance, and the collateral and other credit enhancements are considered as secondary repayment sources in the SMFG Group’s business practice. At the time of the primary lending decision, the SMFG Group evaluates the collateral on an individual borrower basis to consider its financial effect for mitigating credit risk. The frequency of subsequent collateral reviews is dependent on the borrower’s creditworthiness. In case there is a significant change in the borrower’s repayment ability due to a

deterioration in its creditworthiness and/or its cash flows, the SMFG Group may utilize the collateral and other credit enhancements as a source of repayment. In such circumstances the re-evaluation of the collateral and other credit enhancements will be performed regularly.

The following table shows the financial effect of collateral and other credit enhancements on loans and advances for borrowers requiring caution and impaired loans and advances at March 31, 2013 and 2012. The maximum collateral amounts included in the disclosure are limited to the carrying value of loans and advances where the credit exposure is over-collateralized.

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Loans and advances for borrowers requiring caution and impaired loans and advances	¥5,269,150	¥6,236,852
Financial effect of collateral and other credit enhancements	2,512,261	2,940,240

Concentration of risks of loans and advances with credit risk exposure

An analysis of concentrations of credit risk from loans and advances by geographical sector and industry sector at March 31, 2013 and 2012 is shown below. The concentration by geographical sector is measured based on the domicile of the borrower.

(a) Geographical sector

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Domestic	¥60,270,451	¥60,656,705
Foreign:		
Americas	6,167,696	4,916,882
Europe	3,459,482	2,752,961
Asia	5,670,497	4,341,841
Others	1,828,595	1,394,319
Total foreign	<u>17,126,270</u>	<u>13,406,003</u>
Gross loans and advances	77,396,721	74,062,708
Adjust: Unearned income, unamortized premiums-net and deferred loan fees—net	(147,186)	(144,731)
Less: Allowance for loan losses	<u>(1,262,478)</u>	<u>(1,381,164)</u>
Net loans and advances	<u>¥75,987,057</u>	<u>¥72,536,813</u>

(b) Industry sector

	At March 31,	
	2013	2012
	(In millions)	
Domestic:		
Manufacturing	¥ 8,071,044	¥ 8,462,004
Agriculture, forestry, fisheries and mining	164,420	152,128
Construction	1,167,115	1,284,882
Transportation, communications and public enterprises	4,708,870	4,414,102
Wholesale and retail	5,388,032	5,480,393
Finance and insurance	2,715,862	2,170,776
Real estate and goods rental and leasing	8,145,769	7,982,741
Services	4,404,359	4,076,818
Municipalities	1,270,981	1,234,355
Lease financing	2,058,284	2,056,972
Consumer ⁽¹⁾	18,834,079	19,185,574
Others	3,341,636	4,155,960
Total domestic	<u>60,270,451</u>	<u>60,656,705</u>
Foreign:		
Public sector	121,611	130,426
Financial institutions	2,500,624	2,012,751
Commerce and industry	13,502,283	10,364,685
Lease financing	208,099	191,966
Others	793,653	706,175
Total foreign	<u>17,126,270</u>	<u>13,406,003</u>
Gross loans and advances	77,396,721	74,062,708
Adjust: Unearned income, unamortized premiums—net and deferred loan fees—net	(147,186)	(144,731)
Less: Allowance for loan losses	<u>(1,262,478)</u>	<u>(1,381,164)</u>
Net loans and advances	<u>¥75,987,057</u>	<u>¥72,536,813</u>

(1) The balance in Consumer mainly consists of housing loans. The housing loan balances amounted to ¥14,520,154 million and ¥14,574,702 million at March 31, 2013 and 2012, respectively.

The following tables show a disaggregation of the structured finance loans and advances balances, where the repayment source is limited to the cash flows generated by a particular business or asset, and the balances of secured or unsecured consumer loans at March 31, 2013 and 2012. These loans and advances are included in the preceding tables.

Structured finance:

	At March 31,	
	2013	2012
	(In millions)	
Real estate finance	¥1,802,429	¥1,951,764
Project finance	1,772,428	1,413,819
Other structured finance	257,733	287,325
Total structured finance	<u>¥3,832,590</u>	<u>¥3,652,908</u>

Consumer:

	At March 31,	
	2013	2012
	(In millions)	
Secured loans ⁽¹⁾	¥15,609,089	¥15,614,747
Unsecured loans	3,224,990	3,570,827
Total consumer	<u>¥18,834,079</u>	<u>¥19,185,574</u>

(1) The secured loans and advances mainly represent housing loans. The housing loan balances amounted to ¥14,520,154 million and ¥14,574,702 million at March 31, 2013 and 2012, respectively.

Loans and advances by credit quality category

Loans and advances are summarized as follows:

	At March 31,	
	2013	2012
	(In millions)	
Neither past due nor impaired	¥74,800,479	¥71,300,909
Past due but not impaired	113,101	144,697
Impaired ⁽¹⁾	<u>2,483,141</u>	<u>2,617,102</u>
Gross loans and advances	77,396,721	74,062,708
Adjust: Unearned income, unamortized premiums—net and deferred loan fees—net	(147,186)	(144,731)
Less: Allowance for loan losses	<u>(1,262,478)</u>	<u>(1,381,164)</u>
Net loans and advances	<u>¥75,987,057</u>	<u>¥72,536,813</u>

(1) Loans and advances to borrowers who are classified in the borrower categories of substandard borrowers, potentially bankrupt borrowers, effectively bankrupt borrowers, and bankrupt borrowers described in the obligor grading system represent impaired loans and advances.

(a) Loans and advances neither past due nor impaired

The following tables show the credit quality of the portfolio of loans and advances that were neither past due nor impaired, by geography and by industry based on the corporate obligor grading system of SMBC at March 31, 2013 and 2012. Since the internal rating system of SMBC's consumer portfolio differs from the corporate obligor grading system, the balances of loans and advances to consumers are included in the grade category of "Other." Additionally, as the SMFG Group's subsidiaries are adopting various internal rating systems which differ from SMBC, the grade category of "Other" also includes some balances of loans and advances held by those subsidiaries.

At March 31, 2013							
Normal				Requiring Caution			Total
J 1-3	J 4-6	Japanese government and local municipal corporations	Other	J 7	Other		
(In millions)							
Domestic:							
Manufacturing	¥ 3,513,817	¥ 2,378,175	¥ —	¥ 1,481,691	¥ 331,493	¥ 113,952	¥ 7,819,128
Agriculture, forestry, fisheries and mining	79,258	35,097	623	6,038	37,004	1,043	159,063
Construction	181,743	286,542	—	468,108	66,246	51,396	1,054,035
Transportation, communications and public enterprises	2,065,733	1,842,845	102,005	450,099	66,267	62,959	4,589,908
Wholesale and retail	1,686,538	2,160,610	—	967,437	195,308	101,773	5,111,666
Finance and insurance	1,431,773	524,576	211,005	509,088	5,774	17,423	2,699,639
Real estate and goods rental and leasing	2,809,565	3,035,049	118,350	1,169,877	235,705	150,160	7,518,706
Services	802,738	1,903,226	347,340	810,214	177,981	111,309	4,152,808
Municipalities	—	—	1,147,374	107,214	—	16,393	1,270,981
Lease financing	—	—	—	2,009,998	—	30,330	2,040,328
Consumer ⁽¹⁾	—	320	—	17,974,548	4,754	280,527	18,260,149
Others	11,711	2,247,620	181,765	441,971	346,640	8,390	3,238,097
Total domestic	12,582,876	14,414,060	2,108,462	26,396,283	1,467,172	945,655	57,914,508
	G 1-3	G 4-6	—	Other	G 7	Other	Total
Foreign:							
Public sector	89,744	2,496	—	28,481	—	842	121,563
Financial institutions	1,798,201	93,859	—	580,705	2,538	16,757	2,492,060
Commerce and industry	9,079,697	1,721,305	—	2,160,017	230,624	91,330	13,282,973
Lease financing	—	—	—	189,411	—	11,054	200,465
Others	522,939	60,021	—	195,911	258	9,781	788,910
Total foreign	11,490,581	1,877,681	—	3,154,525	233,420	129,764	16,885,971
Total	¥24,073,457	¥16,291,741	¥2,108,462	¥29,550,808	¥1,700,592	¥1,075,419	¥74,800,479

(1) The balance in the grade category of "Other" in Consumer includes housing loans, which amounted to ¥14,130,517 million and ¥102,300 million for the borrower category of Normal and Requiring Caution, respectively.

At March 31, 2012

	Normal				Requiring Caution		
	J 1-3	J 4-6	Japanese government and local municipal corporations	Other	J 7	Other	Total
	(In millions)						
Domestic:							
Manufacturing	¥ 3,633,947	¥ 2,528,721	¥ —	¥ 1,560,885	¥ 373,887	¥ 139,926	¥ 8,237,366
Agriculture, forestry, fisheries and mining	53,379	49,215	1,264	4,739	36,536	1,066	146,199
Construction	255,292	304,934	—	456,733	67,980	61,044	1,145,983
Transportation, communications and public enterprises	1,717,770	1,822,101	139,964	468,346	64,043	74,573	4,286,797
Wholesale and retail	1,489,228	2,272,331	—	1,070,530	241,107	118,503	5,191,699
Finance and insurance	687,049	246,590	41,246	927,613	237,173	17,712	2,157,383
Real estate and goods rental and leasing	2,500,185	3,044,877	44,103	1,274,938	306,003	186,968	7,357,074
Services	666,718	1,842,202	127,449	780,149	242,666	133,797	3,792,981
Municipalities	—	—	1,129,149	87,956	333	14,525	1,231,963
Lease financing	—	—	—	2,000,114	—	34,920	2,035,034
Consumer ⁽¹⁾	—	524	—	18,079,072	6,183	401,578	18,487,357
Others	11,390	2,409,118	696,950	491,122	433,440	9,123	4,051,143
Total domestic	11,014,958	14,520,613	2,180,125	27,202,197	2,009,351	1,193,735	58,120,979
	G 1-3	G 4-6	—	Other	G 7	Other	Total
Foreign:							
Public sector	97,932	—	—	31,332	—	1,114	130,378
Financial institutions	1,174,915	26,339	—	750,712	2,080	22,277	1,976,323
Commerce and industry	6,679,852	1,450,041	—	1,707,819	251,377	94,802	10,183,891
Lease financing	—	—	—	174,347	—	13,348	187,695
Others	484,756	63,988	—	143,118	1,043	8,738	701,643
Total foreign	8,437,455	1,540,368	—	2,807,328	254,500	140,279	13,179,930
Total	¥19,452,413	¥16,060,981	¥2,180,125	¥30,009,525	¥2,263,851	¥1,334,014	¥71,300,909

(1) The balance in the grade category of "Other" in Consumer includes housing loans, which amounted to ¥14,151,064 million and ¥119,513 million for the borrower category of Normal and Requiring Caution, respectively.

(b) Loans and advances past due but not impaired

The SMFG Group assesses the credit quality of loans and advances taking into account past due information on a borrower basis, and does not comprehensively collate the data related to the age analysis of loans and advances that were past due but not impaired on an individual basis. The aggregate balances of loans and advances of borrowers with one or more facilities, where any of the facilities are past due for less than three months but not impaired as at March 31, 2013 and 2012 were ¥147,259 million and ¥194,248 million, respectively. Those aggregate balances therefore include individual loans and advances which are not past due. Thus, in the tables below, the SMFG Group provides the amount of loans and advances where the final payment at contractual maturity is past due, by geography and by industry, at March 31, 2013 and 2012. For reference, since all the loans and advances that are past due over three months are treated as impaired, those loans and advances are not included in the tables below.

	At March 31, 2013			Total
	Past due up to 1 month	Past due 1 – 2 months	Past due 2 – 3 months	
	(In millions)			
Domestic:				
Manufacturing	¥ 2,413	¥ 236	¥ 135	¥ 2,784
Agriculture, forestry, fisheries and mining	19	—	21	40
Construction	698	282	305	1,285
Transportation, communications and public enterprises . .	377	64	18	459
Wholesale and retail	3,107	3,058	1,163	7,328
Finance and insurance	360	4	28	392
Real estate and goods rental and leasing	923	274	183	1,380
Services	1,435	191	272	1,898
Lease financing	276	121	356	753
Consumer	43,471	22,296	14,599	80,366
Others	35	324	104	463
Total domestic	<u>53,114</u>	<u>26,850</u>	<u>17,184</u>	<u>97,148</u>
Foreign:				
Public sector	—	—	34	34
Financial institutions	1,929	273	171	2,373
Commerce and industry	7,693	1,344	2,037	11,074
Others	1,803	463	206	2,472
Total foreign	<u>11,425</u>	<u>2,080</u>	<u>2,448</u>	<u>15,953</u>
Total	<u>¥64,539</u>	<u>¥28,930</u>	<u>¥19,632</u>	<u>¥113,101</u>

	At March 31, 2012			
	Past due up to 1 month	Past due 1 – 2 months	Past due 2 – 3 months	Total
	(In millions)			
Domestic:				
Manufacturing	¥ 1,656	¥ 987	¥ 113	¥ 2,756
Agriculture, forestry, fisheries and mining	—	11	—	11
Construction	850	286	307	1,443
Transportation, communications and public enterprises ..	639	258	23	920
Wholesale and retail	5,338	596	687	6,621
Finance and insurance	36	—	—	36
Real estate and goods rental and leasing	644	185	838	1,667
Services	1,767	264	331	2,362
Municipalities	2,392	—	—	2,392
Lease financing	59	10,200	—	10,259
Consumer	74,462	16,886	15,022	106,370
Others	89	1,120	5	1,214
Total domestic	<u>87,932</u>	<u>30,793</u>	<u>17,326</u>	<u>136,051</u>
Foreign:				
Public sector	—	—	34	34
Financial institutions	396	17	—	413
Commerce and industry	3,853	1,334	1,498	6,685
Others	1,099	296	119	1,514
Total foreign	<u>5,348</u>	<u>1,647</u>	<u>1,651</u>	<u>8,646</u>
Total	<u>¥93,280</u>	<u>¥32,440</u>	<u>¥18,977</u>	<u>¥144,697</u>

(c) Impaired loans and advances

The following table shows the impaired loans and advances, by geography and by industry, at March 31, 2013 and 2012.

	At March 31,	
	2013	2012
(In millions)		
Domestic:		
Manufacturing	¥ 249,132	¥ 221,882
Agriculture, forestry, fisheries and mining	5,317	5,918
Construction	111,795	137,456
Transportation, communications and public enterprises	118,503	126,385
Wholesale and retail	269,038	282,073
Finance and insurance	15,831	13,357
Real estate and goods rental and leasing	625,683	624,000
Services	249,653	281,475
Lease financing	17,203	11,679
Consumer	493,564	591,847
Others	103,076	103,603
Total domestic	<u>2,258,795</u>	<u>2,399,675</u>
Foreign:		
Public sector	14	14
Financial institutions	6,191	36,015
Commerce and industry	208,236	174,109
Lease financing	7,634	4,271
Others	2,271	3,018
Total foreign	<u>224,346</u>	<u>217,427</u>
Total impaired loans and advances before allowance for loan losses	<u>2,483,141</u>	<u>2,617,102</u>
Less: Allowance for loan losses	<u>(1,144,130)</u>	<u>(1,234,299)</u>
Net impaired loans and advances	<u>¥ 1,339,011</u>	<u>¥ 1,382,803</u>

Renegotiated loans and advances

The following table shows loans and advances at March 31, 2013 and 2012 that would otherwise be past due or impaired, but whose terms have been renegotiated without providing any financial concessions. These loans and advances are mainly classified as requiring caution in the table of “(a) Loans and advances neither past due nor impaired” in the section “Loans and advances by credit quality category.”

The SMFG Group continually assesses the creditworthiness of a borrower for whom terms of the loans and advances have been renegotiated, taking into account the actual state of the borrower’s financial position and qualitative factors. Further details are described in “(a) Credit risk evaluation” in the section “Credit risk management methods.” Loans and advances whose terms have been renegotiated and financial concessions have been provided are reported as impaired and included in the table of “(c) Impaired loans and advances” in the section “Loans and advances by credit quality category.”

	At March 31,	
	2013	2012
(In millions)		
Renegotiated loans and advances	¥980,366	¥1,185,123

Trading assets and investment securities

The following table shows an analysis of trading assets, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets based on the external rating system at March 31, 2013 and 2012, excluding equity instruments. Collateral is generally not obtained directly from the issuers.

At March 31, 2013					
	Trading assets	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Total
	(In millions)				
AAA	¥ 231,895	¥ —	¥ —	¥ 4,762,224	¥ 4,994,119
AA- to AA+	2,760,054	1,873,429	5,827,536	20,612,907	31,073,926
A- to A+	305,373	—	12,721	424,049	742,143
Lower than A-	28,063	—	—	105,815	133,878
Unrated	6,020	38,049	—	44,204	88,273
Total	<u>¥3,331,405</u>	<u>¥1,911,478</u>	<u>¥5,840,257</u>	<u>¥25,949,199</u>	<u>¥37,032,339</u>

Impaired available-for-sale financial assets with a carrying amount of ¥283 million at March 31, 2013 are included in the table above.

At March 31, 2012					
	Trading assets	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Total
	(In millions)				
AAA	¥ 100,032	¥ —	¥ —	¥ 4,926,867	¥ 5,026,899
AA- to AA+	3,686,800	1,886,820	5,260,240	23,342,718	34,176,578
A- to A+	317,132	84,727	17,028	316,938	735,825
Lower than A-	23,112	—	—	126,445	149,557
Unrated	5,903	48,012	—	144,962	198,877
Total	<u>¥4,132,979</u>	<u>¥2,019,559</u>	<u>¥5,277,268</u>	<u>¥28,857,930</u>	<u>¥40,287,736</u>

Impaired available-for-sale financial assets with a carrying amount of ¥117,238 million at March 31, 2012 are included in the table above. This amount includes ¥117,045 million of the Financial Stabilization Funds. See Note 9 “Investment Securities” for additional information concerning the Financial Stabilization Funds.

Credit risk from derivative financial instruments

The SMFG Group maintains control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the fair value of derivative financial instruments that are favorable to the SMFG Group (i.e., assets where their fair value is positive).

The SMFG Group’s credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Netting agreements, such as the International Swaps and Derivatives Association’s (“ISDA”) master agreement, allow the netting of obligations arising under all of the derivative transactions that the agreement covers upon the counterparty’s default, regardless of maturity and currency, resulting in a single net claim against the counterparty. The SMFG Group’s credit risk is also mitigated by collateral arrangements through the credit support annex, resulting in collateral delivered or received regularly based on the replacement costs of derivatives.

Market Risk and Liquidity Risk

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, stock prices or other market prices will change the market value of financial products, leading to a loss. The purpose of market risk management is to keep the market risk exposure to a permissible level relative to capital.

Liquidity risk is the risk that there may be difficulties in raising funds needed for settlements as a result of the mismatching of uses of funds and sources of funds or unexpected outflows of funds, which may make it necessary to raise funds at higher rates than normal. The purpose of liquidity risk management is to ensure that the SMFG Group is in a position to address its liquidity obligations through monitoring the liquidity gap between assets and liabilities, and maintaining highly liquid supplementary funding resources.

On the basis of the Group-wide basic policies for risk management, the SMFG Group has a quantitative management process to control market and liquidity risks on a Group-wide basis by setting allowable risk limits by company. The SMFG Group annually reviews and identifies which companies primarily carry the market and liquidity risks within the Group. The SMFG Group sets permissible levels and upper limits of risk for each identified company in consideration of those companies' business plans. The SMFG Group ensures that each identified company establishes a risk management system that is appropriate to the risks it faces, and has built-in transparent risk management processes, clearly separating front office, middle office and back office operations, and establishing a control system of mutual checks and balances.

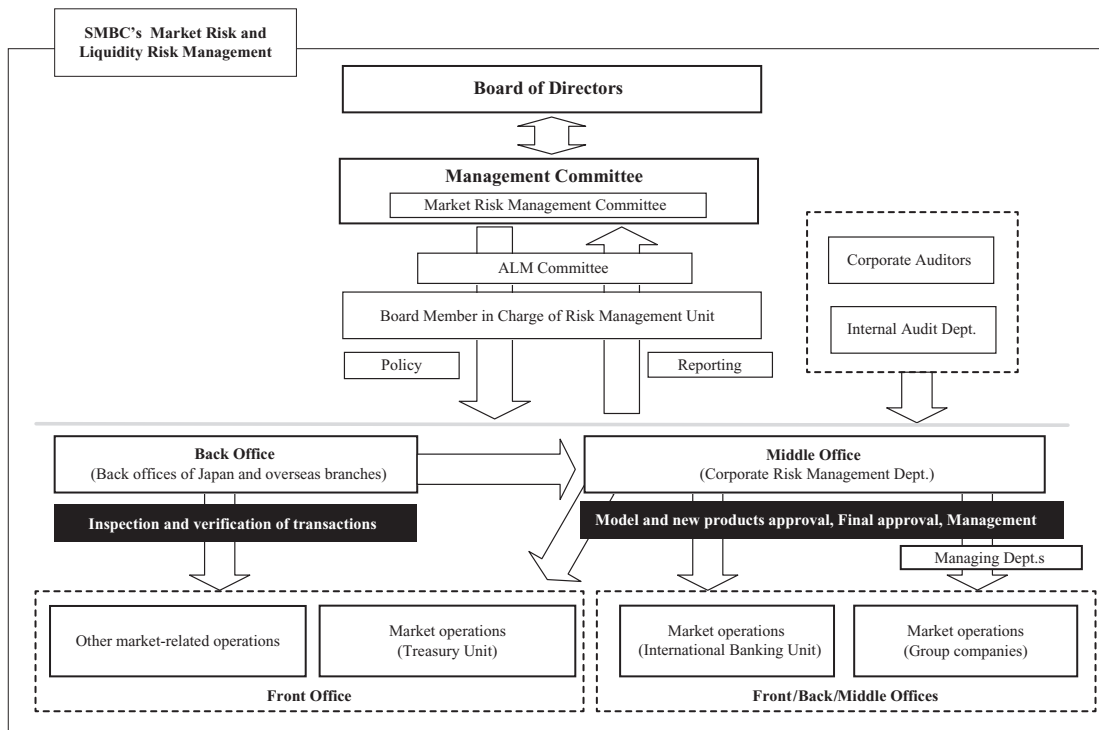
Framework for market and liquidity risk management

The Board of Directors authorizes important matters relating to the management of market and liquidity risks, such as the basic policies and risk limits, which are decided by the Management Committee.

Additionally, at SMBC, the Corporate Risk Management Department manages market and liquidity risks in an integrated manner. The Corporate Risk Management Department is the planning department of the Risk Management Unit, which is independent of the business units that directly handle market transactions, and not only monitors the current risk situations but also reports regularly to the Management Committee and the Board of Directors. Furthermore, SMBC's Asset Liability Management ("ALM") Committee meets on a monthly basis to examine reports on the state of observance of SMBC's limits on market and liquidity risks, and to review and discuss SMBC's ALM operations.

To prevent unforeseen processing errors as well as fraudulent transactions, it is important to establish a system of checks on the business units (front office). At SMBC, both the processing departments (back office) and the administrative departments (middle office) conduct the checks. In addition, the Internal Audit Unit of SMBC periodically performs internal audits to verify that the risk management framework is functioning properly.

The following chart shows the market and liquidity risk management system of SMBC.



Market and liquidity risk management methods

Market risk management process

The SMFG Group manages market risk from trading activities and non-trading activities, including strategic equity investment and other transactions within the risk capital limit which is determined taking into account SMFG’s shareholders’ equity and other principal indicators of the financial position. The SMFG Group also establishes an upper limit on VaR and losses within the risk capital limits.

The SMFG Group’s market risk can be divided into various factors: interest rates, foreign exchange rates, equity prices and option risks. The SMFG Group manages each of these risks by employing the VaR method as well as supplemental indicators suitable for managing each risk, such as the basis point value (“BPV”).

VaR is the largest predicted loss that is possible given a fixed confidence interval. For example, the SMFG Group’s VaR indicates the largest loss that is possible for a holding period of one day and a confidence interval of 99.0%. BPV is the amount of change in assessed value as a result of a one-basis-point (0.01%) movement in interest rates.

(a) Value at risk

The principal SMFG Group companies’ internal VaR model makes use of historical data to prepare scenarios for market fluctuations and, by conducting simulations of gains and losses, the model estimates the maximum losses that may occur. The VaR calculation method the SMFG Group employs for both trading and non-trading activities is based mainly on the following:

- the historical simulation method;
- a one-sided confidence interval of 99.0%;

- a one-day holding period (a one-year holding period for strategic equity investment portfolio); and
- an observation period of four years (ten years for strategic equity investment portfolio).

The relationship between the VaR calculated with the model and the actual profit and loss data is back-tested periodically. There were no significant excess losses in the back-testing results including the trading accounts. The back-testing results are reviewed by management, which also monitors the ongoing suitability of the VaR model.

VaR summary

The following tables show the SMFG Group's VaR by risk category and these figures are prepared based on the internal reporting provided to management. The SMFG Group's material market risk exposure categories consist of interest rate risk, foreign exchange risk, equities and commodities risk and others. The section headed "VaR for Trading Activity" shows VaR for instruments entered into for trading purposes and the VaR model for the trading book includes principal consolidated subsidiaries. The section headed "VaR for Non-Trading Activity" shows VaR for instruments entered into for purposes other than trading purposes. "Strategic Equity Investment" in the "VaR for Non-Trading Activity" section is a portfolio that consists principally of publicly traded Japanese equities. This portfolio, like that of other financial institutions in Japan, has historically included shares of the SMFG Group's customers.

VaR for Trading Activity

The aggregate VaR for the SMFG Group's total trading activities at March 31, 2013 was ¥15.0 billion. VaR increased at March 31, 2013 compared with March 31, 2012 in the category of equities risk primarily reflecting an increased position in equities.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2013:					
SMBC Consolidated					
Maximum	¥ 9.7	¥3.6	¥16.7	¥0.3	¥24.9
Minimum	3.9	0.5	1.5	0.1	6.3
Daily average	5.3	2.0	6.2	0.2	12.7
At March 31, 2013	5.6	1.6	8.0	0.2	14.3
SMFG Consolidated					
Maximum	¥10.3	¥3.6	¥17.0	¥0.3	¥25.9
Minimum	4.3	0.5	1.7	0.1	7.1
Daily average	5.9	2.0	6.5	0.2	13.5
At March 31, 2013	6.3	1.6	8.0	0.2	15.0

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the trading book. For certain subsidiaries, the SMFG Group employs the standardized method and/or the historical simulation method for the VaR calculation method.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2012:					
SMBC Consolidated					
Maximum	¥7.6	¥2.6	¥4.4	¥0.3	¥11.8
Minimum	3.4	0.4	0.6	0.2	5.4
Daily average	5.3	1.2	2.2	0.2	8.2
At March 31, 2012	4.9	0.6	4.0	0.2	9.3
SMFG Consolidated					
Maximum	¥8.1	¥2.6	¥4.8	¥0.3	¥12.6
Minimum	3.8	0.5	0.8	0.2	5.9
Daily average	5.8	1.2	2.5	0.2	8.9
At March 31, 2012	5.4	0.6	4.1	0.2	10.0

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the trading book. For certain subsidiaries, the SMFG Group employs the standardized method and/or the historical simulation method for the VaR calculation method.

VaR for Non-Trading Activity

- *Banking*

The aggregate VaR for the SMFG Group's total banking activities at March 31, 2013 was ¥31.1 billion, which was not significantly changed from March 31, 2012, as VaR increased in the category of equities and commodities risk while it decreased in the category of interest rate risk reflecting fluctuations in positions of each risk category.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2013:					
SMBC Consolidated					
Maximum	¥31.8	¥0.0	¥22.1	¥0.0	¥34.4
Minimum	15.2	0.0	5.6	0.0	23.1
Daily average	25.1	0.0	11.1	0.0	28.8
At March 31, 2013	15.6	0.0	22.0	0.0	30.4
SMFG Consolidated					
Maximum	¥32.6	¥0.0	¥22.1	¥0.0	¥35.2
Minimum	15.8	0.0	5.6	0.0	23.6
Daily average	25.8	0.0	11.1	0.0	29.5
At March 31, 2013	16.2	0.0	22.0	0.0	31.1

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the banking book.

	<u>Interest rate risk</u>	<u>Foreign exchange risk</u>	<u>Equities and commodities risk</u>	<u>Others</u>	<u>Total⁽¹⁾</u>
	(In billions)				
For the fiscal year ended March 31, 2012:					
SMBC Consolidated					
Maximum	¥49.3	¥0.0	¥14.0	¥0.0	¥52.2
Minimum	27.9	0.0	7.8	0.0	31.0
Daily average	34.7	0.0	10.1	0.0	38.0
At March 31, 2012	28.7	0.0	10.2	0.0	31.3
SMFG Consolidated					
Maximum	¥50.6	¥0.0	¥14.0	¥0.0	¥53.6
Minimum	28.6	0.0	7.8	0.0	31.8
Daily average	35.7	0.0	10.1	0.0	38.9
At March 31, 2012	29.4	0.0	10.2	0.0	32.1

(1) Total for "Maximum," "Minimum," and "Daily average" represent the maximum, minimum and daily average of the total of the banking book.

- *Strategic Equity Investment*

The aggregate VaR for the SMFG Group's strategic equity investment at March 31, 2013 was ¥977.4 billion, an increase from ¥897.9 billion at March 31, 2012 due primarily to an increase in the fair value of the strategic equity investment portfolio.

	<u>Equities risk</u>
	(In billions)
For the fiscal year ended March 31, 2013:	
SMBC Consolidated	
Maximum	¥ 979.3
Minimum	681.2
Daily average	778.7
At March 31, 2013	943.7
SMFG Consolidated	
Maximum	¥1,013.0
Minimum	701.8
Daily average	802.8
At March 31, 2013	977.4
	<u>Equities risk</u>
	(In billions)
For the fiscal year ended March 31, 2012:	
SMBC Consolidated	
Maximum	¥ 918.2
Minimum	696.0
Daily average	814.2
At March 31, 2012	873.0
SMFG Consolidated	
Maximum	¥ 939.2
Minimum	712.5
Daily average	834.4
At March 31, 2012	897.9

(b) Stress tests

The market occasionally undergoes extreme fluctuations that exceed projections. Therefore, to manage market risk, it is important to run simulations of situations that may occur only once in many years, or so-called stress tests. To prepare for unexpected market swings, SMBC performs stress tests on a monthly basis based on various scenarios.

The limitations of the VaR methodology include the following:

- The use of historical data as a proxy for estimating future events may underestimate the probability of extreme market movements. Past market movement is not necessarily a good indicator of future events;
- The use of a holding period assumes that all positions can be liquidated or hedged in that period of time. This assumption does not fully capture the market risk arising during periods of illiquidity, when liquidation or hedging in that period of time may not be possible;
- The use of a confidence level neither takes account of, nor makes any statement about, any losses that might occur beyond this level of confidence; and
- VaR does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could underestimate potential losses.

(c) Additional information for the certain risks

(i) Interest rate risk

To supplement the above limitations of VaR methodologies, the SMFG Group adopts various indices to measure and monitor the sensitivity of interest rates, including delta, gamma and vega risks. The SMFG Group considers BPV as one of the most significant indices to manage interest rate risk. BPV is the amount of change in the value to the banking and trading book as a result of a one-basis-point (0.01%) movement in interest rates. The principal SMFG Group companies use BPV to monitor interest rate risk, not only on a net basis, but also by term to prevent the concentration of interest rate risk in a specific period. The table “Outlier ratio” presented below is one of the sensitivity analyses for interest rate risk concerning the banking book using the BPV approach. In addition, as previously addressed, the SMFG Group enhances the risk management methods of VaR and BPV by using them in combination with back-testing and stress tests.

Interest rate risk substantially changes depending on the method used for recognizing the expected maturity dates of demand deposits that can be withdrawn at any time, or the method used for estimating the timing of cancellation prior to maturity of time deposits and consumer housing loans. At SMBC, the maturity of demand deposits that are expected to be left with the bank for a prolonged period is regarded to be, at the longest, five years (2.5 years on average), and the cancellation prior to maturity of time deposits and consumer housing loans is estimated based on historical data.

Outlier ratio

In the event the economic value of a bank declines by more than 20% of total capital as a result of interest rate shocks, that bank would fall into the category of “outlier bank,” as stipulated under the Second Pillar of the Basel framework. This ratio, known as the outlier ratio, was 1.0% for SMBC on a consolidated basis at March 31, 2013, substantially below the 20% criterion. The decline in economic value of SMBC on a consolidated basis is shown in the following table.

Decline in economic value based on outlier framework:

	At March 31,	
	2013	2012
	(In billions, except for percentages)	
SMBC Consolidated		
Total	¥96.2	¥240.2
Impact of yen interest rates	60.5	144.3
Impact of U.S. dollar interest rates	6.8	87.3
Impact of euro interest rates	16.5	1.3
Percentage of total capital	1.0%	2.6%

Notes:

1. Decline in economic value is the decline of the present value of a banking portfolio after interest rate shocks (1st and 99th percentile of observed interest rate changes using a one-year holding period and an observation period of five years).
2. Percentage of total capital at March 31, 2013 was calculated based on the Basel III rules, whereas the calculation at March 31, 2012 was based on the Basel II rules.

(ii) Foreign exchange risk

The principal SMFG Group companies set risk limits for each currency to manage the concentration of the foreign currency position. The foreign exchange risk is immaterial as shown above in VaR by risk category.

(iii) Strategic equity investment risk

The SMFG Group establishes limits on allowable risk for strategic equity investments and monitors the observance of those limits to keep stock price fluctuation risk within acceptable parameters. The SMFG Group has been reducing its strategic equity investments and the balance is within a permitted level which is less than 100% of the SMFG Group's Tier 1 Capital.

Liquidity risk management process

To manage liquidity risk, the SMFG Group identifies group companies which have significant liquidity risk. Each identified group company establishes a fundamental risk management framework, which includes, but is not limited to, establishing risk limits, such as funding gap limits and contingency plans for liquidity management.

At SMBC, liquidity risk is regarded as one of the major risks. SMBC's liquidity risk management is based on a framework consisting of setting funding gap limits, maintaining highly liquid supplementary funding sources and establishing contingency plans.

In order not to be overly dependent on short-term market-based funding to cover cash outflows, SMBC sets funding gap limits. The funding gap limits are set SMBC-wide and for each location, taking into account the cash flow plans, external environment, funding status, characteristics of local currency and other factors. Additionally, a risk limit is set by currency as needed to achieve more rigorous management.

To minimize the impact of a crisis on its funding, SMBC manages highly liquid supplementary funding sources, whereby it maintains high-quality liquid assets and has emergency borrowing facilities. High-quality liquid assets include Japanese government bonds, and U.S. Treasury and other U.S. government agency bonds, which are included in “Investment securities” in the consolidated statement of financial position. For more information, see Note 9 “Investment Securities.”

For emergency situations, there are contingency plans in place for addressing the funding liquidity risk that include an action plan with measures for reducing the funding gap limits.

Maturity analysis of financial liabilities at March 31, 2013 and 2012

The following tables show a maturity analysis of the contractual undiscounted cash flows for financial liabilities at March 31, 2013 and 2012. The amount of interest on debt instruments is not included in the maturity tables below due to its insignificance.

	At March 31, 2013						Total
	On demand	Not later than three months	Later than three months and not later than one year	Later than one year and not later than three years	Later than three years and not later than five years	Later than five years	
	(In millions)						
Non-derivative financial instruments:							
Deposits	¥ 54,779,437	¥25,009,212	¥15,649,020	¥4,425,957	¥ 570,236	¥ 574,444	¥101,008,306
Call money and bills sold	1,791	2,931,125	21,136	—	—	—	2,954,052
Repurchase agreements and cash collateral on securities lent	1,497	6,509,130	—	—	—	—	6,510,627
Trading liabilities	1,910,905	—	—	—	—	—	1,910,905
Borrowings	69,503	2,213,618	758,290	1,115,576	425,043	1,794,289	6,376,319
Debt securities in issue	—	2,947,337	892,277	1,347,218	967,770	1,924,538	8,079,140
Lease payable	—	5,669	15,448	31,988	20,238	30,720	104,063
Other financial liabilities	1,388,588	2,859,704	23,907	17,538	16,927	52,171	4,358,835
Off balance sheet items:							
Loan commitments	46,490,109	—	—	—	—	—	46,490,109
Financial guarantee contracts	5,891,617	—	—	—	—	—	5,891,617
Total non-derivative financial instruments	<u>¥110,533,447</u>	<u>¥42,475,795</u>	<u>¥17,360,078</u>	<u>¥6,938,277</u>	<u>¥2,000,214</u>	<u>¥4,376,162</u>	<u>¥183,683,973</u>
Derivative financial instruments	<u>¥ 6,936,991</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 6,936,991</u>

At March 31, 2012

	On demand	Not later than three months	Later than three months and not later than one year	Later than one year and not later than three years	Later than three years and not later than five years	Later than five years	Total
(In millions)							
Non-derivative financial instruments:							
Deposits	¥ 51,847,506	¥21,088,198	¥15,177,683	¥3,453,331	¥ 659,905	¥ 629,844	¥ 92,856,467
Call money and bills sold	—	2,139,388	5,212	—	—	—	2,144,600
Repurchase agreements and cash collateral on securities lent ..	1,253	7,486,380	—	—	—	—	7,487,633
Trading liabilities	2,173,567	—	—	—	—	—	2,173,567
Borrowings	59,464	5,021,610	2,072,646	1,115,906	564,724	1,523,013	10,357,363
Debt securities in issue	—	2,640,819	589,258	901,001	1,094,686	2,173,461	7,399,225
Lease payable	—	5,658	13,567	22,696	9,295	5,608	56,824
Other financial liabilities	1,113,301	3,735,311	18,907	22,751	16,410	46,745	4,953,425
Off balance sheet items:							
Loan commitments	44,064,283	—	—	—	—	—	44,064,283
Financial guarantee contracts ..	5,320,993	—	—	—	—	—	5,320,993
Total non-derivative financial instruments	¥104,580,367	¥42,117,364	¥17,877,273	¥5,515,685	¥2,345,020	¥4,378,671	¥176,814,380
Derivative financial instruments							
	¥ 5,850,813	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5,850,813

Notes:

1. Embedded derivatives which are separately accounted for, but presented together with the host contract in the consolidated statement of financial position are not included in the contractual tables above as they relate to the interest cash flow of the host contract, which are also not included in the tables above.
2. Derivative financial instruments are recorded at fair value and included in the column "On demand." These instruments are not used for hedging under IAS 39 and the fair value represents the cash flow on demand.

Balance of loans and advances, and deposits at March 31, 2013 and 2012

The following table presents the balance of loans and advances, and deposits at March 31, 2013 and 2012. The balance of deposits, which was mainly composed of individual customer deposits at March 31, 2013 and 2012, exceeded the balance of loans and advances at the same time due to the stable deposit base in Japan.

	At March 31,	
	2013	2012
(In millions)		
Loans and advances	¥ 75,987,057	¥72,536,813
Deposits	101,021,413	92,853,566

The following table presents a breakdown of deposits by domestic and foreign offices. Domestic inter-bank money was classified as “Call money and bills sold” and not included in “Deposits” in the consolidated statement of financial position. Over half of domestic deposits was composed of individual customer deposits.

	At March 31,	
	2013	2012
	(In millions)	
Domestic offices:		
Non-interest-bearing demand deposits	¥ 13,861,251	¥13,424,217
Interest-bearing demand deposits	36,289,375	34,344,937
Deposits at notice	1,013,371	855,577
Time deposits	25,191,506	25,118,371
Negotiable certificates of deposit	5,553,910	5,327,488
Others	3,817,919	3,786,138
Total domestic offices	85,727,332	82,856,728
Foreign offices:		
Non-interest-bearing demand deposits	454,010	410,624
Interest-bearing demand deposits	927,203	804,527
Deposits at notice	5,092,908	3,642,208
Time deposits	2,509,551	1,745,146
Negotiable certificates of deposit	6,201,744	3,266,150
Others	108,665	128,183
Total foreign offices	15,294,081	9,996,838
Total deposits	¥101,021,413	¥92,853,566

Capital Management

The SMFG Group manages its capital by taking into consideration regulatory compliance and business development.

The SMFG Group’s capital management objectives are to maintain sufficient capital resources to meet the capital adequacy requirements and to maintain a strong capital base to support the development of its business.

External regulatory capital requirement

The SMFG Group, SMFG and its principal banking subsidiaries in Japan rigidly abide by the capital adequacy guidelines set by the FSA in managing its capital. Japan’s capital adequacy guidelines are based on the Basel Capital Accord, which was proposed by the Basel Committee on Banking Supervision (“BCBS”) for uniform application to all banks which have international operations in industrialized countries. Japan’s capital adequacy guidelines may be different from those of central banks or supervisory bodies of other countries because the FSA designed them to suit the Japanese banking environment. The SMFG Group’s banking subsidiaries outside of Japan are also subject to the local capital ratio requirements.

In December 2010, the BCBS published the new Basel III rules text. The Basel III framework sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. To reflect changes made by the BCBS, the FSA changed its capital adequacy guidelines and the changes have been generally applied from March 31, 2013, which generally reflects the main measures of the minimum capital requirements of the BCBS that started to be phased in from January 1, 2013 and will be fully applied from March 31, 2019.

These capital reforms will increase the minimum common equity requirement from 2% to 4.5% and require banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total

common equity requirement to 7%. The Tier 1 capital requirement also will be increased from 4% to 6%, resulting in 8.5% when combined with the above-mentioned capital conservation buffer. The total capital requirement remains at the existing level of 8% but also increases to 10.5% due to the capital conservation buffer. In addition, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss-absorbing capital will be implemented according to national circumstances. The Group of Central Bank Governors and Heads of Supervision also agreed on transitional arrangements for implementing the new requirements.

Under the transitional arrangements, these new capital requirements are phased in from January 1, 2013 through January 1, 2019. On January 1, 2013, the minimum Common Equity Tier 1 capital requirement and Tier 1 capital requirement were raised to 3.5% and 4.5%, respectively. The minimum Common Equity Tier 1 capital requirement and Tier 1 capital requirement will rise to 4% and 5.5%, respectively on January 1, 2014, and 4.5% and 6%, respectively on January 1, 2015. The capital conservation buffer and countercyclical buffer will be phased in from January 1, 2016, which has not been adopted by the FSA capital adequacy guideline in Japan yet.

In accordance with the changes of the FSA capital adequacy guidelines, the SMFG Group changed its classification of capital into three tiers, referred to as Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital as follows:

Common Equity Tier 1 capital consists primarily of capital stock, capital surplus and retained earnings relating to common shares, and minority interests that meet the criteria for inclusion in Common Equity Tier 1 capital.

Additional Tier 1 capital consists primarily of preferred securities.

Tier 2 capital consists primarily of subordinated debt securities.

The capital adequacy guidelines permit Japanese banks to choose from the standardized approach (“SA”), the foundation Internal Ratings-Based (“IRB”) approach and the advanced IRB approach for credit risk, and the basic indicator approach (“BIA”), the standardized approach (“TSA”) and the Advanced Measurement Approach (“AMA”) for operational risk. To be eligible to adopt the foundation IRB approach or the advanced IRB approach for credit risk, and TSA or AMA for operational risk, a Japanese bank must establish advanced risk management systems and receive prior approval from the FSA.

Adopting these approved approaches, the SMFG Group sets a target minimum total capital ratio of 8.0% on the SMFG Group’s consolidated basis, and both SMBC consolidated and nonconsolidated basis, and has complied with all externally imposed capital requirements throughout the period.

Failure of a Japanese bank, bank holding company or other financial institution to maintain the required risk-weighted capital ratios, may result in administrative actions or sanctions imposed by the FSA.

Regulatory capital

The table below presents the SMFG Group’s total capital ratio, total capital and risk-weighted assets under Japanese GAAP at March 31, 2013 based on the Basel III rules.

	At March 31, 2013
	(In billions, except percentages)
Total risk-weighted capital ratio (consolidated)	14.71%
Tier 1 risk-weighted capital ratio (consolidated)	10.93%
Common Equity Tier 1 risk-weighted capital ratio (consolidated)	9.38%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,186.0
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	6,829.0
Common Equity Tier 1 capital	5,855.9
Risk-weighted assets	62,426.1
The amount of minimum capital requirements	4,994.1

The table below presents the SMFG Group's total qualifying capital, risk-weighted assets and risk-weighted capital ratios at March 31, 2012. This table is based on the Basel II rules. Credit risk exposures from balance sheet and off-balance sheet assets under Japanese GAAP are measured based on credit risk quantification parameters, such as PD and LGD. Risk-based capital in the consolidated financial statements prepared under Japanese GAAP is classified into core capital (Tier 1 capital), supplementary capital (Tier 2 capital) and junior supplementary capital (Tier 3 capital)

	<u>At March 31, 2012</u> (In millions ⁽²⁾ , except percentages)
Tier 1 capital:	
Capital stock	¥ 2,337,895
Capital surplus	759,800
Retained earnings	2,152,654
Treasury stock	(236,037)
Minority interests	2,030,638
Cash dividends to be paid	(68,230)
Unrealized losses on other securities	—
Foreign currency translation adjustments	(141,382)
Stock acquisition rights	692
Goodwill and others	(496,434)
Gains on securitization transactions	(38,284)
Amount equivalent to 50% of expected losses in excess of qualifying reserves	(29,052)
Deductions of deferred tax assets ⁽¹⁾	—
Total Tier 1 capital	<u>6,272,260</u>
Tier 2 capital:	
Unrealized gains on other securities after 55% discount	214,611
Land revaluation excess after 55% discount	35,755
General reserve for possible loan losses	66,695
Excess amount of provisions	—
Subordinated debt	2,454,062
Total Tier 2 capital	<u>2,771,125</u>
Deductions	<u>(399,634)</u>
Total qualifying capital	<u>¥ 8,643,751</u>
Risk-weighted assets:	
On-balance sheet items	38,150,731
Off-balance sheet items	7,825,808
Market risk items	1,174,187
Operational risk	3,892,505
Total risk-weighted assets	<u>¥51,043,232</u>
Tier 1 risk-weighted capital ratio	12.28%
Total risk-weighted capital ratio	16.93%

(1) The amount of net deferred tax assets was ¥350,182 million at March 31, 2012. Also, the upper limit of the inclusion of deferred tax assets into Tier 1 capital was ¥1,254,452 million at March 31, 2012.

(2) Amounts less than ¥1 million have been omitted in the above table. As a result, the totals in Japanese yen shown in the above table do not necessarily agree with the sum of the individual amounts.

46 RELATED-PARTY TRANSACTIONS

Transactions with Related Parties

The SMFG Group considers that its related parties include subsidiaries, associates, joint ventures, key management personnel and close family members of key management personnel. Any transactions between the SMFG Group and its subsidiaries meet the definition of related-party transactions. However, because these transactions are eliminated on consolidation, they are not disclosed as related-party transactions. Transactions between the SMFG Group and its associates and joint ventures qualify as related-party transactions, and all of these transactions are conducted on substantially the same terms as third-party transactions.

The transaction amounts included in the accounts, in aggregate, by category of related party were as follows:

Transactions with associates and joint ventures

	<u>At March 31,</u>		
	<u>2013</u>	<u>2012</u>	
	(In millions)		
Assets:			
Loans and advances	¥193,054	¥218,809	
Others	1,782	2,235	
Liabilities:			
Deposits	¥125,766	¥147,902	
Others	6,618	7,764	
	For the fiscal year ended March 31,		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In millions)		
Income statement:			
Income (interest income, and fee and commission income)	¥21,016	¥27,179	¥33,715
Expense (interest expense and other expenses)	18,415	33,981	37,125

Loan commitments to associates and joint ventures at March 31, 2013 and 2012 were ¥206,942 million and ¥189,888 million, respectively.

Transactions with key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the SMFG Group, directly or indirectly. The SMFG Group considers the members of the Board of Directors of SMFG and SMBC to constitute key management personnel for the purpose of this disclosure required under IAS 24 "Related Party Disclosures."

	<u>At March 31,</u>	
	<u>2013</u>	<u>2012</u>
	(In millions)	
Assets:		
Loans and advances	¥ 1	¥ 2
Liabilities:		
Deposits	¥2,022	¥1,130
Others	94	125

Compensation of Key Management Personnel

The following table presents the compensation expenses of key management personnel.

	For the fiscal year ended March 31,		
	2013	2012	2011
		(In millions)	
Short-term employee benefits	¥1,296	¥1,141	¥1,039
Retirement benefits	—	—	94
Share-based compensation	229	182	135

SMFG and SMBC introduced a stock option compensation plan for their directors, corporate auditors and executive officers in connection with the abolition of their retirement benefit plan based on the shareholders' approval at the general meeting of shareholders held in June 2010. The details of the stock option compensation plan are described in Note 40 "Share-Based Payment."

There were no other long-term benefits and termination benefits for the fiscal years ended March 31, 2013, 2012 and 2011.

47 PRINCIPAL SUBSIDIARIES

Principal Subsidiaries

The SMFG Group's principal subsidiaries at March 31, 2013 are shown in the list below. The SMFG Group consolidates all entities over which the SMFG Group controls, or has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Principal domestic subsidiaries

Company Name	Proportion of Ownership Interest ⁽³⁾	Proportion of Voting Rights ⁽³⁾	Main Business
	(%)	(%)	
Sumitomo Mitsui Banking Corporation	100.0	100.0	Commercial banking
THE MINATO BANK, LTD.	6.0	46.4 ⁽¹⁾	Commercial banking
Kansai Urban Banking Corporation	59.8	60.1	Commercial banking
The Japan Net Bank, Limited	41.1 ⁽²⁾	61.4	Internet banking
SMBC Guarantee Co., Ltd.	100.0	100.0	Credit guarantee
Sumitomo Mitsui Finance and Leasing Company, Limited	60.0	60.0	Leasing
SMBC Nikko Securities Inc.	100.0	100.0	Securities
SMBC Friend Securities Co., Ltd.	100.0	100.0	Securities
Sumitomo Mitsui Card Company, Limited	65.9	65.9	Credit card
Cedyna Financial Corporation	100.0	100.0	Credit card and consumer credit
SMBC Consumer Finance Co., Ltd.	100.0	100.0	Consumer lending
SAKURA CARD CO., LTD.	95.7	95.7	Credit card
SMM Auto Finance, Inc.	56.0	56.0	Automobile sales financing
SMBC Finance Service Co., Ltd.	100.0	100.0	Collecting agent and factoring
The Japan Research Institute, Limited	100.0	100.0	System development, data processing, management consulting and economic research
SAKURA KCS Corporation	50.2	50.2	System engineering and data processing
Financial Link Co., Ltd.	100.0	100.0	Data processing service and consulting
SMBC Venture Capital Co., Ltd.	40.0	40.0	Venture capital
SMBC Consulting Co., Ltd.	100.0	100.0	Management consulting and information services
Japan Pension Navigator Co., Ltd.	69.7	69.7	Operational management of defined contribution pension plans

(1) The SMFG Group has a 6.0% direct holding in THE MINATO BANK, LTD., and can control further 40.4% of the voting rights held by SMBC's retirement benefit trust under contractual agreements between SMBC and the retirement benefit trust.

(2) The SMFG Group's ownership interest in The Japan Net Bank, Limited is 41.1%, which is different from its proportion of voting rights, because The Japan Net Bank, Limited issued non-voting shares.

(3) Percentages of proportion of ownership interest and proportion of voting rights have been truncated.

Principal foreign subsidiaries

<u>Company Name</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest⁽¹⁾</u> (%)	<u>Proportion of Voting Rights⁽¹⁾</u> (%)	<u>Main Business</u>
Sumitomo Mitsui Banking Corporation Europe Limited	U.K.	100.0	100.0	Commercial banking
Sumitomo Mitsui Banking Corporation (China) Limited	China	100.0	100.0	Commercial banking
Manufacturers Bank	U.S.A.	100.0	100.0	Commercial banking
Sumitomo Mitsui Banking Corporation of Canada	Canada	100.0	100.0	Commercial banking
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil	100.0	100.0	Commercial banking
ZAO Sumitomo Mitsui Rus Bank	Russia	100.0	100.0	Commercial banking
PT Bank Sumitomo Mitsui Indonesia	Indonesia	98.4	98.4	Commercial banking
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Malaysia	100.0	100.0	Commercial banking
SMBC Leasing and Finance, Inc.	U.S.A.	100.0	100.0	Leasing
SMBC Aviation Capital Limited	Ireland	90.0	90.0	Leasing
SMBC Nikko Securities America, Inc.	U.S.A.	100.0	100.0	Securities
SMBC Nikko Capital Markets Limited	U.K.	100.0	100.0	Securities
SMBC Capital Markets, Inc.	U.S.A.	100.0	100.0	Derivatives

(1) Percentages of proportion of ownership interest and proportion of voting rights have been truncated.

THE MINATO BANK, LTD. and SMBC Venture Capital Co., Ltd. are accounted for as subsidiaries, despite the SMFG Group's holdings of less than 50% of the voting rights, because the SMFG Group is able to govern the financial and operating policies of these companies under a statute or an agreement, or by delegating the majority of the members of the board of directors.

The SMFG Group does not control some entities despite the fact that the SMFG Group holds more than 50% of their share capital, because the SMFG Group has entered into agreements with other investors to share or give those investors the power to govern the entities' financial and operating policies over these investees.

Some of the SMFG Group's subsidiaries may be subject to restrictions on the ability to transfer funds to SMFG in the form of cash dividends or to repay loans or advances, which include capital adequacy requirements imposed by the governments and central banks, and the Companies Act restrictions relating to dividends.

48 ACQUISITIONS

Fiscal Year Ended March 31, 2013

SMBC Aviation Capital

On June 1, 2012, the SMFG Group acquired the aircraft leasing business of The Royal Bank of Scotland Group plc, and commenced its operation as SMBC Aviation Capital, in order to further expand and develop the business in Asia and other emerging markets together with the existing aircraft leasing unit which was intended to be integrated into the acquired business.

As a result of the acquisition of this business, which comprises companies including SMBC Aviation Capital Limited (former RBS Aerospace Limited), SMBC Aviation Capital (UK) Limited (former RBS Aerospace (UK) Limited), and SMBC Aviation Capital Australia Leasing Pty Limited (former RBS Australia Leasing Pty Limited), the SMFG Group obtained 90%, 90%, and 100% of the voting rights of these respective companies. With regard to SMBC Aviation Capital Australia Leasing Pty Limited, the SMFG Group obtained the voting rights through the newly established subsidiaries of which the SMFG Group has 90% voting rights.

The fair values of assets and liabilities of SMBC Aviation Capital at the date of acquisition and the consideration paid were as follows:

	<u>At June 1, 2012</u> (In millions)
Assets:	
Property, plant and equipment	¥568,480
All other assets	99,611
Total assets	<u>¥668,091</u>
Liabilities:	
Borrowings	¥535,272
All other liabilities	36,105
Total liabilities	<u>¥571,377</u>
Net assets	¥ 96,714
Non-controlling interests measured at their proportionate share of the identifiable net assets	<u>(9,453)</u>
Net assets acquired	87,261
Goodwill	<u>6,064</u>
Consideration	<u>¥ 93,325</u>
Consideration:	
Cash	¥ 93,325
Total	<u>¥ 93,325</u>
Acquisition related costs recognized as an expense in "General and administrative expenses" in the consolidated income statement	<u>¥ 1,420</u>

The goodwill was attributable to the profitability of the acquired business and the synergies expected to arise after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net profit of SMBC Aviation Capital since the acquisition date to March 31, 2013 was ¥3,172 million.

Pro forma financial information

It is estimated that the SMFG Group would have reported total operating income of ¥2,954,069 million and net profit of ¥692,649 million for the fiscal year ended March 31, 2013 if the acquisition of SMBC Aviation Capital had occurred on April 1, 2012.

Cash consideration paid and cash acquired by obtaining control of the subsidiaries

The total amount of cash consideration paid and cash acquired by obtaining control of subsidiaries during the fiscal year ended March 31, 2013 were as follows:

	<u>For the fiscal year</u> <u>ended March 31,</u> <u>2013</u> (In millions)
Cash consideration paid	¥(94,852)
Cash and cash equivalents transferred as a result of the acquisitions	<u>93,903</u>
Cash consideration paid, net of cash and cash equivalents acquired by obtaining control of the subsidiaries	<u>¥ (949)</u>

The amounts of assets and liabilities other than cash or cash equivalents in these subsidiaries were ¥605,510 million and ¥597,838 million, respectively.

Fiscal Year Ended March 31, 2012

Promise Co., Ltd. (currently SMBC Consumer Finance Co., Ltd.)

On December 7, 2011, the SMFG Group purchased 91,020,096 shares of Promise common stock through a tender offer and made Promise a subsidiary of the SMFG Group. Promise conducts a consumer lending business that consists mainly of unsecured loans to individuals. By making Promise a subsidiary, the SMFG Group sought to reinforce its consumer lending business, to enhance its earnings generation capacity, and to effectively achieve the expansion of its consumer lending business centered on Promise. Before the tender offer, the SMFG Group held 22.0% of the voting rights of Promise and accounted for Promise as an associate. As a result of the tender offer, the SMFG Group's proportion of voting rights of Promise increased to 93.8%, and the SMFG Group obtained control of Promise.

The fair values of Promise's assets and liabilities at the date of acquisition and the consideration paid were as follows:

	At December 7, 2011
	(In millions)
Assets:⁽¹⁾	
Loans and advances	¥ 799,902
All other assets	241,348
Total assets	<u>¥1,041,250</u>
Liabilities⁽¹⁾	<u>¥1,002,804</u>
Net assets	¥ 38,446
Non-controlling interests measured at their proportionate share of the identifiable net assets	<u>(2,443)</u>
Net assets acquired	36,003
Goodwill	<u>56,692</u>
Consideration	<u>¥ 92,695</u>
Consideration:	
Cash	¥ 70,996
Fair value of the equity interest in Promise held before the acquisition	<u>21,699</u>
Total	<u>¥ 92,695</u>
Acquisition related costs recognized as an expense in "General and administrative expenses" in the consolidated income statement	<u>¥ 344</u>

(1) The fair value of Promise's assets and liabilities at the date of acquisition included the outstanding balance arising from the transactions made between the SMFG Group and Promise before the acquisition, which included deposit amounting to ¥30 billion accepted from and loans amounting to ¥267 billion made to Promise.

The fair value of the financial assets acquired included ¥807,811 million of loans and receivables to customers. The gross contractual amounts receivable were ¥830,356 million, of which ¥73,539 million were expected to be uncollectible.

The goodwill was attributable to the profitability of the acquired business and the synergies expected to arise after the acquisition. None of the goodwill recognized was expected to be deductible for income tax purposes.

As a result of remeasuring the previously held interest to fair value, the SMFG Group recognized a gain of ¥25,827 million, which was included in "Other income" in the consolidated income statement.

Promise's net profit from the acquisition date to March 31, 2012 was ¥11,675 million.

Pro forma financial information

It was estimated that the SMFG Group would have reported a total operating income of ¥2,932,742 million and a net profit of ¥299,923 million for the fiscal year ended March 31, 2012, if the acquisition of Promise had occurred on April 1, 2011.

Cash consideration paid and cash acquired by obtaining control of the subsidiaries

The total amount of cash consideration paid and cash acquired by obtaining control of subsidiaries during the fiscal year ended March 31, 2012 were as follows:

	For the fiscal year ended March 31, 2012
	(In millions)
Cash consideration paid	¥(70,996)
Cash and cash equivalents acquired as a result of the acquisitions	<u>23,888</u>
Cash consideration paid, net of cash and cash equivalents acquired by obtaining control of the subsidiaries	<u>¥(47,108)</u>

The amounts of assets and liabilities other than cash or cash equivalents in these subsidiaries were ¥1,017,362 million and ¥1,002,804 million, respectively.

Fiscal Year Ended March 31, 2011

Cedyna Financial Corporation

On May 31, 2010, the SMFG Group subscribed for all the new stock issued by Cedyna by way of a third-party allotment and made Cedyna a subsidiary of the SMFG Group. Cedyna conducts credit card business, shopping credit business and certain other businesses. By making Cedyna a subsidiary, the SMFG Group sought to further accelerate and make a stable promotion of its credit card business strategy. Before the subscription, the SMFG Group held a 48.0% interest in Cedyna and accounted for it as an associate. As a result of this transaction, the SMFG Group's interest in Cedyna increased to 68.8% and the SMFG Group obtained control of Cedyna.

The fair values of Cedyna's assets and liabilities at the date of acquisition and the consideration paid were as follows:

	<u>At May 31, 2010</u>
	<u>(In millions)</u>
Assets:	
Loans and advances	¥1,351,126
All other assets	356,618
Total assets	<u>¥1,707,744</u>
Liabilities	<u>¥1,590,043</u>
Net assets	¥ 117,701
Non-controlling interests measured at their proportionate share of the identifiable net assets	<u>(36,799)</u>
Net assets acquired	80,902
Goodwill	5,000
Consideration	<u>¥ 85,902</u>
Consideration:	
Cash	¥ 50,000
Fair value of the equity interest in Cedyna held before the acquisition	<u>35,902</u>
Total	<u>¥ 85,902</u>
Acquisition related costs recognized as an expense in "General and administrative expenses" in the consolidated income statement	<u>¥ 203</u>

The fair value of the financial assets acquired included ¥1,358,546 million of loans and receivables. The gross contractual amounts receivable were ¥1,445,213 million, of which ¥99,477 million were expected to be uncollectible.

The goodwill was attributable to the synergies expected to be achieved by collaboration between Cedyna and SMBC mainly in Cedyna's shopping credit business, and solutions business, and collaboration between Cedyna and Sumitomo Mitsui Card in their credit card businesses. None of the goodwill recognized was expected to be deductible for income tax purposes.

As a result of remeasuring the previously held interest to fair value, the SMFG Group recognized a gain of ¥14,480 million, which was included in "Other income" in the consolidated income statement.

Cedyna's net loss from the acquisition date to March 31, 2011 was ¥37,340 million.

Pro forma financial information

It was estimated that the SMFG Group would have reported a total operating income of ¥2,943,845 million and a net profit of ¥570,741 million for the fiscal year ended March 31, 2011, if the acquisition of Cedyna had occurred on April 1, 2010.

Cash consideration paid and cash acquired by obtaining control of the subsidiaries

The total amount of cash consideration paid and cash acquired by obtaining control of Cedyna and other immaterial subsidiaries during the fiscal year ended March 31, 2011 were as follows:

	For the fiscal year ended March 31, 2011
	(In millions)
Cash consideration paid	¥ (62,899)
Cash and cash equivalents acquired as a result of the acquisitions	<u>145,672</u>
Cash and cash equivalents acquired by obtaining control of the subsidiaries, net of cash consideration paid	<u>¥ 82,773</u>

The amounts of assets and liabilities other than cash or cash equivalents in these subsidiaries including Cedyna were ¥1,685,881 million and ¥1,666,916 million, respectively.

49 CURRENT AND NON-CURRENT DISTINCTION

The following tables present an analysis of financial assets and liabilities, excluding cash and deposits with banks, trading assets and liabilities, and derivative financial instruments, by amounts recovered or settled, not more than twelve months or more than twelve months, at March 31, 2013 and 2012.

	At March 31, 2013		
	Amounts recovered or settled		
	Not more than twelve months	More than twelve months	Total
	(In millions)		
Assets:			
Call loans and bills bought	¥ 1,373,416	¥ 20,024	¥ 1,393,440
Reverse repurchase agreements and cash collateral on securities borrowed	3,862,365	68,192	3,930,557
Financial assets at fair value through profit or loss	—	2,045,046	2,045,046
Investment securities:			
Held-to-maturity investments	1,314,054	4,526,203	5,840,257
Available-for-sale financial assets	7,729,881	22,158,399	29,888,280
Loans and advances	26,285,959	49,701,098	75,987,057
Other financial assets	2,118,599	122,157	2,240,756
Liabilities:			
Deposits	¥95,437,794	¥ 5,583,619	¥101,021,413
Call money and bills sold	2,954,052	—	2,954,052
Repurchase agreements and cash collateral on securities lent ...	6,510,627	—	6,510,627
Borrowings	3,061,650	3,413,893	6,475,543
Debt securities in issue	3,839,540	4,245,723	8,085,263
Other financial liabilities	4,272,199	86,636	4,358,835

	At March 31, 2012		
	Amounts recovered or settled		
	Not more than twelve months	More than twelve months	Total
	(In millions)		
Assets:			
Call loans and bills bought	¥ 1,269,932	¥ 27,150	¥ 1,297,082
Reverse repurchase agreements and cash collateral on securities borrowed	4,937,025	—	4,937,025
Financial assets at fair value through profit or loss	—	2,150,409	2,150,409
Investment securities:			
Held-to-maturity investments	308,719	4,968,549	5,277,268
Available-for-sale financial assets	7,812,712	24,234,120	32,046,832
Loans and advances	25,083,461	47,453,352	72,536,813
Other financial assets	1,773,895	125,537	1,899,432
Liabilities:			
Deposits	¥88,113,456	¥ 4,740,110	¥92,853,566
Call money and bills sold	2,144,600	—	2,144,600
Repurchase agreements and cash collateral on securities lent	7,487,633	—	7,487,633
Borrowings	7,172,200	3,240,658	10,412,858
Debt securities in issue	3,211,321	4,166,421	7,377,742
Other financial liabilities	4,867,519	85,906	4,953,425

50 CONDENSED FINANCIAL INFORMATION OF REGISTRANT (SMFG)

Condensed Statement of Financial Position

	At March 31,	
	2013	2012
	(In millions)	
Assets:		
Deposits with SMBC	¥ 76,692	¥ 67,323
Investments in SMBC	5,175,789	5,175,789
Investments in other subsidiaries and associates	985,374	856,646
Other assets	1,583	1,281
Current tax assets	33,101	33,266
Total assets	<u>¥6,272,539</u>	<u>¥6,134,305</u>
Liabilities and equity:		
Short-term borrowings from SMBC	¥1,228,030	¥1,228,030
Debt securities due to a subsidiary	392,900	392,900
Other liabilities	4,929	4,902
Total liabilities	<u>1,625,859</u>	<u>1,625,832</u>
Shareholders' equity	4,646,680	4,508,473
Total liabilities and shareholders' equity	<u>¥6,272,539</u>	<u>¥6,134,305</u>

Condensed Income Statement

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Income:			
Dividends from SMBC	¥152,148	¥158,645	¥191,174
Dividends from other subsidiaries and associates	13,294	7,627	15,692
Fees and commission income from subsidiaries	14,120	15,100	15,352
Other income	4,536	1,645	5,522
Total income	<u>184,098</u>	<u>183,017</u>	<u>227,740</u>
Expense:			
Interest expense to SMBC	7,362	6,485	6,291
Interest expense due to a subsidiary	16,468	16,468	16,468
Operating and other expense	7,889	8,607	8,026
Total expense	<u>31,719</u>	<u>31,560</u>	<u>30,785</u>
Profit before tax	152,379	151,457	196,955
Income tax expense	4	3	3
Net profit	<u>¥152,375</u>	<u>¥151,454</u>	<u>¥196,952</u>

Condensed Statement of Cash Flows

	For the fiscal year ended March 31,		
	2013	2012	2011
	(In millions)		
Operating Activities:			
Profit before tax	¥ 152,379	¥ 151,457	¥ 196,955
Income taxes refund (paid)—net	160	8,104	(17,299)
Other operating activities—net	(4,160)	(1,494)	(7,160)
Net cash and cash equivalents provided by operating activities	<u>148,379</u>	<u>158,067</u>	<u>172,496</u>
Investing Activities:			
Proceeds from sale of investment in SMBC	—	210,003	—
Investments in subsidiaries	—	(120,346)	(99,519)
Other investing activities—net	(76)	(13)	(3)
Net cash and cash equivalents provided by (used in) investing activities	<u>(76)</u>	<u>89,644</u>	<u>(99,522)</u>
Financing Activities:			
Net increase of short-term borrowings	—	231,000	49,000
Purchase of Type 6 Preferred stock	—	(210,003)	—
Dividends paid	(138,694)	(144,038)	(154,013)
Purchases of treasury stock and proceeds from sale of treasury stock—net	(240)	(111,501)	(91)
Net cash and cash equivalents used in financing activities	<u>(138,934)</u>	<u>(234,542)</u>	<u>(105,104)</u>
Net increase (decrease) of cash and cash equivalents	9,369	13,169	(32,130)
Cash and cash equivalents at beginning of period	67,323	54,154	86,284
Cash and cash equivalents at end of period	<u>¥ 76,692</u>	<u>¥ 67,323</u>	<u>¥ 54,154</u>

Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost. SMFG recognizes dividend income from subsidiaries and associates when its right to receive payment is established.

Investments in other subsidiaries and associates include equity investments in SMFL, SMBC Friend Securities, SMFG Card & Credit, SMBC Consumer Finance and others at March 31, 2013 and 2012. These companies are incorporated in Japan, and the proportion of ownership interest of SMFG in these companies was the same as described in Note 11 “Investments in Associates and Joint Ventures,” and Note 47 “Principal Subsidiaries.”

In January 2011, SMBC Friend Securities, which is a direct subsidiary of SMFG, transferred its collaborative business with SMBC to SMBC Nikko Securities, a subsidiary of SMBC. As a result of this transaction, SMFG recognized a decrease in the carrying amount of investment in SMBC Friend Securities and, concurrently, an increase in the carrying amount of investment in SMBC with the same amount. No profit or loss was recognized for this transaction.

Long-term obligations

SMFG had perpetual subordinated bonds of ¥393 billion outstanding to its subsidiary, SMFG Preferred Capital JPY 3 Limited, at March 31, 2013. The interest rates of these bonds are fixed until January 2015 or January 2020, which range from 3.9% to 4.5% per annum, and will be floating thereafter. SMFG Preferred Capital JPY 3 Limited issued preferred securities to purchase these bonds.

Guarantees

SMFG provided guarantee of ¥50 billion and ¥41 billion at March 31, 2013 and 2012, respectively, to the Deposit Protection Fund of the Association of German Banks with regard to the deposits of the SMBC Dusseldorf branch.

EXHIBIT INDEX

<u>Exhibit number</u>	<u>Description of Exhibit</u>
Exhibit 1.1	Articles of Incorporation of Sumitomo Mitsui Financial Group, Inc., as amended on June 27, 2013 (English translation)
Exhibit 1.2	Regulations of Board of Directors of Sumitomo Mitsui Financial Group, Inc., as amended on June 29, 2010 (English translation)*
Exhibit 1.3	Share Handling Regulations of Sumitomo Mitsui Financial Group, Inc., as amended on April 1, 2012 (English translation)**
Exhibit 2.1	Form of Deposit Agreement among the registrant, Citibank, N.A., as Depositary, and all owners and holders from time to time of American Depositary Shares issued thereunder*
Exhibit 8	List of subsidiaries of Sumitomo Mitsui Financial Group, Inc., at March 31, 2013
Exhibit 11	Code of Ethics of Sumitomo Mitsui Financial Group, Inc.***
Exhibit 12.1	CEO Certification Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))
Exhibit 12.2	CFO Certification Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))
Exhibit 13.1	Certification Required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
Exhibit 13.2	Certification Required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

* Incorporated by reference to our registration statement on Form 20-F (File No. 001-34919) filed on October 20, 2010.

** Incorporated by reference to our annual report on Form 20-F (File No. 001-34919) filed on July 23, 2012.

*** Incorporated by reference to our annual report on Form 20-F (File No. 001-34919) filed on July 29, 2011.

(Translation)

This document has been translated from the Japanese original for reference purposes only.

ARTICLES OF INCORPORATION
OF
KABUSHIKI KAISHA MITSUI SUMITOMO FINANSHARU GURUHPU
(SUMITOMO MITSUI FINANCIAL GROUP, INC.)
(as amended on June 27, 2013)

Chapter I. General Provisions

(Corporate Name)

Article 1.

The name of the Corporation shall be Kabushiki Kaisha Mitsui Sumitomo Finansharu Guruhpu, which, in English, shall be “Sumitomo Mitsui Financial Group, Inc.”.

(Purposes)

Article 2.

The purposes of the Corporation shall be to engage in the following businesses as a bank holding company:

- (1) Management of banks and other corporations which are permitted to become, or to be established as, subsidiaries under the Banking Act.
- (2) Any business incidental to the business mentioned in the foregoing Item.

(Location of Head Office)

Article 3.

The head office of the Corporation shall be located in Chiyoda-ku, Tokyo.

(Governing Bodies)

Article 4.

The Corporation shall have the following governing bodies in addition to meetings of shareholders and directors:

- (1) board of directors;
- (2) corporate auditors;
- (3) board of corporate auditors; and
- (4) accounting auditor

(Method of Public Notice)

Article 5.

Public notices given by the Corporation shall be electronic public notices; provided, however, that if the Corporation is unable to issue an electronic public notice due to an accident or any other unavoidable reason, public notices of the Corporation shall be made by placing them in the *Nihon Keizai Shimbun*.

Chapter II. Shares

(Total Number of Authorized Shares)

Article 6.

The total number of shares the Corporation is authorized to issue shall be three billion five hundred sixty four thousand (3,000,564,000) shares.

(Total Number of Authorized Shares of Each Particular Class of Shares)

Article 7.

The total number of shares the Corporation is authorized to issue shall consist of three billion (3,000,000,000) common stocks, one hundred sixty seven thousand (167,000) type 5 preferred stocks, one hundred sixty seven thousand (167,000) type 7 preferred stocks, one hundred fifteen thousand (115,000) type 8 preferred stocks and one hundred fifteen thousand (115,000) type 9 preferred stocks.

(Acquisition of Corporation's Own Shares)

Article 8.

The Corporation may, by resolution of the board of directors, acquire its own shares through market transactions as well as by other means pursuant to Paragraph 2 of Article 165 of the Companies Act.

(Number of Shares Constituting One Unit of Share)

Article 9.

The number of shares constituting one unit of share shall be one hundred (100) with respect to common stocks.

(Rights with respect to Shares Constituting Less Than One Unit)

Article 10.

A shareholder may not exercise rights with respect to shares constituting less than one unit other than those specified in the following sections:

- (1) Rights specified in each item of Paragraph 2 of Article 189 of the Companies Act;
- (2) Right to make requests provided for in Paragraph 1 of Article 166 of the Companies Act;
- (3) Right to receive an allotment of shares for subscription or share options for subscription in accordance with the number of shares held by the shareholder; and
- (4) Right to make a request provided for in the following article.

(Purchase of Shares Constituting Less Than One Unit)

Article 11.

A shareholder of shares constituting less than one unit may request the Corporation to sell to the shareholder such number of shares which will, when combined with the shares less than one unit already held by such shareholder, constitute one unit pursuant to the Share-Handling Rules.

(Record Date)

Article 12.

1. The Corporation shall treat the shareholders entitled to vote and appearing or recorded on the register of shareholders at the close of March 31 of each year as the shareholders entitled to exercise their rights at the ordinary general meeting of shareholders to be held for the fiscal year ending on that date.

2. In addition to the foregoing Paragraph, the Corporation may, upon giving prior public notice, fix a record date whenever necessary.

(Share Register Agent)

Article 13.

1. The Corporation shall have a share register agent.
2. The share register agent and its place of business shall be decided by resolution of the board of directors and a public notice thereof shall be given.
3. Preparation, keeping and other administrative matters of, or relating to, the register of shareholders and the register of share purchase warrants of the Corporation shall be entrusted to the share register agent, and the Corporation shall not handle any such matters.

(Share-Handling Rules)

Article 14.

The entry and recording on the register of shareholders and all other matters pertaining to the handling of shares of the Corporation and the fees therefor shall be governed by the Share-Handling Rules to be enacted by the board of directors.

CHAPTER III. Preferred Stocks

(Preferred Dividends)

Article 15.

1. In the event that the Corporation distributes dividends of surplus pursuant to Article 44 hereof, the Corporation shall distribute to the holders of preferred stocks (hereinafter referred to as the “Preferred Shareholders”) or the registered pledgees of preferred stocks (hereinafter referred to as the “Registered Preferred Stock Pledgees”), in preference to the holders of common stocks (hereinafter referred to as the “Common Shareholders”) or the registered pledgees of common stocks (hereinafter referred to as the “Registered Common Stock Pledgees”), cash dividends of surplus in the amounts set forth below (such cash dividends being hereinafter referred to as the “Preferred Dividends”), respectively; provided, however, that if Preferred Interim Dividends stipulated in Article 16 hereof were paid during the relevant fiscal year, the amount of such Preferred Interim Dividends shall be subtracted from the amount of Preferred Dividends.

The type 5 preferred stocks: amount not exceeding 200,000 yen per share and determined by resolution of the board of directors relating to the issuance of the shares

The type 7 preferred stocks: amount not exceeding 200,000 yen per share and determined by resolution of the board of directors relating to the issuance of the shares

The type 8 preferred stocks: amount not exceeding 300,000 yen per share and determined by resolution of the board of directors relating to the issuance of the shares

The type 9 preferred stocks: amount not exceeding 300,000 yen per share and determined by resolution of the board of directors relating to the issuance of the shares

2. If the amount of cash dividends of surplus paid to the Preferred Shareholders or the Registered Preferred Stock Pledgees is less than the amount of the Preferred Dividends in any fiscal year, such deficiency shall not be carried over for accumulation to the subsequent fiscal years.
3. The Corporation shall not pay dividends in excess of the amount of the Preferred Dividends to the Preferred Shareholders or the Registered Preferred Stock Pledgees.

(Preferred Interim Dividends)

Article 16.

In the event that the Corporation pays Interim Dividends pursuant to Article 45 hereof, the Corporation shall pay to the Preferred Shareholders or the Registered Preferred Stock Pledges, in preference to the Common Shareholders or the Registered Common Stock Pledges, Interim Dividends (hereinafter referred to as the “Preferred Interim Dividends”) in the amount not exceeding one-half of the amount of the Preferred Dividends per preferred stock and determined by resolution of the board of directors relating to the issuance of the shares.

(Liquidation Distributions of Residual Assets)

Article 17.

1. In the event that the Corporation makes a liquidation distribution of residual assets, the Corporation shall make to the Preferred Shareholders or the Registered Preferred Stock Pledges, in preference to the Common Shareholders or the Registered Common Stock Pledges, a distribution of 3,000,000 yen per preferred stock.
2. Other than a distribution mentioned in the foregoing Paragraph, no liquidation distribution shall be made to the Preferred Shareholders or the Registered Preferred Stock Pledges.

(Provisions for Acquisition)

Article 18.

1. The Corporation may acquire a part or the whole of the type 5 preferred stocks, the type 8 preferred stocks or the type 9 preferred stocks (i) on a day as shall be determined by resolution of the board of directors, (ii) in exchange for cash payment in the amount regarded to be appropriate in light of market price, the amount of liquidation distributions of residual assets relating to such preferred stocks, etc. as shall be determined by resolution of the board of directors by the time such preferred stocks are first issued. In the event that a part of such preferred stocks are acquired, the preferred stocks to be acquired shall be decided by lottery or by proportional allotment.
2. The Corporation shall acquire the whole of the type 5 preferred stocks, the type 7 preferred stocks, the type 8 preferred stocks and the type 9 preferred stocks without consideration or in exchange for common stocks (i) on the day (hereinafter referred to as the “Acquisition Event Occurrence Date”) on which the events relating to a state of non-viability under the capital adequacy requirements applicable to the Corporation (hereinafter referred to as the “State of Non-Viability”), as shall be determined by resolution of the board of directors by the time such preferred stocks are first issued, have occurred or (ii) on a day prior to the Acquisition Event Occurrence Date, as shall be determined by resolution of the board of directors after the occurrence of the State of Non-Viability. The calculation method for the number of common stocks in cases where common stocks are to be delivered in exchange for acquisition of the relevant preferred stocks and other terms of acquisition shall be reasonably determined by a resolution of the board of directors by the time such preferred stocks are first issued, in light of the capital adequacy requirements applicable to the Corporation, market price, the amount of liquidation distributions of residual assets relating to such preferred stocks, etc.

(Voting Rights)

Article 19.

No Preferred Shareholder shall have any voting rights at a general meeting of shareholders; provided that if a proposal to pay the Preferred Dividends is not submitted to an ordinary general meeting of shareholders, or if such a proposal is submitted but rejected at an ordinary general meeting of shareholders, the Preferred Shareholders shall have voting rights from the time of the ordinary general meeting of shareholders to which such proposal is not submitted, or from the time of conclusion of the ordinary general meeting of shareholders at which such proposal is rejected, as the case may be, until a resolution to pay the Preferred Dividends is made by an ordinary general meeting of shareholders.

(Consolidation or Splits of Shares; Rights to Receive Allotment of Offered Shares, etc.)

Article 20.

1. Except as otherwise provided by applicable law, no consolidation or splits of shares shall be made with respect to preferred stocks.
2. The Corporation shall not give the Preferred Shareholders any rights to receive allotment of offered shares or share purchase warrants with respect to offered shares.
3. The Corporation shall not allot free of charge any shares of stock or share purchase warrants to the Preferred Shareholders.

(Request for Acquisition of Shares)

Article 21.

A Preferred Shareholder of the type 5 preferred stocks or the type 7 preferred stocks may request the Corporation to acquire his or her preferred stocks in exchange for common stocks. The period during which the acquisition may be requested (hereinafter referred to as the "Acquisition Request Period") in such case shall be reasonably determined by a resolution of the board of directors by the time of the first issuance of the relevant preferred stocks, provided that the last day of such Acquisition Request Period shall fall within twenty five (25) years after the date of issuance of the relevant preferred stocks. The number of common stocks to be delivered in exchange for acquisition of the relevant preferred stocks shall be obtained by dividing the amount of the subscription price of the relevant preferred stocks by the amount fixed in a manner as reasonably determined by a resolution of the board of directors by the time of the first issuance of the relevant preferred stocks (hereinafter referred to as the "Acquisition Rights Exercise Price"). Provided, however, that the initial Acquisition Rights Exercise Price shall be determined by reference to the amount regarded to be appropriate in light of market price, etc., and provided further that any fraction of less than one share arising as a result of calculation of the number of common stocks to be delivered pursuant to the foregoing shall be treated in accordance with the provisions of Article 167 of the Companies Act. Other terms and conditions of acquisition shall be reasonably determined by a resolution of the board of directors by the time of the first issuance of the relevant preferred stocks.

(Mandatory Acquisition)

Article 22.

1. Any type 5 preferred stock or type 7 preferred stock with respect to which acquisition has not been requested during the Acquisition Request Period shall be mandatorily acquired by the Corporation, as of the date immediately following the last day of the Acquisition Request Period (hereinafter referred to as the "Mandatory Acquisition Date"), in exchange for such number of common stocks as is obtained by dividing the amount of subscription price per share paid for the preferred stock by the average of the daily closing prices (including quoted prices (kehai hyoji) if no closing prices are reported) per share of the Corporation's common stocks by regular transactions at the Tokyo Stock Exchange for the thirty (30) trading days (disregarding trading days on which no such closing prices are available) commencing on the day forty-five (45) trading days prior to the Mandatory Acquisition Date. The average price shall be calculated in yen and rounded down to one decimal place and thereafter rounded to the nearest yen (0.5 being rounded upwards). Provided, however, that if such average price is less than the amount not less than five thousand yen (¥5,000) determined by resolution of the board of directors relating to the issuance of the relevant preferred stocks, then a preferred stock shall be acquired by the Corporation in exchange for such number of common stocks as is obtained by dividing the amount of subscription price per share paid for the preferred stock by such amount determined by such resolution.
2. Any fraction of less than one share arising as a result of calculation of the number of common stocks pursuant to the foregoing Paragraph shall be treated in accordance with the provisions of Article 234 of the Companies Act.

(Preference Order)

Article 23.

The preference order of payment of Preferred Dividends, Preferred Interim Dividends and liquidation distributions of residual assets for preferred stocks issued by the Corporation shall be the same among the various types of preferred stocks.

Chapter IV. General Meetings of Shareholders

(Convocation)

Article 24.

1. An ordinary general meeting of shareholders shall be convened within three months after the close of each fiscal year and an extraordinary general meeting of shareholders may be convened whenever necessary.
2. Except as otherwise provided by applicable law, a general meeting of shareholders shall be convened by the director-president pursuant to a resolution of the board of directors. Should the director-president fail or be unable to act, another of the directors shall act in his or her place in accordance with the seniority established in advance by the board of directors.

(Disclosure by Internet of Reference Documents, etc. for Shareholders Meeting and Deemed Provision)

Article 25.

In connection with convocation of a general meeting of shareholders the Corporation may deem that the information relating to the matters to be described or shown in the reference documents for the shareholders meeting, the business report, financial statements and the consolidated financial statements, is provided to the shareholders by disclosing such information by internet as provided in the relevant Ministerial Ordinance of the Ministry of Justice.

(Chairman)

Article 26.

The director-chairman or the director-president shall act as chairman at all general meetings of shareholders. Should both the director-chairman and the director-president fail or be unable to act, another of the directors shall act in their place in accordance with the seniority established in advance by the board of directors.

(Requirement for Resolutions)

Article 27.

1. Except as otherwise provided by applicable law or by these Articles of Incorporation, all resolutions at a general meeting of shareholders shall be adopted by a majority of all the voting rights held by the shareholders present thereat who are entitled to exercise the voting rights.
2. A resolution under Paragraph 2 of Article 309, of the Companies Act shall be adopted by two thirds or more of the voting rights held by the shareholders present at a general meeting of shareholders, who hold at least one third of the voting rights held by all the shareholders of the Corporation who are entitled to exercise the voting rights.

(Exercise of Voting Rights by Proxy)

Article 28.

1. A shareholder may exercise his or her voting rights by one proxy; provided, however, that the proxy must be a shareholder entitled to vote at the relevant general meeting of shareholders of the Corporation.
2. Either a shareholder or his or her proxy shall submit a power of attorney to the Corporation.

(Shareholders' Meeting of a Particular Class of Shares)

Article 29.

The provisions of Paragraph 2 of Article 24, Article 25, Article 26 and Article 28 hereof shall be applied *mutatis mutandis* to a shareholders' meeting of a particular class of shares.

Chapter V. Directors and Board of Directors

(Number of Directors)

Article 30.

The Corporation shall have three or more directors.

(Election)

Article 31.

1. A resolution for the election of directors shall be adopted at a general meeting of shareholders by a majority of the voting rights held by the shareholders present at the general meeting of shareholders and who hold not less than one third of voting rights of all the shareholders who are entitled to exercise the voting rights.
2. Such resolution may not be adopted by cumulative voting.

(Term of Office)

Article 32.

The term of office of a director shall expire upon conclusion of the ordinary general meeting of shareholders to be held for the last fiscal year ending within two years after the election of the director.

(Board of Directors)

Article 33.

1. The board of directors shall consist of all the directors of the Corporation currently in office.
2. Except as otherwise provided by applicable law, the director-chairman shall convene, and act as chairman at, all meetings of the board of directors. Should the office of the director-chairman be vacant, or should the director-chairman fail or be unable to act, the director-president shall act in his or her place. Should the director-president also fail or be unable to act, another of the directors shall act as chairman in accordance with the seniority established in advance by the board of directors.
3. Notice of a meeting of the board of directors shall be given to each director and each statutory auditor at least three days prior to the day set for such meeting; provided, however, that in case of emergency, such period of notice may be shortened.
4. Except as otherwise provided by applicable law, all resolutions of the board of directors shall be adopted at a meeting of the board of directors at which a majority of all of the directors entitled to vote at the meeting are present, by a majority of such directors present at such meeting.
5. In the event that a director made a proposal with respect to a matter to be resolved at a meeting of the board of directors and all directors who are entitled to vote on such matter agree affirmatively in writing or by electronic means, it shall be deemed that a resolution of a meeting of the board of directors has been made to approve such proposal unless any corporate auditor objects to the resolution.

(Representative Directors, Titled Directors)

Article 34.

1. The board of directors shall by its resolution elect one or more representative directors.

2. The board of directors may by its resolution appoint from among its members, one director-chairman, one director-president and one or more director-deputy chairmen, director-deputy presidents, senior managing directors and managing directors.

(Powers and Duties of Directors)

Article 35.

1. The director-chairman shall preside over the board of directors.
2. The director-deputy chairmen shall assist the director-chairman.
3. The director-president shall carry out and implement resolutions of the board of directors and shall generally supervise the entire operation of the Corporation. Should the director-president fail or be unable to act, a director-deputy president, a senior managing director or a managing director shall, in such order of seniority, act in his or her place.
4. The director-deputy presidents, the senior managing directors and the managing directors shall assist the director-president and shall carry on the day-to-day businesses of the Corporation.

(Limitation of Liability Agreement with Outside Directors)

Article 36.

Pursuant to Paragraph 1 of Article 427 of the Companies Act, the Corporation may conclude with an outside director an agreement to limit the liability of the outside director under Paragraph 1 of Article 423 of the Companies Act, provided, however, that the limit of liability under such agreement shall be the higher of (i) the amount specified in advance which is not less than 10,000,000 yen or (ii) the amount specified by law.

Chapter VI. Corporate Auditors and Board of Corporate Auditors

(Number of Corporate Auditors)

Article 37.

The Corporation shall have three or more corporate auditors.

(Election)

Article 38.

A resolution for the election of corporate auditors shall be adopted at a general meeting of shareholders by a majority of the voting rights held by the shareholders who are present at the general meeting and who hold not less than one third of voting rights of all the shareholders who are entitled to exercise the voting rights.

(Effectiveness of Resolution on Election of Substitute Corporate Auditor)

Article 38-2.

A resolution for the election of a substitute corporate auditor shall be effective until the commencement of the ordinary general meeting of shareholders to be held for the last fiscal year ending within four years after the election of the substitute corporate auditor, unless otherwise stipulated in the relevant resolution.

(Term of Office)

Article 39.

The term of office of a corporate auditor shall expire upon conclusion of the ordinary general meeting of shareholders to be held for the last fiscal year ending within four years after the election of the corporate auditor.

(Board of Corporate Auditors)

Article 40.

1. The board of corporate auditors shall consist of all the corporate auditors of the Corporation currently in office.
2. Notice of a meeting of the board of corporate auditors shall be given to each corporate auditor at least three days prior to the day set for such meeting; provided, however, that in case of emergency, such period of notice may be shortened.
3. Except as otherwise provided by applicable law, all resolutions of the board of corporate auditors shall be adopted at a meeting of the board of corporate auditors, by a majority of the corporate auditors.

(Standing Corporate Auditors)

Article 41.

The board of corporate auditors shall elect by its resolution one or more standing corporate auditors. The standing corporate auditor(s) shall serve on a full-time basis.

(Limitation of Liability Agreement with Outside Corporate Auditors)

Article 42.

Pursuant to Paragraph 1 of Article 427 of the Companies Act, the Corporation may conclude with an outside corporate auditor an agreement to limit the liability of the outside corporate auditor under Paragraph 1 of Article 423 of the Companies Act, provided, however, that the limit of liability under such agreement shall be the higher of (i) the amount specified in advance which is not less than 10,000,000 yen or (ii) the amount specified by law.

Chapter VII. Accounts

(Fiscal Year)

Article 43.

The fiscal year of the Corporation shall commence on April 1 of each year and shall end on March 31 of the following year.

(Dividends of Surplus)

Article 44.

Cash dividends of surplus shall be made by the Corporation pursuant to a resolution of a general meeting of shareholders to the shareholders or the registered share pledgees appearing or recorded on the final register of shareholders as of the last day of a fiscal year.

(Interim Dividends)

Article 45.

The Corporation may, by resolution of a meeting of the board of directors, distribute interim dividends to the shareholders or the registered share pledgees appearing or recorded on the final register of shareholders at the close of September 30 of each year.

(Period of Limitations for Dividends)

Article 46.

If any cash dividends shall remain unreceived after expiration of five years from the day on which such dividends shall have become due and payable, the Corporation shall be relieved of its obligation to pay such dividends.

(End)

LIST OF SUBSIDIARIES OF SUMITOMO MITSUI FINANCIAL GROUP, INC.

List of Subsidiaries at March 31, 2013

<u>Company Name</u>	<u>Jurisdiction</u>
Sumitomo Mitsui Banking Corporation	Japan
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil
Cedyna Financial Corporation	Japan
Financial Link Co., Ltd.	Japan
Japan Pension Navigator Co., Ltd.	Japan
Kansai Urban Banking Corporation	Japan
Manufacturers Bank	U.S.A.
PT Bank Sumitomo Mitsui Indonesia	Indonesia
SAKURA CARD CO., Ltd.	Japan
Sakura Finance Asia Limited	Hong Kong
SAKURA KCS Corporation	Japan
SFVI Limited	British Virgin Islands
SMBC Aviation Capital Limited	Ireland
SMBC Capital India Private Limited	India
SMBC Capital Markets, Inc.	U.S.A.
SMBC Cayman LC Limited	Cayman Islands
SMBC Consulting Co., Ltd.	Japan
SMBC Consumer Finance Co., Ltd.	Japan
SMBC DIP Limited	Cayman Islands
SMBC Electronic Monetary Claims Recording Co., Ltd.	Japan
SMBC Finance Service Co., Ltd.	Japan
SMBC Financial Services, Inc.	U.S.A.
SMBC Friend Securities Co., Ltd.	Japan
SMBC Guarantee Co., Ltd.	Japan
SMBC International Finance N.V.	Netherlands Antilles
SMBC Leasing and Finance, Inc.	U.S.A.
SMBC Loan Business Planning Co., Ltd.	Japan
SMBC MVI SPC	Cayman Islands
SMBC Nikko Capital Markets Limited	U.K.
SMBC Nikko Securities America, Inc.	U.S.A.
SMBC Nikko Securities Inc.	Japan
SMBC Preferred Capital GBP 1 Limited	Cayman Islands
SMBC Preferred Capital GBP 2 Limited	Cayman Islands
SMBC Preferred Capital JPY 1 Limited	Cayman Islands
SMBC Preferred Capital JPY 2 Limited	Cayman Islands
SMBC Preferred Capital USD 1 Limited	Cayman Islands
SMBC Preferred Capital USD 2 Limited	Cayman Islands
SMBC Preferred Capital USD 3 Limited	Cayman Islands
SMBC Principal Finance Co., Ltd.	Japan
SMBC Servicer Co., Ltd.	Japan
SMBC Venture Capital Co., Ltd.	Japan
SMFG Card & Credit, Inc.	Japan
SMFG Preferred Capital GBP 1 Limited	Cayman Islands
SMFG Preferred Capital GBP 2 Limited	Cayman Islands
SMFG Preferred Capital JPY 1 Limited	Cayman Islands
SMFG Preferred Capital JPY 2 Limited	Cayman Islands
SMFG Preferred Capital JPY 3 Limited	Cayman Islands

<u>Company Name</u>	<u>Jurisdiction</u>
SMFG Preferred Capital USD 1 Limited	Cayman Islands
SMFG Preferred Capital USD 2 Limited	Cayman Islands
SMFG Preferred Capital USD 3 Limited	Cayman Islands
SMM Auto Finance, Inc.	Japan
Sumitomo Mitsui Banking Corporation Europe Limited	U.K.
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Malaysia
Sumitomo Mitsui Banking Corporation of Canada	Canada
Sumitomo Mitsui Banking Corporation (China) Limited	China
Sumitomo Mitsui Card Company, Limited	Japan
Sumitomo Mitsui Finance and Leasing Company, Limited	Japan
Sumitomo Mitsui Finance Australia Limited	Australia
Sumitomo Mitsui Finance Dublin Limited	Ireland
The Japan Net Bank, Limited	Japan
The Japan Research Institute, Limited	Japan
THE MINATO BANK, LTD.	Japan
ZAO Sumitomo Mitsui Rus Bank	Russia

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Koichi Miyata, certify that:

1. I have reviewed this annual report on Form 20-F of Sumitomo Mitsui Financial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 23, 2013

/s/ Koichi Miyata

Name: Koichi Miyata

Title: President and Representative Director

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nobuaki Kurumatani, certify that:

1. I have reviewed this annual report on Form 20-F of Sumitomo Mitsui Financial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 23, 2013

/s/ Nobuaki Kurumatani

Name: Nobuaki Kurumatani

Title: Director

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the annual report of Sumitomo Mitsui Financial Group, Inc. on Form 20-F for the year ended March 31, 2013 (the “**Report**”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Koichi Miyata, President and Representative Director of Sumitomo Mitsui Financial Group, Inc., certify that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Sumitomo Mitsui Financial Group, Inc. and its subsidiaries.

Date: July 23, 2013

/s/ Koichi Miyata

Name: Koichi Miyata

Title: President and Representative Director

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the annual report of Sumitomo Mitsui Financial Group, Inc. on Form 20-F for the year ended March 31, 2013 (the “**Report**”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Nobuaki Kurumatani, Director of Sumitomo Mitsui Financial Group, Inc., certify that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Sumitomo Mitsui Financial Group, Inc. and its subsidiaries.

Date: July 23, 2013

/s/ Nobuaki Kurumatani

Name: Nobuaki Kurumatani

Title: Director