

Bank of America Merrill Lynch 2016 Japan Conference

SMFG management strategy under the changing business environment

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September 15, 2016

Agenda

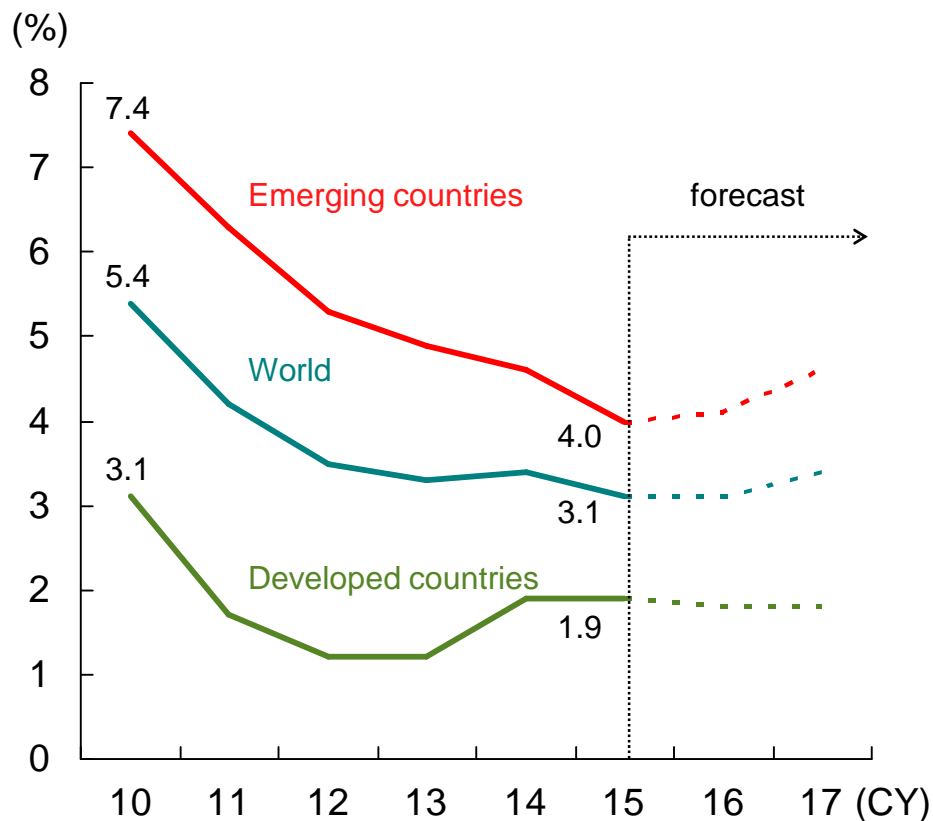
- I Business environment
- II 1Q, FY3/2017 performance
- III Strategy under the changing business environment
– Business opportunities / Asset and expense control –
- IV Capital policy

I Business environment

Macro environment

Global structural changes in economy, society and politics

Real GDP growth rate*: Pronounced slowdown in the global economy



* Source: IMF

The world is “in the middle of a major structural change”

Emerging countries

Slowdown in economic growth

Developed countries

Decline in potential growth rate

Politics

Emergence of Populism and Nationalism

Financial markets

Surplus funds under zero/negative interest rate
Rise of market volatility

Macro environment in Japan / Regulatory environment

Macro environment in Japan

A gradual economic recovery continues



Boost of the growth rate
by economic policy



Yen appreciation



Negative interest rate policy

Tightening of International financial regulations

International financial regulations

- Strengthening of prudential regulation
 - Improvement of quality and quantity of capital
 - Leverage ratio requirement
 - Minimum standards for liquidity (LCR, NSFR)
 - Revision of measures to calculate risk-weighted assets, credit risk, operational risk, IRRBB, capital floors, revision to internal models
- Measures against Too-Big-To-Fail
 - G-SIBs surcharge
 - TLAC
- OTC derivatives market reforms

National regulations

- US : Volcker Rule, FBO regulation, MMF regulation reform
- UK : Ring fencing

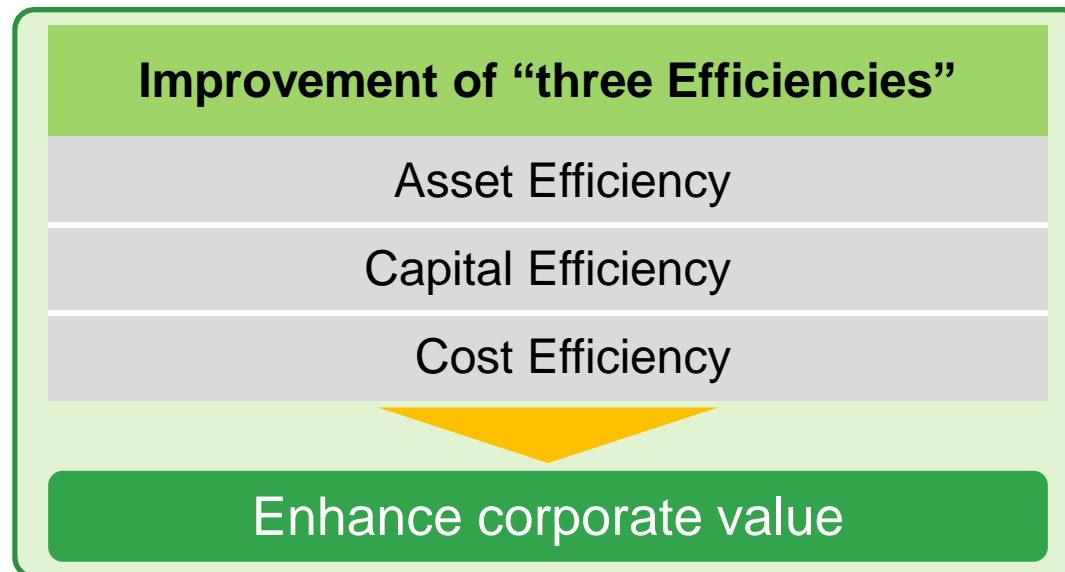
SMFG's initiatives toward the changing business environment

Challenges

- Decrease in domestic loan-to-deposit spreads
- Difficulty in yen fund management
- Control of expenses
- Control of risk-weighted assets
- Increase in foreign currency funding costs
- Control of credit costs
(overseas resource- related exposures, etc.)

Opportunities

- Investment needs for positive returns
- Enhancing convenient services through smartphones
- Supporting growth companies and industries in Japan
- Origination and distribution of overseas assets
- Mid- to long-term growth in Asia





II 1Q, FY3/2017 performance

II. 1Q, FY3/2017 performance

1Q, FY3/2017 financial results

Income statement

		(JPY bn)	Apr.-Jun. 2016 results	YOY change	1H, FY3/2017	FY3/2017 targets
SMFG consolidated	Consolidated gross profit	USD 7.0 bn ^{*1}	715.8	(80.3)	1,470	3,000
	Variance ^{*2}		346.4	(9.3)	580	1,370
	General and administrative expenses		(443.2)	(16.4)		
	Consolidated net business profit	USD 2.7 bn ^{*1}	279.4	(95.6)		
	Total credit cost		(10.6)	(4.1)	(95)	(180)
	Ordinary profit	USD 2.7 bn ^{*1}	274.0	(130.5)	480	1,020
	Variance ^{*2}		125.4	(16.8)	50	300
Profit attributable to owners of parent	USD 1.8 bn ^{*1}	184.3	(83.6)	320	700	
Variance ^{*2}		77.3	(5.6)	(40)	130	

26% of full year target

Contribution of subsidiaries to Profit attributable to owners of parent

	(JPY bn)	Apr.-Jun. 2016	YOY change
SMBC Consumer Finance		13	+1
SMBC Nikko Securities		11	(8)
Sumitomo Mitsui Finance and Leasing		8	+1
Cedyna		8	+1
Sumitomo Mitsui Card		2	(3)
SMBC Friend Securities		1	(1)

SMBC non-consolidated	Gross banking profit	USD 3.6 bn ^{*1}	369.4	(71.0)	890	1,630
	Expenses ^{*3}		(204.6)	(3.6)	(410)	(825)
	Banking profit ^{*4}	USD 1.6 bn ^{*1}	164.8	(74.6)	480	805
	Total credit cost		18.5	(1.9)	(30)	(50)
	Gains (losses) on stocks		0.1	(28.2)		
	Ordinary profit	USD 1.4 bn ^{*1}	148.6	(113.7)	430	720
	Net income	USD 1.0 bn ^{*1}	107.0	(78.0)	360	570

Mainly due to decrease in profits from equity index-linked investment trusts included in net interest income

Credit ratings (SMBC)

Moody's	S&P	Fitch	R&I	JCR
A1/P-1	A/A-1	A/F1	AA-/a-1+	AA/J-1+

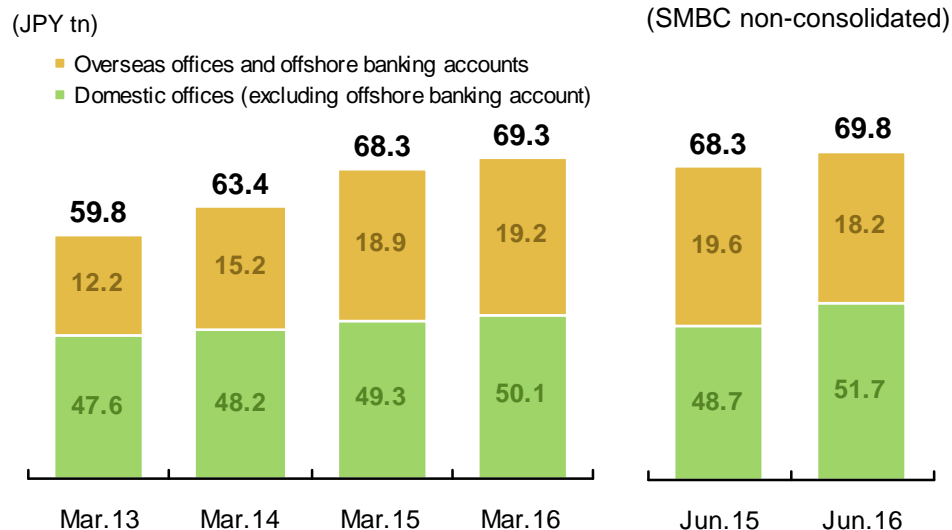
*1 Converted into USD at period-end exchange rate of USD 1 = JPY 102.96 *2 SMFG consolidated figures minus SMBC non-consolidated figures

*3 Excludes non-recurring losses *4 Before provision for general reserve for possible loan losses

II. 1Q, FY3/2017 performance

Ref: Loan balance and spread

Loan balance



Domestic loan-to-deposit spread

(SMBC non-consolidated)

(%)	FY3/16				FY3/17
	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
Interest earned on loans and bills discounted	1.24	1.24	1.23	1.22	1.13
Interest paid on deposits, etc.	0.03	0.03	0.03	0.03	0.01
Loan-to-deposit spread	1.21	1.21	1.20	1.19	1.12

Average loan balance *1

(JPY tn, %)	Balance	
	FY3/16	YOY change*7
Domestic loans*2	47.3	+0.9
of which Large corporations*3	13.9	+0.5
Mid-sized corporations & SMEs*4	16.4	+0.4
Individuals	14.2	(0.3)
IBU's interest earning assets*5, 6 (USD bn, %)	227.9	+13.5

Average loan spread *1

(JPY tn, %)	Spread	
	FY3/16	YOY change
Domestic loans*2	0.90	(0.06)
of which Large corporations*3	0.58	(0.03)
Mid-sized corporations & SMEs*4	0.82	(0.09)
Individuals	1.45	(0.01)
IBU's interest earning assets*5, 6 (USD bn, %)	1.22	+0.01

*1 Managerial accounting basis *2 SMBC non-consolidated *3 Global Corporate Banking Division

*4 Sum of Corporate Banking Division and Small and Medium Enterprises Banking Division *5 Sum of SMBC, SMBC Europe and SMBC (China)

*6 Sum of loans, trade bills, and securities *7 After adjustments for exchange rates, etc.



Strategy under the changing business environment

– Business opportunities / Asset and expense control –

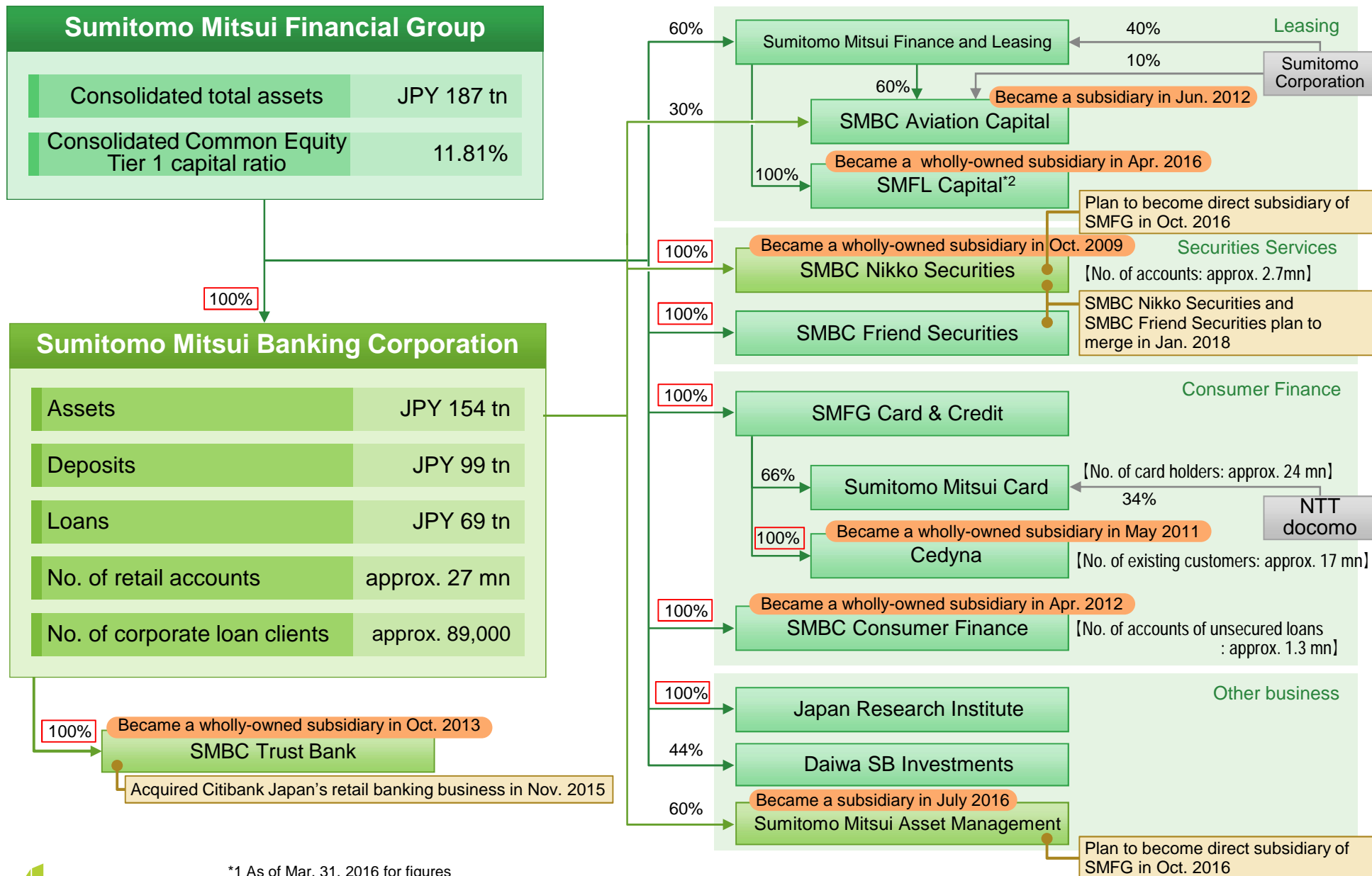
1. Business strategy

- (1) Addressing domestic investors' needs
- (2) Supporting growth companies and industries
- (3) Providing group-based services utilizing IT
- (4) International business
- (5) Capturing medium- to long-term growth in Asia

2. Expense control

III. Strategy under the changing business environment

Group structure*1



*1 As of Mar. 31, 2016 for figures

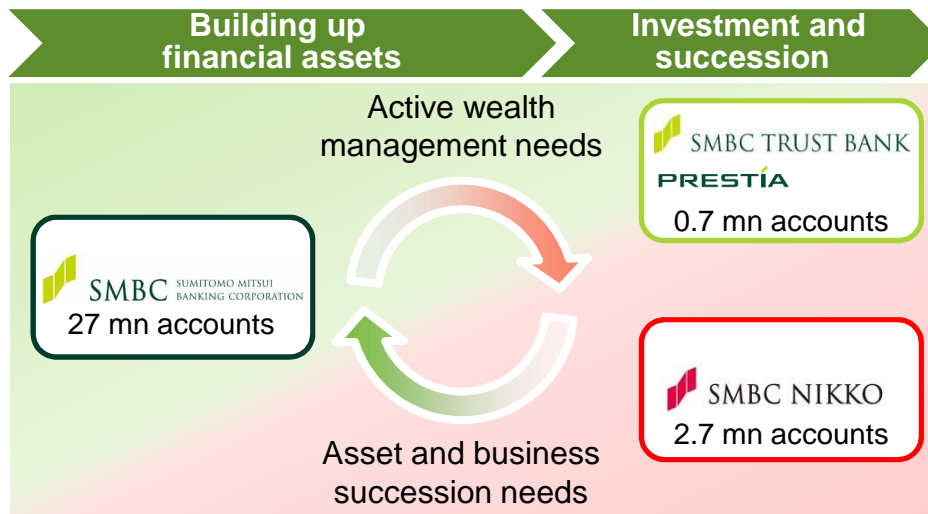
*2 Changed name from GE Japan GK to SMFL Capital Company, Limited in Sep. 2016

III. Strategy under the changing business environment

1. Business strategy (1) Addressing domestic investors' needs – Retail

- Capture the shift “from savings to investment” by enhancing group capability

Bank-securities collaboration in retail business



Reorganization of group companies

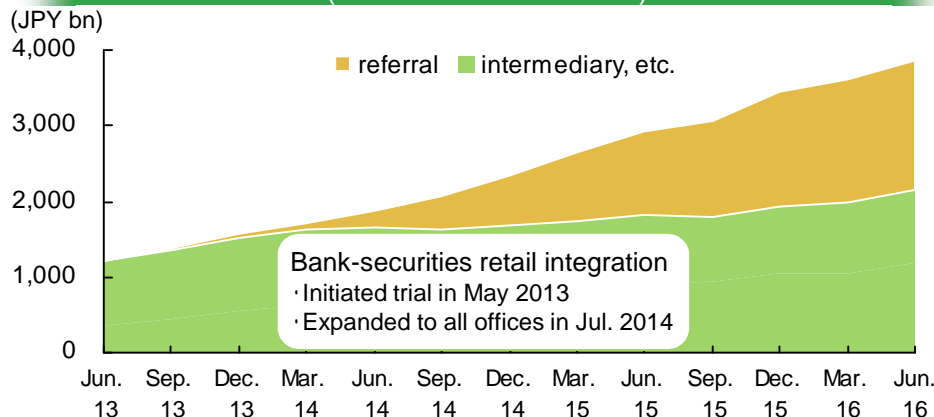
Merger of securities subsidiaries

Target of merger: January 2018



- Enhancing product and services capability
- Improving productivity by optimization of sales personnel staffing
- Cost synergies → P20

AuM through bank-securities collaboration* (SMBC Nikko Securities)



* Assets under management at SMBC Nikko via referral or financial instruments intermediary services from SMBC to SMBC Nikko. Includes assets transferred from SMBC Friend Securities to SMBC Nikko in Jan. 2011 upon integrating SMBC Friend's collaborative business with SMBC into SMBC Nikko and assets at the Private Banking division of SMBC Nikko

Consolidation of asset management company

Increased investment ratio to 60%



SMFG group's managerial resources

- Enhancing initiatives to address clients' wealth management needs
- Strengthening the asset-light asset management business

III. Strategy under the changing business environment

1. Business strategy (1) Addressing domestic investors' needs – Wholesale, Institutional investors

- Address investment needs for positive returns by leveraging our know-how and origination capability

Providing guarantees to regional banks

Regional banks, etc.

Needs and objectives

- Yen fund management
- Improve profitability through cross-selling

Challenges

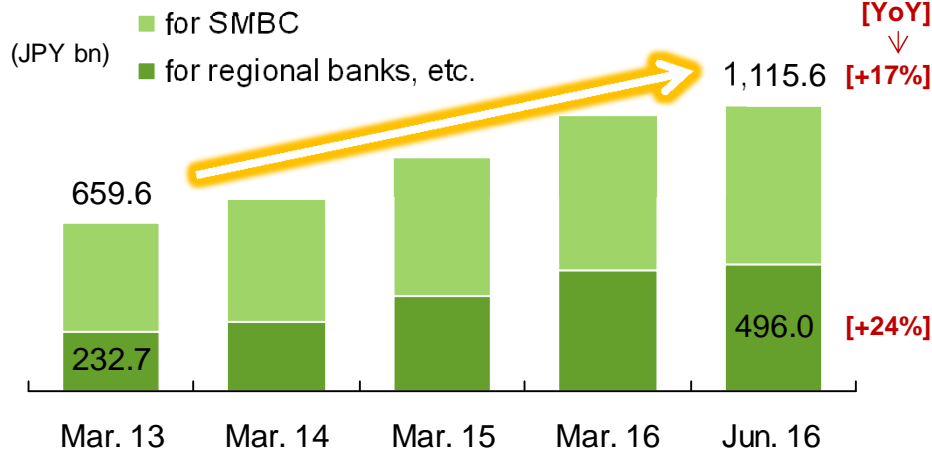
- Know-how of assessment, monitoring and collection

No. of companies with guarantee agreements: 189 (as of Jun. 2016)



Provide guarantee for unsecured consumer loan (operate call centers with regional banks in some cases)

Loan guarantee balance



Origination and Distribution

Origination

- Project finance (Trust beneficiary right, ECA backed financing)
- Aircraft leasing, financing
- Overseas corporate loans

Global No.3^{*1}

Global No.3^{*2}

Distribution

Origination fee
Asset management fee
Gains on sales of assets, etc.

- SMBC
- Sumitomo Mitsui Finance and Leasing
- SMBC Nikko Securities
- Sumitomo Mitsui Asset Management

Investors

Banks

Insurance companies

Corporations

etc.

*1 Jan.–Jun. 2016. Source: Thomson Reuters (Mandated Arrangers)

*2 Number of aircraft owned and managed as of Dec.31, 2015. Source: Ascend / Airline Business magazine

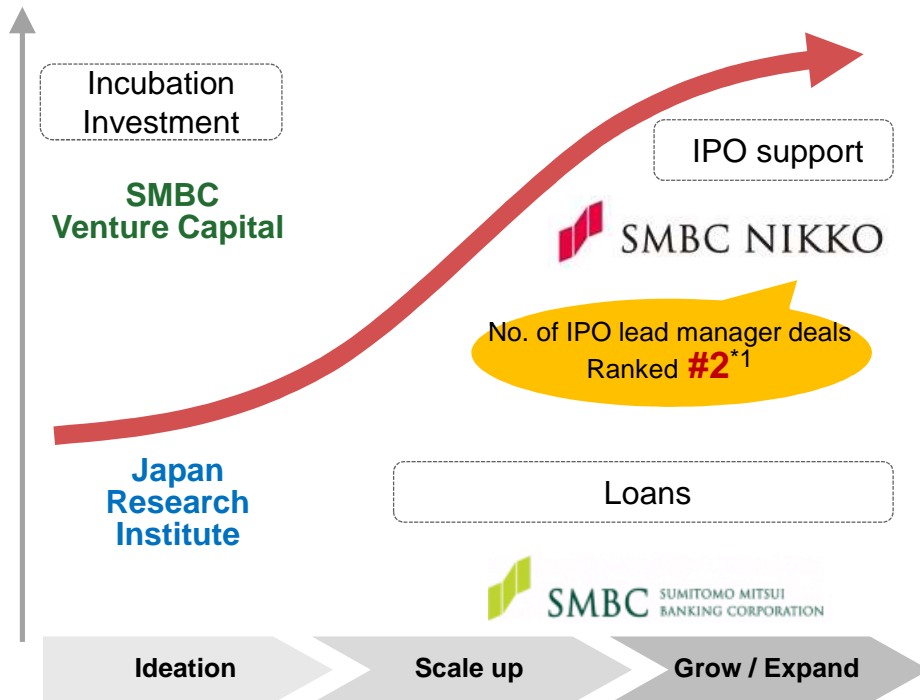
III. Strategy under the changing business environment

1. Business strategy (2) Supporting growth companies and industries

- Support domestic growth companies and industries on a group basis

SMFG's support system for start-up companies

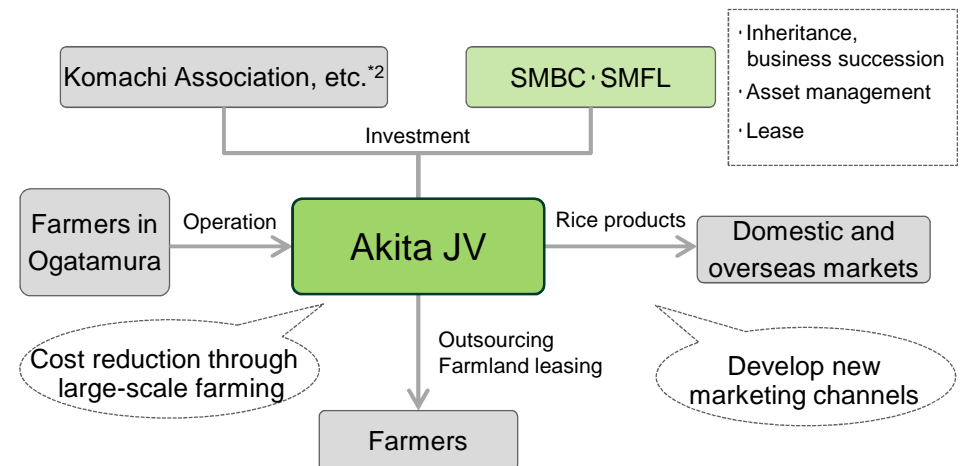
- Support start-up companies throughout their growth stage on a group basis



Initiatives in agricultural business

- Building efficient and profitable farm management model. Contributing to the vitalization of agriculture and local regions in Japan
- Future vision
 - Collaboration with leading agricultural corporations in other regions for outsourcing and sharing equipment
 - Creation of a new value chain in procurement and marketing

Establishment of Mirai-Kyosou Farm Akita (Akita JV) (Aug.2016)

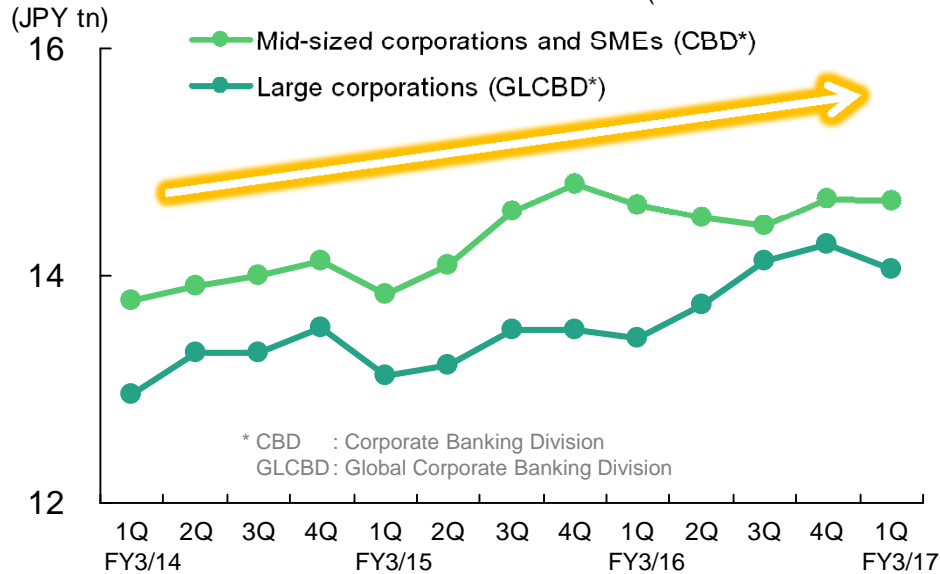


III. Strategy under the changing business environment

Ref: Corporate loans and bank-securities collaboration

Loan balance of Wholesale Banking Unit^{*1, 2}

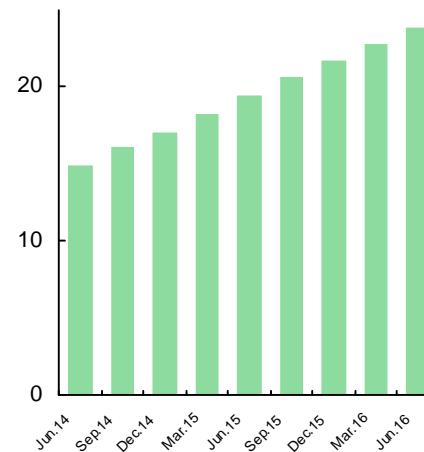
(SMBC non-consolidated)



Bank-securities collaboration (accumulated no. of cases via referral / intermediary services from SMBC to SMBC Nikko)

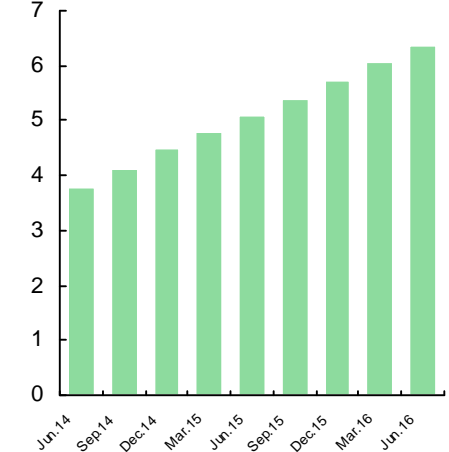
Asset Management

(Thousand)



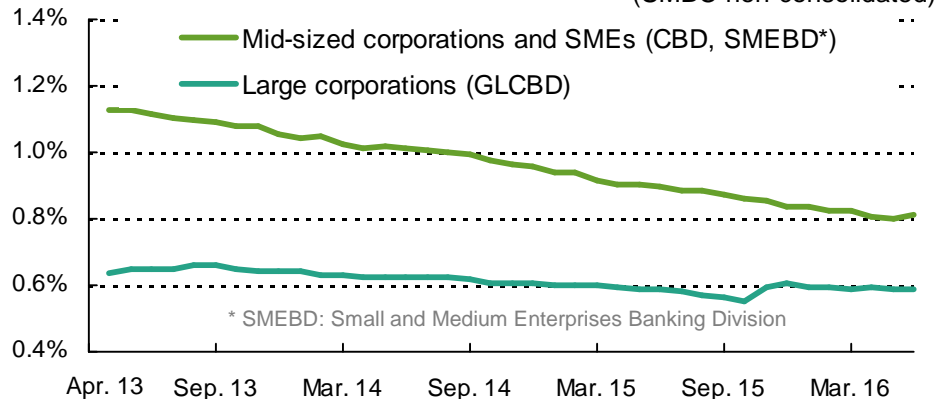
Investment banking

(Thousand)



Domestic corporate loan spread^{*1, 3}

(SMBC non-consolidated)



League tables (Apr. -Jun. 2016)^{*4}

	Rank	Mkt share
Global equity & equity-related (book runner, underwriting amount)^{*5, 6}	#2	19.9%
JPY denominated bonds (lead manager, underwriting amount)^{*5, 7}	#1	20.4%
Financial advisor (M&A, No. of deals)^{*5, 8}	#4	2.5%
IPO (lead manager, No. of deals)^{*9}	#2	23.5%

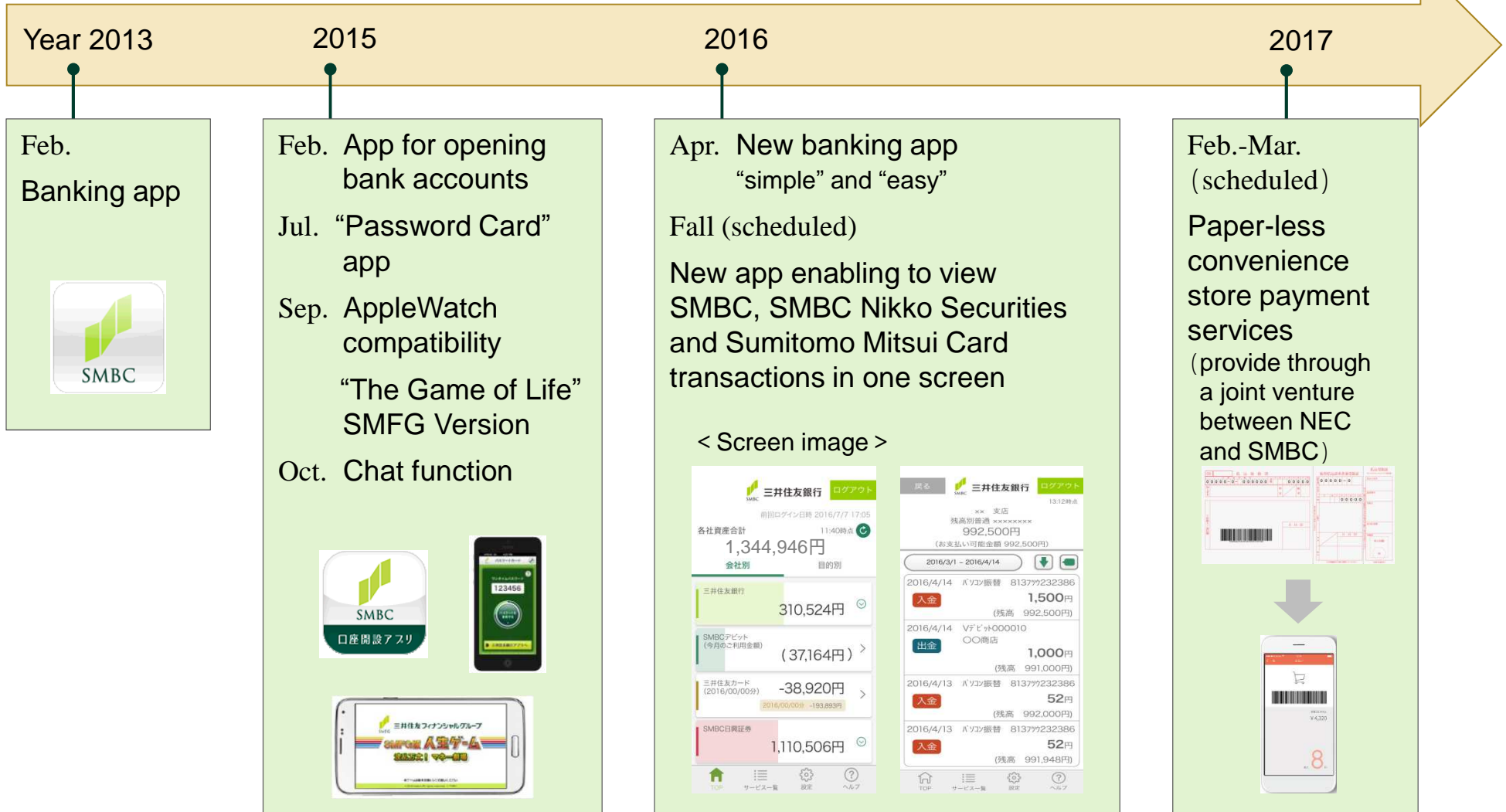
*1 Managerial accounting basis. Excludes loans to the government, etc. We revised managerial accounting rules since Apr. 2014. Figures for FY14/14 were recalculated based on the new rules *2 Quarterly average *3 Monthly average loan spread of existing loans

*4 SMBC Nikko Securities for Global equity & equity-related, JPY denominated bonds and IPO. SMFG for Financial advisor *5 Source: SMBC Nikko, based on data from Thomson Reuters *6 Japanese corporate related only. Includes overseas offices *7 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds *8 Japanese corporate related only. Group basis *9 Excludes REIT IPO. Source: Thomson Reuters

III. Strategy under the changing business environment

1. Business strategy (3) Providing group-based services utilizing IT

- Enhance services utilizing smartphones. “No. 1 easy to use”

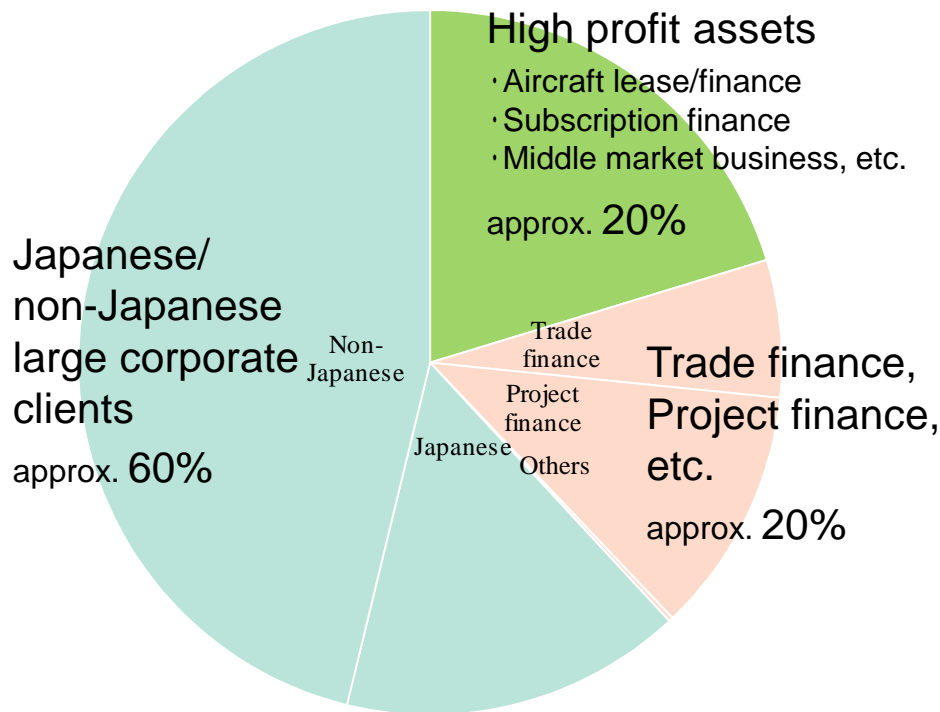


III. Strategy under the changing business environment

1. Business strategy (4) International business

- Improve profitability by promoting cross-selling and executing nimble portfolio management
- Be selective in risk taking. Pay attention to credit control and funding

International Banking Unit's portfolio



Promoting cross-selling

- Enhancing business with core western clients
- Transactions connecting Japanese and non-Japanese corporations
- “Domestic-international integration” model

Nimble portfolio management

- Increasing high profit assets / asset turn over
 - Improve profitability of portfolio
 - Control risk-weighted assets
 - Ease foreign currency funding constraints

SMFG



- Project finance
- Aircraft lease / finance
- Railcar lease
- Subscription finance*
- Americas / EMEA middle market business, etc.

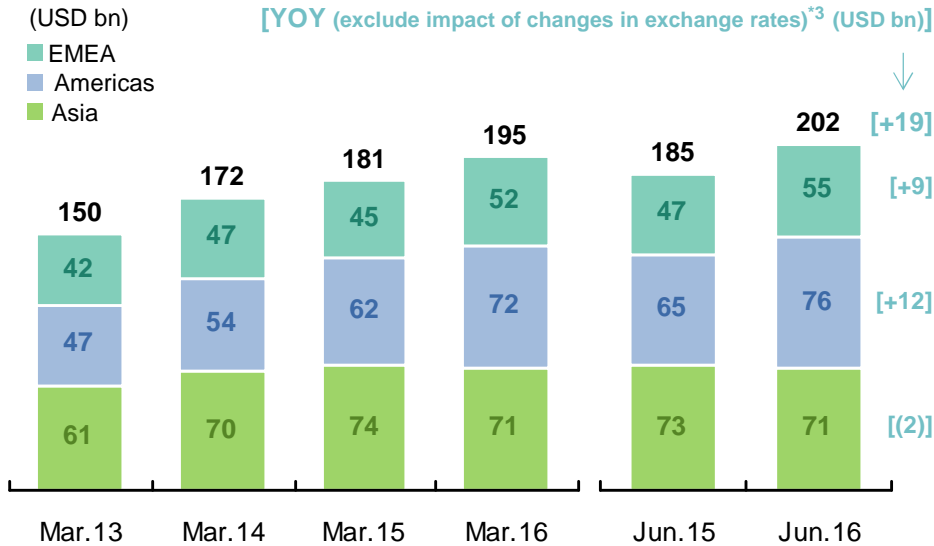
Investors

* Extending loans to funds based on commitments from investors

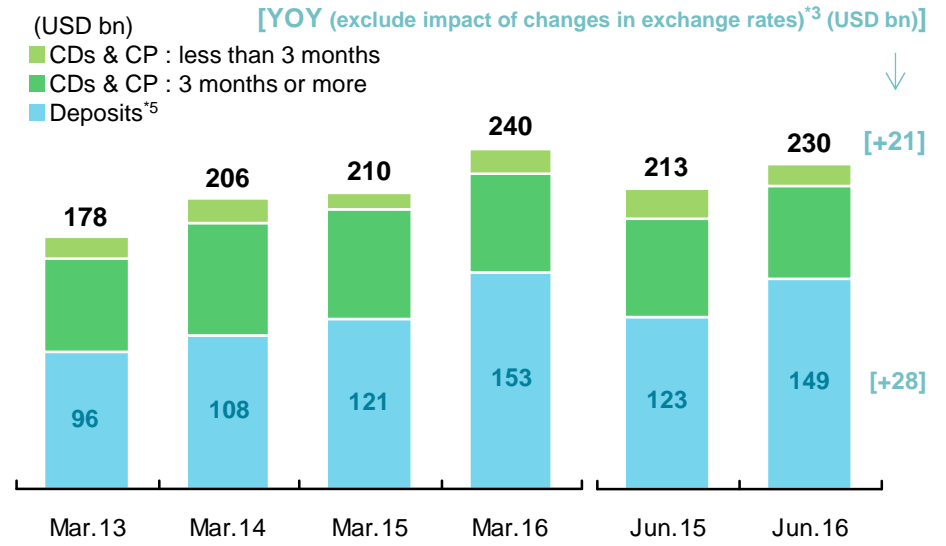
III. Strategy under the changing business environment

Ref: Overseas loans and funding

Overseas loan balance*1, 2



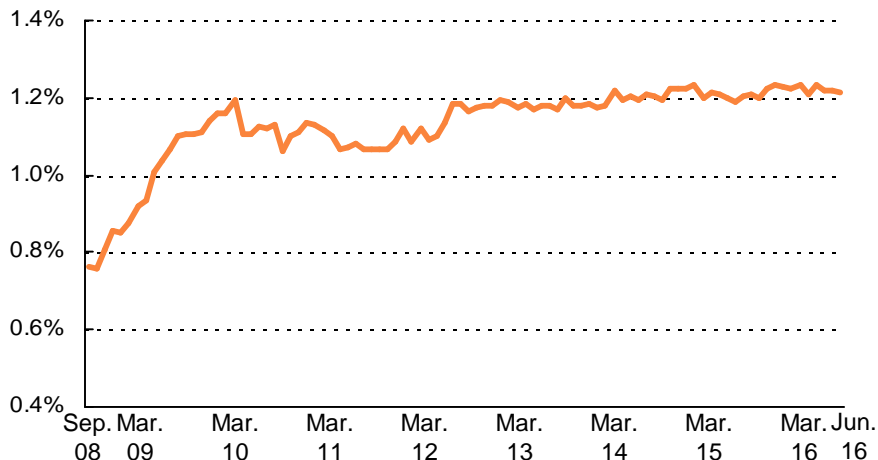
Overseas deposit balance*1, 2



Foreign currency bonds outstanding ⁶ (USD bn)	Senior	25.1	32.9	26.1	33.9
	Subordinated	4.7	4.1	4.8	4.1

- SMFG issued senior bonds to meet TLAC requirements: EUR 1.5 bn (Jun. 2016) and USD 4.5 bn (Jul. 2016)

Overseas loan spread*1, 4



Project finance / Loan syndication

League tables (Jan. - Jun. 2016)*7

	Global	Asia*8	Japan
Project Finance	#3	#3	
Loan Syndication	#7	#8	#2

*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China) *2 Converted into USD at respective period-end exchange rates

*3 Year-on-year changes exclude impact of changes in local currency / USD

*4 Monthly average loan spread of existing loans *5 Includes deposits from central banks *6 Bonds issued by SMBC and SMFG

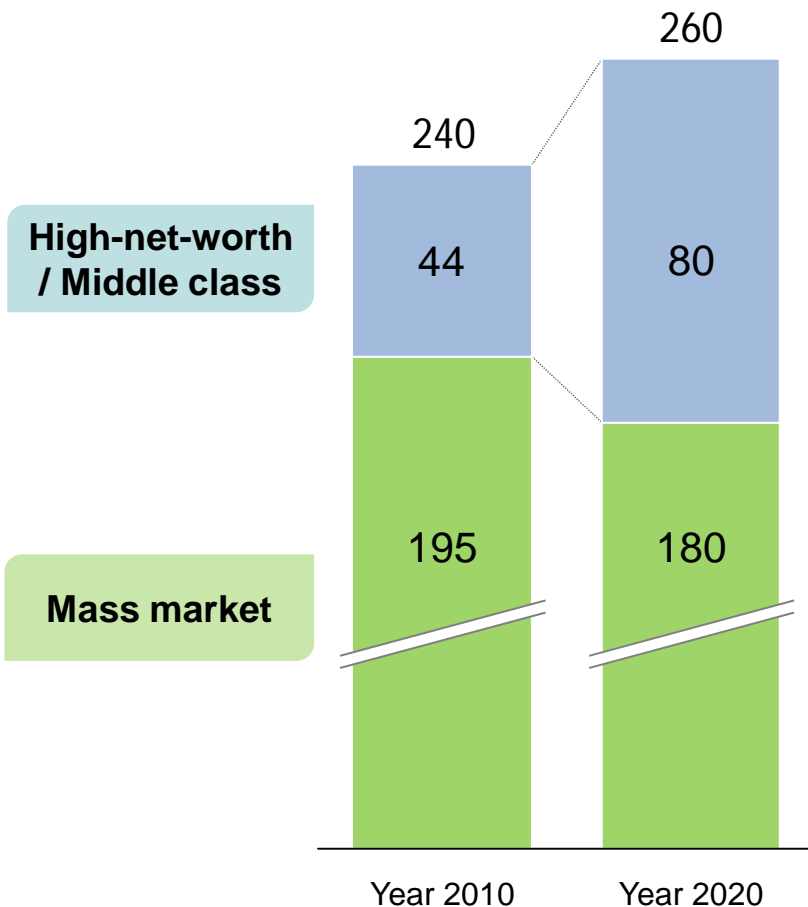
*7 Source: Thomson Reuters (Mandated Arrangers) *8 Project finance: Asia Pacific. Loan syndication: Asia (excl. Japan)

III. Strategy under the changing business environment

1. Business strategy (5) Capturing medium- to long-term growth in Asia (Indonesia / BTPN)

- Collaborating with BTPN in the retail banking business. Acquire know-how and expertise of new business models in the emerging markets

Population forecast in Indonesia* (mn)



Launched new digital banking services addressing needs of each client segment



Jenius
Launched in Aug. 2016



Smartphone based digital banking services for digitally savvy high-net-worth / middle class



btpn! WOW!
Launched in Mar. 2015



Low cost feature-phone based financial services for mass market

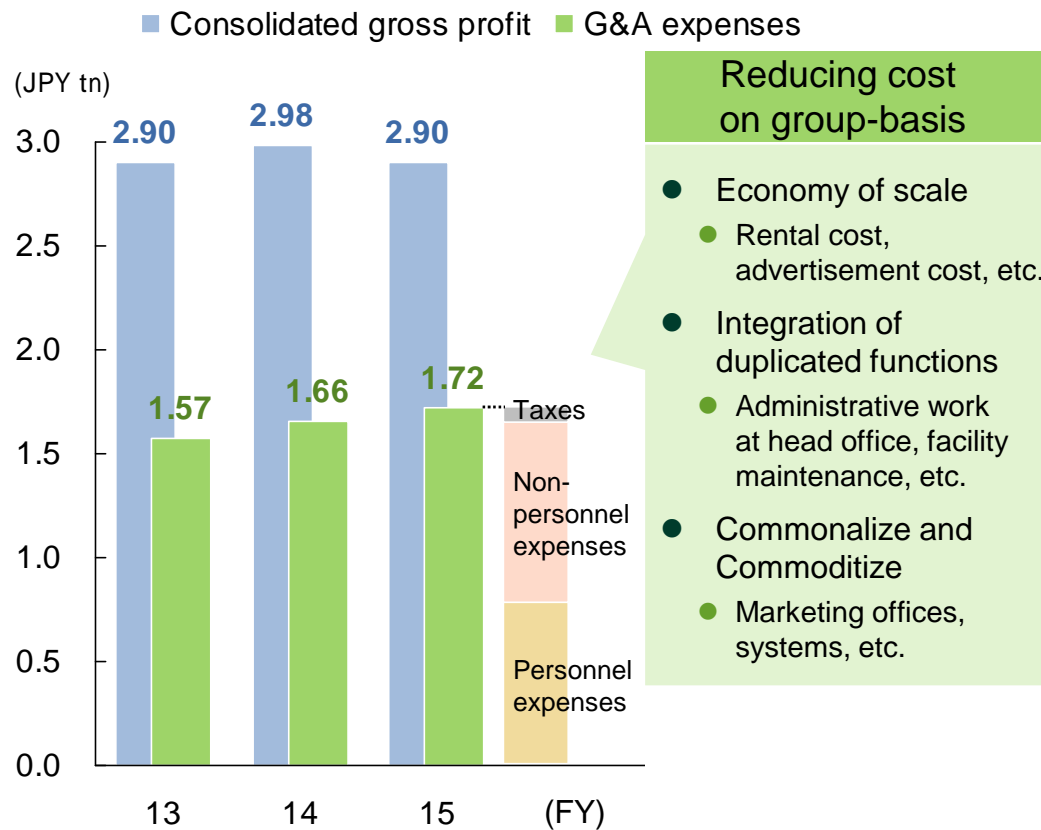
* Source: EIU, Global IDC data, McKinsey, Strategy Analytics

III. Strategy under the changing business environment

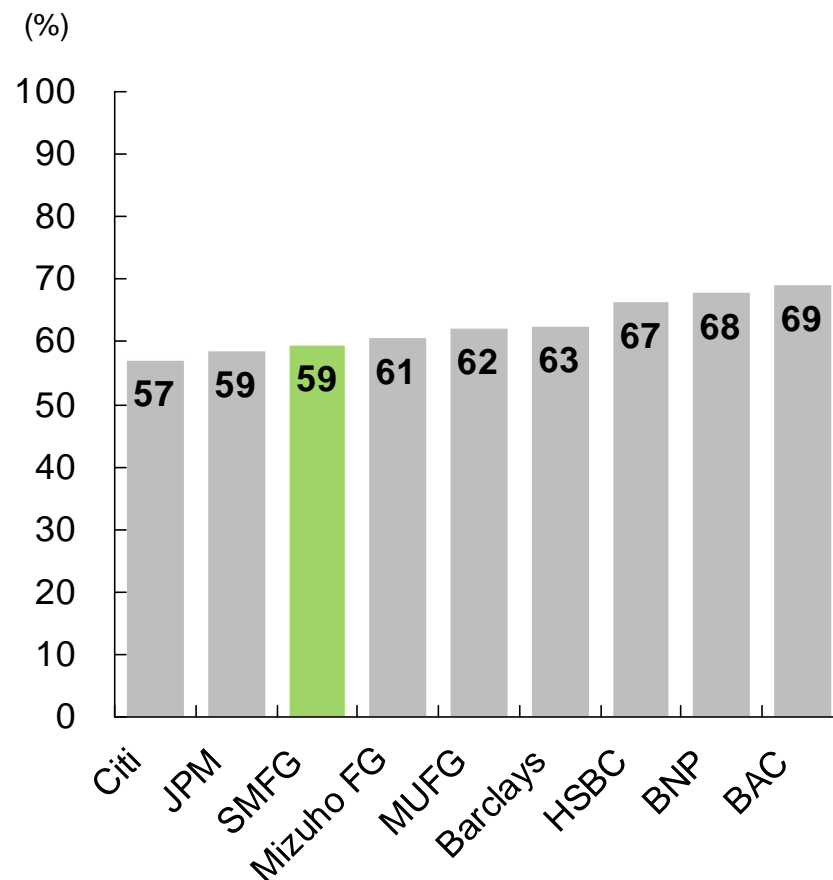
2. Expense control – Overview of initiatives

- Establish cost reduction plan and optimal resource allocation at a group-based cost reduction council

Trend of consolidated gross profit and expenses



Overhead ratio comparison*



Consolidated overhead ratio	54.2%	55.7%	59.4%

* Consolidated basis. Based on each company's disclosure. G&A expenses divided by top-line profit (net of insurance claims). FY3/2016 results for SMFG, Mizuho FG and MUFG, and Jan.- Dec. 2015 results for others

III. Strategy under the changing business environment

2. Expense control – Examples of initiatives

Merger of securities subsidiaries

- Build efficient framework and realize cost synergies
 - Optimization of sales personnel staffing
 - Consolidation of management infrastructure including systems and marketing channels

No. of branches and employees (As of March 31, 2016)

	Number of employees	Number of branches
SMBC Nikko Securities	8,944	123
SMBC Friend Securities	1,890	61

Next-generation workplace (SMBC)

Utilize public cloud services



Anytime, anywhere

Access intranet and file server from outside the office



Electronic commuting by smartphone

Use smartphone as personal computer by connecting a monitor and keyboard



Approval by smartphone

Make approvals from outside the office (2in1PC, smartphone)



Smart meeting

Participate and arrange meetings from outside/inside the office

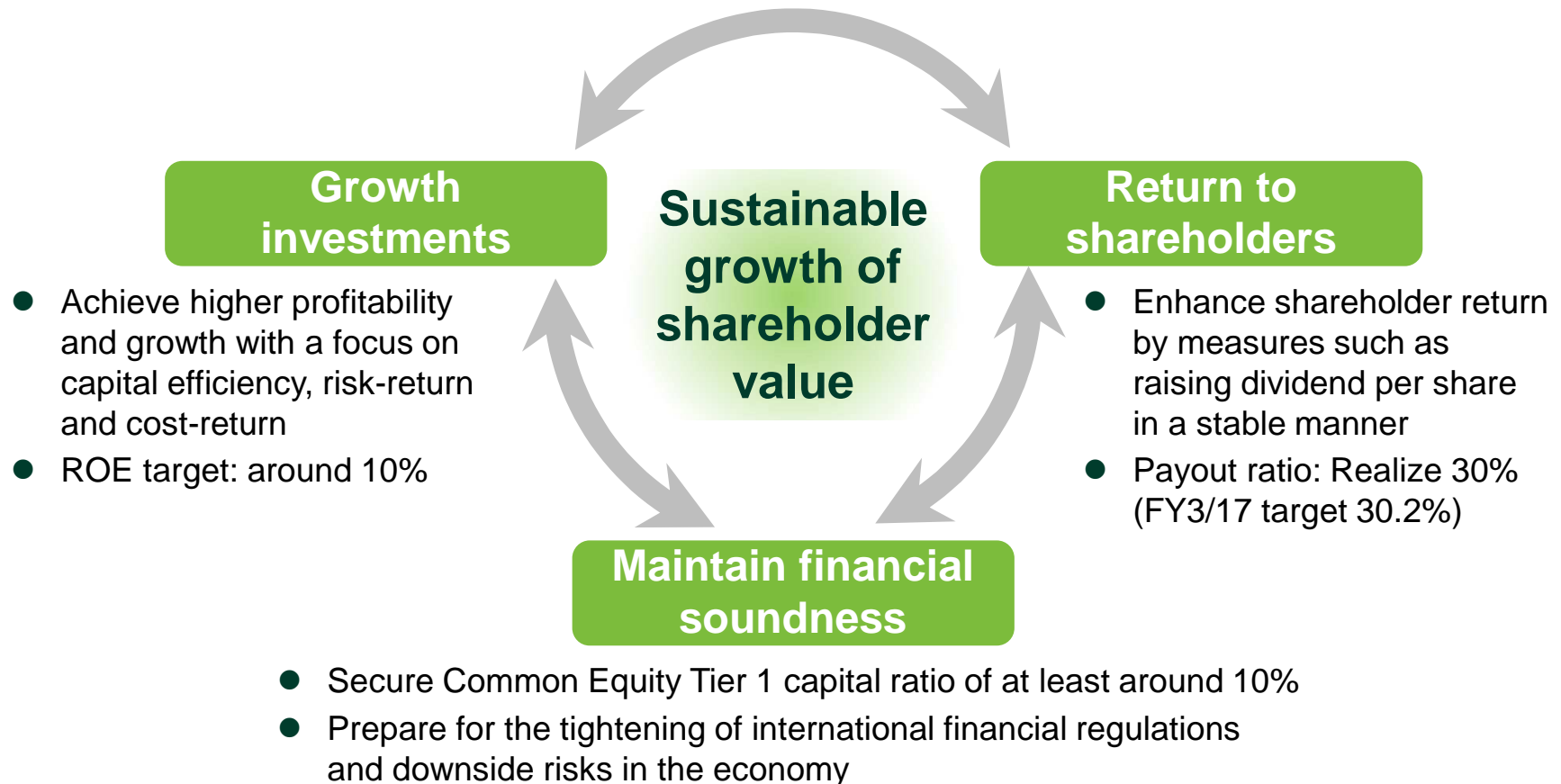


- Improve productivity
 - Promote high value-added work by reviewing inefficient work
 - Realize flexible working style
- Reduce system development cost

IV Capital policy

Basic capital policy

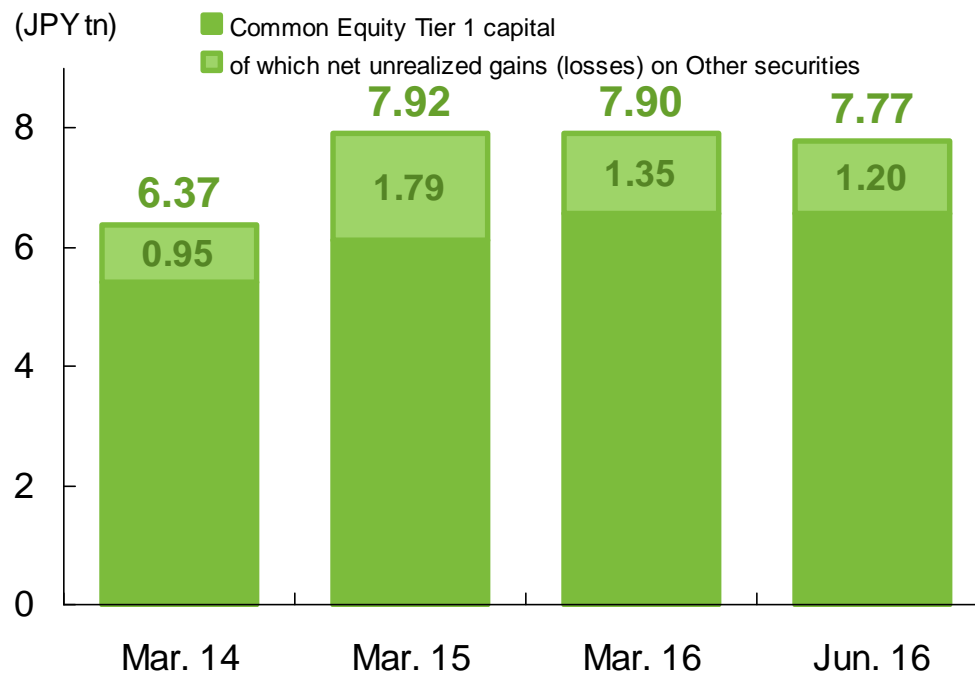
- **Our commitment** : Raise dividend per share in a stable manner
Payout ratio of 30% (FY3/17 target: 30.2%)
- **Issues to be addressed** : The outcome of international financial regulations is expected to be clarified by the end of 2016
We have entered into the final phase of confirming capital adequacy



IV. Capital policy

Capital position

Trend of Common Equity Tier 1 capital and Common Equity Tier 1 capital ratio (fully-loaded*, pro forma)



Risk-weighted assets	JPY 61.3 tn	JPY 65.9 tn	JPY 65.9 tn	JPY 65.4 tn
CET 1 capital ratio [excluding net unrealized gains]	10.3% [8.7%]	12.0% [9.0%]	11.9% [9.9%]	11.8% [10.0%]

- Continuously paying attention to discussions on revisions to the Standardised Approaches (credit risk, operational risk) and Capital floors based on standardised approaches

Secure
around **10%**

* Based on the Mar. 31, 2019 definition

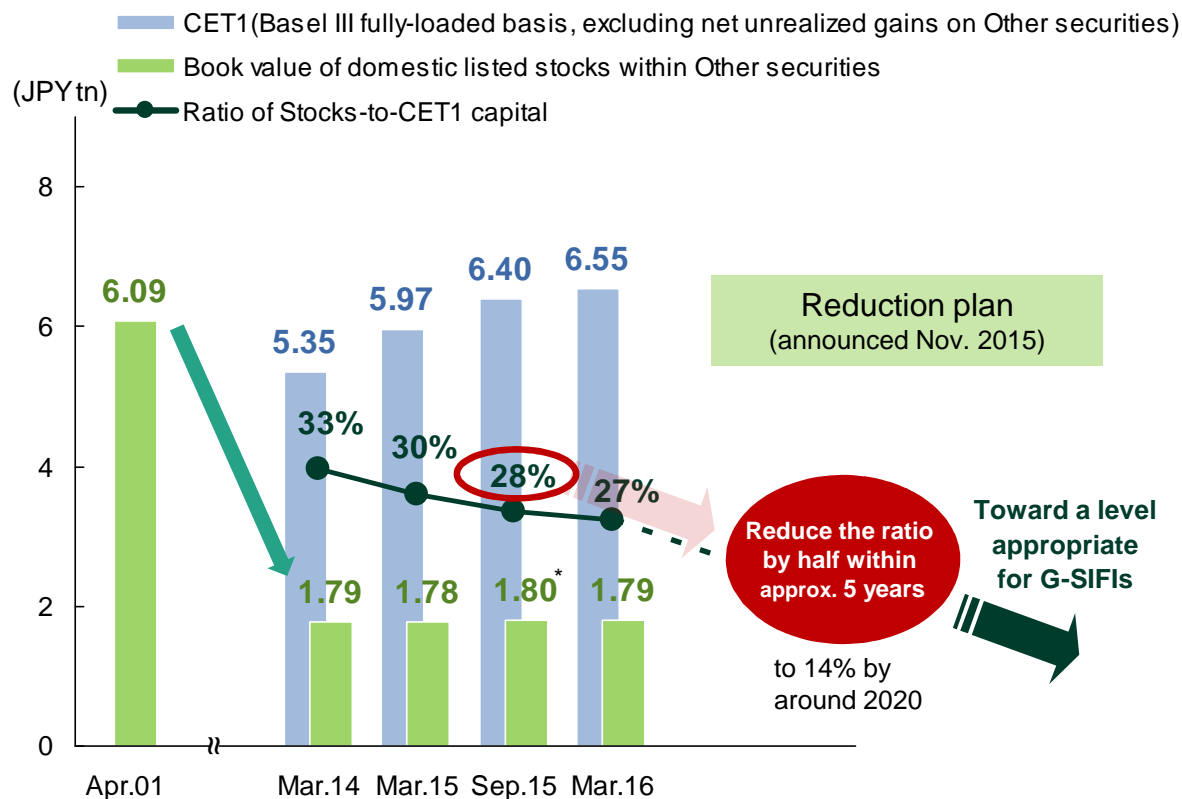
IV. Capital policy

Strategic shareholdings

- We aim to have the assurance of reducing the Ratio of Stocks-to-CET1 capital(*) by half within approximately 5 years, which is reducing book value of up to about 30% or about JPY 500 bn of domestic listed stocks

(*) SMFG consolidated basis Book value of domestic listed stocks / Common Equity Tier 1 capital (CET1)
(Basel III fully-loaded basis, excluding net unrealized gains on Other securities)

Transition and reduction plan of strategic shareholdings (SMFG consolidated basis)



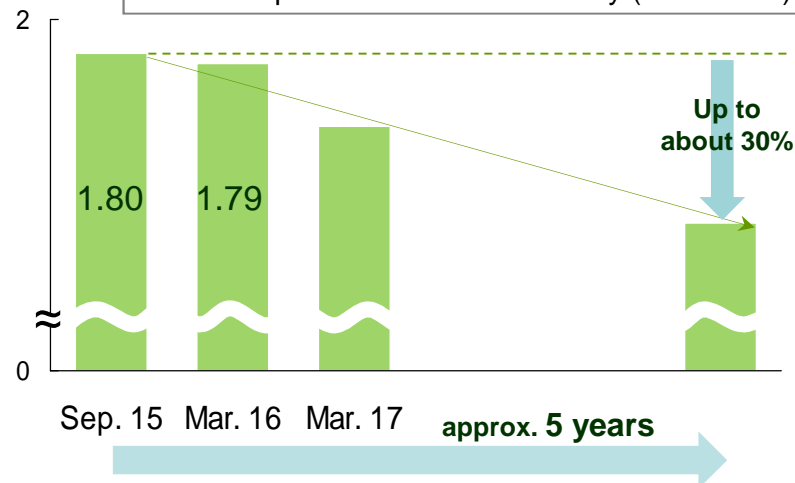
Reduction results (book value)

- Sales of domestic listed stocks in 1Q, FY3/17: approx. JPY 4 bn
- Consent of sales from clients (outstanding): approx. JPY 90 bn (as of Jun. 2016)

Plan

- Receive consent of sales from clients of JPY 150 bn by Mar. 2017 (aggregated amount since Sep. 2015)

Reduction pace: JPY 100 bn annually (book value)

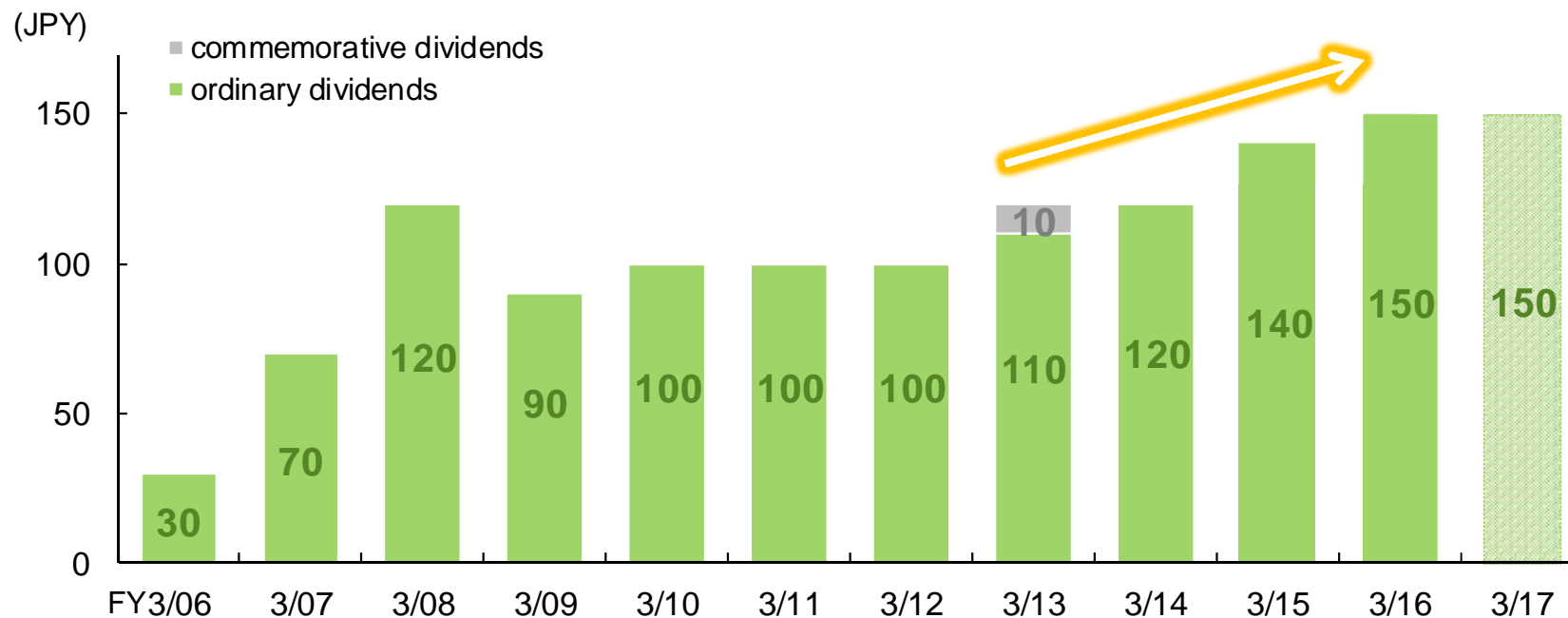


* Diminishes after deducting increase in book value from the termination of hedge transactions

IV. Capital policy

Return to shareholders

Dividend per share^{*1, 2}



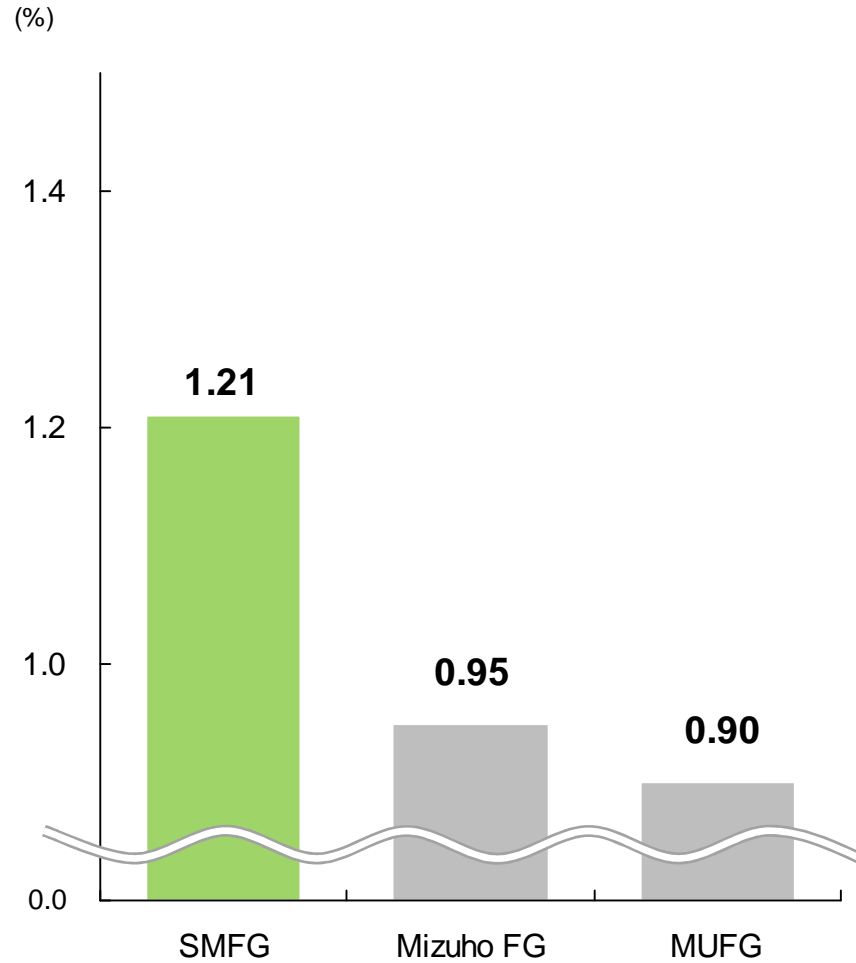
ROE ^{*3}	22.8%	13.8%	15.8%	-	7.5%	9.9%	10.4%	14.8%	13.8%	11.2%	8.9%	Secure around 10%
Payout ratio ^{*4}	3.4%	12.5%	20.5%	-	46.8%	30.0%	26.8%	21.3%	20.3%	26.2%	32.7%	30.2%

^{*1} SMFG implemented a 100 for 1 stock split of common stock on Jan. 4, 2009. Figures shown above reflect the stock split, assuming that it had been implemented at the beginning of FY3/06 ^{*2} Common stock only ^{*3} On a stockholders' equity basis ^{*4} Consolidated payout ratio

Appendix

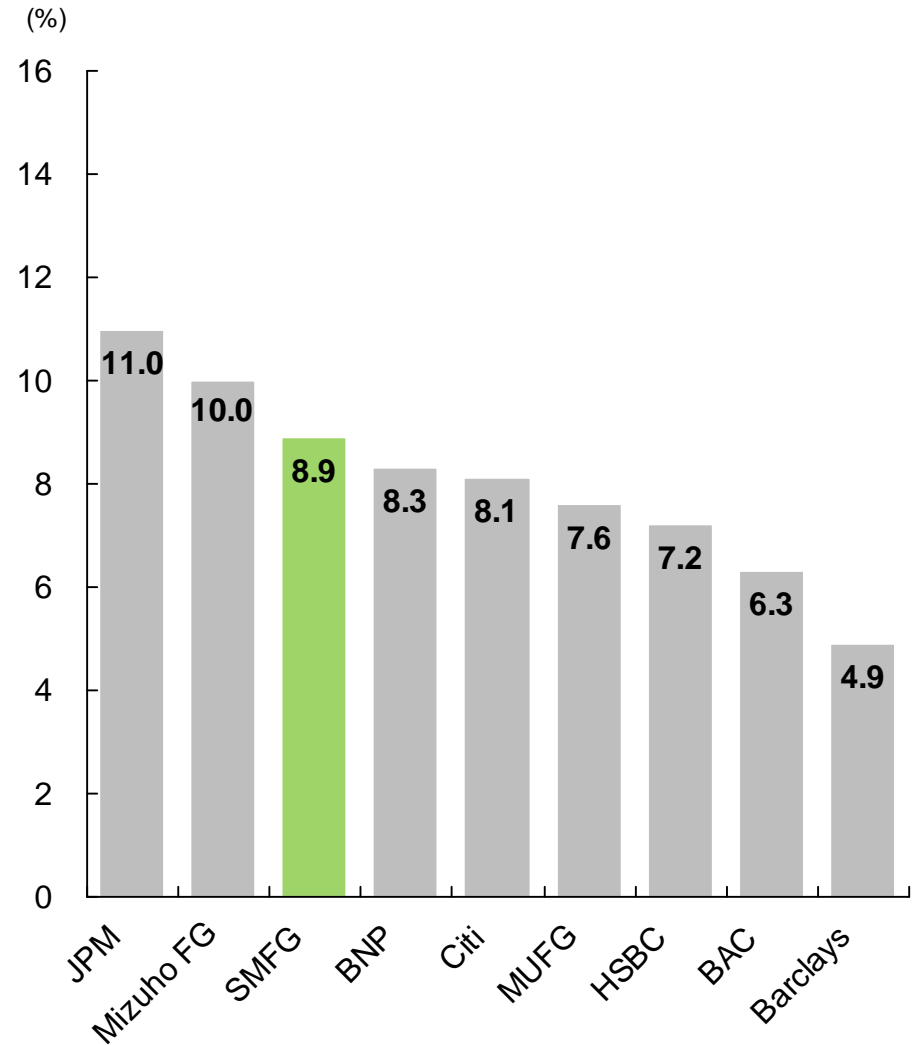
Peer comparison

Domestic loan-to-deposit spread*1



Proportion of loans to individuals & SMEs	SMFG	Mizuho FG	MUFG
	67.6%	59.9%	54.9%

ROE*2



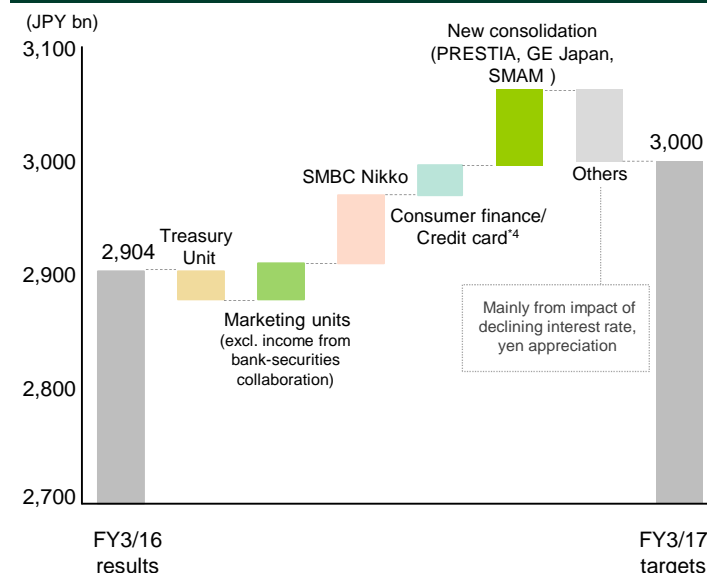
*1 FY3/16 results. Based on each company's disclosure. The figures shown in the graph are: non-consolidated figures of SMBC for SMFG, non-consolidated figures of Mizuho Bank for Mizuho FG, and non-consolidated figures of The Bank of Tokyo-Mitsubishi UFJ for MUFG

*2 Based on each company's disclosure. FY3/16 results for SMFG, Mizuho FG and MUFG, and Jan.-Dec. 2015 results for others

Earnings targets for FY3/2017

		(JPY bn)	FY3/16 results	1H	FY3/17 targets	YOY change	
SMFG consolidated	Consolidated gross profit	USD 25.8 bn ^{*1}	2,904.0	1,470	USD 26.6 bn ^{*1}	3,000	+96.0
	Total credit cost		(102.8)	(95)	(180)	(77.2)	
	Ordinary profit	USD 8.7 bn ^{*1}	985.3	480	USD 9.1 bn ^{*1}	1,020	+34.7
	Variance with SMBC non-consolidated		237.4	50	300	+62.6	
	Profit attributable to owners of parent	USD 5.7 bn ^{*1}	646.7	320	USD 6.2 bn ^{*1}	700	+53.3
	Variance with SMBC non-consolidated		37.5	(40)	130	+92.5	
SMBC non-consolidated	Gross banking profit	USD 13.6 bn ^{*1}	1,534.3	890	USD 14.5 bn ^{*1}	1,630	+95.7
	Expenses ^{*2}		(805.5)	(410)	(825)	(19.5)	
	Banking profit ^{*3}	USD 6.5 bn ^{*1}	728.8	480	USD 7.1 bn ^{*1}	805	+76.2
	Total credit cost		3.2	(30)	(50)	(53.2)	
	Ordinary profit	USD 6.6 bn ^{*1}	747.9	430	USD 6.4 bn ^{*1}	720	(27.9)
	Net income	USD 5.4 bn ^{*1}	609.2	360	USD 5.1 bn ^{*1}	570	(39.2)

Breakdown of increase in Consolidated gross profit



Dividends from SMBC's subsidiary

Assumption of earnings targets^{*5}

	FY3/2016 results	FY3/2017
3M TIBOR	0.16%	0.10%
Federal funds target rate	0.50%	1.00%
Exchange rate	JPY/USD	112.62
	JPY/EUR	127.47
		110.00
		125.00

^{*1} Converted into USD at period-end exchange rate of USD 1 = JPY 112.62 ^{*2} Excludes non-recurring losses

^{*3} Before provision for general reserve for possible loan losses ^{*4} Sum of Sumitomo Mitsui Card, Cedyne, and SMBC Consumer Finance

^{*5} Nominal GDP growth rate: FY3/2016 result was +2.2%; FY3/2017 forecast estimated by Japan Research Institute was +1.1% as of May, 2016 ; Nikkei stock average: JPY16,758.67 as of Mar. 31, 2016

Progress on financial targets and topline target by business unit

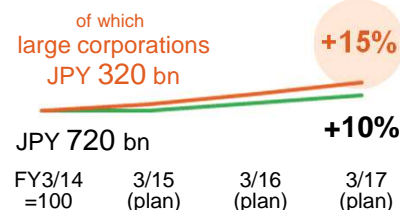
Progress on financial targets

		FY3/15	FY3/16	FY3/17 targets
Growth	Growth rate of Consolidated gross profit	+2.8%	+0.2%*1	around +15%*1
	Consolidated ROE	11.2%	8.9%	around 10%
Profitability	Consolidated net income RORA	1.1%	0.97%	around 1%
	Consolidated overhead ratio	55.7%	59.4%	in the mid 50%
	Common Equity Tier 1 capital ratio*2	12.0%	11.9%	around 10%

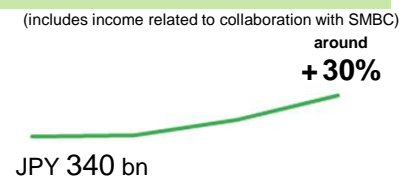
Consolidated gross profit*3

Organic growth

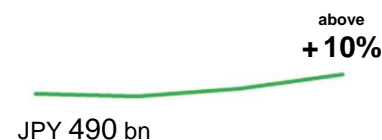
Wholesale Banking Unit



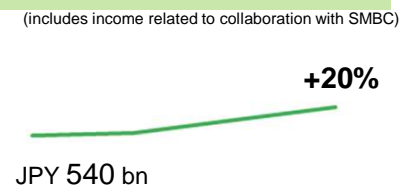
SMBC Nikko Securities



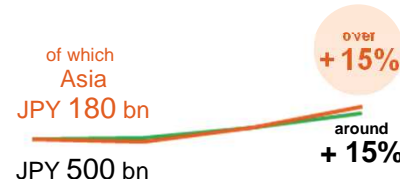
Retail Banking Unit



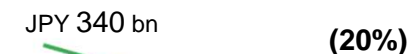
Consumer finance / Credit card



International Banking Unit



Treasury Unit



+

Inorganic growth

*1 Consolidated gross profit increase in comparison with FY3/14 figure

*2 Basel III fully-loaded basis. Based on the definition applicable for March 31, 2019

*3 FY3/17 targeted consolidated gross profit in comparison with FY3/14 figure. After adjustments for changes in interest rates and exchange rates, etc.

SMFG's Performance by business unit*1

		(JPY bn)	FY3/15	FY3/16	YOY change*2
	Wholesale Banking Unit	Gross profit	729.0	721.2	(1.5)
		Expenses	(300.6)	(299.4)	(4.5)
		Net business profit	428.4	421.8	(6.0)
	Retail Banking Unit	Gross profit	478.4	481.5	+4.4
		Expenses	(373.4)	(383.2)	(7.7)
		Net business profit	105.0	98.3	(3.3)
	International Banking Unit	Gross profit	593.1	644.8	+58.3
		Expenses	(226.2)	(246.9)	(30.2)
		Net business profit	366.9	397.9	+28.1
	of which Marketing units	Gross profit	1,800.5	1,847.5	+61.2
		Expenses	(900.2)	(929.5)	(42.4)
		Net business profit	900.3	918.0	+18.8
	of which Treasury Unit	Gross profit	374.8	325.6	(58.1)
		Expenses	(30.7)	(38.8)	(2.5)
		Net business profit	344.1	286.8	(60.6)
of which Sumitomo Mitsui Finance and Leasing	of which Gross profit	137.0	142.8	+5.8	
	of which Expenses	(57.9)	(63.5)	(5.7)	
	Net business profit	80.5	80.7	+0.1	
of which SMBC Nikko Securities	Gross profit	350.0	318.0	(31.7)	
	Expenses	(249.5)	(257.2)	(7.9)	
	Net business profit	100.5	60.8	(39.6)	
of which Consumer finance / Credit card*3	Gross profit	576.1	607.1	+30.9	
	Expenses	(363.8)	(386.1)	(22.3)	
	Net business profit	212.3	221.0	+8.6	
Total (SMFG consolidated)	Gross profit	2,980.4	2,904.0	(76.4)	
	Expenses	(1,659.3)	(1,724.8)	(65.5)	
	Ref: Gross profit - Expenses	1,321.1	1,179.2	(141.9)	
	Equity in gains (losses) of affiliates	(10.6)	(36.2)	(25.6)	
	Net business profit*4	1,310.5	1,142.9	(167.5)	

*1 Managerial accounting basis. *2 After adjustments for changes in interest rates and exchange rates, etc.

*3 Sum of Sumitomo Mitsui Card, Cedyne, and SMBC Consumer Finance

*4 Consolidated net business profit = Consolidated gross profit - General and administrative expenses + Equity in gains (losses) of affiliates

Net fees and commissions

(JPY bn)	FY3/15	FY3/16	YOY change
SMFG consolidated*1	996.7	1,003.8	+7.2
of which: SMBC	350.0	358.6	+8.5
Sumitomo Mitsui Card	178.0	190.0	+12.0
SMBC Nikko Securities	173.0	165.0	(8.0)
Cedyna	116.0	116.0	0.0
SMBC Consumer Finance	49.0	59.0	+10.0
SMBC Friend Securities	31.0	27.0	(4.0)

Reference: Gross banking profit of SMBC's Marketing units*2

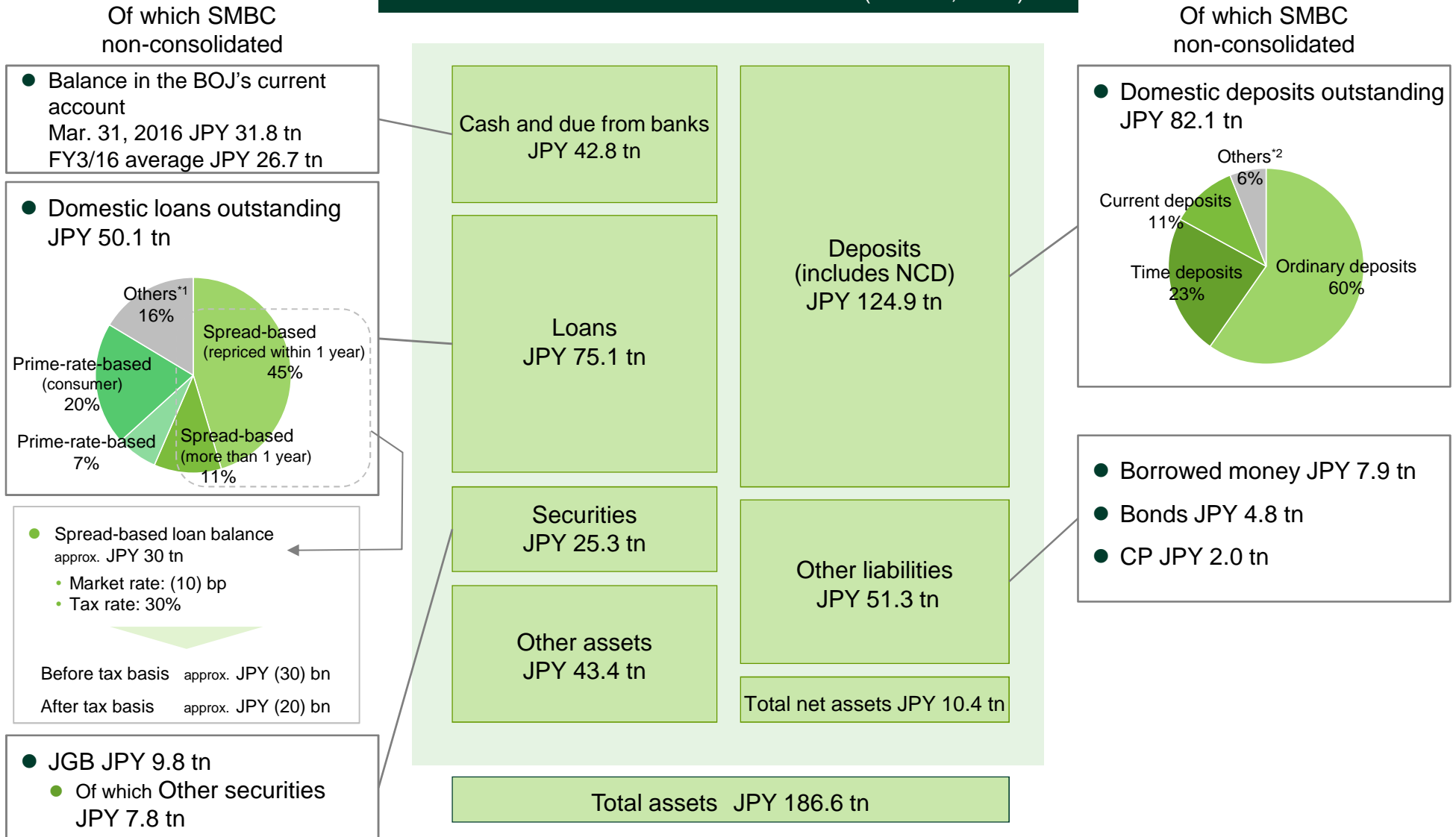
(JPY bn)	FY3/15	FY3/16	YOY Change*3
Loan syndication	42.0	45.6	+3.8
Structured finance	22.1	26.5	+4.3
Asset finance*4	15.3	16.7	+1.4
Sales of derivatives products	25.0	26.4	+1.5
Income related to domestic corporate business	104.4	115.2	+11.0
Investment trusts	36.7	25.7	(10.9)
Pension-type insurance	12.7	10.9	(1.7)
Single premium type permanent life insurance	8.4	20.3	+11.9
Level premium insurance	7.4	6.9	(0.5)
Income related to domestic consumer business	65.2	63.8	(1.2)
of which:			
Money remittance, electronic banking	92.2	92.6	+0.4
Foreign exchange	51.9	52.2	+0.3
Domestic Non-interest income	313.3	316.0	+2.0
of which:			
IBU's loan related income*5	65.5	72.7	+8.1
IBU's Non-interest income*5	117.5	130.6	+8.4
Non-interest income	430.8	446.6	+10.4
of which:			
Income on domestic loans	426.5	421.2	(15.8)
Income on domestic yen deposits	120.9	98.7	+3.1
IBU's interest related income*5	227.8	225.4	+16.0
Interest income	856.7	827.5	(3.0)
Gross banking profit of SMBC's Marketing units	1,287.5	1,274.1	+7.4

*1 In round numbers excl. SMBC *2 Managerial accounting basis *3 After adjustments of interest rates and exchange rates, etc.

*4 Profit from real estate finance, securitization of monetary claims, etc. *5 IBU: International Banking Unit

Balance sheet

SMFG consolidated balance sheet (Mar. 31, 2016)



*1 Loans denominated in foreign currencies, overdraft, etc. *2 Foreign currency deposits, sundry deposits, etc.

Initiatives for negative interest rate policy

Control deposit balance

- Lowered interest rates
 - Ordinary deposits 0.001% since Feb. 16th
 - Time deposits 0.01% since Mar. 1st
- Initiatives against inflow of large funds from corporations (especially financial institutions)
 - Charge fees for correspondent accounts of foreign banks

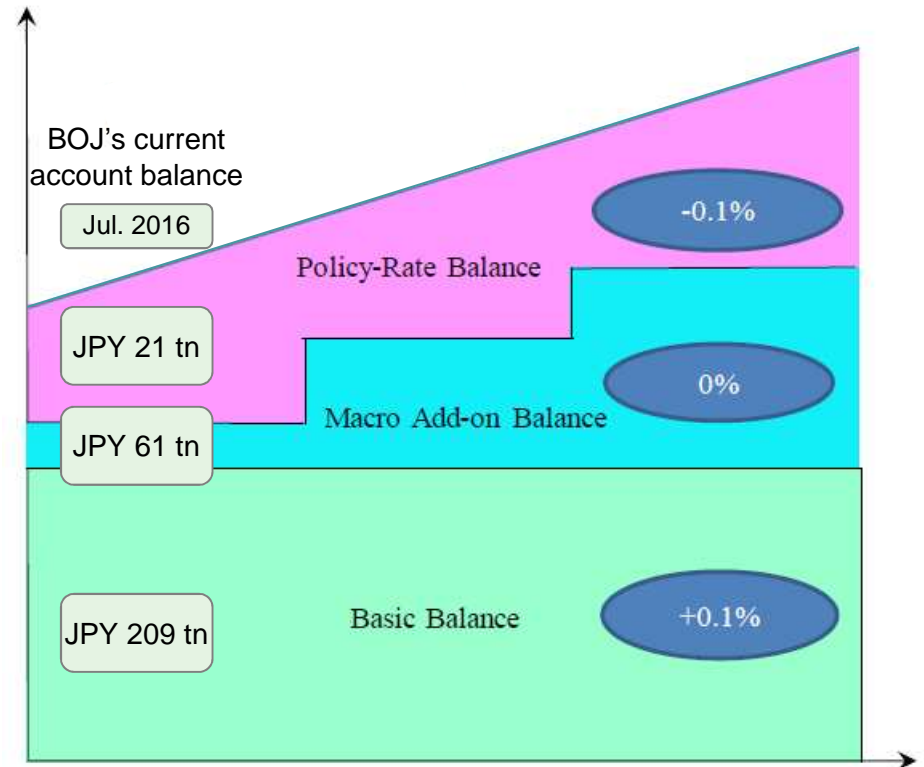
Promote shifts from savings to investment

- Foreign deposits; raised interest rates, launched marketing campaigns
- Increase sales of wrap accounts and low risk and low return investment products

Diversify revenue sources Initiatives to secure loan margin

- Strengthen commission business
- Expand non-banking business
- Initiatives to increase high value-added loans by providing solutions

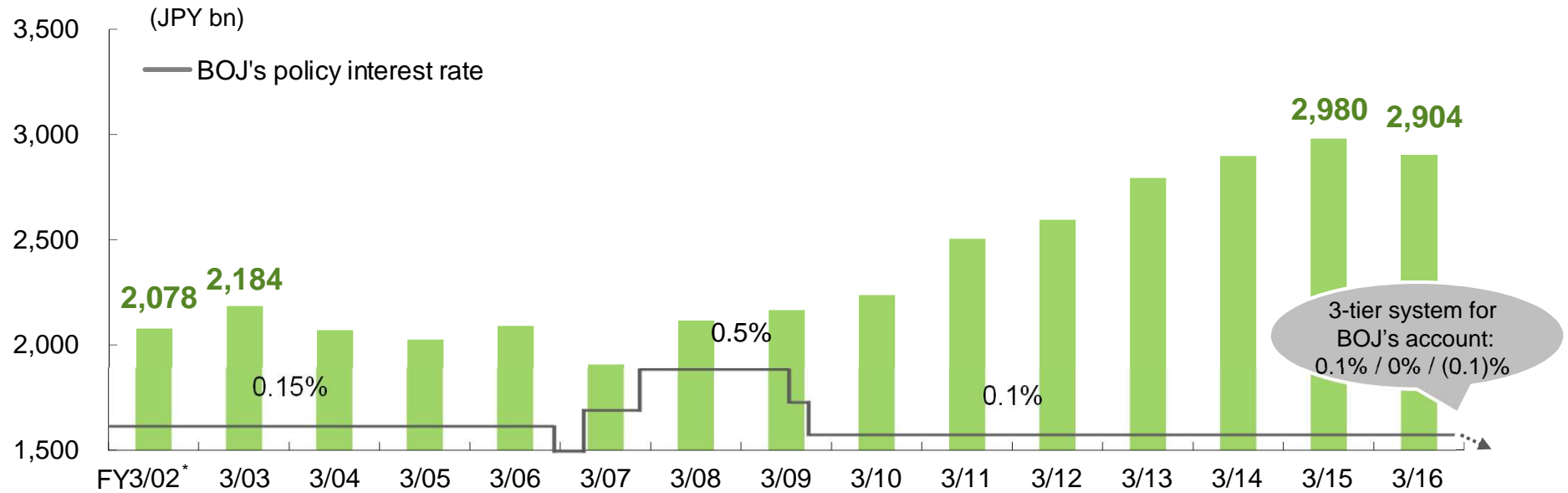
BOJ's negative interest rate policy*



* Source: The Bank of Japan ("Key Points of Today's Policy Decisions" on Jan. 29, 2016)
 "BOJ Current Account Balances by Sector (Jul. 2016)" on Aug. 16, 2016 for BOJ's current account balance

Diversified revenue sources

SMFG's consolidated gross profit



Breakdown of contribution

	FY3/03	FY3/15	FY3/16
SMBC's domestic loan / deposit related revenue	35%	19%	18%
International business (banking)	5%	16%	17%
Group companies	18%	41%	42%

* SMBC consolidated

Treasury Unit

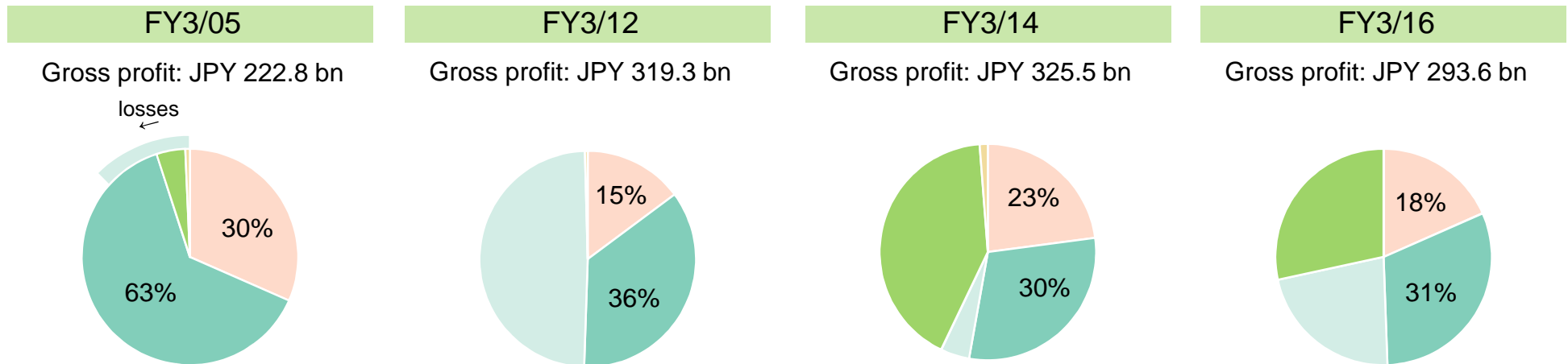
- Secure stable profits through flexible portfolio management adapting to the changing market environment

Gross banking profit of SMBC's Treasury Unit

(JPY bn)	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Gross banking profit of SMBC's Treasury Unit	319.3	295.3	325.5	354.0	293.6

Diversification of earnings sources: composition of Gross profit

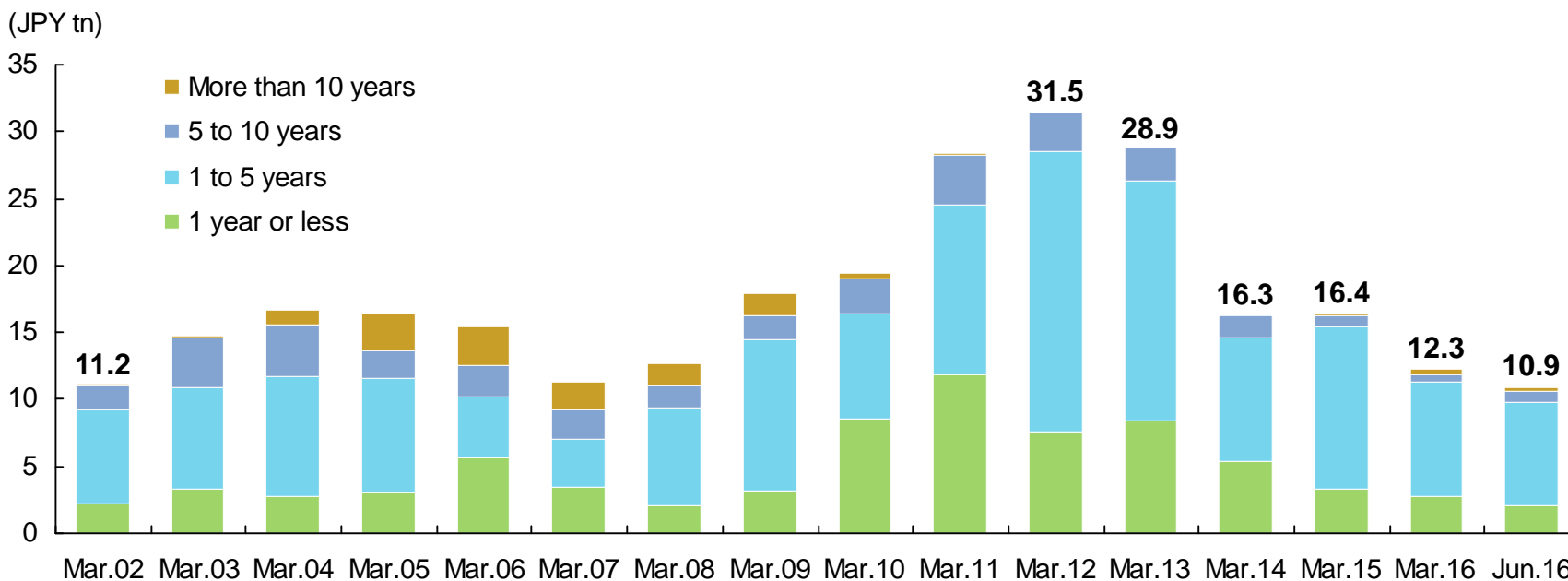
- Trading (FX, derivatives, etc.)
- Income gains (interest income, etc.)
- Capital gains (bonds, etc.)
- Equities
- Others



Yen bond portfolio

SMBC non-consolidated

(Total balance of Other securities with maturities and bonds classified as held-to-maturity – total of JGBs, Japanese local government bonds and Japanese corporate bonds)



of which JGBs (JPY tn)	26.2	13.8	14.0	9.8	8.5
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Average duration (years) ^{*1}	2.7	3.6	3.4	2.3	1.5	1.7	2.4	1.8	1.1	1.4	1.9	1.8	1.1	1.8	2.8	2.8
Unrealized gains (losses) (JPY bn) ^{*2}	37.6	108.7	(101.9)	7.7	(282.2)	(151.4)	(129.5)	(1.2)	116.1	71.9	104.4	95.3	60.0	45.9	103.8	122.3

*1 Excludes bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds. Duration of 15-year floating rate JGBs is regarded as zero. Duration at Mar. 02 is for JGB portfolio only

*2 15-year floating-rate JGBs have been evaluated at their reasonably estimated price from Mar. 09

Bond portfolio

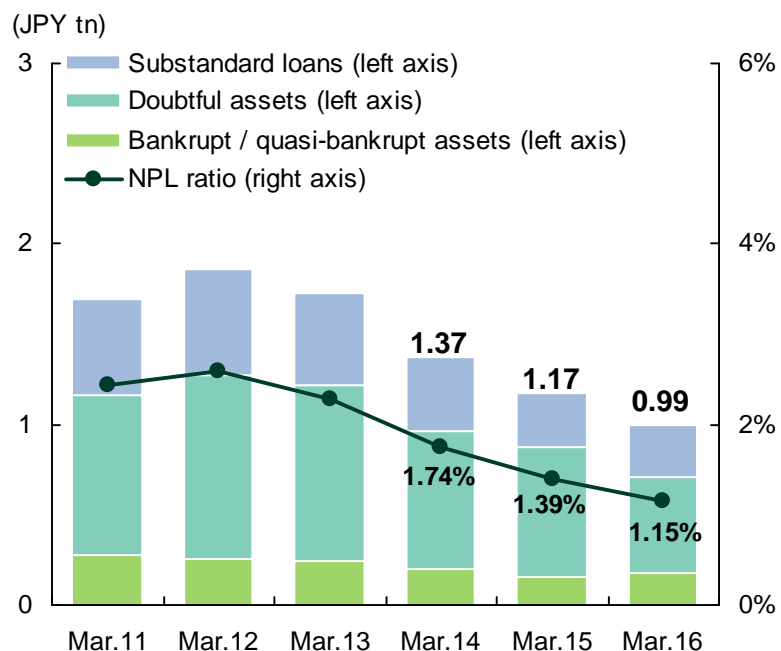
		Mar. 2013		Mar. 2015		Mar. 2016		Jun. 2016	
		Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)
(JPY tn)									
SMFG consolidated	Yen-denominated bonds	30.4	0.17	17.1	0.07	13.2	0.13	11.7	0.15
	of which JGB	27.0	0.12	14.3	0.03	10.3	0.08	9.0	0.10
	Held-to-maturity	5.5	0.06	3.3	0.02	2.2	0.02	1.9	0.02
	Others	21.5	0.06	11.0	0.01	8.1	0.06	7.1	0.08
	Foreign bonds (Other securities)			5.6	0.03	6.5	0.03	4.9	0.03

SMBC non-consolidated	Yen-denominated bonds	28.9	0.16	16.4	0.07	12.3	0.12	10.9	0.14
	of which JGB	26.2	0.11	14.0	0.03	9.8	0.07	8.5	0.09
	Held-to-maturity	5.5	0.06	3.3	0.02	2.0	0.01	1.7	0.01
	Others	20.7	0.06	10.7	0.01	7.8	0.06	6.8	0.08
	Foreign bonds (Other securities)			4.2	0.03	5.2	0.02	3.7	0.02

Non-performing loan balance and ratio

SMFG consolidated

	Mar. 15	Mar. 16
Coverage ratio	83.14%	81.34%

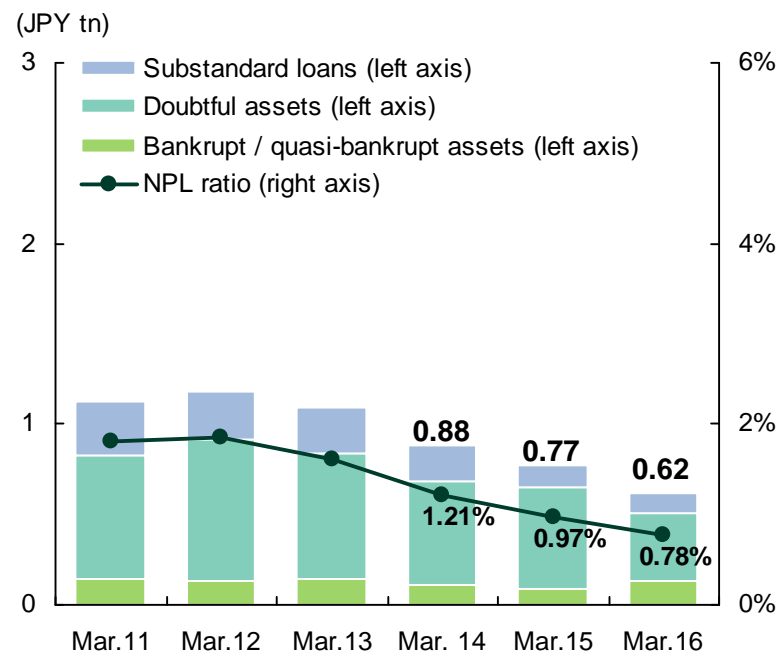


(JPY tn)

Total claims	70	72	76	79	85	87
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SMBC non-consolidated

	Mar. 15	Mar. 16
Coverage ratio	87.67%	88.32%



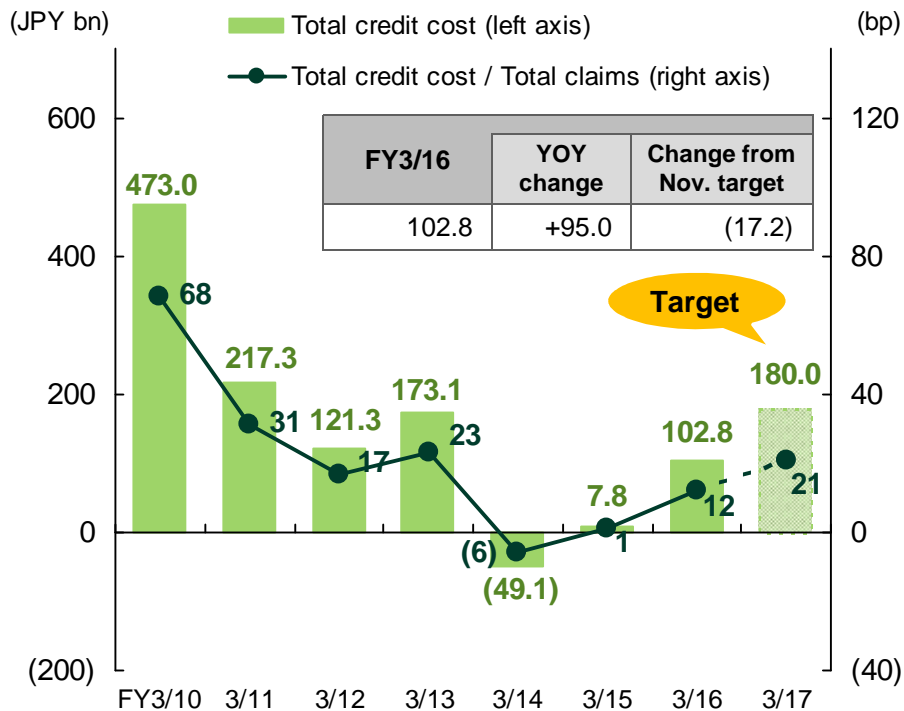
(JPY tn)

Claims on borrowers requiring caution*	3.1	2.8	1.9	1.6	1.6	1.4
Total claims	62	64	68	73	79	80

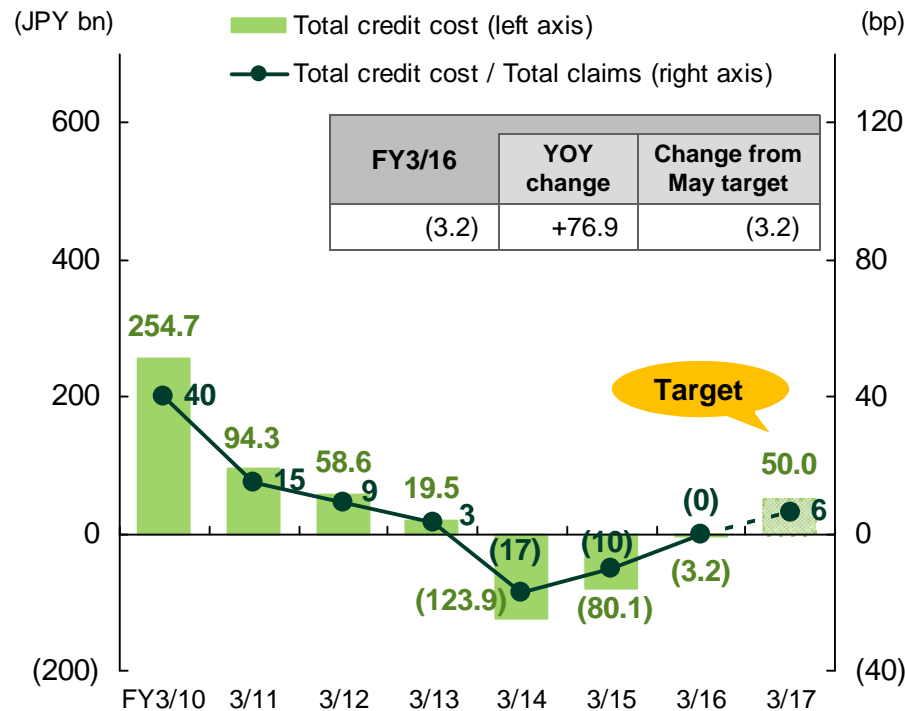
* Excludes claims to Substandard borrowers

Credit costs

SMFG consolidated



SMBC non-consolidated



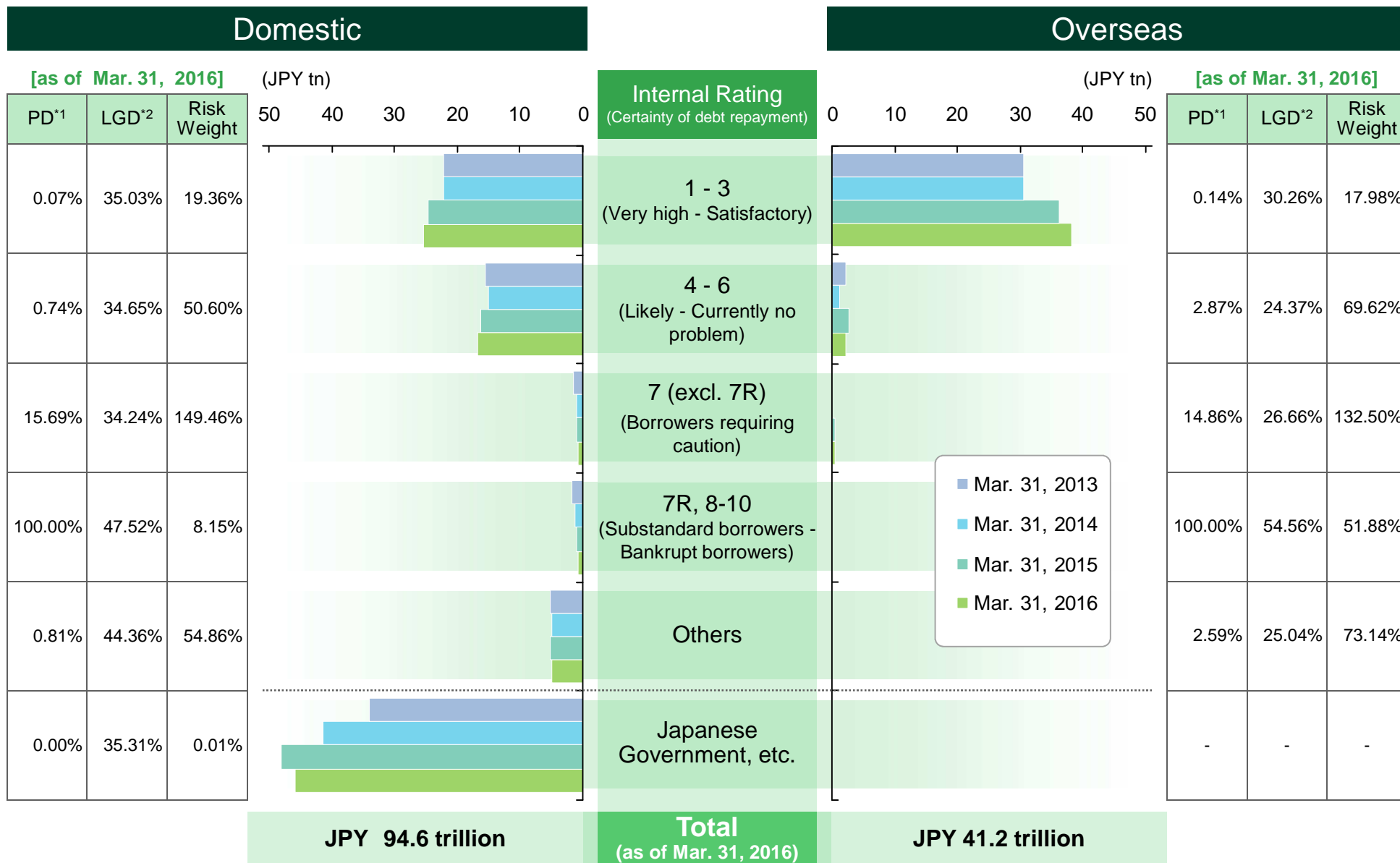
Variance between SMFG consolidated and SMBC non-consolidated*

(JPY bn)	FY3/16	YOY change
Variance with SMBC non-consolidated	106.0	+18.1
SMBC Consumer Finance	68.0	+10.0
Cedyna	11.0	+1.0
Sumitomo Mitsui Card	11.0	+2.0
SMBC Europe	10.0	+4.0

* In round numbers

- Credit costs related to resources (sum of Non-Japanese oil, gas, and other resources)
 - FY3/2016: approx. JPY 32 bn
 - FY3/2017: forecast approx. JPY 50 bn mainly from Upstream and Services within oil and gas

Corporate, sovereign and bank exposures



*1 Probability of Default. Probability of becoming default by obligor during one year

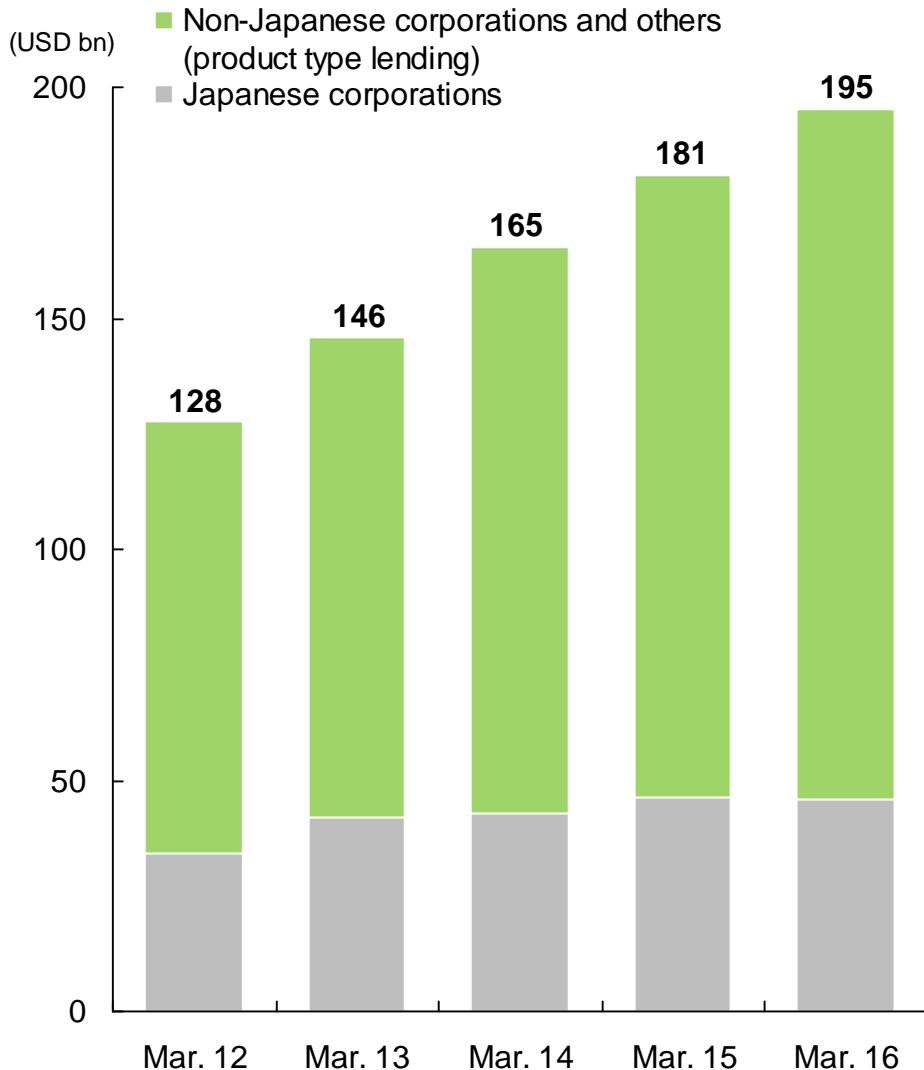
*2 Loss Given Default. Percentage of loss assumed in the event of default by obligor; ratio of uncollectible amount of the exposure owned in the event of default

(SMFG consolidated)

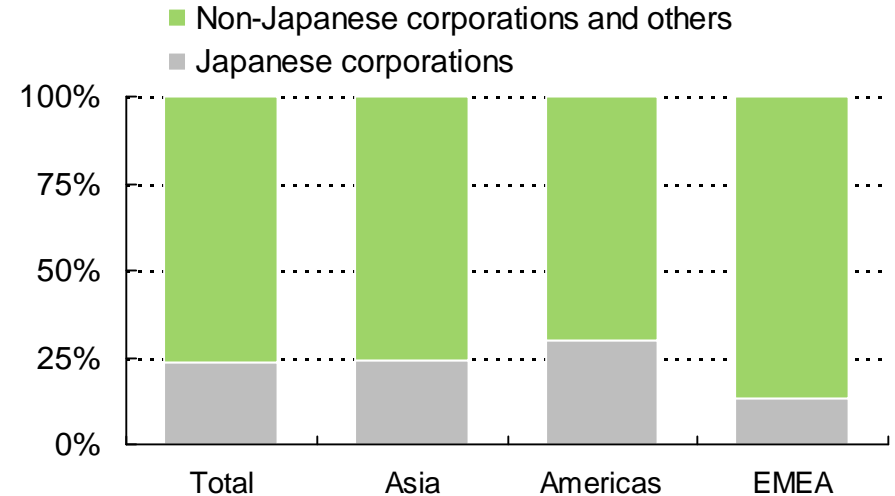
Overseas loan balance classified by borrower type

(Geographic classification based on booking office)

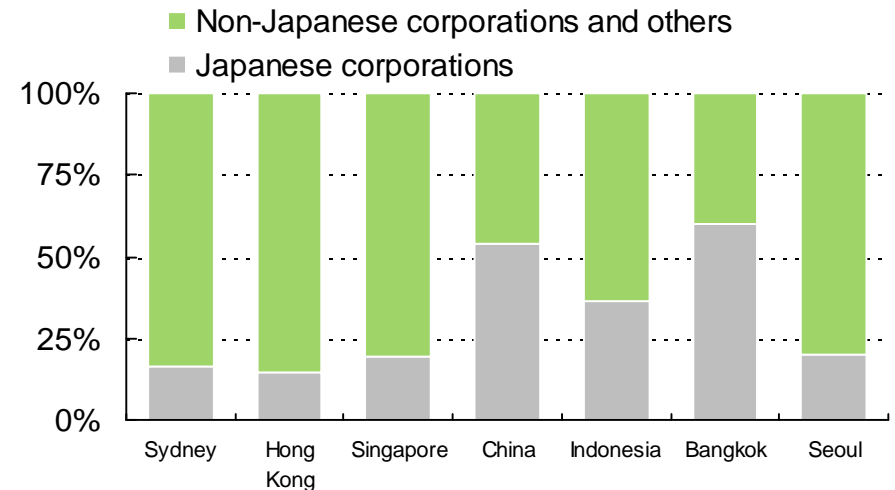
Total*1



By region (Mar. 2016)*1



Major marketing channels in Asia (Mar. 2016)*1, 2



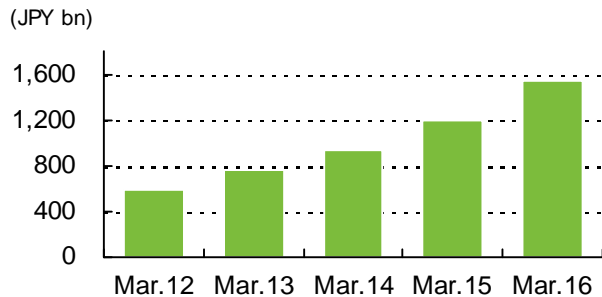
*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China). Includes trade bills after Mar. 2015

*2 Sum of SMBC and SMBC Indonesia

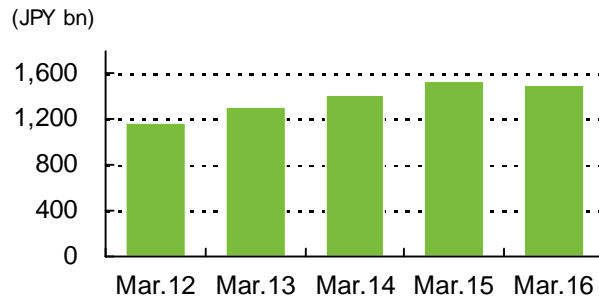
Loan balance in Asian countries/areas

(Geographic classification based on borrowers' domicile)*

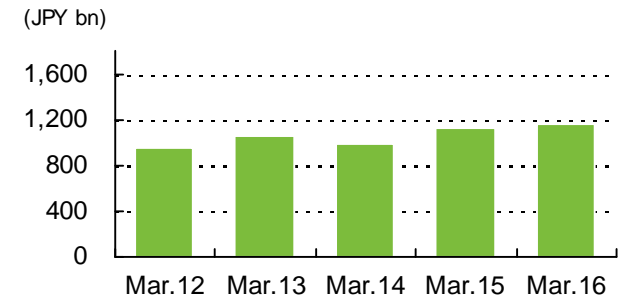
Australia



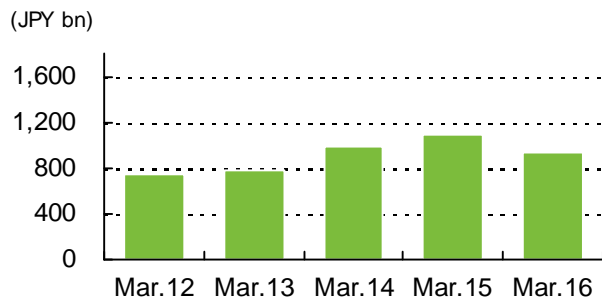
Hong Kong



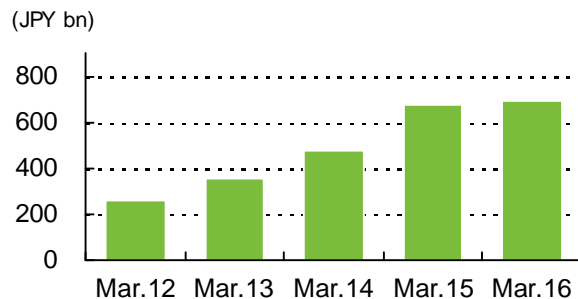
Singapore



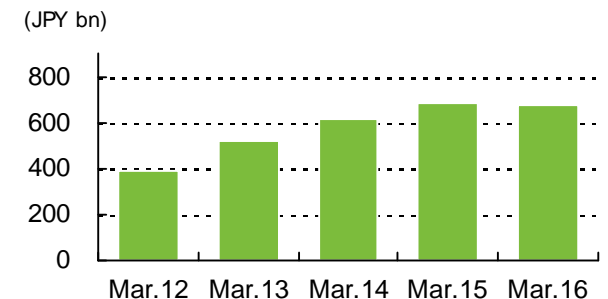
China



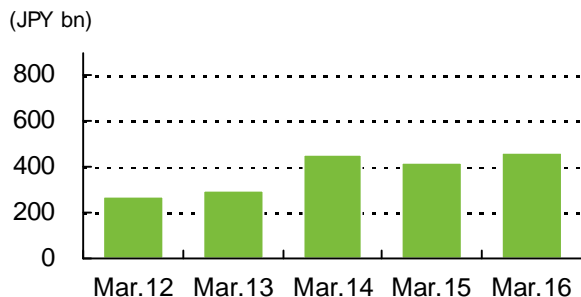
Indonesia



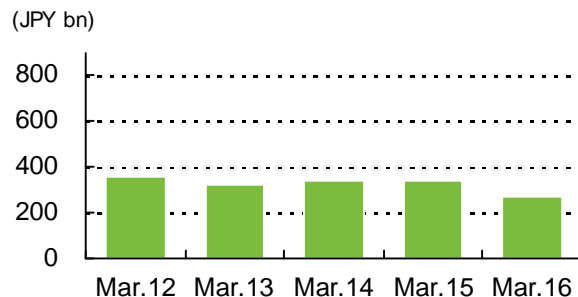
Thailand



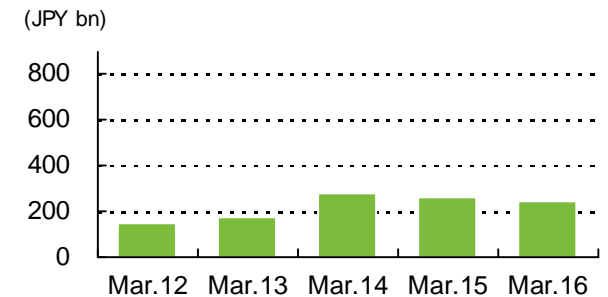
India



Korea



Taiwan



* Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Indonesia
 Loan balances are converted into JPY from each country's local currency at the exchange rate of Mar. 31, 2016

Exposure to resource-related sectors*1

		(JPY tn)	Mar. 15	Ratio to total exposure	Mar. 16	Ratio to total exposure	Jun. 16	Ratio to total exposure
		Integrated Oil & Gas*2	1.8	1.6 %	1.5	1.3 %	1.4	1.2 %
		Services (Drilling, field services)	0.5	0.4 %	0.5	0.4 %	0.5	0.4 %
		Upstream (E&P*3)	1.5	1.3 %	1.7	1.4 %	1.5	1.3 %
		Midstream (Storage/Transportation)	1.1	1.0 %	1.4	1.2 %	1.2	1.1 %
		Downstream (Refining)	0.7	0.6 %	0.7	0.6 %	0.7	0.6 %
		Oil and gas	5.5	5.0 %	5.8	5.0 %	5.2	4.6 %
		Other resources (Mining)	1.2	1.1 %	1.1	1.0 %	1.0	0.9 %
		Non-Japanese*4 (Resource-related sectors)	6.8	6.1 %	6.9	6.0 %	6.2	5.5 %
		o/w Upstream	0.1	0.1 %	0.2	0.2 %	0.2	0.2 %
		Oil and gas	1.2	1.1 %	1.6	1.4 %	1.5	1.4 %
		Other resources (Mining)	0.2	0.2 %	0.2	0.2 %	0.2	0.2 %
		Japanese (Resource-related sectors)	1.4	1.2 %	1.8	1.6 %	1.8	1.6 %
		Resource-related sectors	8.1	7.3 %	8.8	7.6 %	8.0	7.0 %
		Oil and gas	6.7	6.0 %	7.4	6.4 %	6.8	6.0 %
		Other resources (Mining)	1.4	1.3 %	1.3	1.1 %	1.2	1.1 %
		Non-Japanese*4	38	34.0 %	38	32.9 %	35	30.9 %
		Japanese	73	66.0 %	77	67.1 %	78	69.1 %
		SMFG total exposure	111	100.0 %	115	100.0 %	113	100.0 %

- “Oil and gas” does not include petrochemical; Japanese “Other resources (Mining)” does not include general trading companies
- Non-Japanese (resource-related sectors) : Corporate finance approx. 70%; Project finance approx. 30%
- Japanese (resource-related sectors) : Corporate finance 100%. No NPLs
- Exposure to resource-related sectors excluding project finance which are unaffected by resource prices is JPY 6.9 tn; Exposure at default (EAD) to the sectors is JPY 6.1 tn as of June 2016

Breakdown of exposure to Non-Japanese oil and gas / other resources

(USD bn)	[1] Exposure*1		[2] Drawn amount**1		[3] NPLs*2,3,4	[4] Ratio to drawn amount [3]/[2]	[5] Reserve for possible loan losses*3	[6] Collateral, guarantees, etc.*3	[7] Coverage ratio*3 ([5]+[6])/[3]
		Percentage of "1-3"*1		Percentage of "1-3"*1					
Asia	15.8	91 %	13.6	91 %	0.131	1.0 %	0.028	0.038	50 %
Americas	22.7	81 %	9.1	73 %	0.134	1.5 %	0.010	0.124	100 %
EMEA	21.9	82 %	12.4	80 %	0.295	2.4 %	0.112	0.117	78 %
Total	60.5	84 %	35.1	82 %	0.559	1.6 %	0.150	0.278	77 %
Oil and gas	50.9	87 %	29.5	85 %	0.379	1.3 %	0.089	0.240	87 %
Integrated Oil & Gas (Majors, state-owned companies, etc.)	13.3	91 %	8.4	87 %	-	-	-	-	-
Services (Drilling, field services)	4.4	55 %	2.3	50 %	0.066	2.9 %	0.030	0.022	79 %
Upstream (E&P)	14.5	84 %	8.8	84 %	0.313	3.5 %	0.058	0.219	89 %
Midstream (Storage/Transportation)	11.8	92 %	5.5	91 %	-	-	-	-	-
Downstream (Refining)	6.8	96 %	4.5	96 %	-	-	-	-	-
Other resources (Mining)	9.6	70 %	5.5	67 %	0.180	3.3 %	0.061	0.038	55 %

- Oil and gas : Corporate finance approx. 70%; Project finance approx. 30%
- Other resources (Mining) : Corporate finance approx. 90%; Project finance approx. 10%

*1 As of Jun 30, 2016 *2 NPLs based on the Financial Reconstruction Act, excluding Normal assets *3 As of Jun. 30, 2016

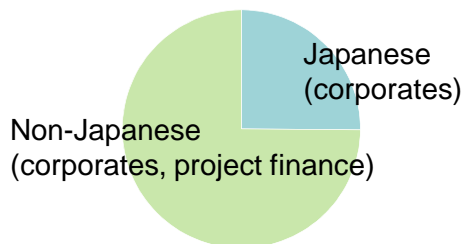
*4 The balance of Claims on borrowers requiring caution are USD 0.1 bn in Asia, USD 0.8 bn in Americas, and USD 1.6 bn in EMEA. They are mainly included in Upstream and Midstream

Loan and exposure to the UK / China / Russia

Loan balance in the UK^{*1, 2, 3}

(JPY tn)

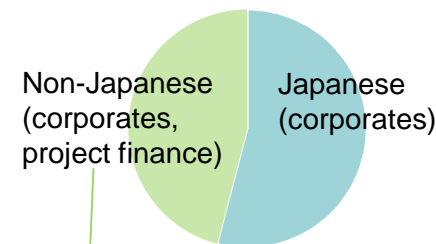
Mar. 15	Mar. 16
1.3	1.7



Loan balance in China^{*1, 2, 3, 4}

(JPY tn)

Mar. 15	Mar. 16
1.1	0.9



- Most borrowers are classified as “1-3”^{*5} in our internal rating

Our operation in EMEA

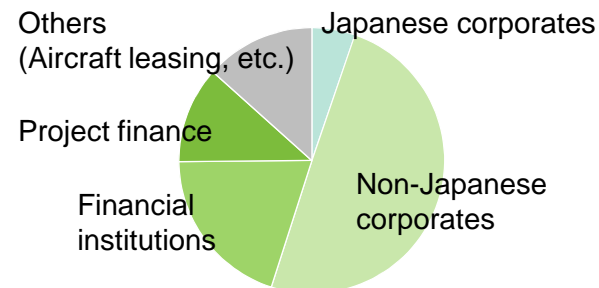
- Offices in the UK and EU
 - SMBC Europe
 - Head Office : London
 - 6 branches : Dublin, Amsterdam, Paris, Prague, Milan, Madrid
 - SMBC’s branches
 - 3 branches : Brussels, Dusseldorf, Frankfurt
- Booking of loans
 - Loan balance in EMEA regions: Approx. JPY 6 tn
 - of which around 20% is booked at SMBC Europe London

Exposure to Russia^{*6, 7}

(USD bn)

Mar. 15	Mar. 16
5.1	4.3

0.4% of SMFG’s total exposure of approx. USD 1tn



Capital and risk-weighted assets (SMFG consolidated)

Capital ratio (transitional basis)

(JPY bn)	Mar. 31, 2016	Jun. 30, 2016
Common Equity Tier 1 capital (CET1)	7,796.5	7,783.3
of which:		
Total stockholders' equity related to common stock	7,351.8	7,536.1
Accumulated other comprehensive income* ¹	875.7	749.8
Regulatory adjustments related to CET1* ¹	(646.4)	(708.3)
Tier 1 capital	9,031.7	8,934.3
of which:		
Additional Tier 1 capital instruments	300.0	300.0
Eligible Tier 1 capital instruments (grandfathered)* ³	962.0	935.1
Regulatory adjustments* ^{1,2}	(244.9)	(273.0)
Tier 2 capital	2,204.3	2,285.0
of which:		
Tier 2 capital instruments	655.1	783.6
Eligible Tier 2 capital instruments (grandfathered)* ³	1,220.6	1,197.4
Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount* ²	345.7	308.9
Regulatory adjustments* ^{1,2}	(137.1)	(133.7)
Total capital	11,235.9	11,219.4
Risk-weighted assets	66,011.6	65,502.0
Common Equity Tier 1 capital ratio	11.81%	11.88%
Tier 1 capital ratio	13.68%	13.63%
Total capital ratio	17.02%	17.12%

Common Equity Tier 1 capital ratio (fully-loaded*⁴, pro forma)

(JPY bn)	Mar. 31, 2016	Jun. 30, 2016
Variance with CET1 on a transitional basis* ⁵	104.6	(12.3)
of which:		
Accumulated other comprehensive income	583.8	499.9
of which:		
Net unrealized gains on other securities	539.1	478.7
of which:		
Non-controlling interests (subject to be phased-out)	(48.3)	(40.0)
Regulatory adjustments related to CET1	(430.9)	(472.2)
Common Equity Tier 1 capital	7,901.0	7,771.0
Risk-weighted assets	65,942.8	65,431.0
Common Equity Tier 1 capital ratio	11.9%	11.8%
Ref: Common Equity Tier 1 capital ratio (excluding net unrealized gains)	9.9%	10.0%

Preferred securities which become callable in FY3/17

Issuer / Series	Issue date	Amount outstanding	Dividend rate* ⁶	First call date* ⁷	Type
SMFG Preferred Capital USD 1 Limited	Dec. 2006	USD 649.1 mn	6.078%	Jan. 2017	Step-up
SMFG Preferred Capital GBP 1 Limited	Dec. 2006	GBP 73.6 mn	6.164%	Jan. 2017	Step-up

Leverage ratio

(transitional basis, preliminary)

(JPY bn)	Jun. 30, 2016
Leverage ratio	4.71%
Leverage exposure	189,589.7

LCR

(transitional basis)

Average Apr. – Jun. 2016
119.8%

*1~3 Subject to transitional arrangements. Regulatory adjustments of Tier 1 and Tier 2 include items that are either phased-in or phased-out as described in *1 and *2 below
*4 60% of the original amounts are included *2 60% phase-out is reflected in the figures *3 Cap is 60% *4 Based on the Mar. 31, 2019 definition
*5 Each figure represents 40% of the original amounts that are not included due to phase-in or included due to phase-out in the calculation of CET1 on a transitional basis
*6 Until the first call date. Floating rate thereafter *7 Callable at any dividend payment date on and after the first call date, subject to prior confirmation of the FSA

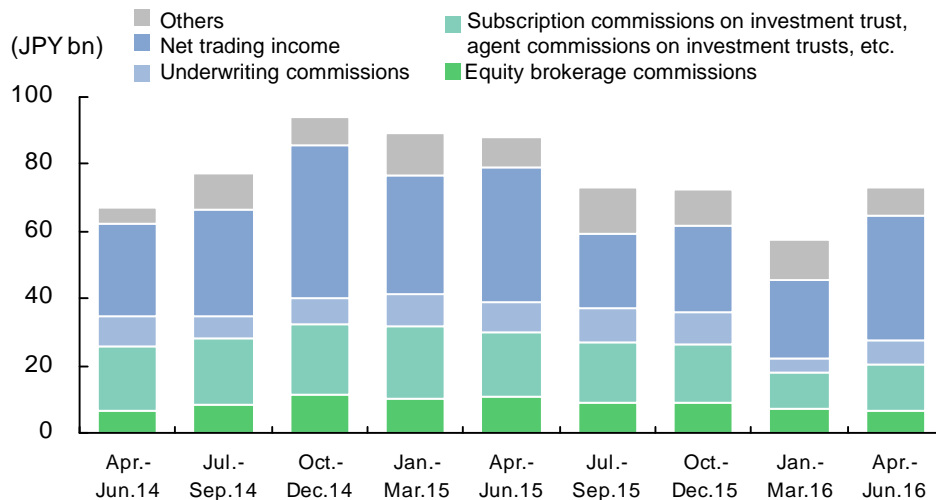
Retail business / Financial results of SMBC Nikko Securities

SMBC Nikko Securities

Financial results (consolidated)

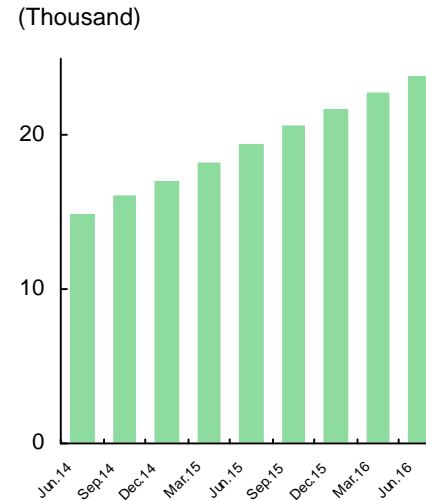
(JPY bn)	FY3/16	Apr.-Jun. 2016	YOY change
Net operating revenue	292.8	73.6	(15.0)
SG&A expenses	(241.5)	(58.8)	+5.2
Ordinary income*¹	55.8	15.7	(9.7)
Profit attributable to owners of parent*¹	42.1	10.7	(10.8)

Net operating revenue

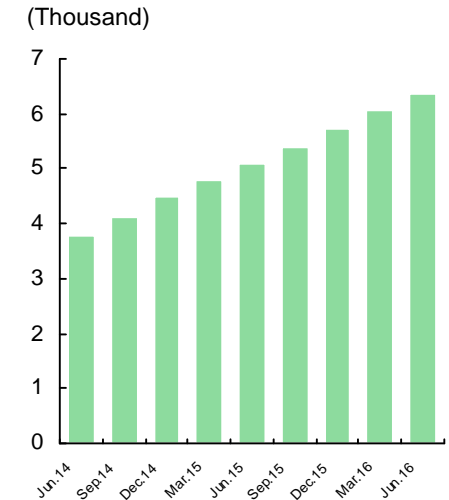


Bank-securities collaboration (accumulated no. of cases via referral / intermediary services from SMBC to SMBC Nikko)

Asset Management



Investment banking



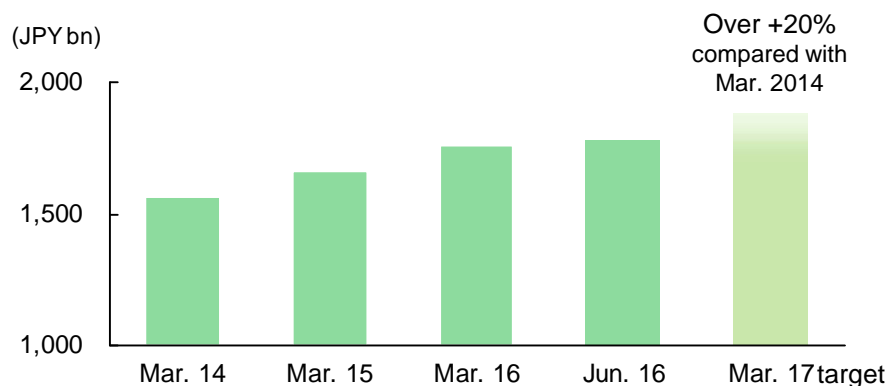
League tables (Apr. -Jun. 2016)*²

	Rank	Mkt share
Global equity & equity-related (book runner, underwriting amount)*^{3, 4}	#2	19.9%
JPY denominated bonds (lead manager, underwriting amount)*^{3, 5}	#1	20.4%
Financial advisor (M&A, No. of deals)*^{3, 6}	#4	2.5%
IPO (lead manager, No. of deals)*⁷	#2	23.5%

*1 Includes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG) etc. *2 SMBC Nikko Securities for Global equity & equity-related, JPY denominated bonds and IPO. SMFG for Financial advisor *3 Source: SMBC Nikko, based on data from Thomson Reuters *4 Japanese corporate related only. Includes overseas offices *5 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds *6 Japanese corporate related only. Group basis *7 Excludes REIT IPO. Source: Thomson Reuters

Consumer finance

Balance of unsecured card loans (SMBC + SMBC Consumer Finance)



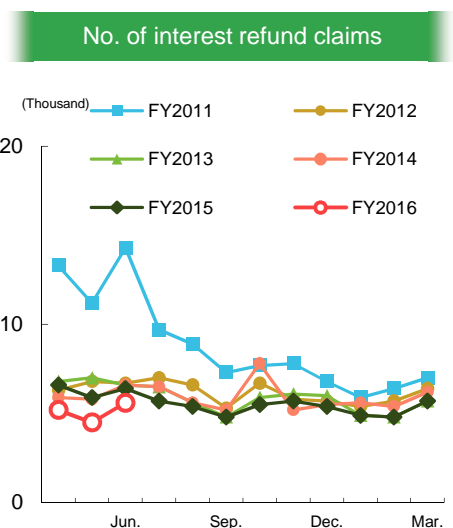
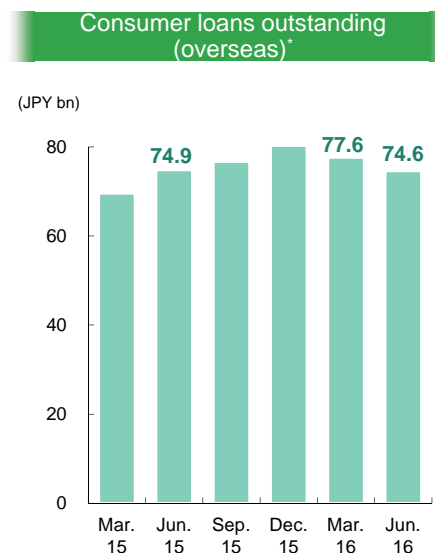
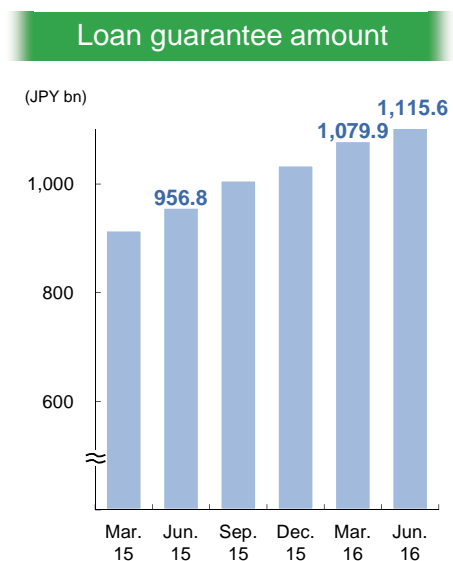
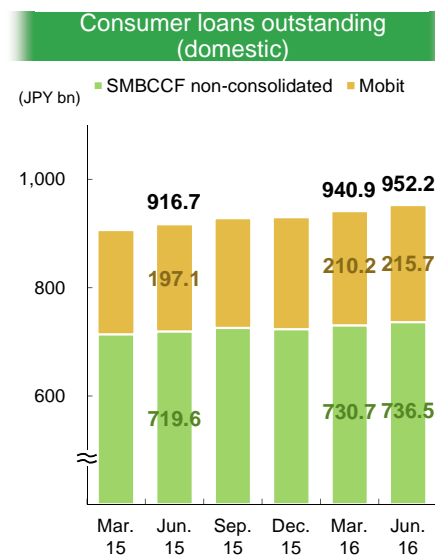
Financial results : SMBC Consumer Finance (consolidated)

(JPY bn)	FY3/16	Apr.-Jun. 2016	YOY change
Operating income	245.8	62.8	+3.0
Expenses for loan losses within Expenses	(52.0)	(17.5)	(0.2)
Losses on interest repayments within Expenses	(122.0)	-	-
Ordinary profit	(61.2)	14.5	+1.4
Profit attributable to owners of parent	(64.8)	13.1	+1.1
Consumer loans outstanding	1,022.0	1,030.0	
Allowance on interest repayments	188.8	171.3	
Loan guarantee	1,079.9	1,115.6	
for regional financial institutions, etc.	474.2	496.0	

No. of companies with guarantee agreements: 189 (as of Jun. 2016)

* Converted into Japanese yen at respective period-end exchange rates

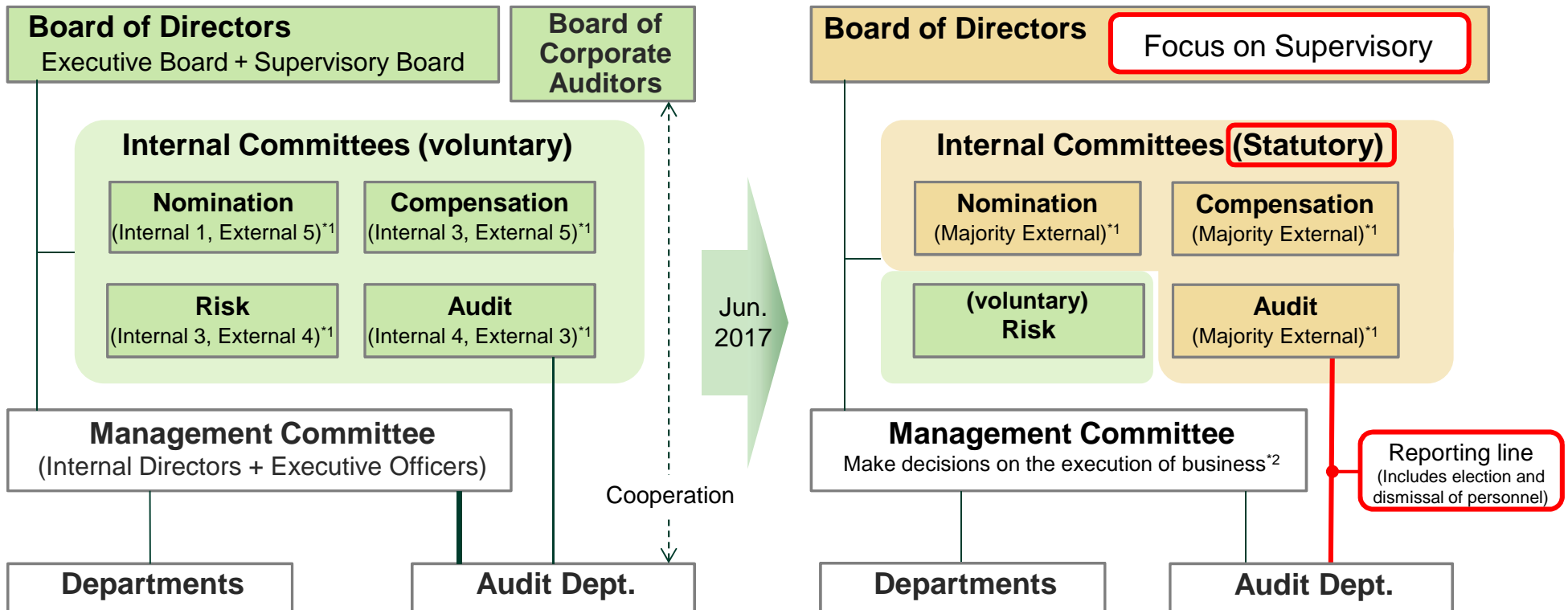
SMBC Consumer Finance: Financing / Loan guarantee / Overseas businesses



Enhancement of group management structure

(1) Transformation to a Company with Three Committees

- In order to further enhance its corporate governance framework, SMFG decided to transform into a Company with Three Committees, which is globally recognized and has affinity to international banking regulation and supervision (Subject to approval by ordinary general meeting of shareholders scheduled in Jun. 2017)
- Strengthen the supervisory function of the Board of Directors and expedite execution of operations by leveraging the monitoring mechanism of the new framework



*1 Number of Internal and External directors

*2 Excludes authorities made to Board of Directors by law

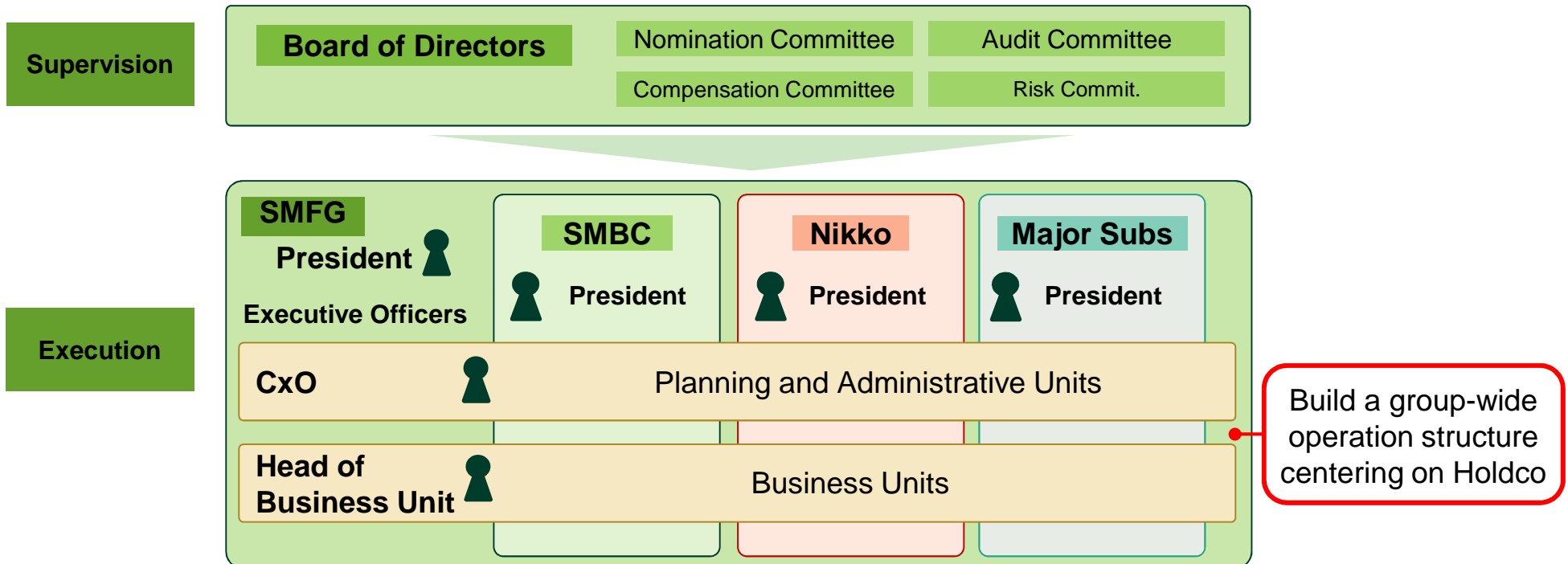
Enhancement of group management structure

(2) Enhancement of group-wide operational structure

- Plan to implement CxO(*1) system and set up group-wide business units(*2) in Apr. 2017
 - Further strengthen our integrated group operation structure centering on a holding company and capability to meet diversified customer needs
- In order to strengthen competitiveness as a diversified financial services group, SMFG decided to merge SMBC Nikko Securities and SMBC Friend Securities, and consolidated Sumitomo Mitsui Asset Management Company

(*1) Chief officers including CFO (Chief Financial Officer) and CRO (Chief Risk Officer)

(*2) Structure which will determine strategies for each customer segment across group companies



Vision for the next decade and three-year management goals

Vision for the next decade

We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region

**We will become
a truly Asia-centric institution**

**We will develop the best-in-class
earnings base in Japan**

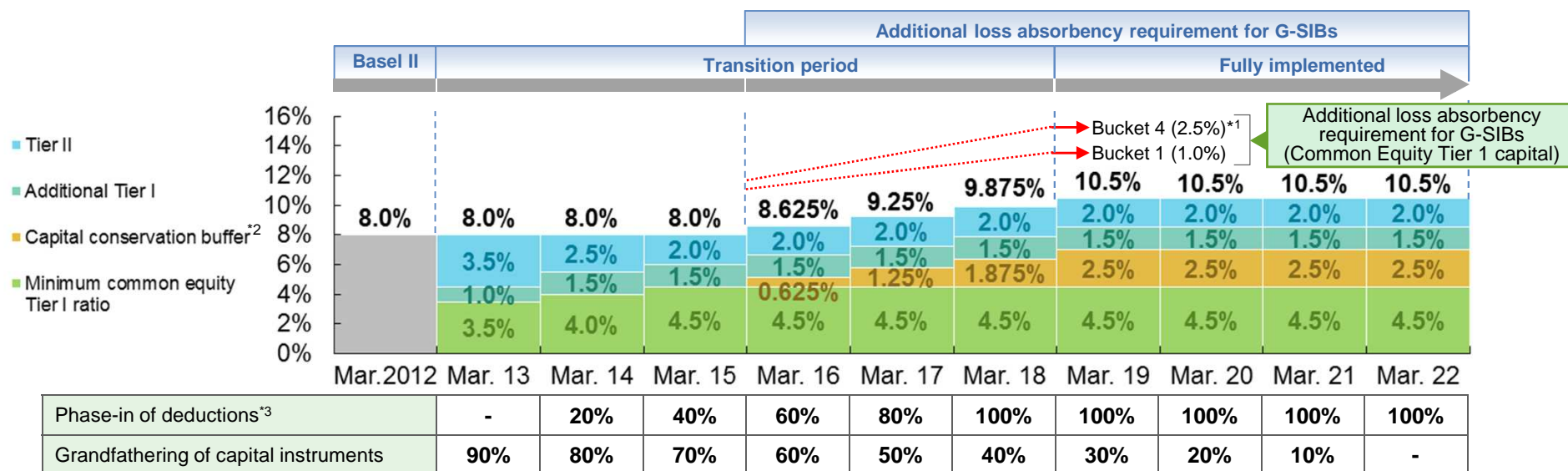
We will realize true globalization and continue to evolve our business model

Three-year management goals

- 1 Develop and evolve client-centric business models for main domestic and international businesses
- 2 Build a platform for realizing Asia-centric operations and capture growth opportunities
- 3 Realize sustainable growth of top-line profit while maintaining soundness and profitability
- 4 Upgrade corporate infrastructure to support next stage of growth

Application of Basel III

- Capital requirements and liquidity coverage ratio have been phased-in in line with international agreements
- Domestic regulations on leverage ratio and net stable funding ratio are being finalized according to their adoption schedule
 - No additional requirements anticipated on top of minimum Basel requirement in Japan
 - Able to pass Basel requirement easily according to provisional calculation based on current draft rules



Leverage ratio and liquidity rules (Schedule based on final documents by BCBS, and domestic regulations)⁴

Leverage ratio	Mar. 2015 Domestic regulation finalised	Mar. 2015: Start disclosure (<i>minimum: 3%</i>)	Jan. 2018: Migration to pillar 1										
Liquidity coverage ratio (LCR)	Oct. 2014 Domestic regulation finalised	Phased-in from Mar. 2015	<table border="1"> <tr> <td>Mar. 2015</td> <td>Jan. 2016</td> <td>Jan. 2017</td> <td>Jan. 2018</td> <td>Jan. 2019</td> </tr> <tr> <td>60%</td> <td>70%</td> <td>80%</td> <td>90%</td> <td>100%</td> </tr> </table>	Mar. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	60%	70%	80%	90%	100%
Mar. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019									
60%	70%	80%	90%	100%									
Net stable funding ratio (NSFR)	Oct. 2014 Finalised at BCBS	Oct. 2014: Final document published	Jan. 2018: Full implementation										

*1 With an empty bucket of 3.5% to discourage further systemicness

*2 Countercyclical buffer (CCyB) omitted in the chart above; if applied, phased-in in the same manner as the Capital conservation buffer. In accordance with the CCyB set by each country, Japanese banks may have to meet additional capital requirements depending on the exposures in those countries

*3 Including amounts exceeding limit for deferred tax assets, mortgage servicing rights and investment in capital instruments of unconsolidated financial institutions

*4 Draft on other domestic rules to be applied after 2016, such as the NSFR, will be published in due course. Timeline based on BCBS documents is in italic

*5 Additional requirements for G-SIBs and revisions including credit conversion factors for off-balance sheet items are proposed in Apr. 2016

Ongoing major regulatory discussions

Regulations		Contents	Schedule	Finalised at FSB or BCBS	Domestic regulation	
Capital requirement	Credit risk	Revisions to the Standardised Approach	<ul style="list-style-type: none"> Seeks to improve the standardised approach for credit risk, including reducing reliance on external credit ratings; increasing risk sensitivity; reducing national discretions; strengthening the link between the standardised approach and the internal-rating based (IRB) approach; and enhancing comparability of capital requirements across banks 	<ul style="list-style-type: none"> Under consultation (comment period will be closed in Mar. 2016) Targeted to be finalized by the end of 2016 	Unfinished	Unfinished
		Review of the CVA risk framework	<ul style="list-style-type: none"> Seeks to review the credit valuation adjustment (CVA) risk framework to capitalize the risk of future changes in CVA that is an adjustment to the fair value of derivatives to account for counterparty's credit risk 	<ul style="list-style-type: none"> Under consultation (comment period closed in Oct. 2015) Targeted to be finalized by the end of 2016 	Unfinished	Unfinished
	Market risk	IRRBB (Interest-rate risk in the banking book)	<ul style="list-style-type: none"> Adoption of enhanced Pillar 2 approach; (i) more extensive guidance on the expectations for a bank's IRRBB management process, (ii) enhanced disclosure requirements, (iii) an updated standardized framework and (iv) a stricter threshold for identifying outlier banks 	<ul style="list-style-type: none"> Finalized in Apr. 2016 	Finished	Unfinished
	Operational risk	Revisions to the Standardised Measurement Approach	<ul style="list-style-type: none"> Use of the Business Indicator (BI), a proxy of size of business, and the loss data for risk weighted assets calculation is proposed. Termination of the Advanced Measurement Approaches (AMA) is also proposed 	<ul style="list-style-type: none"> Under consultation (comment period will be closed in Jun. 2016) Targeted to be finalized by the end of 2016 	Unfinished	Unfinished
	Overall	Constraints on the use of internal model approaches	<ul style="list-style-type: none"> Constraints on the use of the internal ratings based approach to credit risk; (i) applying the standardised approach to exposures to financial institutions, large corporates and equities, (ii) applying the F-IRB approach for exposures to medium sized corporates, (iii) applying the standardized approach or the IRB supervisory slotting approach for specialized lending, or (iv) applying or raising floors to PDs/LGDs and revising the estimation methods 	<ul style="list-style-type: none"> Under consultation (comment period will be closed in Jun. 2016) Targeted to be finalized by the end of 2016 	Unfinished	Unfinished
		Capital floors based on standardised approaches	<ul style="list-style-type: none"> Replacement of the Basel I-based transitional capital floor with a permanent floor based on standardised approaches The design and calibration is now considered. The floor could be calibrated in the range of 60% to 90% 	<ul style="list-style-type: none"> Under consultation (comment period closed in Mar. 2015) Targeted to be finalized by the end of 2016 	Unfinished	Unfinished
Leverage ratio requirement	Leverage ratio	<ul style="list-style-type: none"> A minimum requirement of 3% to be introduced in 2018 Public disclosure requirement started in Jan. 2015 Additional requirements for G-SIBs and revisions including credit conversion factors for off-balance sheet items are proposed in Apr. 2016 	<ul style="list-style-type: none"> Under consultation for additional requirements for G-SIBs and revisions (comment period closed in Jul. 2016) Targeted to be finalized by the end of 2016 Scheduled to be implemented in 2018 	Finished in part	Finished in part	
G-SIFI regulation	TLAC (total loss-absorbing capacity)	<ul style="list-style-type: none"> Minimum requirement of (i) 16% of RWA (19.5% including capital buffer as for SMFG) and 6% of the Basel III Tier 1 leverage ratio denominator as from 2019, (ii) 18% of RWA (21.5% including capital buffer as for SMFG) and 6.75% of the Basel III Tier 1 leverage ratio denominator as from 2022 Should be issued and maintained by resolution entities An access to credible ex-ante commitments to recapitalise a G-SIB in resolution may count toward a firm's TLAC as 2.5% RWA as from 2019 and 3.5% as from 2022 	<ul style="list-style-type: none"> Finalized in Nov. 2015 	Finished	Unfinished	

Revision to the Standardised Approach for credit risk / Capital floors

Revision to the Standardised Approach for credit risk*			
Exposures	Current risk weights	Proposed revision of risk weights (Dec. 2014)	Proposed revision of risk weights (Dec. 2015)
Corporate exposures	· From 20% to 150% by reference to the external credit ratings	· From 60% to 300% based on a corporate's revenue and leverage	· From 20% to 150% by reference to the external credit ratings; unrated corporate of 100%; SME of 85%
Specialised lending	· 100%	· Project finance, Object finance, commodities finance, income-producing real estate finance: 120% · Exposures to land acquisition, development and construction finance: 150%	· A) From 20% to 150% by reference to the external credit ratings · B) If unrated, project finance: pre-operational phase 150%; operational phase 100%, object and commodity finance: 120%
Bank exposures	· From 20% to 150% according to the sovereign rating or the bank's credit rating	· From 30% to 300% based on the bank's CET1 ratio and a net non-performing assets ratio	· From 20% to 150% according to the bank's external ratings
Retail exposures	· 75% for exposures that meet the regulatory retail criteria	· 75% for exposures that meet the regulatory retail criteria	· 75% for exposures that meet the regulatory retail criteria
Exposures secured by residential real estate	· 35%	· From 25% to 100% based on the loan-to-value (LTV) ratio; preferential risk weights for loans with debt service coverage (DSC) ratio of 35% or less	· RW will be determined based on the exposure's LTV ratio from 25% to 75%, when repayment is not materially dependent on cash flows generated by property
Exposures secured by commercial real estate	· 100%	· A) No recognition of the real estate collateral, treating the exposure as unsecured with a national discretion for a preferential 50% risk weight: or; B) From 75% to 120% based on the LTV ratio	· Whether repayment is materially dependent on cash flow generated by property A) No: From 60% to 85% (SMEs) B) Yes: From 80% to 130%
Subordinated debt, equity and other capital instruments	· Either 100% or 250% when issued by banks or securities firms; no distinct treatment when issued by corporates	· Sub debts and capital instruments other than equities: 250% · Publicly traded equity: 300% · Other equity: 400%	· Sub debts and capital instruments other than equities: 150% · Equity holdings: 250%
Off-balance sheet exposures	· Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 0% CCF · Commitment with a maturity under one year: 20% CCF, over one year: 50% CCF	· Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 10% CCF · Commitment other than above: 75% CCF	· Retail Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 10-20% CCF · Commitments, regardless of the underlying facility: 50-75% CCF

Capital floors

Current framework

- For banks using the internal rating-based (IRB) approach for the credit risk and/or an advanced measurement approach (AMA) for operational risk

(The simplified framework for Japanese banks shown below)

(i) RWA based on IRB approach and/or AMA

compare

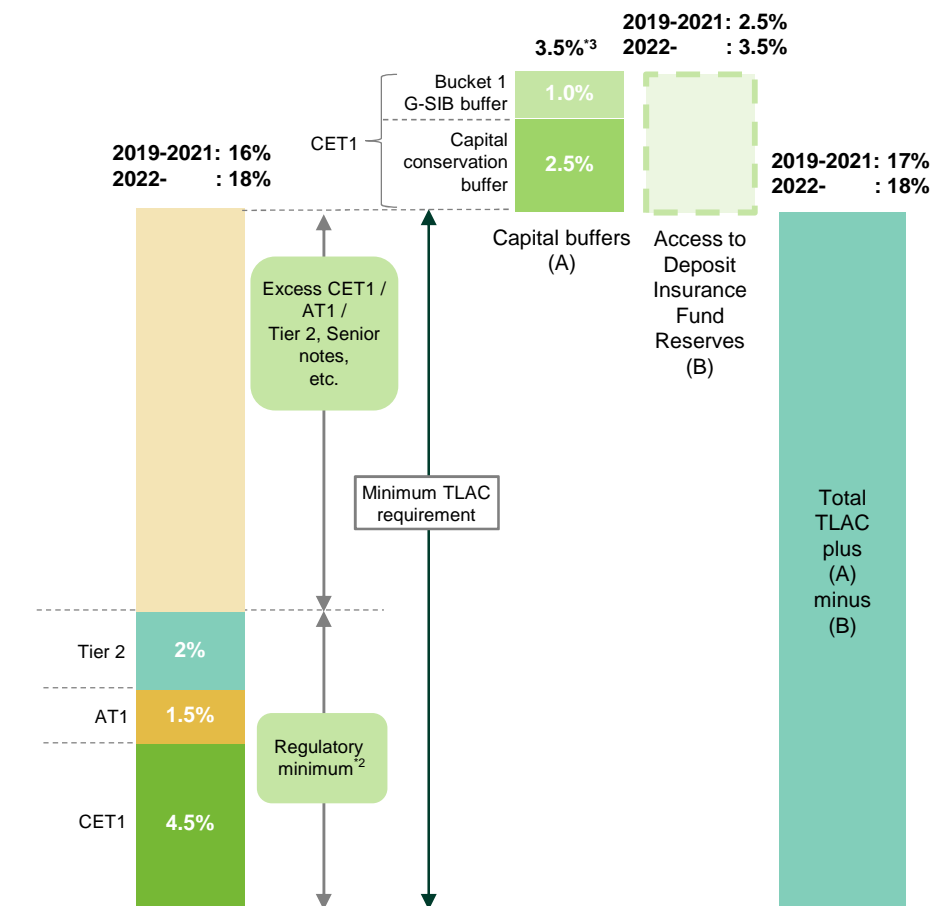
(ii) 80% of RWA based on the most recent approach before migration to the IRB approach and/or AMA (e.g. (i) AIRB/(ii) FIRB, (i) FIRB/(ii) Basel I)

- If (i) is less than (ii), the bank should add the amount of difference to (i) when calculating its RWA

* The credit risk standardised approach treatment for sovereigns, central banks and public sector entities are not within the scope of the proposals. It will be considered as part of a broader and holistic review of sovereign-related risks

TLAC requirements*1

Illustrative TLAC requirements (RWA basis)



Highlights of TLAC requirement

Minimum external TLAC requirements

	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
Plus capital buffers ^{*3}	19.5%	21.5%
Factoring treatment of access to Deposit Insurance Fund Reserves	17.0%	18.0%
Minimum external TLAC requirements Leverage ratio denominator basis	6%	6.75%

- Based on current calculations, expecting that the TLAC requirements based on RWA will be more constraining than requirements based on the leverage ratio denominator

Contribution of Japanese Deposit Insurance Fund Reserves

- The FSA plans to allow Japanese G-SIBs to count the amount equivalent to 2.5% of RWA from Mar. 2019 and 3.5% of RWA from Mar. 2022 as external TLAC

Credit ratings of G-SIBs (Operating banks, by Moody's)*

	Apr. 2001	Jul. 2007	Aug. 2016
Aaa		<ul style="list-style-type: none"> Bank of America Bank of New York Mellon Citibank JPMorgan Chase Bank Royal Bank of Scotland UBS Wells Fargo Bank 	
Aa1	<ul style="list-style-type: none"> Bank of America Crédit Agricole Wells Fargo Bank UBS 	<ul style="list-style-type: none"> Banco Santander Barclays Bank BNP Paribas Crédit Agricole Credit Suisse Deutsche Bank HSBC Bank ING Bank Nordea Bank Société Générale State Street Bank & Trust 	
Aa2	<ul style="list-style-type: none"> Bank of New York Mellon Barclays Bank Citibank HSBC Bank ING Bank JPMorgan Chase Bank Royal Bank of Scotland State Street Bank & Trust 	<ul style="list-style-type: none"> SMBC BPCE(Banque Populaire) BTMU Mizuho Bank UniCredit 	<ul style="list-style-type: none"> Bank of New York Mellon HSBC Bank Wells Fargo Bank
Aa3	<ul style="list-style-type: none"> Banco Santander BNP Paribas BPCE(Banque Populaire) Deutsche Bank Société Générale UniCredit 	<ul style="list-style-type: none"> Goldman Sachs Bank Morgan Stanley Bank 	<ul style="list-style-type: none"> JPMorgan Chase Bank Nordea Bank Standard Chartered State Street Bank & Trust
A1	<ul style="list-style-type: none"> Credit Suisse 	<ul style="list-style-type: none"> Agricultural Bank of China Bank of China ICBC 	<ul style="list-style-type: none"> SMBC Agricultural Bank of China Bank of America Bank of China BNP Paribas BTMU China Construction Bank Citibank Crédit Agricole Goldman Sachs Bank ICBC ING Bank Mizuho Bank Morgan Stanley Bank UBS
A2	<ul style="list-style-type: none"> BTMU Standard Chartered 	<ul style="list-style-type: none"> China Construction Bank Standard Chartered 	<ul style="list-style-type: none"> Barclays Bank BPCE(Banque Populaire) Credit Suisse Société Générale
A3	<ul style="list-style-type: none"> SMBC Mizuho Bank 		<ul style="list-style-type: none"> Banco Santander Royal Bank of Scotland
Baa1	<ul style="list-style-type: none"> Agricultural Bank of China Bank of China China Construction Bank ICBC 		<ul style="list-style-type: none"> UniCredit
Baa2			<ul style="list-style-type: none"> Deutsche Bank

* Long-term issuer ratings (if not available, long-term deposit ratings) of operating banks

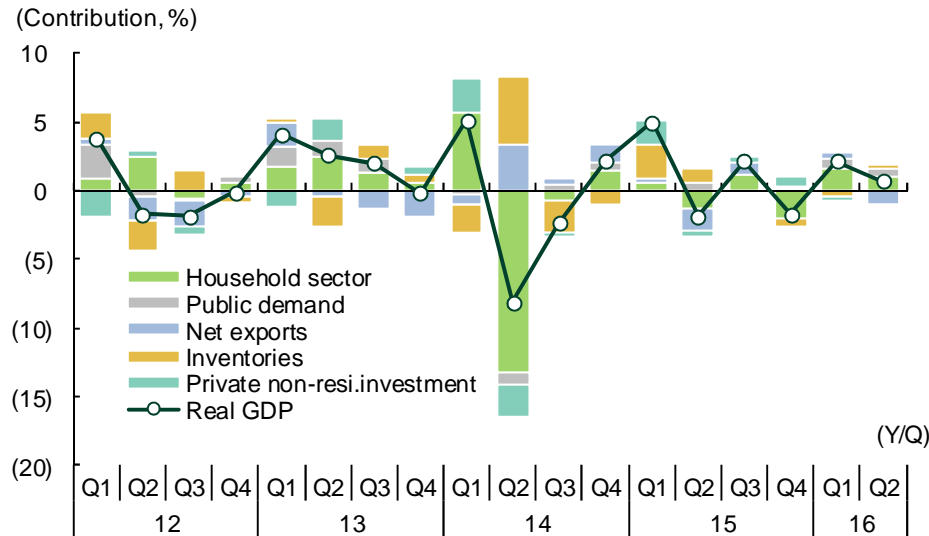
Credit ratings of G-SIBs (Holding companies, by Moody's / S&P)*

Aug. 2016					
Moody's		S&P			
Aaa				AAA	
Aa1				AA+	
Aa2				AA	
Aa3				AA-	
A1	SMFG <ul style="list-style-type: none"> • Bank of New York Mellon • HSBC • Mizuho 	<ul style="list-style-type: none"> • MUFG • Standard Chartered • State Street 		A+	
A2	<ul style="list-style-type: none"> • Wells Fargo 		<ul style="list-style-type: none"> • Bank of New York Mellon • HSBC • MUFG 	<ul style="list-style-type: none"> • State Street • Wells Fargo 	A
A3	<ul style="list-style-type: none"> • Goldman Sachs • JPMorgan 	<ul style="list-style-type: none"> • Morgan Stanley 	SMFG <ul style="list-style-type: none"> • ING • JPMorgan 	<ul style="list-style-type: none"> • Mizuho • UBS 	A-
Baa1	<ul style="list-style-type: none"> • Bank of America • Citigroup 	<ul style="list-style-type: none"> • ING 	<ul style="list-style-type: none"> • Bank of America • Citigroup • Credit Suisse 	<ul style="list-style-type: none"> • Goldman Sachs • Morgan Stanley • Standard Chartered 	BBB+
Baa2	<ul style="list-style-type: none"> • UBS*³ 		<ul style="list-style-type: none"> • Barclays 		BBB
Baa3	<ul style="list-style-type: none"> • Barclays 	<ul style="list-style-type: none"> • Credit Suisse 	<ul style="list-style-type: none"> • RBS 		BBB-
Ba1	<ul style="list-style-type: none"> • RBS 				BB+

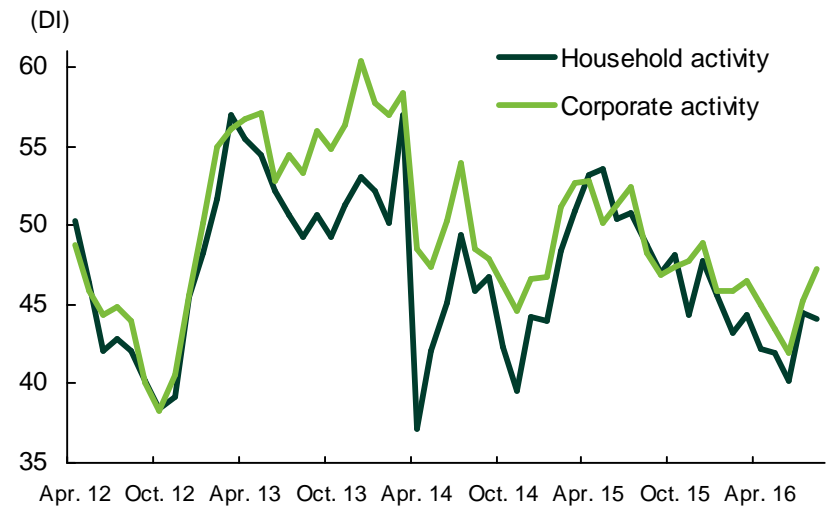
* Long-term issuer ratings (if not available, Senior unsecured ratings for Moody's) of holding companies

Current Japanese economy

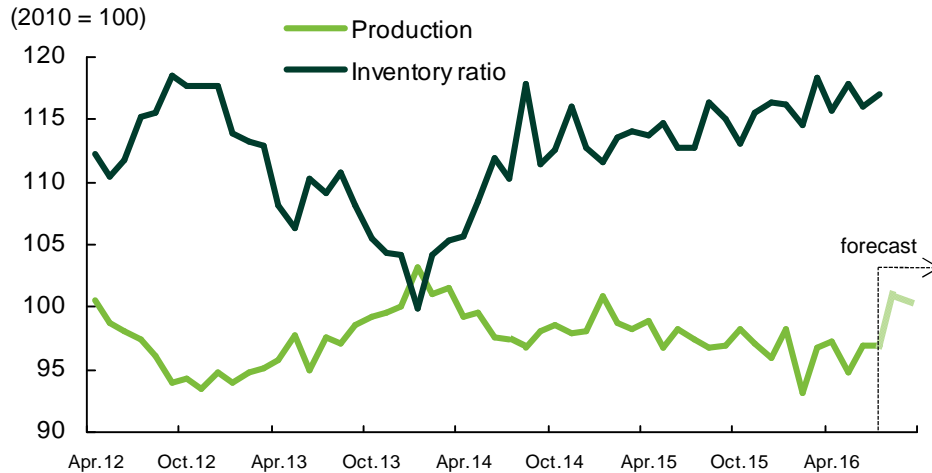
Real GDP growth rate (annualized QOQ change)*1



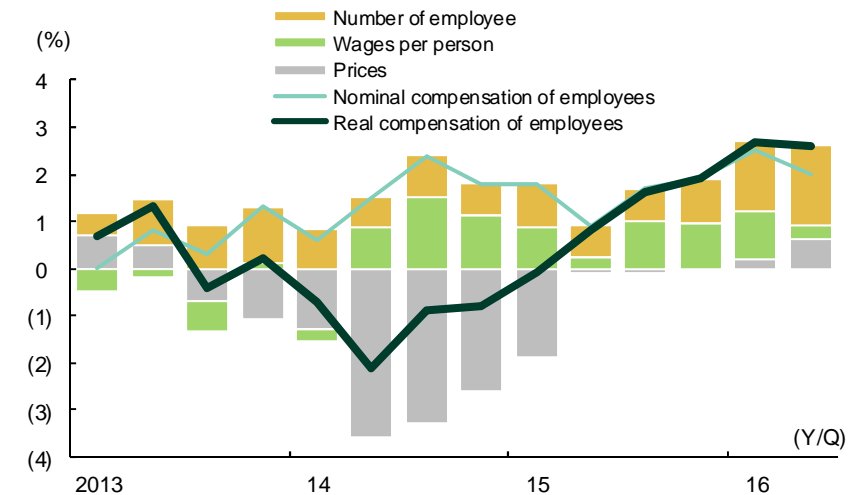
Economy watchers survey*2



Indices of industrial production*3



Real compensation of employees*4



*1 Source: Cabinet Office. Seasonally adjusted series. Household sector = Private consumption + Private residential investment, Inventories = Change in private and public inventory, Public demand = Government consumption + Public investment

*2 Source: Cabinet Office. Diffusion index for current economic conditions

*3 Source: Ministry of Economy, Trade and Industry. Seasonally adjusted indices. In Aug. and Sep. 2016, based on the indices of production forecast

*4 Source: Cabinet Office and Ministry of Internal Affairs and Communications

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; 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; and incurrence of significant credit-related costs. 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 this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.