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**Presentation at Daiwa Investment Conference Tokyo 2018**

**“SMFG’s management strategy”**

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<Presentation Summary>

**(P.1)**

Hello everyone. I am Takeshi Kunibe, President and Group CEO of SMFG.

Thank you for taking the time today to attend our session.

I would also like to thank Daiwa Securities for organizing this conference.

I became the new President and Group CEO of SMFG in April 2017. In the past one year, we have been moving fast to put various initiatives into action, and I feel that we are seeing positive results.

Our share price has outperformed benchmarks like the Nikkei Stock Average and TOPIX Banks Index since the beginning of the year, yet it remains at the 4,600-yen level, with a PBR of around 0.6 times.

Please be assured that as Group CEO, I will be communicating closely with the market and doing whatever I can to improve our share price, so I ask for your continuous support.

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Today, I will first talk about our management strategy by going through the agenda set out on p.3 for approximately 20 minutes, and then take questions from Mr. Takai and the audience.

Let me start by going through our progress of the Medium-Term Management Plan. Please move on to p.5.

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This slide gives an overview of “SMFG Next Stage”, the Medium-Term Management Plan which started April 2017.

As many of you may already know, the plan comprises of three core policies, which are: Discipline, Focus, and Integration.

As for “Discipline”, we intend to focus even more on the three efficiencies of capital, asset and cost in our operations to improve profitability, and engage in sound

risk-taking and credit control to achieve sustained growth of bottom-line earnings. As for “Focus”, we will pursue well-defined growth strategies that focus on our strengths.

As for “Integration”, we plan to further strengthen our ability to respond to our customers on a global group basis and leverage synergies to enhance the Group’s ability to generate earnings in order to underpin sustained growth. We will also optimize the allocation of management resources and make the planning and management functions more sophisticated.

As for our financial targets, we set ROE, overhead ratio and CET1 ratio targets to improve profitability and comply with international financial regulations at an early stage to secure financial soundness.

We will discuss our capital policy later on.

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#### **(P.6)**

Now, let me talk about the key initiatives in line with the three core policies.

First is “Discipline”.

The right-hand side shows the review of group operations we have already announced. As you could see, we have been working on transforming our business and asset portfolio.

To begin with, Kansai Urban Banking Corporation and THE MINATO BANK are categorized as “businesses competing with domestic regional banks” in the quadrants shown in the diagram on the left, and they will become our equity-method affiliates by the end of this fiscal year.

Regarding the reorganization of the joint leasing partnership, SMFG and Sumitomo Corporation will each hold an equal 50% stake in SMFL in order to further strengthen the leasing business. Also, by turning SMFL to an equity-method affiliate, we will aim to improve our capital and asset efficiency.

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Here, I will explain our initiatives to improve productivity and efficiency.

In our Medium-Term Management Plan, we have articulated three key initiatives:

First is business reform to improve efficiency by utilizing technology and consolidating infrastructure on a group-basis.

Second is retail branch reorganization.

Third is reorganization of group companies.

Through these three initiatives, we expect annual cost reduction of JPY 50 billion in three years and JPY 100 billion in the medium term.

The right-hand side of the slide highlights the major progress we have made so far. Through the execution of key initiatives as well as cost control in daily operations on a group-wide basis, we expect the consolidated expenses for this fiscal year to be lower than our original plan by around JPY 20 billion.

We will continue to maintain a disciplined approach to control cost.

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Next is “Focus”.

In the retail business, our goal is to “hold the number one retail banking franchise in Japan”.

One of the key aspects of this strategy is to enhance the wealth management business.

SMBC and SMBC Nikko Securities are operating in an integrated manner, and aim to grow the balance of stock-based assets in order to build a business model that generates stable earnings.

The graph at the top left-hand side shows that we have increased the balance of stock-based assets by JPY 1.2 trillion in the nine months, partly driven by the rise of the stock market, whereas the target under our Medium-Term Management Plan is to increase it by JPY 2.8 trillion in three years.

In addition, we merged SMBC Nikko Securities and SMBC Friend Securities in January 2018. We believe that this will enable us to provide better tailored service to our customers. We have also started to operate shared branches of SMBC and SMBC Nikko Securities.

Another key component of the strategy is the settlement business.

One of our strengths is that we are No. 1 in terms of credit card sales handled in Japan, as our major group companies include Sumitomo Mitsui Card which has a strong franchise in bank’s customers, and Cedyna which has a strong franchise in retailers’ customers.

The credit card market grew by 9% in 2017 in terms of sales handled, but the growth in Sumitomo Mitsui Card was over 10% thanks to active usage of affiliated credit cards with companies like ANA and Amazon.

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In the wholesale business, we are promoting bank-securities integration.

In addition to cross-border M&A, large corporate customers are increasingly engaging in the carve-out of businesses as they review their business portfolio. We have taken the No.1 position in the number of M&A advisory deals as we meet our customers' M&A needs by working with partners such as overseas M&A boutiques and private equity funds.

The right-hand side of the slide gives an example of the support we provide to startup companies. "Mirai" is one of the biggest venture pitch contests in Japan.

Mirai, administered by SMFG group companies, is being held for the third time. This fiscal year, participants include outstanding individuals from the domestic local region and startups from Israel. It is an event that fully leverages our network and expertise.

The final round is scheduled for March 8th, 2018. It will feature presentations from 31 companies of new business ideas in a wide range of fields including robotics, AI, new materials and healthcare. As "the SMFG that is strong in growth areas", we will continue to work on building a venture ecosystem.

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In our international business, we are promoting cross-selling and aiming to establish a top-tier position in global products to enhance asset efficiency.

The graph on the top right-hand side shows that the number of deals of which SMBC Nikko Securities has been mandated as an active book runner for bond issuances by non-Japanese companies is significantly increasing by promoting bank-securities integration overseas.

Furthermore, as shown on the bottom right-hand side, we are increasing our market presence in the area of project finance where we have strength. For example, SMBC was awarded "Global Bank of the Year in 2017" by the Project Finance International for the fourth time; as a financial adviser, SMBC was ranked 10th globally and the top among the Japanese banks in terms of arranged amount globally; in bond arrangement, SMBC was ranked 9th making a jump from 14th last year, with the expansion of capabilities of SMBC Nikko Securities and progress in collaboration between SMBC and SMBC Nikko Securities.

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With regards to “Integration”, I would like to explain the initiatives we have taken in the area of digitalization.

We have been focusing on businesses that can be monetized and lead to the generation and commercialization of new platforms, and we are performing field tests of services that utilize various technologies.

The diagram on the left-hand side, for example, illustrates an international trade platform that we began field testing in December last year. Utilizing the blockchain technology, the platform is being built in partnership with Mitsui & Co., Mitsui O.S.K. Lines, Mitsui Sumitomo Insurance Company, and IBM Japan. A wide range of documents including trade agreements and logistics/insurance documents will be digitized and shared among the participants, and this can be expected to shorten the time required to settle cross-border transactions, reduce administrative costs and enhance security.

Although field testing of cross-border trade transactions utilizing blockchain has already been performed, most of them were for transactions involving letters of credit (L/C). We are trying to go beyond L/C transactions and are working on deploying blockchain in areas such as IoT and supply chain finance. Our goal is to develop a platform that not only digitizes documents, but also adds value that meets customers’ needs.

Further, as you could see from the diagram on the right-hand side, we are also field testing a model that uses AI to monitor and analyze patterns of corporate customers’ accounts so that changes in their business situation can be detected at an earlier stage.

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Here are our results for the 3Q, FY3/2018.

Profit attributable to owners of the parent was JPY 648.1 billion, achieving 103% of our full-year target.

Consolidated net business profit increased by JPY 83.1 billion year-on-year, achieving 82% of our full-year target. The increase was mainly driven by the top line growth, with strong performance of investment product sales at SMBC Nikko Securities and our credit card business, in addition to the increase of earnings from our equity-method investments.

Profit attributable to owners of the parent, meanwhile, increased by JPY 103.4 billion year-on-year due to reduced credit costs that resulted from having reversals

of credit cost from large borrowers at SMBC and an increase in profit from the sales of strategic shareholdings.

While there is currently no particular risk factor anticipated that may significantly lower earnings, the full-year target is unchanged against potential turn of the business environment

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Next is capital policy.

Our basic capital policy is to balance “securing financial soundness”, “enhancing shareholder returns” and “investing for growth.”

For shareholder returns, our basic policy is a progressive dividend policy, in other words, no dividend cuts, therefore either maintaining or increasing dividends. We will also target a dividend payout ratio of 40% in the medium term.

In December 2017, Basel III reforms were finalized. We will lay out our updated capital policy that reflects this impact in May 2018 after thorough discussions at the board meeting.

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This is our capital position.

In our Medium-Term Management Plan, we set a CET1 ratio target of 10% at March 2020 on a post-Basel III reforms basis, with an assumption of the capital floor being 70% and the risk-weighted assets (RWA) to be inflated by 25% compared with the actual figures of March 2017. Note that this CET1 ratio excludes net unrealized gains on other securities from both the numerator and the denominator.

Basel III reforms were finalized with a capital floor of 72.5%, which is higher than our original assumption of 70%. However, with the revisions being eased in areas including the CVA risk framework and operational risk, we expect the impact of RWA inflation will be almost at the same level as our original assumption under the Medium-Term Management Plan, which is about 25%. In this Post-Basel III reforms basis, our CET1 ratio at December 2017 was 9.0%, as shown on the slide.

In addition to accumulating retained earnings, we are also reducing RWA inorganically, so we expect to achieve the CET1 ratio target of 10% by March 2020 as planned.

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Next is the strategic shareholdings.

During the first three quarters we reduced strategic shareholdings by around JPY 65 billion in book value. Furthermore, the balance of shareholdings that we have obtained consents to sell, but have not been sold yet stood at approximately JPY 105 billion at December 2017.

We will continue executing sales and obtaining more consent to achieve an annual reduction of JPY 100 billion.

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This is our dividend policy.

As I mentioned earlier, we have been steadily increasing our dividend per share, and in order to enhance shareholder returns going forward, we have adopted a progressive dividend policy and will be aiming for a payout ratio of 40%.

For this fiscal year, we are forecasting a dividend per share of JPY 160, which is an increase of JPY 10 year-on-year.

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And finally, this is the message that I want to convey to you today.

I believe we have shown good progress in the first year of the Medium-Term Management Plan that focuses on efficiency in terms of capital, asset and cost to become a financial group with high quality. We have produced solid results in initiatives including the transformation of our business and asset portfolios, acceleration of Group-wide collaboration and promotion of digitalization.

We will continue making tireless efforts to enhance corporate value through sustainable growth by combining all of the Group's strengths with more focused business management.

We sincerely ask for your continued support and understanding.

Thank you very much for your kind attention.

(End)