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"SMFG's Management Strategy"

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<Presentation Summary>

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(Cover page)

Ladies and gentlemen. My name is Miyata from Sumitomo Mitsui Financial Group. I would like to thank you very much for joining us for this session despite your very busy schedule.

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Although our share price has been hovering at around PBR of 0.7 to 0.8 times, our business is performing well. In the first nine months of fiscal 2014 (fiscal year ending March 31, 2015), SMFG's consolidated net income reached 97% of the full year target.

We have the agenda on page 1. Today, in order to gain a better understanding of our management strategy, firstly, I will present our track record in profit growth even under the low interest rate environment, followed by our major growth drivers, soundness of our assets, and finally our capital policy as many questions are asked on this point.

Please move on to page 2.

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The top half shows the trend of SMFG's consolidated gross profit and the BOJ's policy interest rate. Since fiscal 2001, the fiscal year SMBC was established, the BOJ's policy interest rate has remained at a low level below 0.15% except for the period between summer of 2006 and autumn of 2008. Furthermore, the additional monetary easing measure was implemented in October last year, and we expect the current low interest rate environment to continue for some time.

This is a severe business environment to grow profits substantially for a commercial banking business which is based on deposit taking and loan making.

Against this backdrop, SMFG has expanded its scope of business by inviting leading companies from various industries to join our group. Moreover, we have enhanced our international business and expanded the regional scope as well. Consequently, we have continued to grow SMFG's consolidated gross profit.

As shown on the bottom half, SMBC's domestic loan related income accounted for 32% of SMFG's consolidated gross profit in fiscal 2002. However, it was down to 15% in the first half of fiscal 2014. By diversifying revenue sources, we have transformed our business structure to generate profits even under the very low domestic interest rate environment.

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Page 3 shows the trend of our results since the recent financial crisis in fiscal 2008. SMFG's consolidated net income is shown on the top, gross profit is shown in the middle and total credit cost and gains (losses) on stocks are shown on the bottom.

SMFG recorded net loss of JPY 373.5 billion in fiscal 2008 as a result of credit costs, including precautionary reserve, and impairment losses on stocks. Since then, consolidated net income has grown steadily in accordance with top-line growth coupled with low credit costs, and hit a record high of JPY 835.4 billion in the last fiscal year.

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Page 4 shows the financial results of the first nine months of this fiscal year.

SMFG's consolidated net income was JPY 682.2 billion, 97% of our full-year target of JPY 700 billion.

This is a result of good performances of our international business and of SMBC's Treasury Unit, on top of minimal incurrence of credit costs.

Our full year target remains unchanged because:

a) the credit cost target is conservatively maintained since reversal of provisions made in previous years is expected to be limited going forward, and risk factors, including uncertainty in the global economy, are yet to be assessed;

b) tax burden will increase as a result of disposal of deferred tax assets in accordance with a reduction of the effective corporate tax rate, which will be positive in the long run but negative with respect to this fiscal year; and

c) stronger yen is assumed in our plan compared with the actual rate of around JPY 120 for USD 1 in the third quarter, and though this is an upside potential for profits if the period-end exchange rate remains at the December-end level, it is not factored in.

In other words, we do not expect a realization of particular downside risks.

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Our strengths are high profitability, represented by our high ROE, and high efficiency, demonstrated by our low overhead ratio.
As shown on the slide, in comparison with other global banks, SMFG ranks among the highest by these indicators.

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Turning to page 6, the aforementioned high profitability is based on our focus on risk return profile, which is also demonstrated by another one of our features, higher domestic loan-to-deposit spread compared with domestic peers.

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Page 7 and onwards, I would like to talk about our major growth drivers going forward, in other words, how we would like to grow in the future.
SMFG and SMBC announced the new medium-term management plan for the fiscal years 2014 through 2016 in May last year.
On the left hand side, we show our targets of SMFG's consolidated net income and ROE. In the last fiscal year, SMFG's consolidated net income was JPY 835.4 billion and ROE was 13.8%. However, we estimate that a normalized level of consolidated net income was around JPY 600 billion and ROE was around 10%, after adjustments of one-off factors including net reversal of credit costs and better-than-expected equity-related gains. Assuming that this estimation is our base profit, we aim to achieve consolidated net income of JPY 800 billion in fiscal 2016 and continue to maintain ROE of around 10% by implementing our growth strategy with a focus on ROE.
The right hand side is an illustration of our top line growth targets. In three years, we aim to grow SMFG's consolidated gross profit by 15%, mainly through organic growth.
We are promoting group-wide collaboration. In particular, by enhancing collaboration between SMBC and SMBC Nikko Securities, as well as between domestic and overseas offices, we aim to grow the following businesses: large corporate business; asset management business for individuals; consumer finance and credit card businesses; and international business, centered on Asia.
Please move on to page 8.

(P.8)

In the wholesale business, in order to respond to the needs of our large corporate customers, including providing support in their globalization and M&A transactions, we are promoting bank-securities collaboration and seamless operation of domestic and overseas offices, while enhancing solution-providing capabilities by bringing together our expertise on particular industry sectors across the globe. With respect to SMBC Nikko Securities, we aim to achieve a market share exceeding 20% and to stably rank among the top 3 in Japanese equities and corporate bonds underwriting.

Right hand side of this side shows the trends in the balance of domestic corporate loans on a quarterly basis and domestic corporate loan spread. We are dealing sincerely with each and every corporate customer and offering loans with our solution capability, such as supporting business restructuring. In addition, as the customers' scope of attention for capital investment is expanding, we have continued to address our customers' loan demand in an individualized manner. Through these initiatives, the rising trend of domestic corporate loans has become quite solid.

Regarding loan spreads, we are working to mitigate the downward trend by offering loans with high value-added solutions.

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In Japan, as the shift from savings to investment continues, individual customers' asset management needs are increasing. Also, NISA was introduced.

As shown on the upper left, we are addressing the changing financial needs according to customers' life stages through bank-securities retail integration model. Leveraging our unique combination of SMBC — a megabank, and SMBC Nikko Securities — one of the three largest Japanese brokerage firms, we aim to provide financial services seamlessly. Specifically, SMBC Nikko Securities serves the needs for active asset management of SMBC's customers and SMBC serves the needs for succession of SMBC Nikko Securities' elderly customers. We expanded the integration model to all offices in July last year, and it has been received well by SMBC's customers who were referred to SMBC Nikko Securities. I have personally been told by such customers that they like the larger selection of products that have become available.

The right hand side of this slide summarizes SMBC Trust Bank's acquisition of Citibank's Japan's retail banking business that we announced in December last year. SMBC Trust Bank, formerly known as Société Générale Private Banking Japan, will undertake the acquisition of the retail banking business of Citibank Japan in October 2015, subject to regulatory approval. Citibank Japan's clientele mainly consists of affluent individuals who reside in urban areas and are interested in global products and professional services. The objective of the acquisition is to fully enhance the high-net-worth business, where professionally skilled bankers serve the needs of such customers.

Moreover, SMBC Trust Bank aims to become a bank that is highly unique compared with SMBC and other Japanese banks, by leveraging its features such as global presence and sophisticated services of a global financial institution.

Please move on to page 10.

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In the consumer finance business, we aim to increase the unsecured loan balance by 20% in three years on a group basis.

Shown on the right hand side are domestic consumer loans outstanding, loan guarantee amount and overseas consumer loans outstanding of SMBC Consumer Finance. Consumer loans outstanding have shown signs of bottoming out. In addition, loan guarantee business drives the growth of our entire consumer finance business, as its balance grew by 20% year-on-year to JPY 866 billion as of the end of December 2014.

On the other hand, we have continued to monitor carefully the trend in the number of interest refund claims.

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In the international business, in an aim to realize "Asia-centric" operations, one of the business strategies of our medium-term management plan, we will support Japanese corporate customers making inroads in the Asian market, contribute to the growth of countries and corporations in Asia, and become a gateway to access Asia for western corporate customers.

We have continued to supply funding to customers in Asia even during times of turmoil such as the financial crisis following Lehman Brothers' bankruptcy and the European sovereign debt crisis. We place high value on maintaining medium- and long-term relationships with our customers. These continuous and consistent approaches, or our commitment to Asia, are highly regarded by our customers. We

believe that such relationships are our competitive advantage and intend to maintain this stance going forward.
Although regulations and economic and financial environment are different in every country in Asia, we will continue to enhance our Asian business both organically and inorganically.
To be specific, we established the Asian strategy cross functional team in April last year, and organized the business structure to promote business with the second-tier of large corporations and mid-sized corporations in Singapore and Indonesia, while supporting the funding operations of BTPN in Indonesia. Also, we are expanding our business franchise through such initiatives as investing in ACLEDA Bank in Cambodia, entering into a non-binding memorandum of understanding to raise our equity stake with the Bank of East Asia in Hong Kong, acquiring preliminary approval for a foreign bank license in Myanmar, and receiving approval for opening of Manila branch in Philippines.
Please move on to page 12.

(P.12)
We plan to increase our overseas loan balance by USD 50 billion in three years. In this fiscal year, we are enhancing initiatives in project finance and trade finance, especially in Asia and the Americas.
Equally importantly, we have expanded and diversified our foreign currency funding sources. For example, we have been issuing US dollar denominated senior bonds, most recently in February.
Please move on to page 13.

(P.13)
Regarding our risk control, we frequently receive questions about our asset quality, considering the recent trend of low oil prices and the situation in Russia. In light of changes in the business environment, we have reviewed each transaction deal by deal, and at this moment, we do not have concerns about incurrence of material credit costs.
Our exposure to non-Japanese oil and gas related industries is around USD 50 billion. Of the aggregate USD 50 billion, the exposure to exploration and production companies including oil majors and state-owned oil companies, which are susceptible to energy price fluctuation, is less than USD 30 billion. Within exposure to non-Japanese oil and gas related industries, around 80% is to corporations and around 20% is project finance. Also, more than 90% is classified on the high end of

our internal rating system as "1-3" on a scale of "1-10".
Regarding our exposure to Russia, our exposure is USD 5.3 billion, mainly to large resource-related companies and large government-related banks; we intend to maintain a cautious stance for the time being.
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Balance of SMBC's yen bond portfolio was JPY 15.9 trillion as of the end of December 2014. Within this balance, the balance of JGB, including bonds classified as held-to-maturity, was JPY 13.5 trillion.
SMBC traditionally holds JGB as collateral for funding and as part of its ALM operations.
Assuming the changing economic environment, including recovery of the Japanese economy and exit from deflation as a result of Abenomics, we believe that a gradual rise in interest rates will come naturally. As rising interest rates mean declining bond value, we place higher weight on JGB with shorter maturity, and thus the average duration was 1.9 years as of the end of December 2014.
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(P.15)
I would like to explain our capital policy.
We intend to realize high profitability as indicated by our ROE target of around 10% in our medium-term management plan, while maintaining financial soundness. We also aim to improve our shareholders value and enhance shareholders return by realizing sustainable growth, and we believe this is coherent with our share price.
Common Equity Tier 1 capital ratio target is around 10% in our medium-term management plan. This is a level we have established with an additional surplus capital capacity in mind, which can be utilized flexibly for growth investment or as a buffer against unexpected downside risks to address a variety of changes in the business environment.
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Common Equity Tier 1 capital ratio on a Basel III fully-loaded basis as of the end of December 2014 was 11.5%, or 9.1% excluding net unrealized gains. This is our level of capital.
Although it is quite difficult to evaluate sufficiency of our capital, taking into

account the current fluctuating and unclear regulatory environment, we intend to enhance shareholders returns, while collectively foreseeing various factors, including capital sufficiency, profitability, outlook on our capital base, regulatory discussions and economic environment changes. Based on such intention, we revised upward this year's earnings target, as well as raised our annual dividend forecast by 10 yen per share in November last year.
Dividend payout ratio is targeted to be around 25% for the first year of the medium-term management plan. Over the medium-to-long term, we shall strive to increase our dividend per share in a stable manner with a payout ratio of around 30% strongly in mind.
Please move on to page 17.

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Ongoing major international financial regulatory discussions are shown on the slide. Among those, the most important items for us are discussions about revisions to the standardised approach and capital floor based on standardised approaches. Also, we are paying attention to discussions about interest-rate risk in the banking book (IRRBB), and total loss-absorbing capacity (TLAC). These regulations are currently under consultation, and we are still uncertain about the final impact of these regulations at this moment.

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Page 18 shows five financial targets in our medium-term management plan. The overall progress is as we have anticipated and we shall strive to achieve the targets going forward.
Please move on to page 19.

(P.19)
Last slide, page 19, summarizes the four messages I would like to convey to you today.
Firstly, we have achieved sustainable growth under the very low interest rate environment, which is a severe business environment for commercial banking business, by strategically diversifying revenue sources.
Secondly, we will strive to grow our business by allocating resources into focused business areas, such as large corporate, high-net worth individuals, consumer finance and Asian businesses, and by leveraging the group's collective strengths.
Thirdly, we aim to secure financial soundness by continuously managing high asset

quality.

Lastly, we aim to maintain high profitability and resilient capital base with ROE of around 10% and Common Equity Tier 1 capital ratio of around 10%, and concurrently aim to strengthen shareholders return.

We hope that we can obtain your continued support in the years ahead. Thank you very much for your kind attention.

(End)