

# Investors Meeting Presentation for 1H, FY3/2016 Performance

November 24th, 2015

**Sumitomo Mitsui Financial Group, Inc.**  
**Sumitomo Mitsui Banking Corporation**

# Agenda

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# **I. 1H, FY3/2016 performance and FY3/2016 targets**

## I. 1H, FY3/2016 performance and FY3/2016 targets

## ■ 1. 1H, FY3/2016 summary

- Top-line profit grew mainly due to strong performance by Marketing units and profits from equity index-linked investment trusts by Treasury Unit
- In spite of BTPN's impairment loss of goodwill, the first half profit attributable to owners of parent was JPY 388.1 bn, which exceeded our initial target of JPY 380 bn. Secured ROE of 10.8%

(JPY bn)	1H, FY3/16 results	YOY change	Change from May target	FY3/2016 target
Profit attributable to owners of parent	388.1	(91.4)	+8.1	760
Consolidated ROE* <sup>1</sup>	10.8%	(3.6)%		

	Sep. 30, 2015	Change from Mar. 31, 2015
Common Equity Tier1 Capital Ratio* <sup>2</sup>	12.1%	+0.1%

## ■ Per share information (SMFG consolidated)

(JPY/Share)	1H, FY3/16 results	YOY change	FY3/16 targets
Profit attributable to owners of parent	283.89	(66.84)	555.87
Dividend	75	+15	150

(JPY/Share)	Sep. 30, 2015	Change from Mar. 31, 2015
Net assets	6,548.79	(50.08)

## I. 1H, FY3/2016 performance and FY3/2016 targets

## 2. 1H, FY3/2016 financial results

## Income statement

		(JPY bn)	1H, FY3/16	Change from May targets	YOY change
SMFG consolidated	Consolidated gross profit	USD 12.6 bn <sup>*1</sup>	1,512.7	+22.7	+62.6
	Variance <sup>*2</sup>		709.7		+87.4
	General and administrative expenses		(852.2)		(48.0)
	Ref: Consolidated gross profit – G&A expenses		660.5		+14.6
	Equity in gains (losses) of affiliates		(43.4)		(43.4)
	Consolidated net business profit		617.1		(28.8)
	Total credit cost		(24.1)	+30.9	(112.9)
	Ordinary profit	USD 5.3 bn <sup>*1</sup>	631.8	+11.8	(148.7)
	Variance <sup>*2</sup>		216.8	(13.2)	+28.7
	Profit attributable to owners of parent	USD 3.2 bn <sup>*1</sup>	388.1	+8.1	(91.4)
	Variance <sup>*2</sup>		102.9	+2.9	+31.5
SMBC non-consolidated	Gross banking profit	USD 6.7 bn <sup>*1</sup>	803.0	+3.0	(24.8)
	Expenses <sup>*3</sup>		(398.8)	+11.2	(11.9)
	Banking profit <sup>*4</sup>	USD 3.4 bn <sup>*1</sup>	404.2	+14.2	(36.7)
	Total credit cost		27.6	+22.6	(96.6)
	Gains (losses) on stocks		1.1		(47.1)
	Other non-recurring gains (losses)		(17.8)		+3.0
	Ordinary profit	USD 3.5 bn <sup>*1</sup>	415.0	+25.0	(177.4)
	Net income	USD 2.4 bn <sup>*1</sup>	285.3	+5.3	(123.0)

## Contribution of subsidiaries to Consolidated gross profit

	(JPY bn)	1H, FY3/16	YOY change
SMBC Nikko Securities		163	+17
SMBC Consumer Finance		115	+9
Sumitomo Mitsui Card		101	+6
Cedyna		83	(0)
Sumitomo Mitsui Finance and Leasing		72	+6
SMBC Friend Securities		21	(5)

## Contribution of subsidiaries to Profit attributable to owners of parent

	(JPY bn)	1H, FY3/16	YOY change
SMBC Nikko Securities		26	+2
SMBC Consumer Finance		27	(0)
Sumitomo Mitsui Card		8	+0
Cedyna		15	(0)
Sumitomo Mitsui Finance and Leasing		14	(1)
SMBC Friend Securities		1	(3)
The Bank of East Asia <sup>*5</sup>		9	+9

<sup>\*1</sup> Converted into USD at period-end exchange rate of USD 1 = JPY 119.92 <sup>\*2</sup> SMFG consolidated figures minus SMBC non-consolidated figures

<sup>\*3</sup> Excludes non-recurring losses <sup>\*4</sup> Before provision for general reserve for possible loan losses

<sup>\*5</sup> Bank of East Asia became an equity-method affiliate of SMBC in Mar. 2015

## I. 1H, FY3/2016 performance and FY3/2016 targets

## Ref: SMFG's Performance by business unit\*1

(JPY bn)				1H, FY3/15	FY3/15	1H, FY3/16	YOY change*2	Gross profit performance vs. targets
	Wholesale Banking Unit	Gross profit		332.8	729.0	343.4	+9.3	↑
		Expenses		(140.8)	(300.6)	(147.6)	(8.9)	
		Net business profit		192.0	428.4	195.8	+0.4	
	Retail Banking Unit	Gross profit		223.3	478.4	235.6	+12.5	↑
		Expenses		(178.0)	(373.4)	(188.2)	(8.7)	
		Net business profit		45.3	105.0	47.4	+3.8	
	International Banking Unit	Gross profit		282.7	593.1	325.4	+28.5	↑
		Expenses		(106.1)	(226.2)	(124.9)	(14.6)	
		Net business profit		176.6	366.9	200.5	+13.9	
	of which Marketing units	Gross profit		838.8	1,800.5	904.4	+50.3	↑
		Expenses		(424.9)	(900.2)	(460.7)	(32.2)	
		Net business profit		413.9	900.3	443.7	+18.1	
	of which Treasury Unit	Gross profit		221.2	374.8	239.0	+13.9	↑
		Expenses		(14.9)	(30.7)	(19.4)	(1.6)	
		Net business profit		206.3	344.1	219.6	+12.3	
	of which Sumitomo Mitsui Finance and Leasing	of which Gross profit		65.5	137.0	71.6	+6.1	↑
		of which Expenses		(27.4)	(57.9)	(30.7)	(3.3)	
		Net business profit		39.1	80.5	41.7	+2.6	
	of which SMBC Nikko Securities	Gross profit		153.0	350.0	176.6	+20.8	↓
		Expenses		(115.3)	(249.5)	(132.2)	(15.1)	
		Net business profit		37.7	100.5	44.4	+5.7	
	of which Consumer finance / Credit card*3	Gross profit		283.8	576.1	298.4	+14.6	↔
		Expenses		(180.4)	(363.8)	(189.4)	(9.0)	
		Net business profit		103.4	212.3	109.0	+5.6	
	Total (SMFG consolidated)	Gross profit		1,450.1	2,980.4	1,512.7	+62.6	↑
		Expenses		(804.3)	(1,659.3)	(852.2)	(48.0)	
		Ref: Gross profit - Expenses		645.8	1,321.1	660.5	+14.6	
		Equity in gains (losses) of affiliates		0.1	(10.6)	(43.4)	(43.4)	
		Net business profit*4		645.9	1,310.5	617.1	(28.8)	

\*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

## I. 1H, FY3/2016 performance and FY3/2016 targets

# Ref: Breakdown of SMFG's consolidated gross profit

		(JPY bn)				
		1H, FY3/15	FY3/15	1H, FY3/16	YOY change	
SMFG's consolidated gross profit*		1,450.1	2,980.4	1,512.7	+62.6	
	Net interest income	763.6	1,505.2	782.7	+19.1	
	of which:					
	SMBC	586.9	1,121.4	571.9	(15.0)	
	SMBC Consumer Finance	73.0	149.0	78.0	+4.0	
Trust fees		1.4	2.9	1.4	(0.0)	
Net fees and commissions		461.5	996.7	492.9	+31.5	
	of which:					
	SMBC	157.1	350.0	163.9	+6.8	
	Sumitomo Mitsui Card	87.0	178.0	93.0	+6.0	
	SMBC Nikko Securities	77.0	173.0	92.0	+14.0	
	Cedyna	58.0	116.0	58.0	(0.0)	
Net trading income + Net other operating income		223.6	475.7	235.7	+12.1	
	of which:					
	SMBC	82.8	161.0	66.3	(16.4)	
	SMBC Nikko Securities	68.0	156.0	70.0	+3.0	
	Sumitomo Mitsui Finance and Leasing	54.0	115.0	63.0	+8.0	

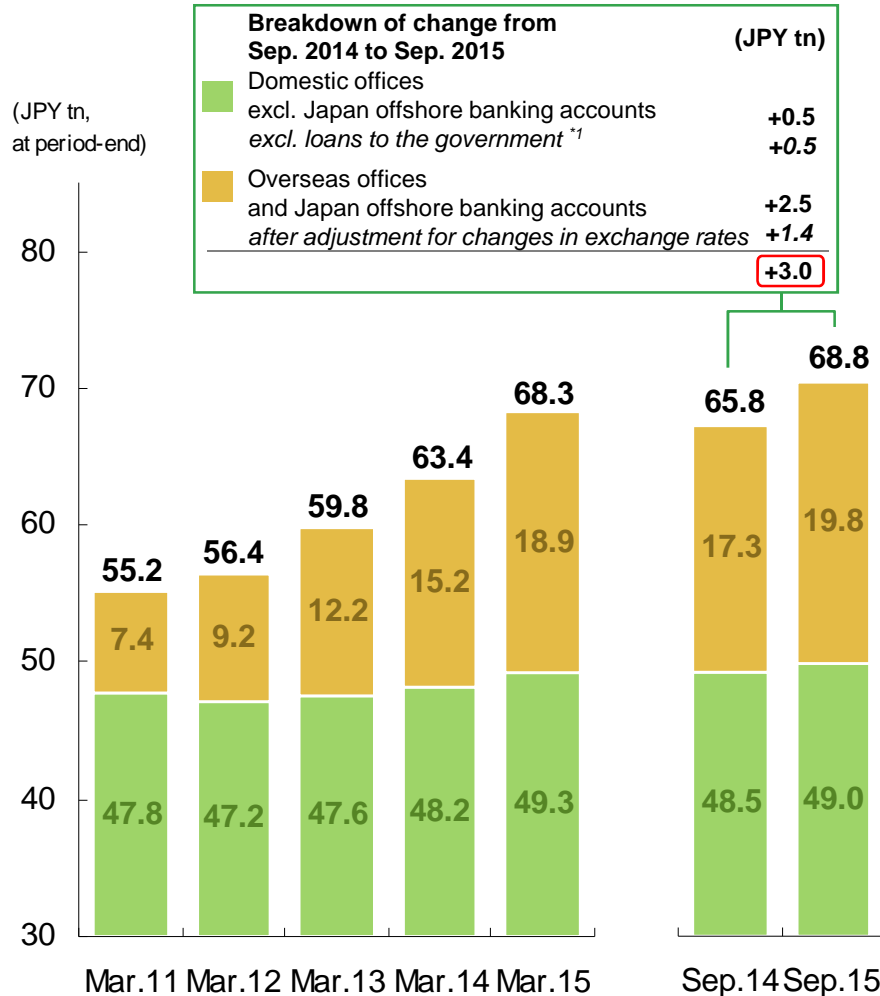
\* In round numbers excl. SMBC

## I. 1H, FY3/2016 performance and FY3/2016 targets

## 3. Loan balance

## SMBC non-consolidated

## Loan balance



## Loan balance by domestic Marketing units, managerial accounting basis

(JPY tn, at period-end)	Sep. 2015	Change from Sep. 2014	Change from Mar. 2015
<b>Large corporations<sup>*2</sup></b>	14.1	+0.5	+0.5
<b>Mid-sized corporations &amp; SMEs<sup>*3</sup></b>	16.3	+0.0	(0.8)
<b>Individuals</b>	14.2	(0.2) <sup>*4</sup>	(0.1) <sup>*4</sup>

Overseas loans, classified by region, <sup>\*5</sup> managerial accounting basis

(JPY tn, at period-end)	Sep. 2015	Change from Sep. 2014	After adjustment for changes in exchange rates	Change from Mar. 2015	After adjustment for changes in exchange rates
<b>Overseas total</b>	<b>23.0</b>	<b>+ 2.9</b>	<b>+ 1.6</b>	<b>+ 1.3</b>	<b>+1.4</b>
<i>to Japanese corporations</i>	5.3	+ 0.3	+ 0.0	(0.2)	(0.2)
<b>Asia</b>	8.7	+0.3	(0.1)	(0.2)	+ 0.0
<i>to Japanese corporations</i>	2.0	+0.1	+0.0	(0.2)	(0.1)
<b>Americas</b>	8.1	+1.5	+0.8	+ 0.7	+ 0.7
<i>to Japanese corporations</i>	2.6	+0.1	(0.0)	(0.1)	(0.1)
<b>EMEA</b>	6.2	+1.1	+0.9	+ 0.8	+ 0.7
<i>to Japanese corporations</i>	0.7	+0.0	+0.0	(0.0)	(0.0)

<sup>\*1</sup> Loans to the Special Account for Allotment of Local Allocation Tax and Local Transfer Tax, etc.

<sup>\*2</sup> Global Corporate Banking Division <sup>\*3</sup> Sum of Corporate Banking Division and Small and Medium Enterprises Banking Division

<sup>\*4</sup> After adding back the portion of housing loans securitized in 2H, FY3/15 of approx. JPY 90 bn and 1H, FY3/16, of approx. JPY 90 bn

<sup>\*5</sup> Sum of SMBC, SMBC Europe and SMBC (China). Based on location of banking office



## I. 1H, FY3/2016 performance and FY3/2016 targets

## 4. Average loan balance and spread, domestic loan-to-deposit spread

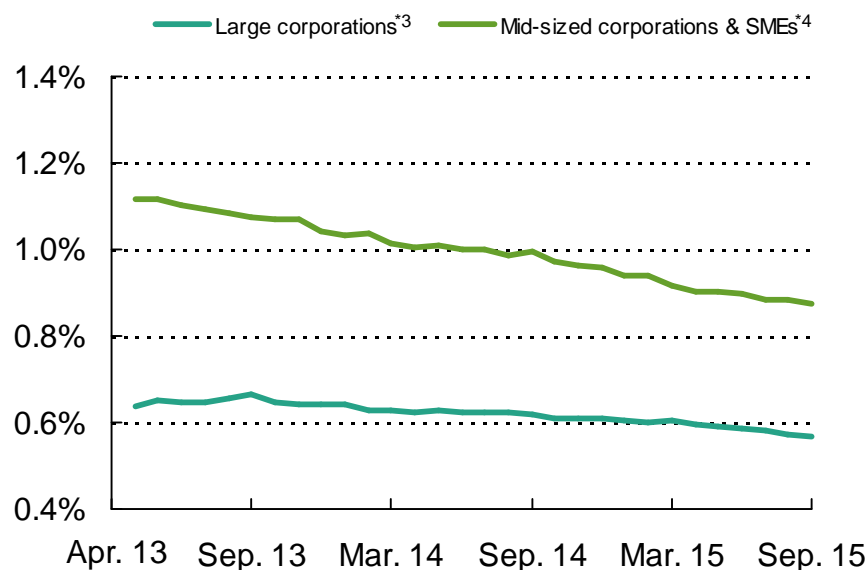
## Average loan balance and spread\*1

(JPY tn, %)		Balance		Spread	
		1H, FY3/16	YOY change*7	1H, FY3/16	YOY change*7
Domestic loans*2		48.3	+1.1	0.89	(0.06)
of which	Large corporations*3	13.6	+0.4	0.58	(0.04)
	Mid-sized corporations & SMEs*4	16.4	+0.7	0.83	(0.11)
	Individuals	14.3	(0.4)	1.45	(0.00)
IBU's interest earning assets*5, 6 (USD bn, %)		220.9	+8.4	1.21	+0.02

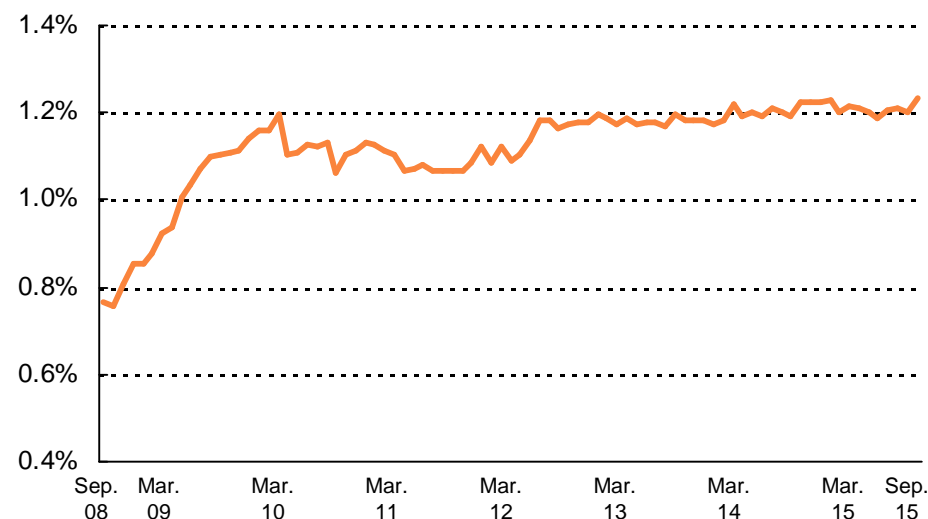
## Domestic loan-to-deposit spread (SMBC non-consolidated)

(%)		1H, FY3/16	YOY change	Apr. - Jun.	Jul. - Sep.
Interest earned on loans and bills discounted		1.24	(0.10)	1.24	1.24
Interest paid on deposits, etc.		0.03	(0.00)	0.03	0.03
Loan-to-deposit spread		1.21	(0.10)	1.21	1.21

## Loan spread (domestic)\*1, 2, 8



## Loan spread (overseas)\*1, 5, 8



\*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 interest rates and exchange rates, etc. \*8 Average loan spread of existing loans

## I. 1H, FY3/2016 performance and FY3/2016 targets

## 5. Net fees and commissions

(JPY bn)	FY3/15	1H, FY3/16	YOY change
<b>SMFG consolidated*1</b>	996.7	492.9	+31.5
of which: <b>SMBC</b>	350.0	163.9	+6.8
<b>Sumitomo Mitsui Card</b>	178.0	93.0	+6.0
<b>SMBC Nikko Securities</b>	173.0	92.0	+14.0
<b>Cedyna</b>	116.0	58.0	(0.0)
<b>SMBC Consumer Finance</b>	49.0	28.0	+4.0
<b>SMBC Friend Securities</b>	31.0	14.0	(3.0)

## Reference: Gross banking profit of SMBC's Marketing units

(JPY bn)	FY3/15	1H, FY3/16	YOY Change*2
Loan syndication	42.0	17.3	(0.5)
Structured finance	22.1	8.4	+1.0
Asset finance*3	15.3	7.4	+1.5
Sales of derivatives products	25.0	10.1	+1.8
Income related to domestic corporate business	104.4	43.2	+3.8
Investment trusts	36.7	15.3	(2.7)
Pension-type insurance	12.7	4.9	(1.6)
Single premium type permanent life insurance	8.4	10.6	+6.4
Level premium insurance	7.4	3.2	(0.1)
Income related to domestic consumer business	65.2	34.0	+2.0
of which:			
Money remittance, electronic banking	92.2	46.3	+0.4
Foreign exchange	51.9	26.3	+0.9
Domestic Non-interest income	313.3	139.4	+3.0
of which:			
IBU's loan related income*4	65.5	35.5	+1.1
IBU's Non-interest income*4	117.5	66.3	+1.0
Non-interest income	430.8	205.7	+4.0
of which:			
Income on domestic loans	426.5	210.3	(8.7)
Income on domestic yen deposits	120.9	49.8	+1.1
IBU's interest related income*4	227.8	114.4	+11.7
Interest income	856.7	415.5	+1.4
<b>Gross banking profit of SMBC's Marketing units*5</b>	<b>1,287.5</b>	<b>621.2</b>	<b>+5.4</b>

\*1 In round numbers excl. SMBC \*2 After adjustments of interest rates and exchange rates, etc. \*3 Profit from real estate finance, securitization of monetary claims, etc.

\*4 IBU: International Banking Unit \*5 Managerial accounting basis

## I. 1H, FY3/2016 performance and FY3/2016 targets

## 6. Gains (losses) on bonds

SMBC non-consolidated

## Gains (losses) on bonds

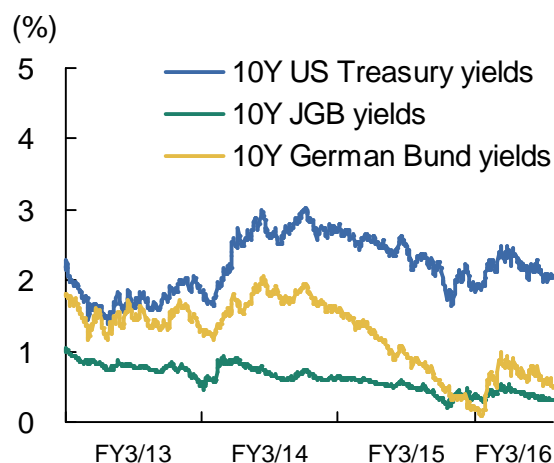
(JPY bn)	FY3/15	1H, FY3/16	YOY Change
<b>Gains (losses) on bonds</b>	47.9	20.5	(8.3)
Domestic operations	3.3	(0.5)	(3.0)
International operations	44.6	21.1	(5.3)

## Gross banking profit of SMBC's Treasury Unit

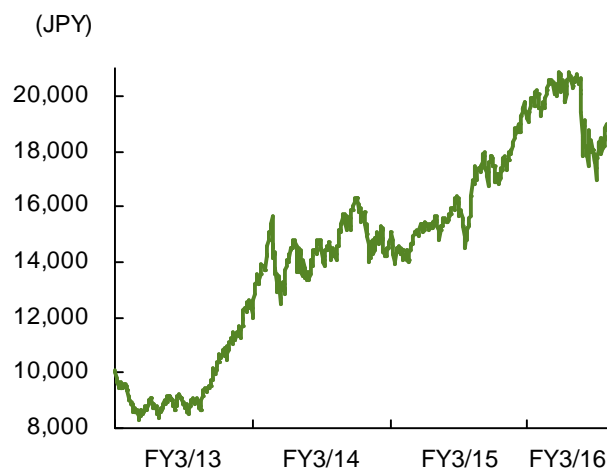
(JPY bn)	FY3/15	1H, FY3/16	YOY change
<b>Gross banking profit of SMBC's Treasury Unit</b>	354.0	222.5	+11.5

## Interest rate, stock price and exchange rate

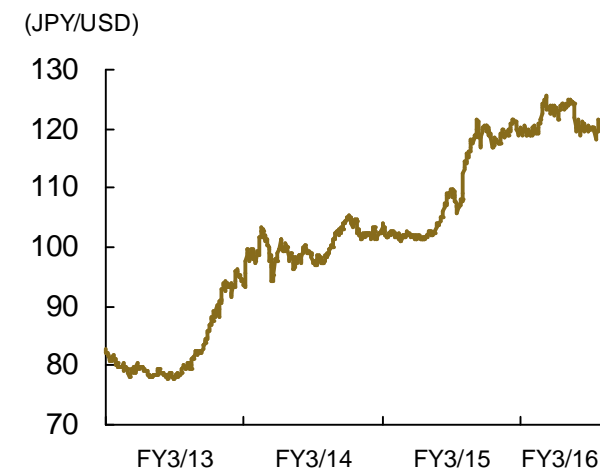
Interest rate of JGB, US Treasury and Bund



Nikkei Stock Average



Exchange rate JPY / USD

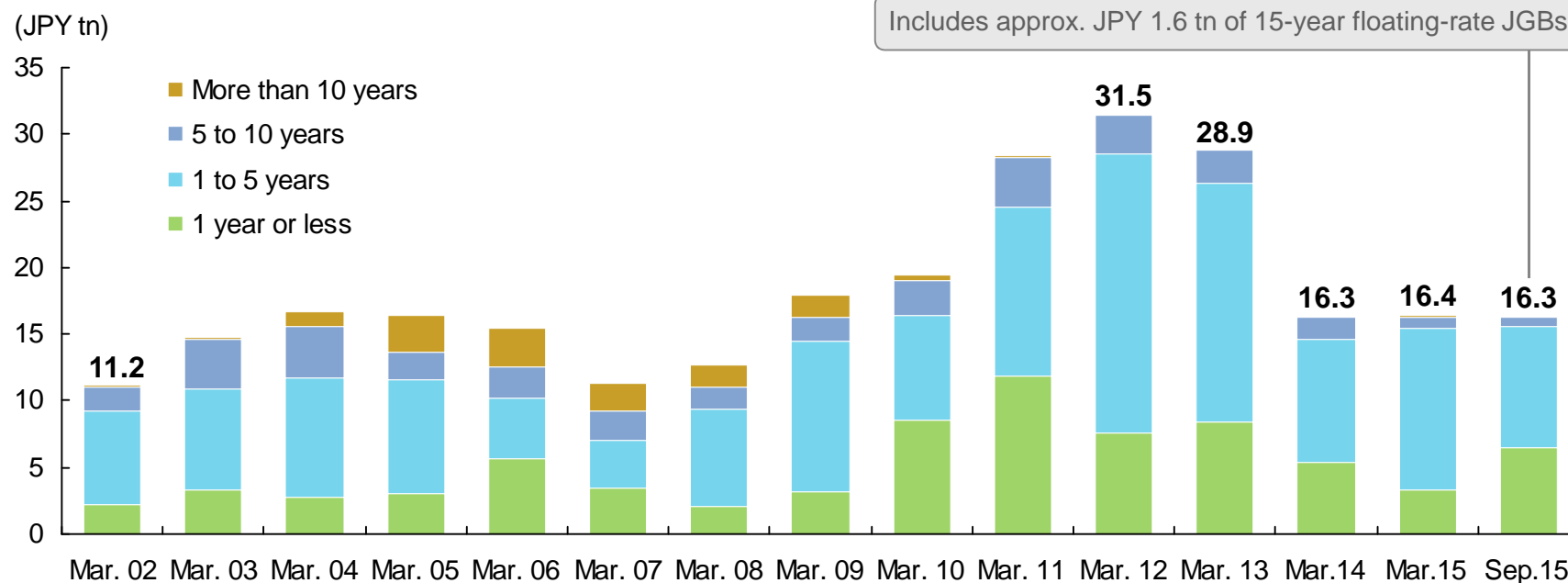


## I. 1H, FY3/2016 performance and FY3/2016 targets

# Ref: 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)



Average duration (years) <sup>*1</sup>	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	1.8
Unrealized gains (losses) (JPY bn) <sup>*2</sup>	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	54.4

<sup>\*1</sup> 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

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

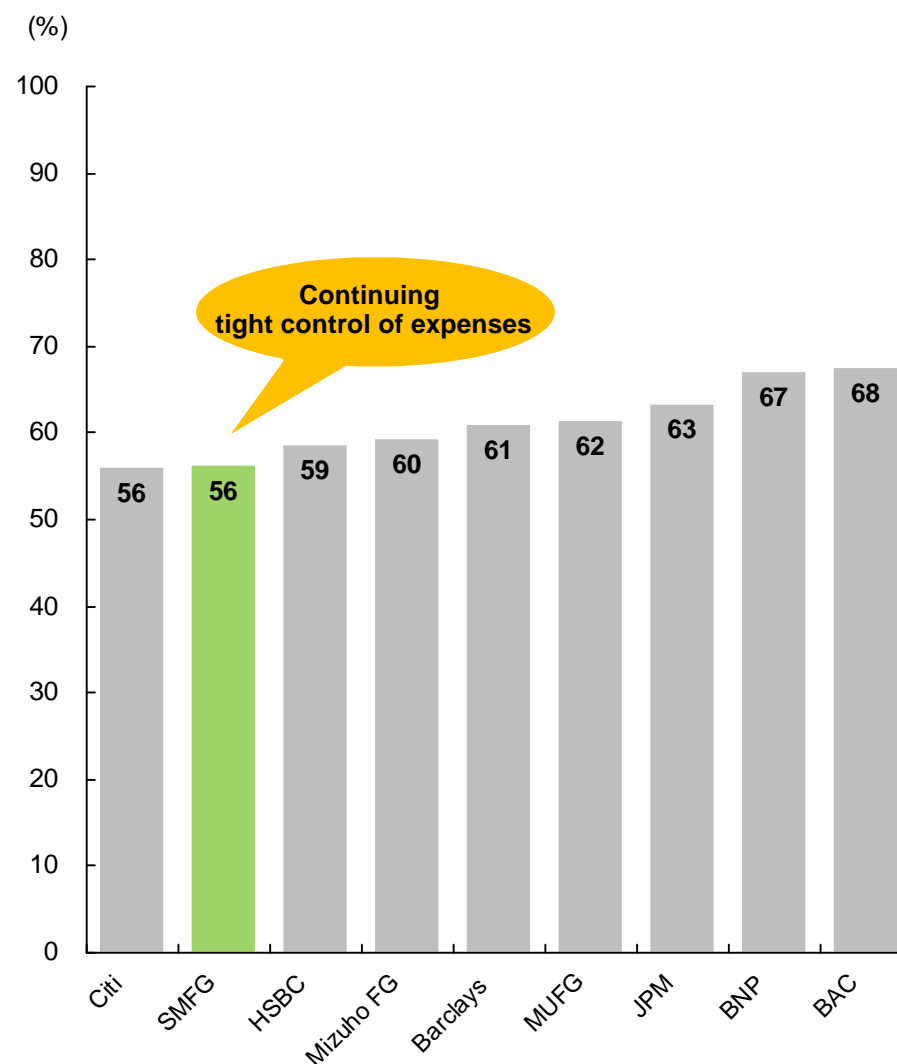
## I. 1H, FY3/2016 performance and FY3/2016 targets

# 7. Expenses

## Expenses, overhead ratio

(JPY bn)		1H, FY3/16	YOY change
SMFG consolidated	Expenses	852.2	+48.0
	Overhead ratio	56.3%	+0.8%
SMBC non-consolidated <sup>*1</sup>	Expenses	398.8	+11.9
	Overhead ratio	49.7%	+3.0%

## Overhead ratio comparison<sup>\*2</sup>



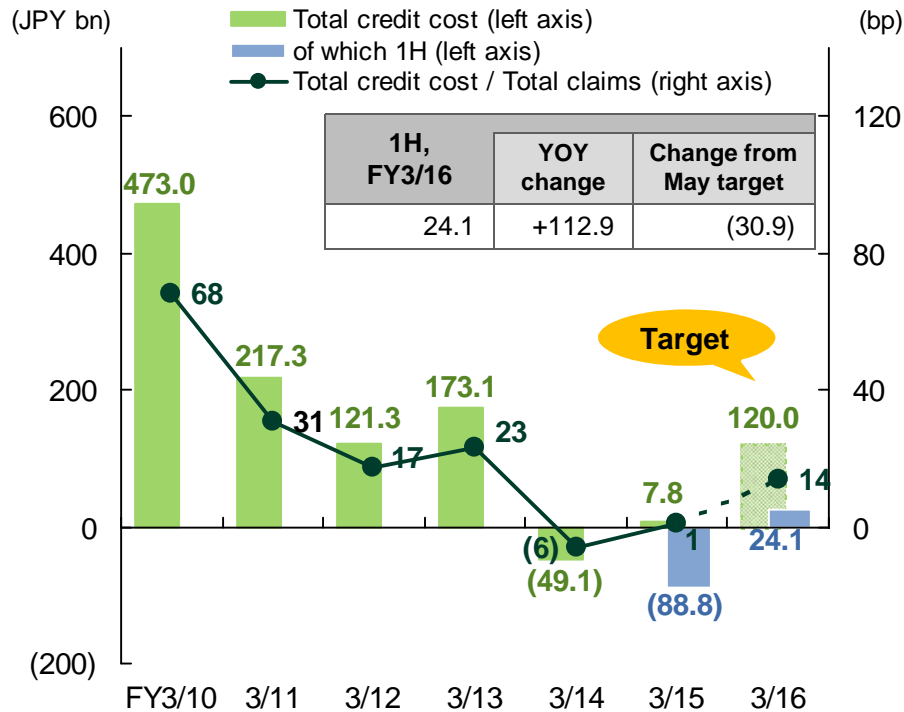
<sup>\*1</sup> Excludes non-recurring losses

<sup>\*2</sup> Consolidated basis. Based on each company's disclosure. G&A expenses divided by top-line profit (net of insurance claims).  
1H, FY3/2016 results for SMFG, Mizuho FG and MUFG, and Jan.- Sep. 2015 results for others

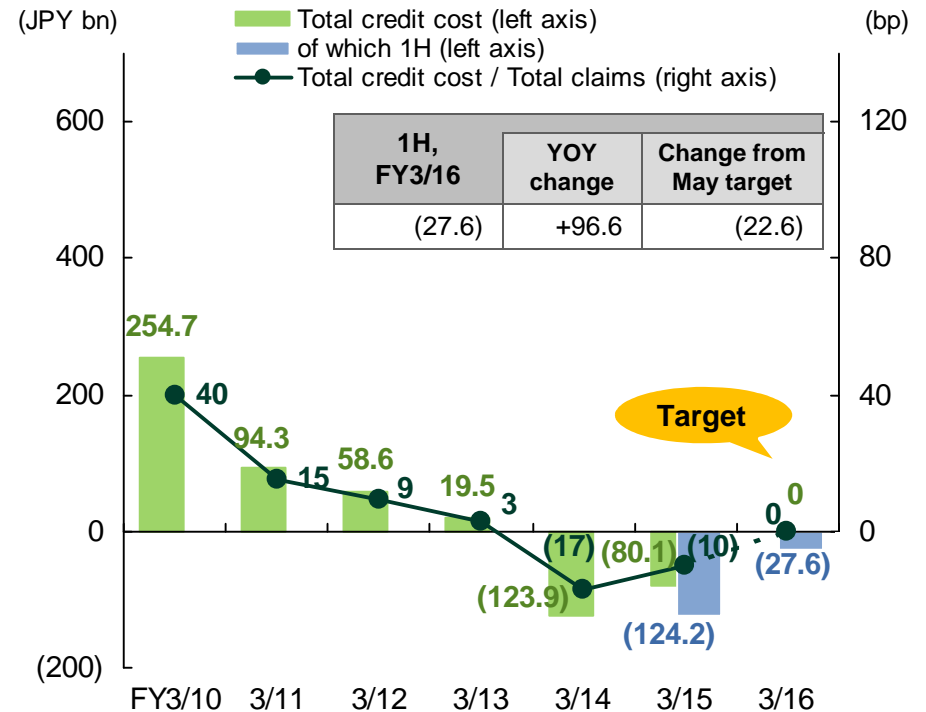
## I. 1H, FY3/2016 performance and FY3/2016 targets

## 8. Credit costs

## SMFG consolidated



## SMBC non-consolidated



## Variance between SMFG consolidated and SMBC non-consolidated\*

(JPY bn)	1H, FY3/16	YOY change
<b>Variance with SMBC non-consolidated</b>	51.7	+16.3
SMBC Consumer Finance	35.0	+6.0
Cedyna	6.0	+1.0
Sumitomo Mitsui Card	6.0	+1.0
Sumitomo Mitsui Finance and Leasing	(1.0)	+5.0

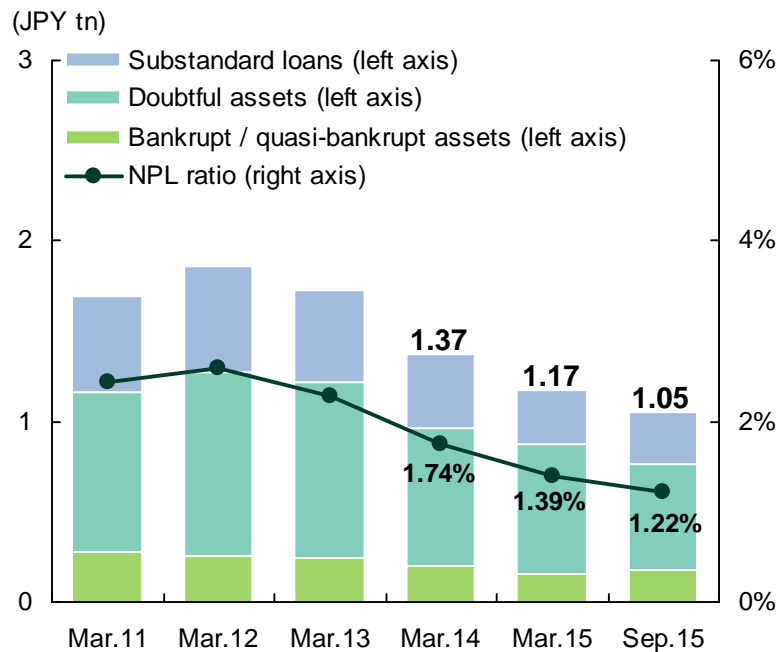
\* In round numbers

## I. 1H, FY3/2016 performance and FY3/2016 targets

# Ref: Non-performing loan balance and ratio

## SMFG consolidated

	Mar. 15	Sep. 15
Coverage ratio	83.14%	81.52%

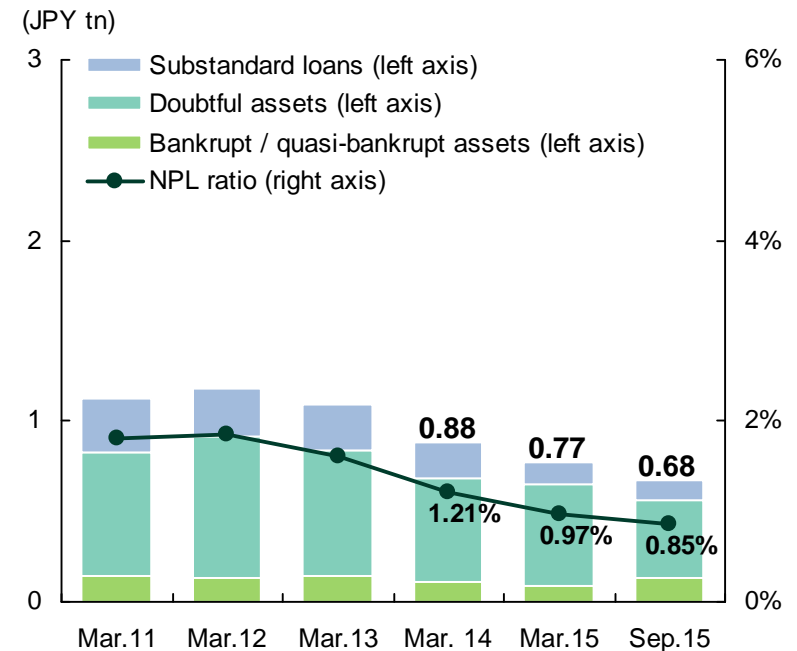


(JPY tn)

Total claims	70	72	76	79	85	86
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## SMBC non-consolidated

	Mar. 15	Sep. 15
Coverage ratio	87.67%	87.24%



(JPY tn)

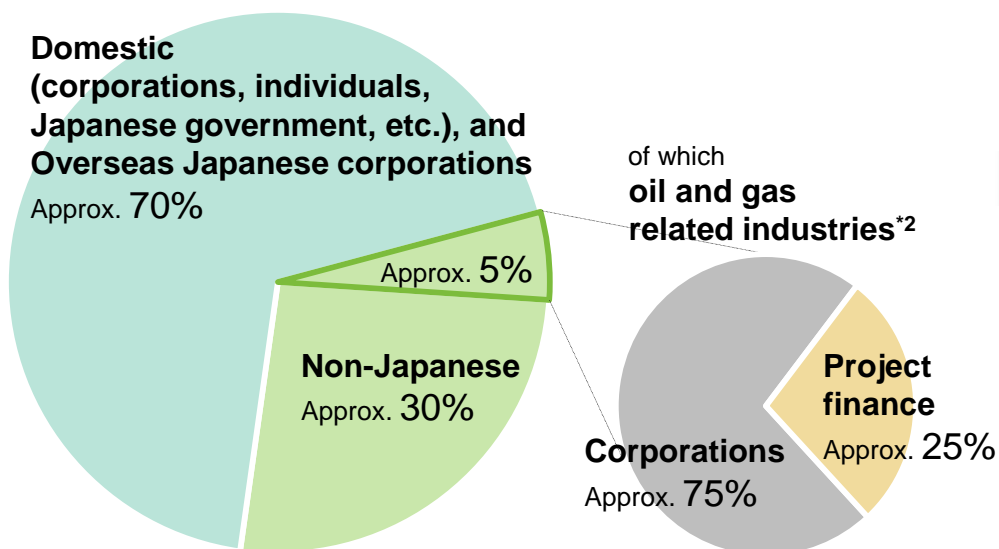
Claims on borrowers requiring caution*	3.1	2.8	1.9	1.6	1.6	1.5
Total claims	62	64	68	73	79	79

\* Excludes claims to Substandard borrowers

## I. 1H, FY3/2016 performance and FY3/2016 targets

## Ref: Exposure to oil and gas related industries / China / Russia

## Exposure to oil and gas related industries within SMFG's consolidated exposure\*1



- Exposure to non-Japanese oil and gas related industries is around USD 53bn as of Sep. 2015. Of the aggregate USD 53bn, the exposure to companies including oil majors, which are susceptible to oil/gas price fluctuation, is less than USD 30bn
- Within exposure to oil and gas related industries, around 90% is classified as “1-3” on our internal rating

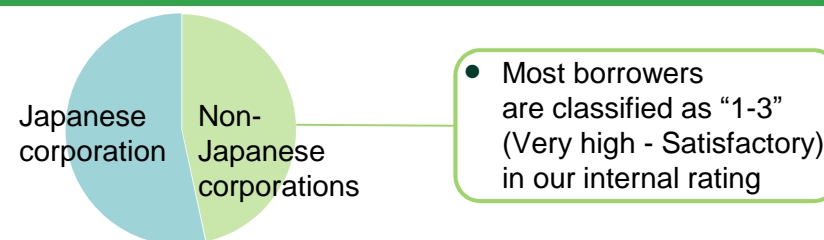
## Loan balance in China\*2

## Loan balance (based on borrowers' domicile)\*3

(JPY tn)

Mar. 15	Sep. 15	Change from Mar. 31, 2015
1.20	1.05	(0.15)

## Composition by borrowers (based on booking office)



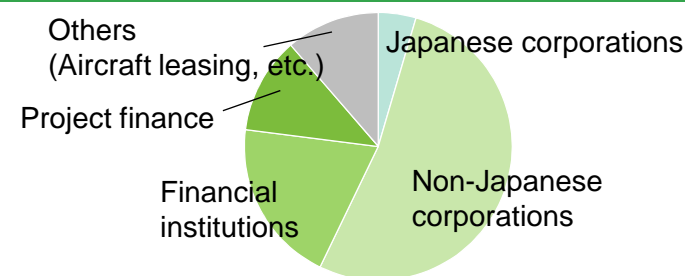
## Exposure to Russia

(USD bn)

Mar. 15	Sep. 15	Change from Mar. 31, 2015
5.1	4.7	(0.4)

Less than 1% of SMFG's total exposure

## Breakdown of exposure to Russia



\*1 Loans, guarantee transactions, investments, equity stakes, etc.

\*2 Sum of SMBC, SMBC Europe and SMBC (China)

\*3 In round numbers. Loan balance is translated into JPY from the local currency at the exchange rate of Sep. 30, 2015



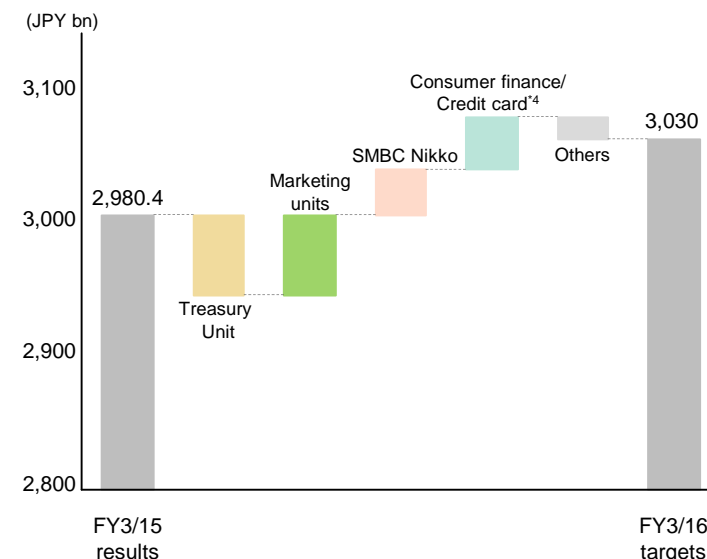
## I. 1H, FY3/2016 performance and FY3/2016 targets

## 9. Earnings targets for FY3/2016

	(JPY bn)	FY3/15 results	1H, FY3/16 results	FY3/16 targets	YOY change
SMFG consolidated	<b>Consolidated gross profit</b>	USD 24.9 bn <sup>*1</sup> 2,980.4	1,512.7	USD 25.3 bn <sup>*1</sup> 3,030	+49.6
	<b>Ordinary profit</b>	USD 11.0 bn <sup>*1</sup> 1,321.2	631.8	USD 10.2 bn <sup>*1</sup> 1,220	(101.2)
	<b>Variance with SMBC non-consolidated</b>	365.2	216.8	470	+104.8
	<b>Profit attributable to owners of parent</b>	USD 6.3 bn <sup>*1</sup> 753.6	388.1	USD 6.3 bn <sup>*1</sup> 760	+6.4
	<b>Variance with SMBC non-consolidated</b>	110.6	102.9	240	+129.4

SMBC non-consolidated	<b>Gross banking profit</b>	USD 13.6 bn <sup>*1</sup> 1,634.3	803.0	USD 13.2 bn <sup>*1</sup> 1,580	(54.3)
	<b>Expenses<sup>*2</sup></b>	(791.2)	(398.8)	(820)	(28.8)
	<b>Banking profit<sup>*3</sup></b>	USD 7.0 bn <sup>*1</sup> 843.1	404.2	USD 6.3 bn <sup>*1</sup> 760	(83.1)
	<b>Total credit cost</b>	80.1	27.6	0	(80.1)
	<b>Gains (losses) on stocks</b>	52.6	1.1		
	<b>Ordinary profit</b>	USD 8.0 bn <sup>*1</sup> 956.0	415.0	USD 6.3 bn <sup>*1</sup> 750	(206.0)
	<b>Net income</b>	USD 5.4 bn <sup>*1</sup> 643.0	285.3	USD 4.3 bn <sup>*1</sup> 520	(123.0)

Breakdown of changes in Consolidated gross profit (revised in Nov. 2015)

Assumption of earnings targets<sup>\*5</sup>

		FY3/16
3M TIBOR		0.17%
Federal funds target rate		0.75%
Exchange rate	JPY/USD	120.00
	JPY/EUR	135.00

\*1 Converted into USD at period-end exchange rate of USD 1 = JPY 119.92 \*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

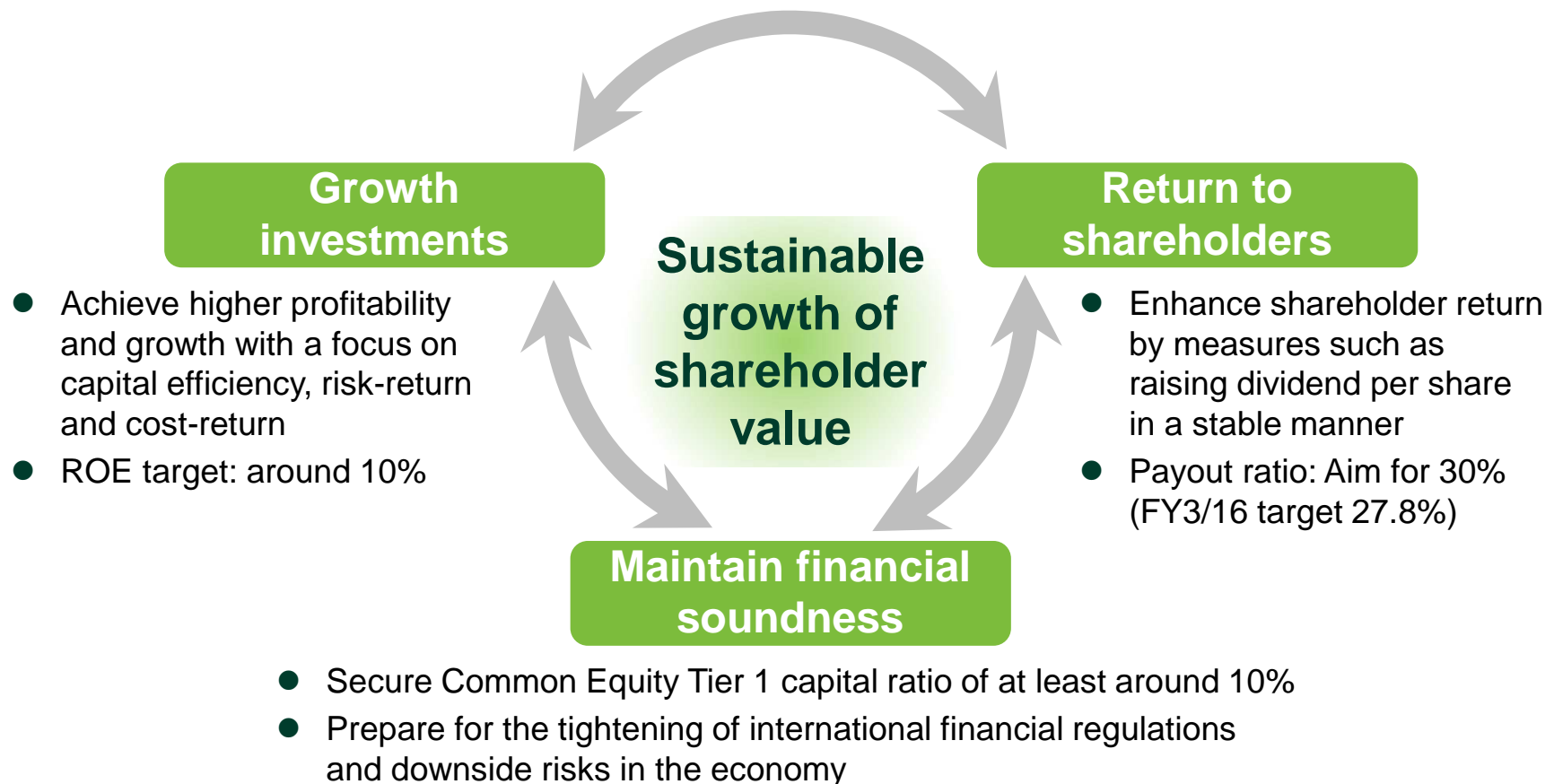
\*5 Nominal GDP growth rate: FY3/2015 result was +1.6%; FY3/2016 forecast estimated by Japan Research Institute was +2.1% as of May 2015 and +2.2% as of Nov. 2015; Nikkei Stock Average: JPY19,206.99 as of Mar. 31, 2015 and JPY17,388.15 as of Sep. 30, 2015

## II. Capital policy

## II. Capital policy

### 1. Basic capital policy

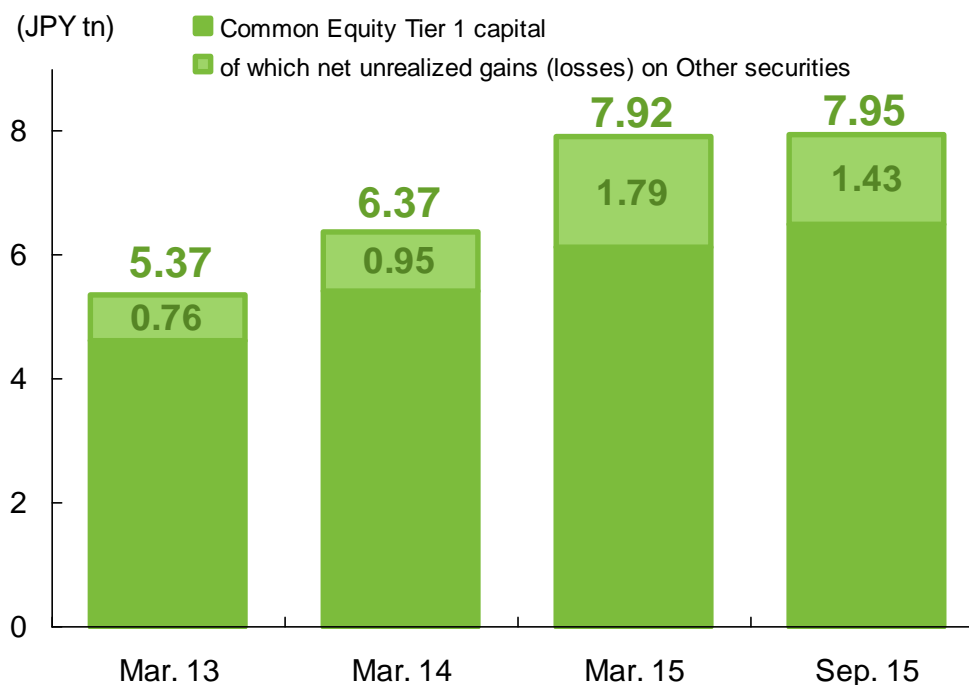
- **Our commitment** : Raise dividend per share in a stable manner  
Aim for payout ratio of 30% (FY3/16 target: 27.8%)
- **Issues to be assessed:** Direction, clarification and implementation schedule of international financial regulations



## II. Capital policy

## 2. Capital position

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



Risk-weighted assets	JPY 62.1 tn	JPY 61.3 tn	JPY 65.9 tn	JPY 65.2 tn
CET 1 capital ratio [excluding net unrealized gains]	8.6%	10.3% [8.7%]	12.0% [9.0%]	12.1% [9.8%]

- 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

## II. Capital policy

### Ref: Major capital requirement regulations forecasted to increase RWA

- We use AIRB<sup>\*1</sup> approach for credit risk and AMA<sup>\*1</sup> for operational risk; RWA increase is likely upon the revision of each approach

#### Revisions to the Standardised Approach for credit risk

- 2<sup>nd</sup> consultation published by end of 2015
- Planned publication of final rule during 2016

#### Revisions to the Standardised Approach for operational risk

- 2<sup>nd</sup> consultation published by end of 2015
- Planned publication of final rule during 2016
- Planned proposal to end AMA<sup>\*1</sup> by BCBS<sup>\*2</sup>

#### Review of the CVA risk framework

- Planned publication of final rule during the first half of 2016

#### IRRBB (Interest-rate risk in the banking book)

- Planned publication of final rule during 2016

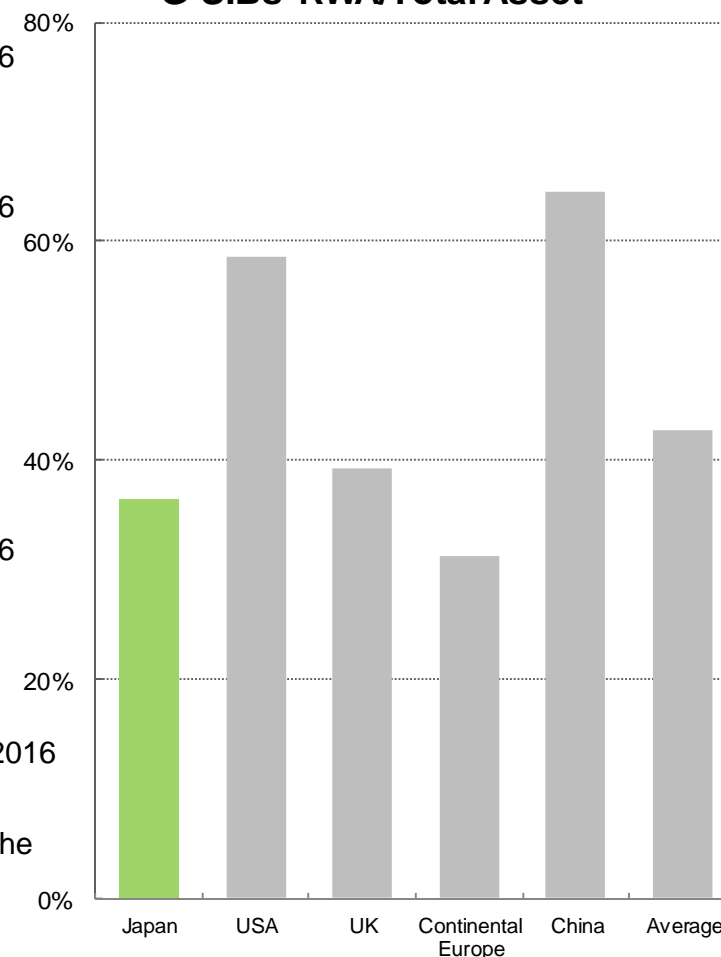
#### Revisions to the internal models

- Planned publication of proposal regarding the internal model by end of 2015
- Planned publication of final rule by end of 2016

#### Capital floors

- To be discussed according to revisions to the Standardised Approaches and the internal models

G-SIBs' RWA/Total Asset<sup>\*3</sup>



<sup>\*1</sup> AIRB approach: Advanced Internal Rating Based approach; AMA: Advanced Measurement Approach

<sup>\*2</sup> BCBS: Basel Committee on Banking Supervision

<sup>\*3</sup> Source: "The Banker" (July 2015 Edition). Average amount of each G-SIB separated by region. Japan is based on end of Mar. 2015, while other regions are based on end of Dec. 2014

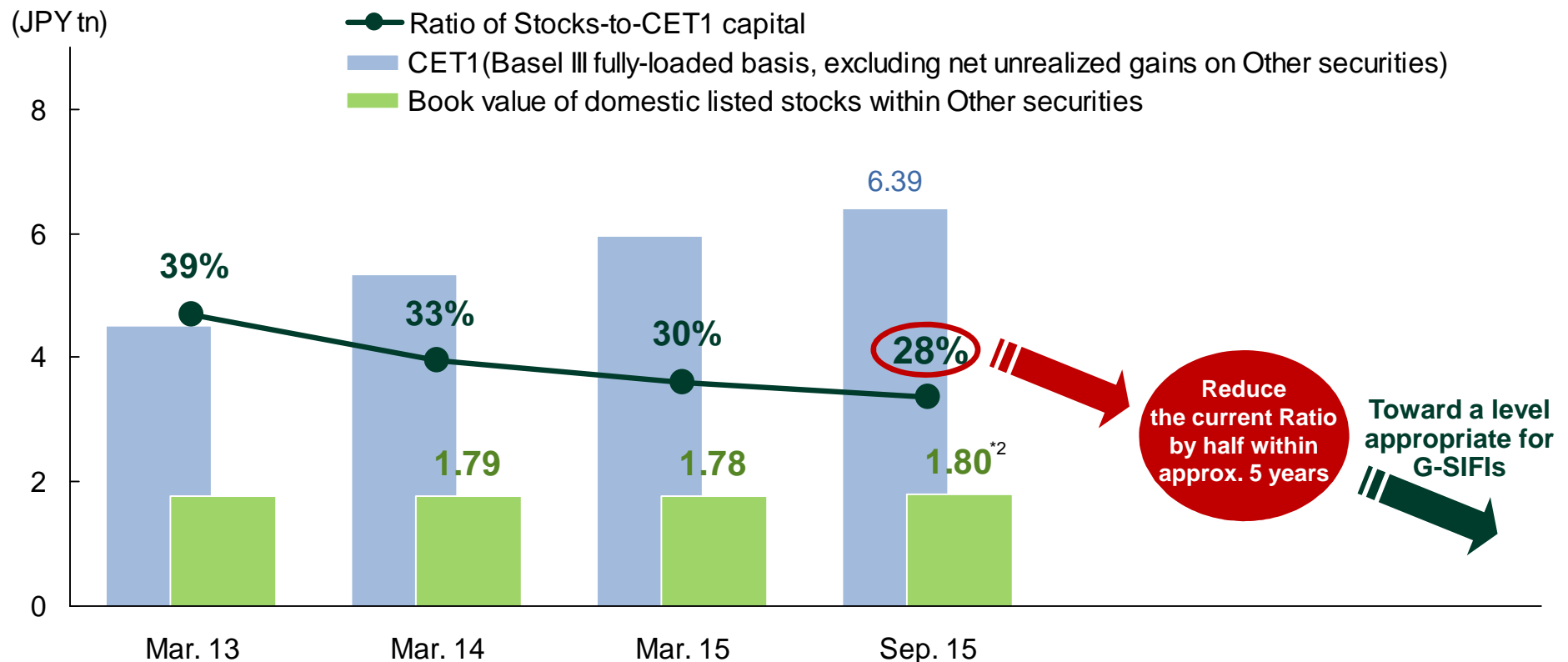
## II. Capital policy

## 3. Reduction of strategic shareholdings

- We will continuously mitigate the risk from stock price fluctuations in order to have a more stable and robust financial base
- Toward achieving an appropriate level of the Ratio of Stocks-to-CET1 capital(\*) as one of the G-SIFIs, we aim to have the assurance of reducing the current Ratio by half within approximately 5 years

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

## Transition of strategic shareholdings outstanding (SMFG consolidated basis)



\*1 Same meaning as acquisition cost

\*2 Diminishes after deducting increase in book value from the termination of hedge transactions

## II. Capital policy

# Ref: Governance regarding strategic shareholdings

### Basic policy regarding strategic shareholdings

("Corporate governance report" announced on July 2015)

- In principle, SMFG does not hold the shares of other listed companies. This is in order to help maintain our standards as a globally operating financial institution and respond proactively to global regulation
- We determine "the rationale to hold" with comprehensive consideration based on the profitability, the objectives to hold, and other relevant factors for the medium to long term

- **Continuously implement reduction of strategic shareholdings in order to achieve an appropriate level as one of the G-SIFIs**
- **Examine annually the rationale for holding strategic shares of our main strategic share counterparties at the Board of Director's meeting**
  - ✓ Have constructive dialogue with counterparties that lack profitability in order to improve overall profitability. If there is no rationale to hold the shares such as when there is no prospect for improvement in profitability, we will sell the shares
  - ✓ Begin dialogue to reduce strategic shareholdings even with counterparties that have the rationale to hold strategic shares, in order to mitigate the risk from stock price fluctuations

## Deliberating the rationale for holding strategic shares

- Completed examining the rationale to hold major strategic shareholdings at the Board of Director's meeting
- Profitability is verified by two measures: RARORA and RAROA

### ➤ **RARORA** (Risk Adjusted Return on Risk-weighted Asset )

Profit after excluding expense, credit cost, shareholding cost / Credit RWA + Stock book-value RWA  
Taking into account the impact of RWA due to tightening of regulation

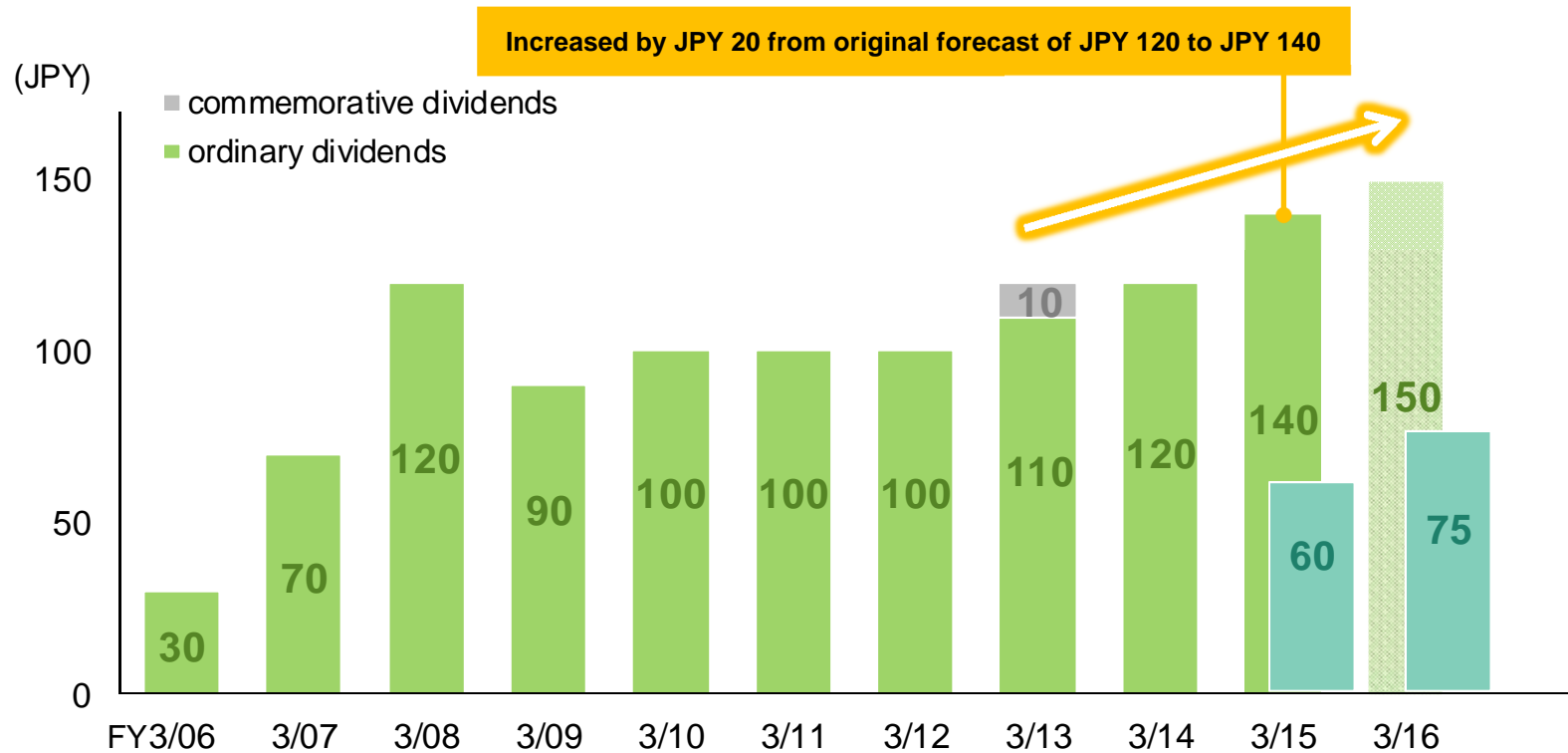
### ➤ **RAROA** (Risk Adjusted Return on Asset)

Profit after excluding expense, credit cost, shareholding cost / Total credit exposure + Total equity investments outstanding

- Profitability is also measured against risk-weighted capital (**RAROC**), but currently used as a referential measure because it lacks stability to use as an operational indicator since risk-weighted capital may increase or decrease from volatility of stock price

## II. Capital policy

## 4. Return to shareholders

Dividend per share<sup>\*1, 2</sup>

ROE <sup>*3</sup>	22.8%	13.8%	15.8%	-	7.5%	9.9%	10.4%	14.8%	13.8%	11.2%	Secure around 10%
Payout ratio <sup>*4</sup>	3.4%	12.5%	20.5%	-	46.8%	30.0%	26.8%	21.3%	20.3%	26.2%	27.8%

<sup>\*1</sup> 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 <sup>\*2</sup> Common stock only <sup>\*3</sup> On a stockholders' equity basis <sup>\*4</sup> Consolidated payout ratio



# **III. Progress of medium-term management plan**

### III. Progress of medium-term management plan

## 1. 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

### III. Progress of medium-term management plan

## 2. Progress of three-year management goals

- Progress is smooth overall
- Steadily gaining ground in evolving our domestic and overseas business models
- Medium- to long-term commitment to Asia remains unchanged, despite noting slowdown in emerging market economy
- Aim to strengthen our securities business

#### Achievements

- Increase in loans due to more frequent contact with corporate clients by fully establishing new business structure at SMBC
- Expansion of our wholesale business' bank-securities collaboration
- Sustainable increase in returns overseas due to cross-selling and adding highly profitable assets
- Increase in assets under management in our retail business via bank-securities integration model. Moved forward to strengthen our high-net-worth segment business through the acquisition of the retail banking business of Citibank Japan
- Expansion of our IT-related financial services through cross-group collaboration
- Continued building our business platform in order to become a truly Asia-centric institution. Strengthened our franchise through our Indonesia strategy and making regional main banks equity-method affiliates (the Bank of East Asia (Hong Kong), ACLEDA Bank (Cambodia))
- Increase in the appointment of women and National Staff; upgraded the function of Board of Directors

#### Points to enhance going forward

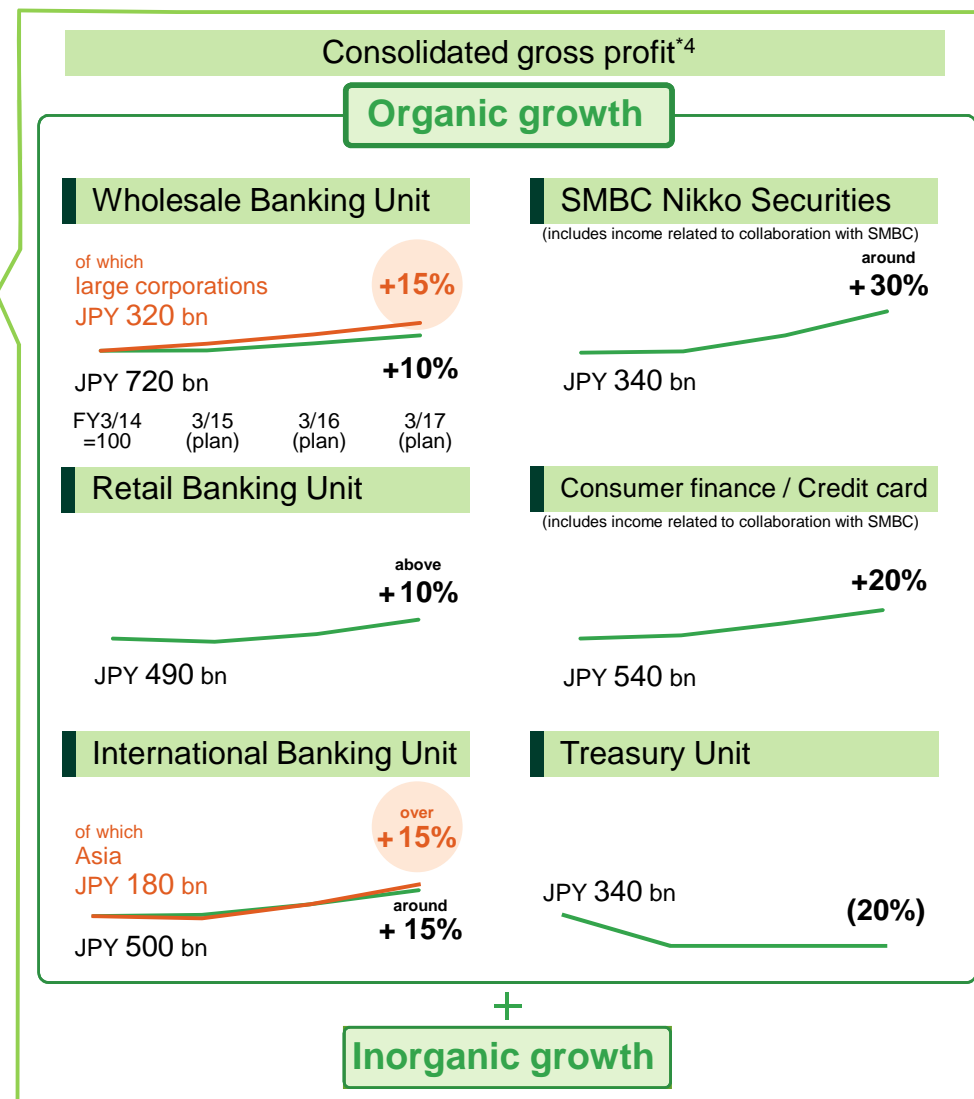
- Increase the pace of our top-line profit growth
- Continuously improve our risk-return and cost-return
- Strengthen our equities / bond underwriting and advisory capability for large domestic corporations and non-Japanese multi-national corporations
- Promote origination and distribution
- Move forward with our Asia Strategy, which is a part of our “vision for the next decade”

### III. Progress of medium-term management plan

## 3. Progress on financial targets

#### Progress on financial targets

		FY3/15	1H, FY3/16	FY3/17 targets
Growth	Growth rate of Consolidated gross profit	+2.8%	<b>+4.4%*<sup>1</sup></b>	around <b>+15%*<sup>2</sup></b>
	Consolidated ROE	11.2%	<b>10.8%*<sup>1</sup></b>	around 10%
Profit-ability	Consolidated net income RORA	1.1%	<b>1.2%*<sup>1</sup></b>	around 1%
	Consolidated overhead ratio	55.7%	<b>56.3%</b>	in the mid 50%
	Common Equity Tier 1 capital ratio* <sup>3</sup>	12.0%	<b>12.1%</b>	around 10%
Sound-ness	Common Equity Tier 1 capital ratio* <sup>3</sup>	12.0%	<b>12.1%</b>	around 10%



\*1 Annualized \*2 FY3/17 targeted consolidated gross profit increase in comparison with FY3/14 figure

\*3 Basel III fully-loaded basis. Based on the definition as of March 31, 2019

\*4 FY3/17 targeted consolidated gross profit in comparison with FY3/14 figure. After adjustments for changes in interest rates and exchange rates, etc.

### III. Progress of medium-term management plan

## 4. Management environment and risks

- Although growth in GDP and increase in interest rate is slightly lagging, largely within expectations compared to our forecast in our medium-term management plan

#### Economic environment

##### Macro-economic indicators

		FY3/15	FY3/16	FY3/17
Nominal GDP growth rate	Medium-term Plan Assumption	+2.0%	+1.6%	+1.7%
	Actual/Forecast*1	+1.6%	+2.2%	+1.5%
Uncollateralized overnight call rate	Medium-term Plan Assumption	0.10%	0.10%	0.20%
	Actual	Mar. 31, 2015 0.10%	Sep. 30, 2015 0.10%	-
Exchange rate (JPY/USD)	Medium-term Plan Assumption	JPY 100	JPY 100	JPY 100
	Actual*2	Mar. 31, 2015 JPY 120.15	Sep. 30, 2015 JPY 119.92	-
(Ref) Nikkei Stock Average	Actual	Mar. 31, 2015 JPY 19,207	Sep. 30, 2015 JPY 17,388	-

#### Major risk factors that may impact our performance

Impact of FED's exit strategy to the global economy

Rapid economic slowdown of China

Delay of Abenomics

Huge volatility in commodity prices

Tightening of global financial regulations

## IV. Business strategy

1. Group-based initiatives: IT innovation
2. Credit card and consumer finance
3. Treasury Unit
4. Marketing units
  - (1) Wholesale business
  - (2) Retail business
  - (3) International business

## IV. Business strategy

## 1. Group-based initiatives: IT innovation





- Promote innovation that fully utilizes financial-related technology via cross-group collaboration and cooperation with industry-leading corporations

FY3/2013

FY3/2014

FY3/2015

FY3/2016

Internal promotion structure	✓ Set up a project-led team for SMFG cross-group collaboration			✓ Set up <b>IT Innovation Department</b> in SMFG / SMBC
 <b>SMBC</b> SUMITOMO MITSUI BANKING CORPORATION			✓ Improved our service by utilizing image recognition technology from <b>NEC</b> ✓ Improved quality of call center by utilizing Watson from <b>IBM</b>	✓ Capital and business alliance with <b>GMO Payment Gateway</b> (payment service provider) ✓ Partnership agreement with <b>Plug and Play</b> (global accelerator)
 SUMITOMO MITSUI CARD COMPANY, LIMITED	✓ Set up <b>U.S. Market Research Section</b> (Silicon Valley)	✓ Began offering a smartphone settlement service by <b>Square</b>	✓ Set up <b>South-East Asia Market Research Section</b> (Singapore)	✓ Collaboration with <b>Stripe</b> (multi-foreign currency online settlement provider)
 <b>SMBC NIKKO</b>				✓ Introduced a personal robot named "Pepper" from <b>Softbank Robotics</b>
 <b>Japan Net Bank</b>			✓ Started offering loans for merchants on the internet shopping mall operated by <b>Yahoo</b>	

## IV. Business strategy

# 2. Credit card and consumer finance (1) Credit card

## Develop new business areas (Sumitomo Mitsui Card)

### Initiatives utilizing IT for the SME market

- Participating stores offering service of Square expanded to around 100,000 since beginning this service on May 2013



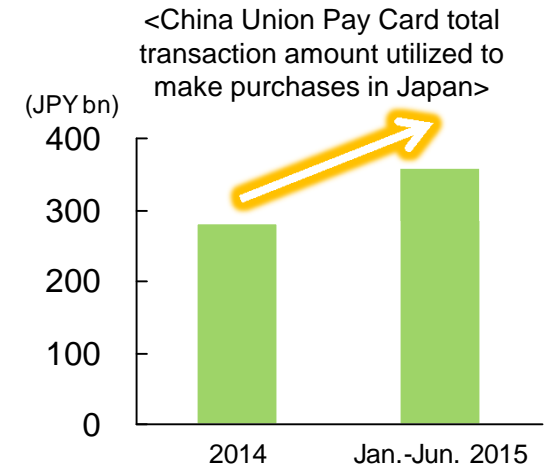
- Develop new SME participating stores in EC market via service of Stripe
  - Plan to provide a payment service that offers over approx. 130 different currencies

### Strengthening safety

- Began offering, the first within the credit card industry, a smartphone application that offers a one-time password for payment during online internet shopping

### Initiatives for inbound consumption

- Increase in overall transaction amount by China Union Pay Card



- Offering payment service with multiple currencies
  - Fixing foreign currency-based payment amount at the time of purchase
- Handle tax-exemption cases

### Cross-selling

- Promote corporate cards through group-wide collaboration
- Expand the electronic money product line-up for participating stores via collaboration between Sumitomo Mitsui Card and Cedyna

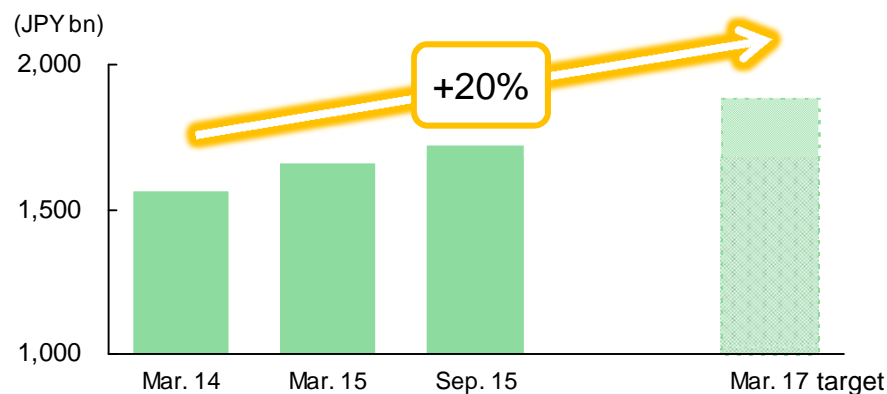


## IV. Business strategy

## 2. Credit card and consumer finance (2) Consumer finance

## Balance of unsecured card loans

(SMBC + SMBC Consumer Finance)



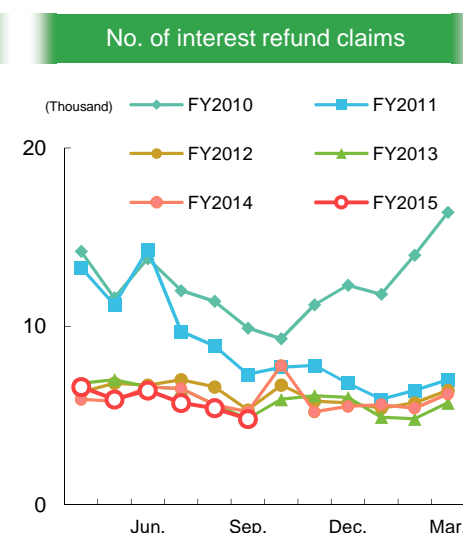
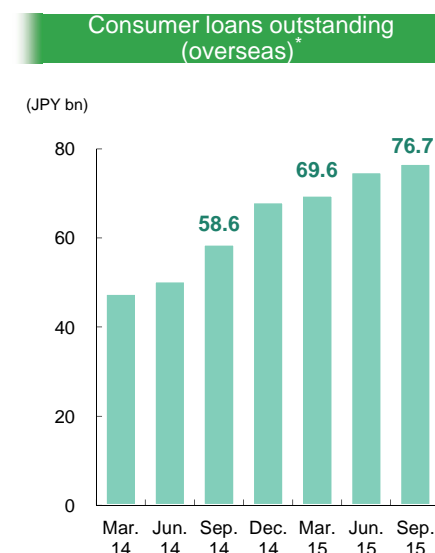
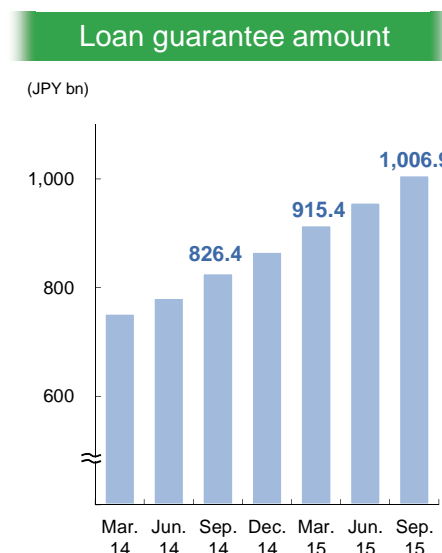
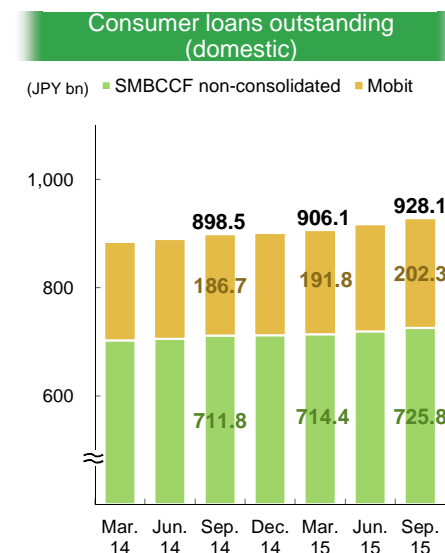
## Financial results : SMBC Consumer Finance (consolidated)

(JPY bn)	1H, FY3/15	FY3/15	1H, FY3/16	YOY change
<b>Operating income</b>	112.2	228.3	121.2	+9.0
Expenses for loan losses within Expenses	(26.7)	(47.9)	(31.0)	(4.3)
Losses on interest repayments within Expenses	-	(44.8)	-	-
<b>Ordinary profit</b>	29.8	16.6	29.3	(0.5)
<b>Profit attributable to owners of parent</b>	27.5	11.2	27.1	(0.4)

<b>Consumer loans outstanding</b>	962.3	980.3	1,008.8
<b>Allowance on interest repayments</b>	117.1	127.6	96.5
<b>Loan guarantee</b>	826.4	915.4	1,006.9
of which: for regional financial institutions, etc.	314.5	372.4	428.9

No. of companies with guarantee agreements:  
**189**  
(as of Sep. 2015)

## SMBC Consumer Finance: financing / loan guarantee / overseas businesses



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

## IV. Business strategy

# 3. Treasury Unit

- Secure profit through flexible portfolio management that adapts to the changing market environment

## Gross banking profit of SMBC's Treasury Unit

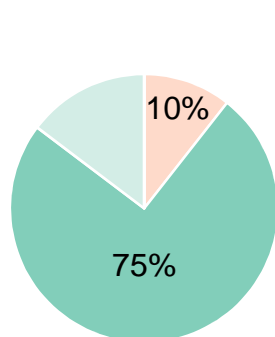
(JPY bn)	FY3/11	FY3/12	FY3/13	FY3/14	1H, FY3/15	FY3/15	1H, FY3/16
Gross banking profit of SMBC's Treasury Unit	330.7	319.3	295.3	325.5	211.0	354.0	222.5

## Diversification of earning sources: composition of Gross profit

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

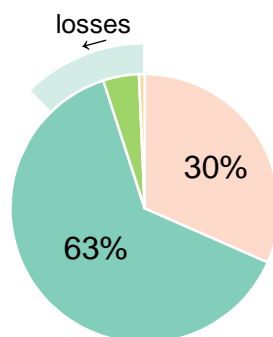
FY3/02

Gross profit: JPY 507.7 bn



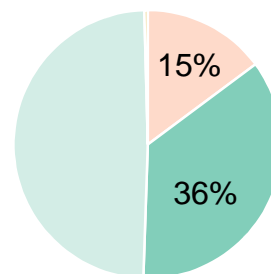
FY3/05

Gross profit: JPY 222.8 bn



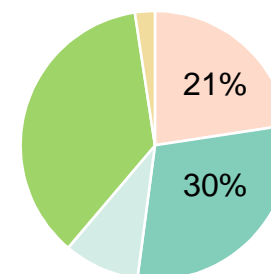
FY3/12

Gross profit: JPY 319.3 bn



FY3/15

Gross profit: JPY 354.0 bn



## IV. Business strategy

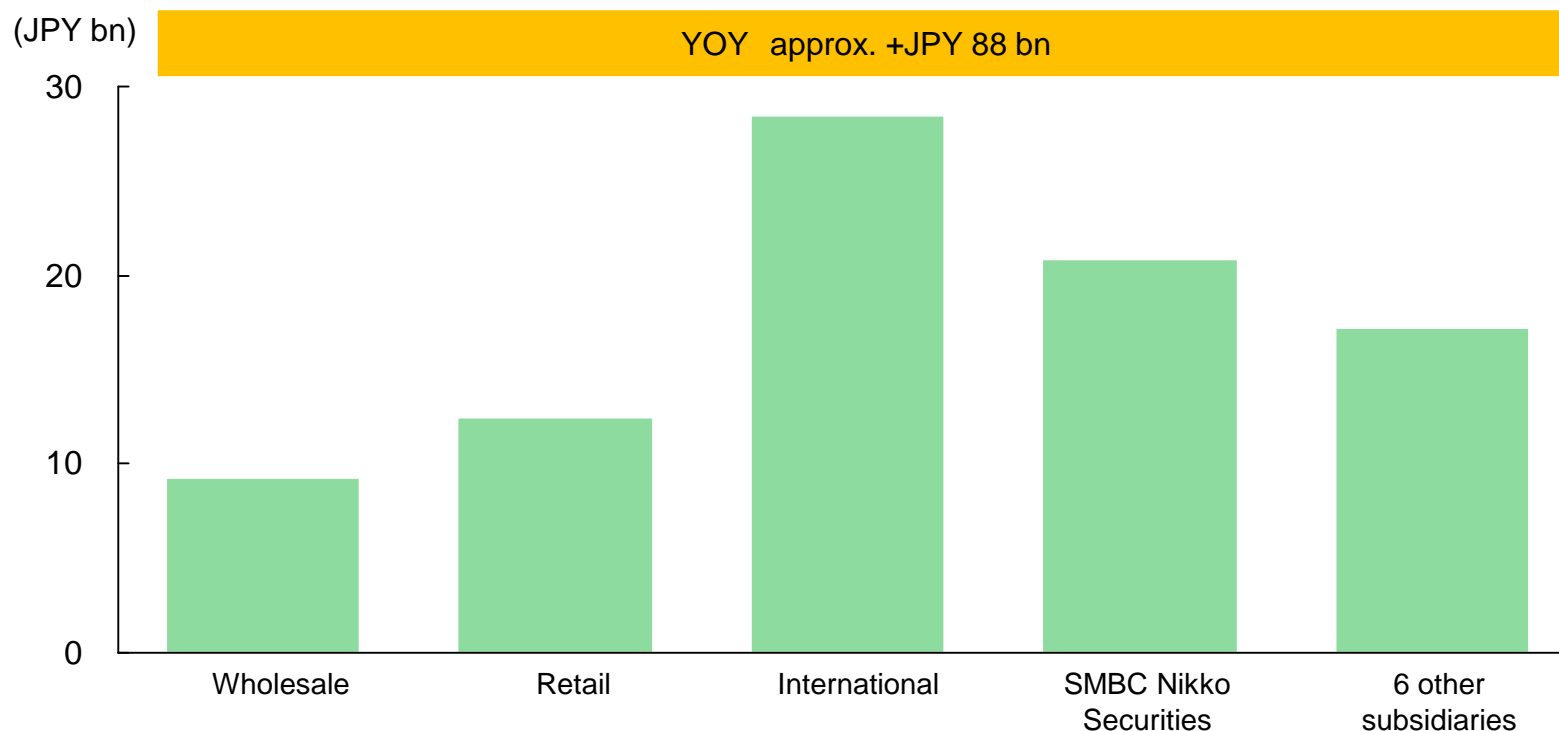
## 4. Marketing units

### Management policy in FY3/2016

~ so that our clients can realize the benefits of our business model transformation during this fiscal year~

- Accelerate key initiatives in accordance with management goals, produce results, and move reforms forward vigorously
- Anticipate changes and be proactive, make a difference with SMFG/SMBC's "Genba-Ryoku" (on-the-ground capabilities), and create business opportunities

YOY change of aggregate gross profit of SMFG's Marketing units and 7 major subsidiaries\*1, 2 (1H, FY3/16 results)



\*1 Sumitomo Mitsui Finance & Leasing, SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card, Cedyna, SMBC Consumer Finance and Japan Research Institute

\*2 Managerial accounting basis. Includes profits from cross-units collaboration

## IV. Business strategy

## 4. Marketing units

## Initiatives for this FY3/16

## Wholesale

- Deepen the “One to One” approach
- Expand target clients of bank-securities collaboration
- Begin trials of “domestic-international integration” model and “global-wide sector” model
- Further develop talented professionals to reinforce our on-the-ground capabilities
- Accelerate initiatives in growth areas

## Retail

- Strengthen the asset management business on a group basis
- Further implement and sophisticate the “Area” system
- Acquire the retail banking business of Citibank Japan
- Reinforce SMBC’s branding; enhance marketing activities utilizing IT

## International

- Initiatives to improve the profitability of our foreign currency portfolio
- Fully launch “Asia Core Client Program”
- Strengthen transaction banking and solution-providing
- Promote cross-selling and expand relationships globally with western multinational corporations (Platinum Partner Club)
- Increase our highly profitable assets mainly through products that are our strong-suit

## 1H, FY3/16 achievements

- Rise in gross profit and loans outstanding of the Wholesale Banking Unit compared to previous year due to more frequent contact with corporate clients through “One to One” approach
- SMBC Nikko Securities took lead manager roles for large-scale capital raising and convertible bond deals
- Strengthened business collaboration at home and abroad and hosted seminars to support start-up companies and growth industries including robotics, hydrogen, and inbound tourism

- Growth in assets under management through our bank-securities retail integration
- Increase in number of contracts related to inheritance and succession
- Began operation of PRESTIA as of November 1st
- Expanded IT-related services such as “Password card” (a smartphone application) and computerized application procedure for life insurance

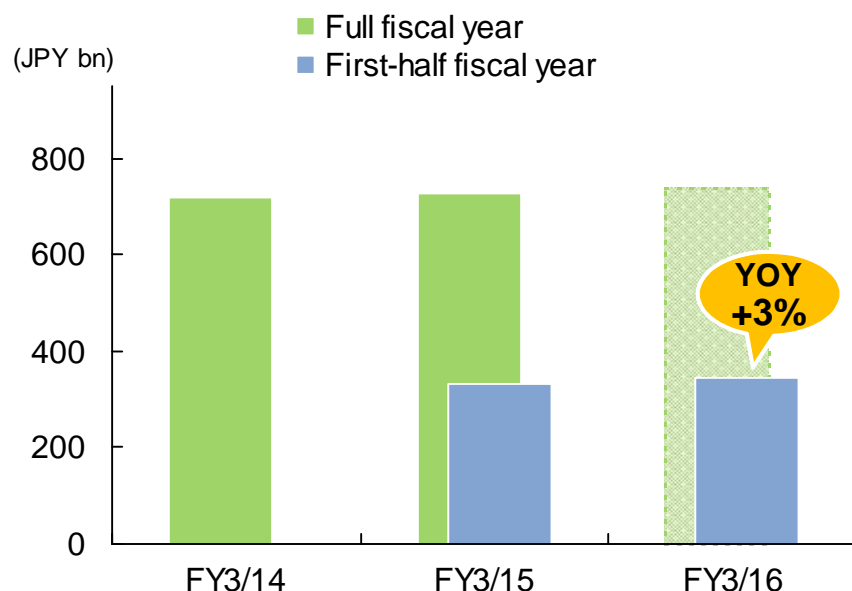
- Implemented transaction banking and financing for business expansion into Europe and/or US for Asia-core clients
- Partook in M&A financing for western corporations, financed clients for business expansion into Asia, and promoted business collaboration with SMBC Nikko Securities
- Expanded our global network by making ACELA Bank (Cambodia) an equity-method affiliate and by reaching agreement to acquire shares of OTO/SOF\* (Indonesia)
- Engaged in business with high profit assets; SMBC Europe acquired European loan portfolio from GE

\* Indonesian auto and motorcycle finance companies of PT Oto Multiartha and PT Summit Oto Finance

## IV. Business strategy

## 4. Marketing units (1) Wholesale business: Initiatives to increase loan balance

## Gross profit (Wholesale banking unit)\*1

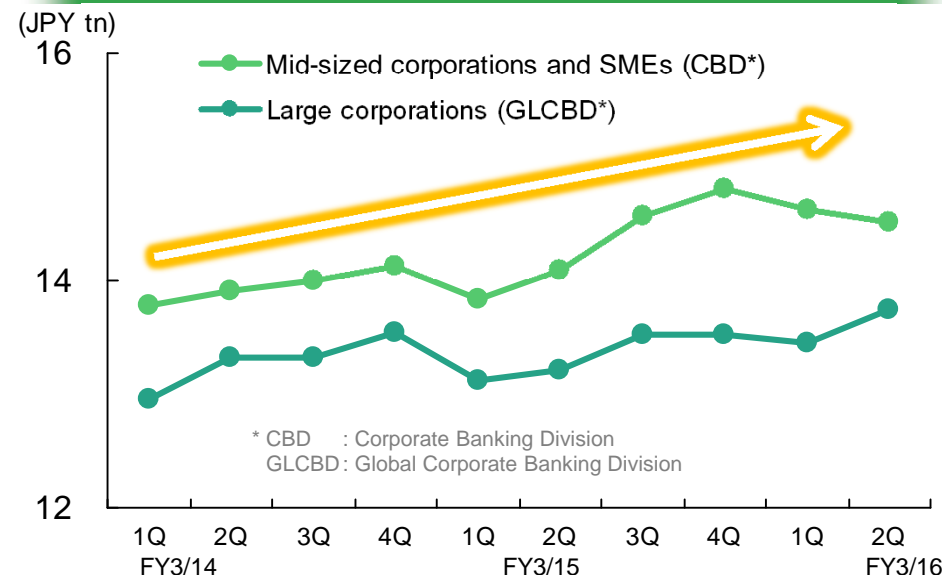


## Initiatives to increase loans and secure profit margin

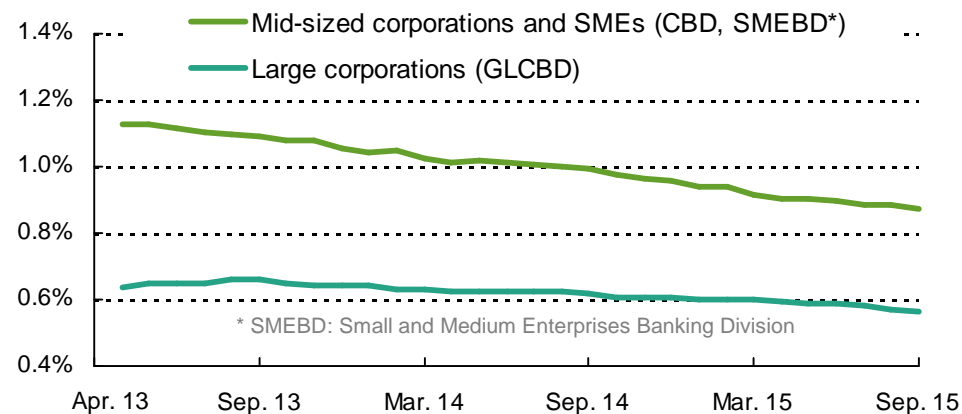
- Offer high value-added loans, support MBO/LBO activities for business restructuring and business succession
- Enhance capabilities to manage large scale transactions, including M&As
- Provide Assessment loans like “SMBC NADESHIKO Loan”
- Deliberate extending credit for clients that improved financial performance, particularly utilizing financing strategy meetings\*2

## Loan balance and spread

## Loan balance of Wholesale Banking Unit\*3, 4, 5



## Domestic corporate loan spread\*3, 4, 6



\*1 Managerial accounting basis \*2 Internal meetings among the front office, credit departments, and other headquarters departments at early stage of deals, aiming to extend loans for clients with low credit ratings or no existing business relationships \*3 SMBC non-consolidated. Managerial accounting basis \*4 We revised managerial accounting rules since Apr. 2014, following revision of domestic business structure. Figures for FY3/14 were recalculated based on the new rules \*5 Quarterly average \*6 Monthly average loan spread of existing loans

## IV. Business strategy

### 4. Marketing units (1) Wholesale business: Initiatives in growth areas & Bank-securities collaboration

#### The “SMFG/SMBC that is strong in growth areas”

Start-up support

Consulting

IPO support

- Business collaboration with National Institute of Advanced Industrial Science and Technology
- Established a “Mirai Creation Investment LP” based on collaboration between SMBC, Toyota, and SPARX Group
- Hosted an event called “The first SMBC Open Innovation Meet-up” that was focused on the theme of creating new retail finance business
- Began Japan’s first next-generation advanced technology development fund that supports “humans, objects, capital” by SMBC Nikko Securities, Euglena, Leave a Nest Co.

- Business-matching (inbound-matching etc.)
- Growth Potential Assessment Loan
- SMBC Venture Capital

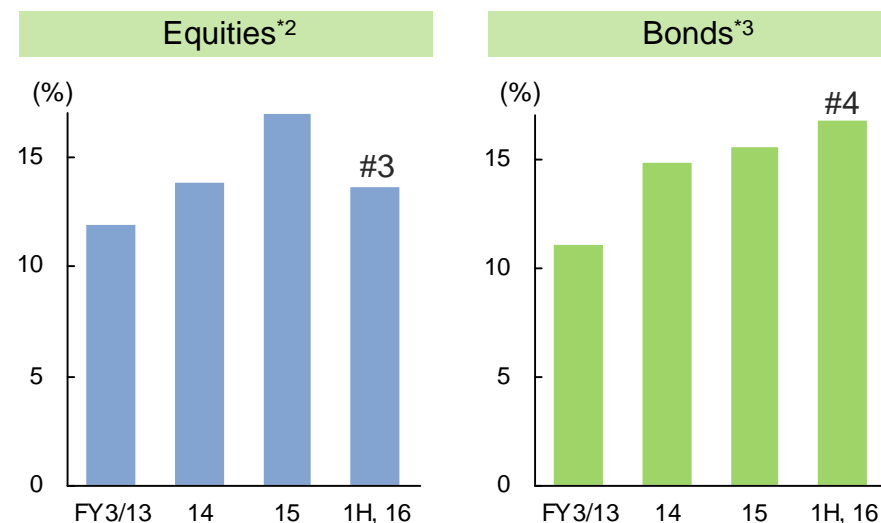
1H, FY3/16  
No. of IPO lead manager deals  
Ranked #2  
(Total of 8 companies\*1)



#### Business with large corporations

- Bank-securities collaboration
  - Raised the number of clients correspondence
  - Increased deals that promote SMBC Nikko Securities’ underwriting market share and league table rankings
  - Focus on M&A financing in order to strengthen advisory business
- “Domestic-international integration” model
  - Implementation via seamless collaboration of domestic and international offices
  - Promotion of transaction banking by capturing bank accounts in newly established operations in Asia
- “Global-wide sector” model
  - Strengthen our ability to support customers by sharing information on a global-basis and increase our global sector knowledge level

#### SMBC Nikko’s market share for underwriting



\*1 Excludes REIT IPO \*2 Source: SMBC Nikko, based on data from Thomson Reuters (Japanese corporate related only, Group basis)

\*3 Source: SMBC Nikko, based on data from Thomson Reuters (consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds)

## IV. Business strategy

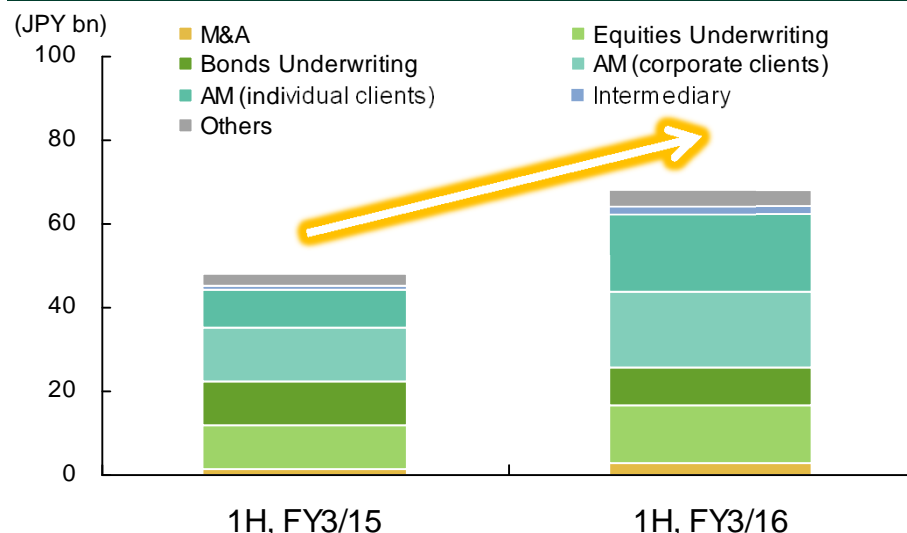
## Ref: SMBC Nikko Securities

## Financial results (consolidated)

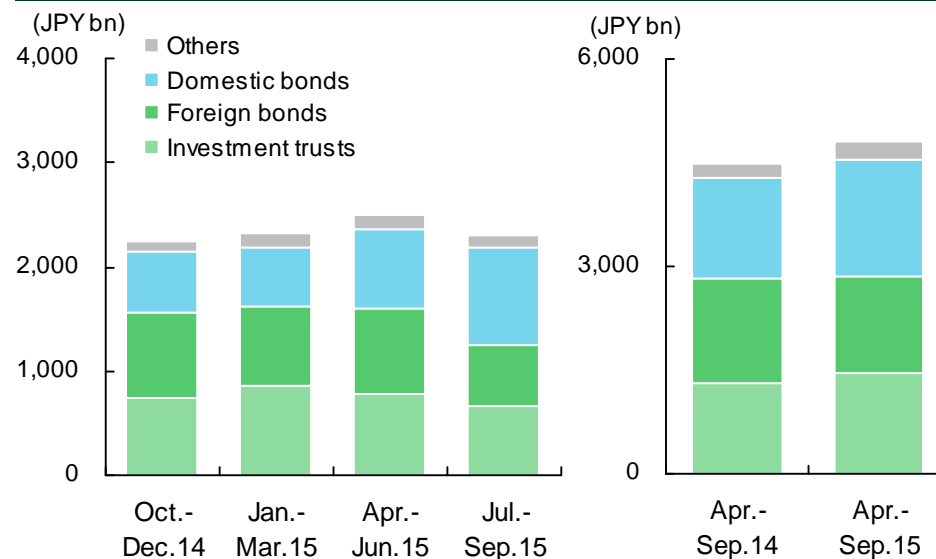
(JPY bn)	1H, FY3/15	FY3/15	1H, FY3/16	YOY change
Net operating revenue	145.2	329.2	162.3	+17.1
SG&A expenses	(110.0)	(235.2)	(124.3)	(14.3)
Ordinary income <sup>*1</sup>	36.5	96.2	40.5	+4.0
Profit attributable to owners of parent <sup>*1</sup>	24.0	64.7	29.4	+5.4

League tables (Apr. -Sep. 2015)<sup>\*2, 3</sup>

	Rank	Mkt share
Global equity & equity-related (book runner, underwriting amount) <sup>*4</sup>	#3	13.7%
JPY denominated bonds (lead manager, underwriting amount) <sup>*5</sup>	#4	16.8%
Financial advisor (M&A, No. of deals) <sup>*6</sup>	#1	5.4%
Financial advisor (M&A, transaction volume) <sup>*6</sup>	#6	17.4%

Income related to collaboration with SMBC Nikko<sup>\*7</sup> (SMBC)

## Product sales



<sup>\*1</sup> Includes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG) etc.

<sup>\*2</sup> SMBC Nikko Securities for Global equity & equity-related and JPY denominated bonds. SMFG for Financial advisor

<sup>\*3</sup> Source: SMBC Nikko, based on data from Thomson Reuters <sup>\*4</sup> Japanese corporate related only

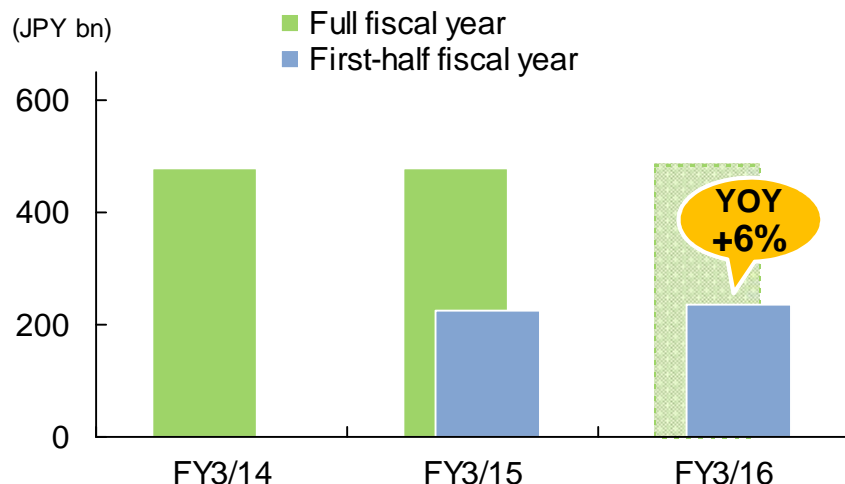
<sup>\*5</sup> Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds

<sup>\*6</sup> Japanese corporate related only. Group basis <sup>\*7</sup> After adjustments for changes in interest rates and exchange rates, etc.

## IV. Business strategy

## 4. Marketing units (2) Retail business

## Gross profit (Retail banking unit)\*1



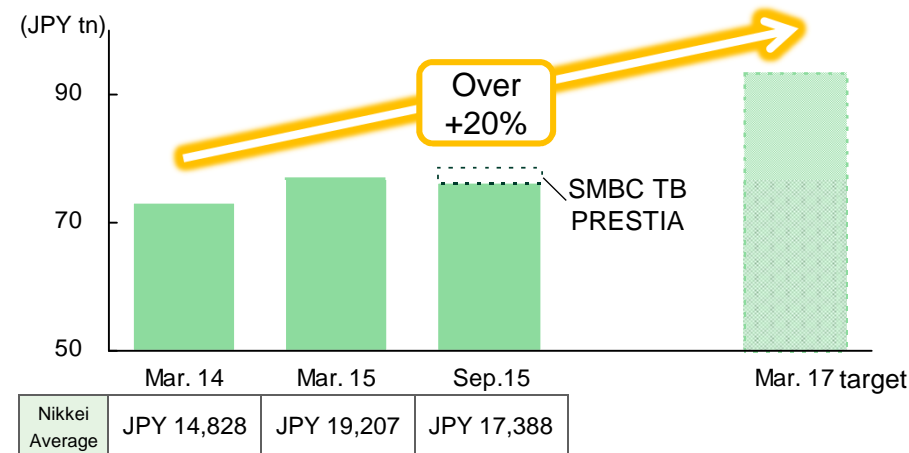
## Expand services utilizing IT

- Improve smartphone usability
  - Application for opening accounts
  - “Password Card”, a smartphone application
  - “The Game of Life SMFG Version”, a game smartphone application
- Tablet for marketers (SMBC)
- Computerized application procedure for life insurance

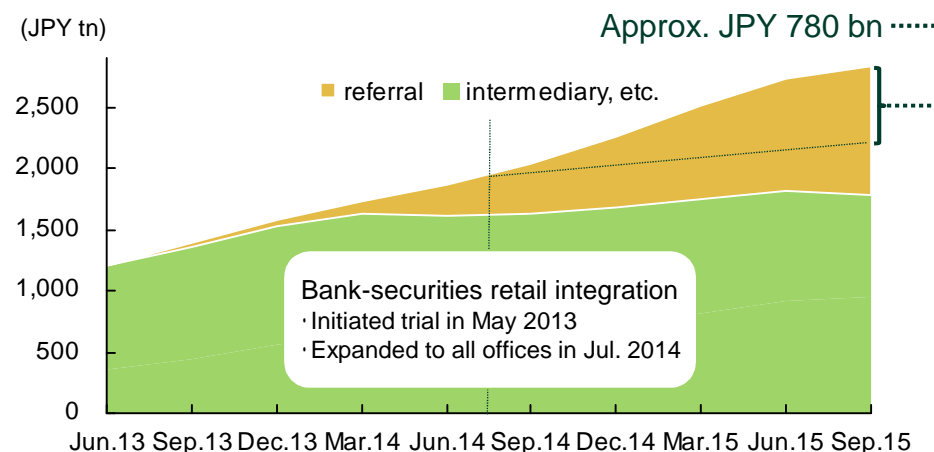


## Bank-securities collaboration

## Retail AuM (SMBC+SMBC Nikko +SMBC Trust Bank PRESTIA)



## AuM through bank-securities collaboration\*2 (SMBC Nikko Securities)



\*1 Managerial accounting basis

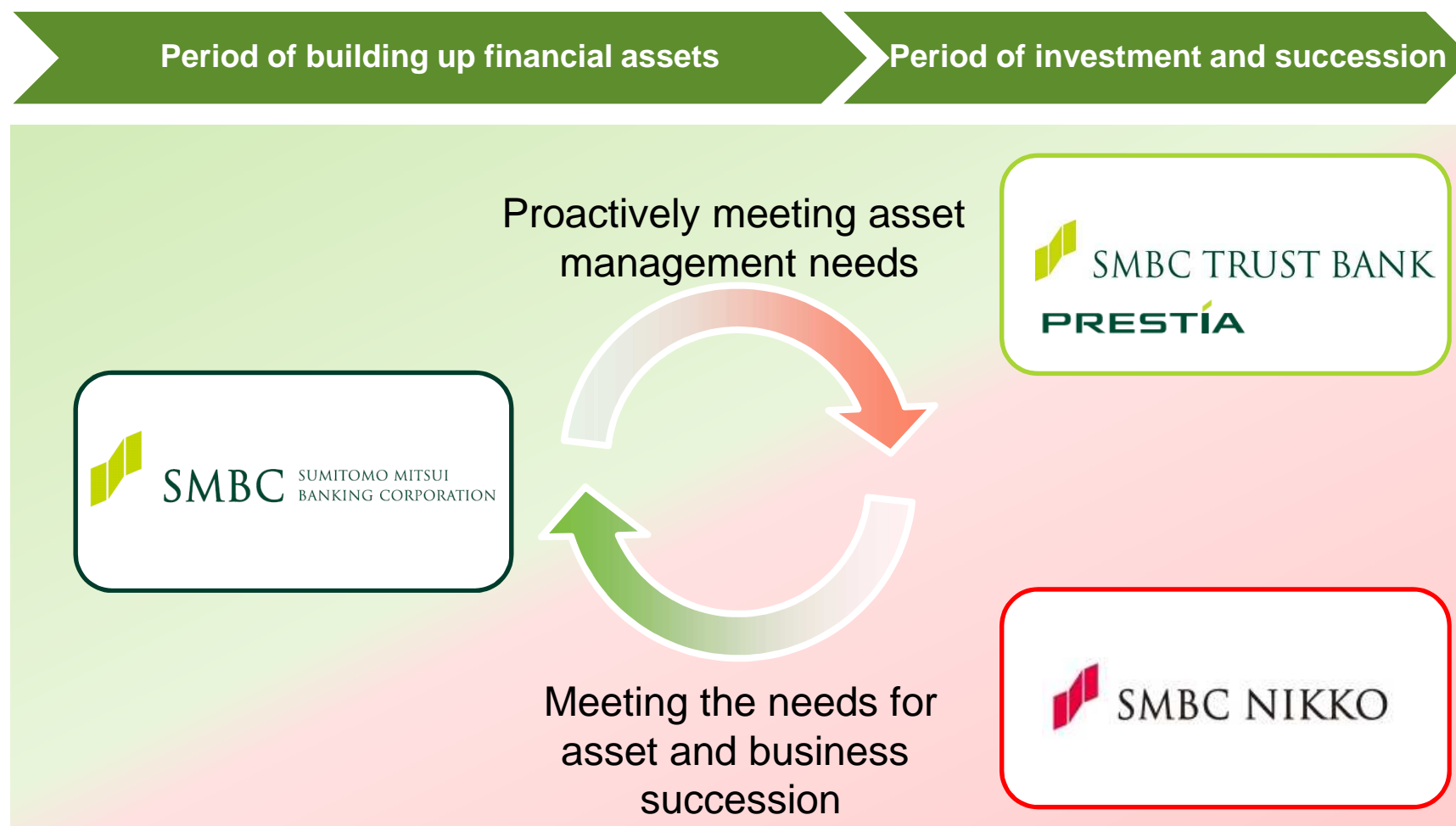
\*2 Assets under management at SMBC Nikko via referral or financial instruments intermediary services from SMBC to SMBC Nikko. Includes assets transferred from SMBC Friend Securities to SMBC Nikko in Jan. 2011 upon integrating SMBC Friend's collaborative business with SMBC into SMBC Nikko and assets at the Private Banking division of SMBC Nikko



## IV. Business strategy

## 4. Marketing units (2) Retail business: Developing bank-securities integration model

- Maintain a close relationship with our customers for life and even for the next generation



## IV. Business strategy

### 4. Marketing units (2) Retail business: High-net-worth segment business

#### Acquisition of Citibank Japan's retail banking business

- SMBC Trust Bank acquired the retailing banking business of Citibank Japan on Nov. 1, 2015. It began the operation of a new brand called "PRESTIA"
- Total deposits: JPY 2,430 bn (of which foreign currency deposits: approx. JPY 1 tn)\*<sup>1</sup>,  
Number of branches: 34\*<sup>2</sup>,  
Number of customers: approx. 720,000\*<sup>1</sup>

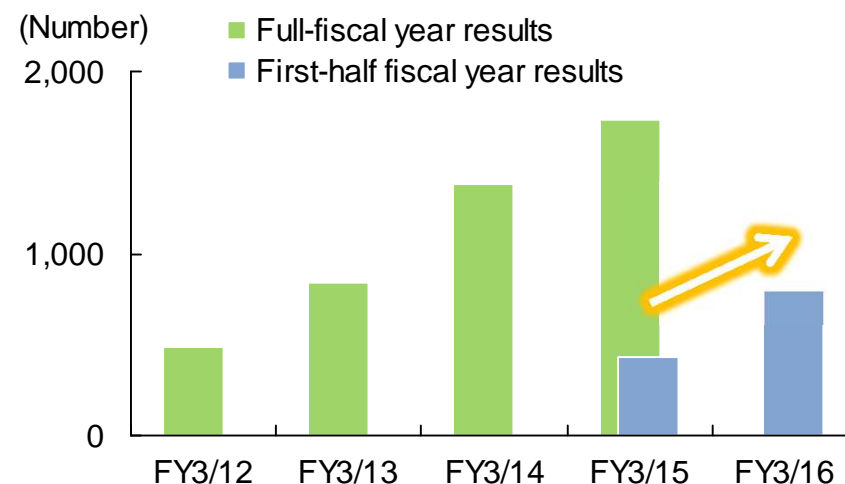
**PRESTIA**

#### Group Collaboration

- Began referral of financial instruments intermediary services between SMBC Trust Bank and SMBC Nikko Securities (Jul. 2015)
- Set-up PRESTIA's ATM at SMBC branch offices\*<sup>3</sup> (Nov. 2015)
  - Currently capable of paying in Yen with a card issued overseas

#### Inheritance / Succession

##### Number of contracts of testamentary trust (SMBC)



#### Set up "Inheritance Consultation Manager" (SMBC Nikko)

- SMBC Nikko plans to place "Inheritance Consultation Managers" in 109 branch offices during this year
  - Designate branch managers with specialized knowledge and qualifications in terms of inheritance as "Inheritance Consultation Managers"
  - Respond to clients' various inheritance consultation needs

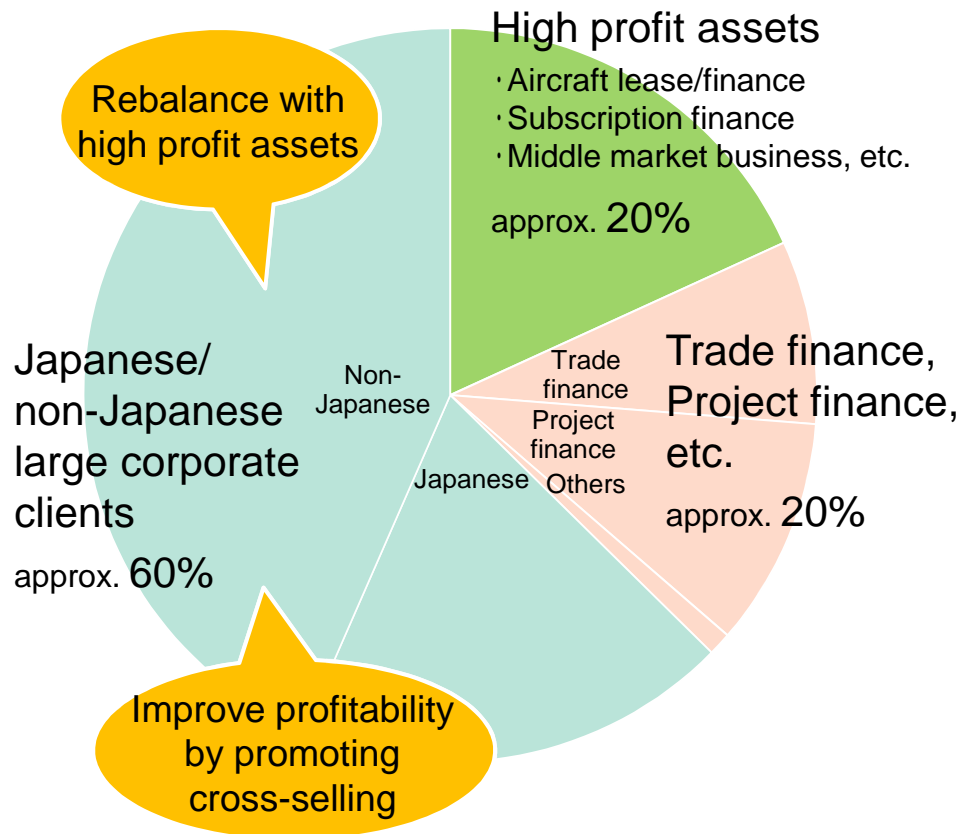
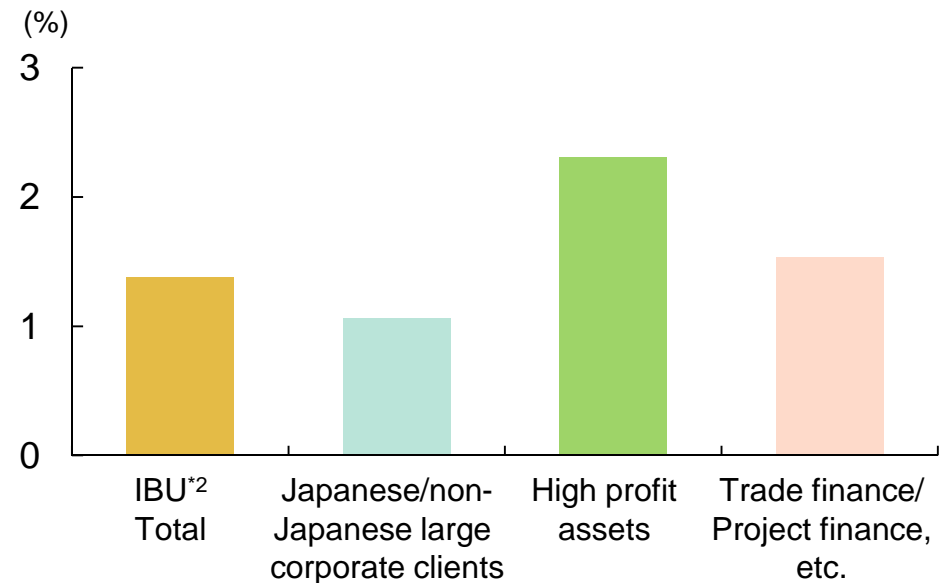
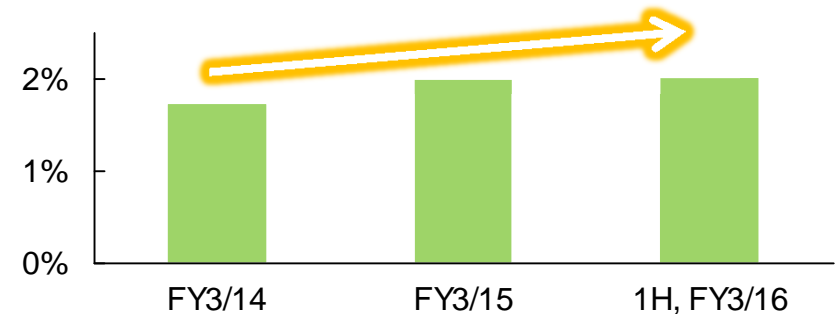
\*1 As of end of Mar. 2015 \*2 As of Nov. 1, 2015 \*3 Asakusa Branch, Ginza Branch, and Roppongi Branch

## IV. Business Strategy

## 4. Marketing units (3) International Business: Evolving business model

- Improve profitability of our portfolio by enhancing transactions with core clients, and by rebalancing with high profit assets

Composition of International Banking Unit's portfolio

Spread on a gross profit base<sup>\*1</sup>Credit related revenue RORA<sup>\*3</sup>

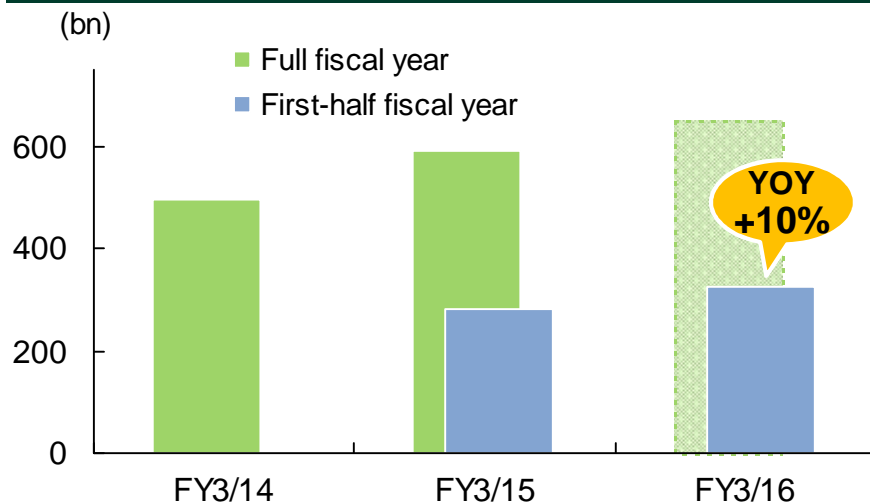
<sup>\*1</sup> Excludes up-front fees <sup>\*2</sup> IBU: International Banking Unit

<sup>\*3</sup> Credit related revenue RORA = Sum of credit related revenue (loan spread, guarantee fee, etc.) of SMBC non-consolidated, SMBC Europe and SMBC (China) / consolidated risk weighted assets of International Banking Unit

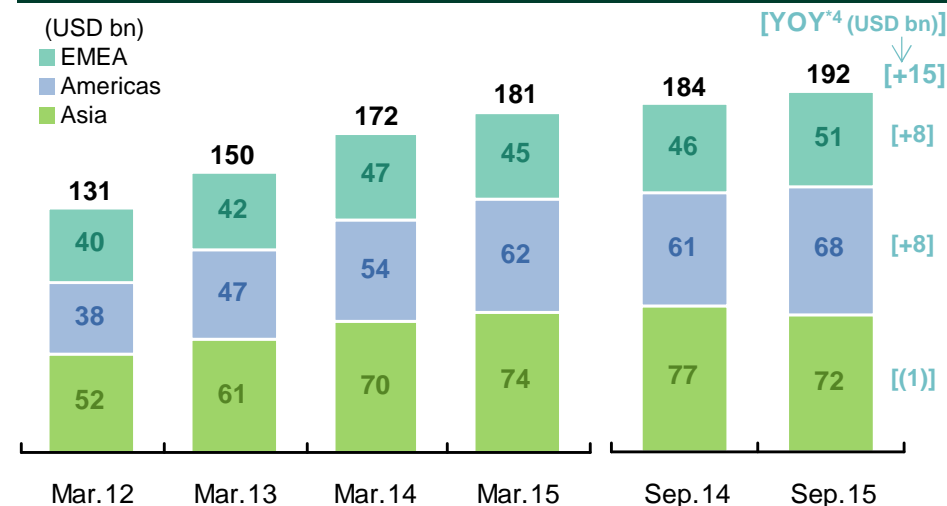
## IV. Business strategy

## 4. Marketing units (3) International business: Loans and funding

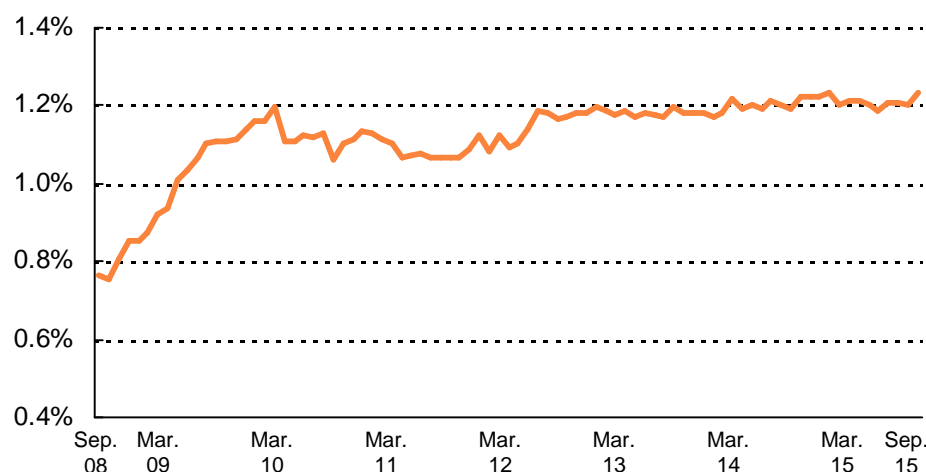
## Gross profit (International banking unit)\*1



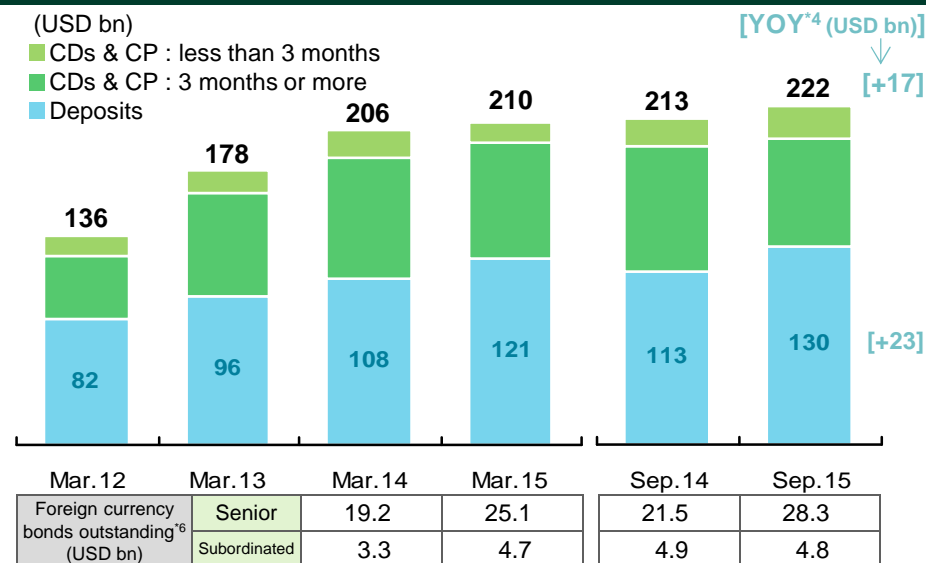
## Overseas loan balance (includes trade bills)\*2, 3



## Overseas loan spread\*2, 5



## Overseas deposit balance\*2, 3



## ● Issued Green bond\*7 (Oct. 2015, USD 500mn)

\*1 Managerial accounting basis

\*2 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China) \*3 Translated into USD at respective period-end exchange rates

\*4 Year-on-year changes exclude impact of changes in local currency / USD \*5 Monthly average loan spread of existing loans \*6 Bonds issued by SMBC and SMFG

\*7 Notes that limit the usage of net proceeds to the financing of projects with environmental benefits such as solar power generation

## IV. Business strategy

### 4. Marketing units (3) International business: Global non-Japanese corporations / High profit portfolio

#### Increase transactions with Global non-Japanese Corporations

- Increase transactions with core western multinational corporations
  - Promote cross-selling with “Platinum Partner Club” members
  - Arrange M&A financing
  - SMBC Nikko Securities became active book runner for large non-Japanese corporations  
(# of active book runner deals: 7 deals for first half of FY3/2016, which is +1 deal increase compared to first half of last fiscal year)
  - Engage in supply chain financing for western multi-national corporations between Asia and western countries

#### Create a high profit portfolio

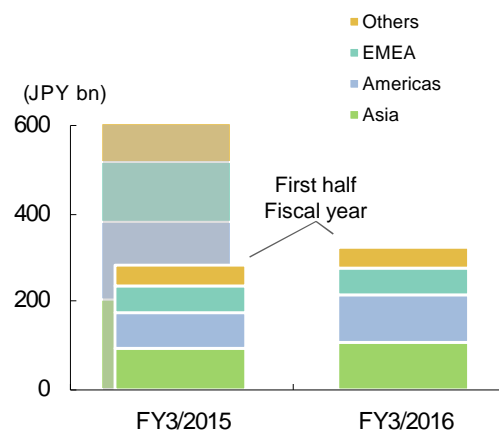
- Acquired European loan portfolio from GE (Sep. 2015)
  - Loans for acquisition finance, extended to approx. 100 mid-sized companies domiciled in European countries
  - Face value: USD 2.2 bn, average loan balance: USD 15-25 mn per borrower; loan spread: 400 bps (as of May 2015), default rate over the past year was less than 1% due to high expertise
  - Solid relationship with PE Fund
- U.S. subscription finance and middle market business
- Origination & distribution
  - Cultivation of new investors

#### Cash management service

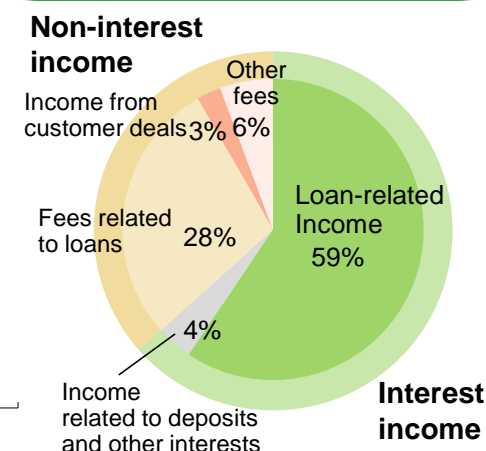
##### Cash management providers' ranking (in Asia Pacific)\*1

Cash Management Service	Large Corporations	5th	#1 among Japanese banks for eight consecutive years	2015 First Japanese bank to be ranked 2nd in overall ranking
	Medium Corporations	2nd		
	Small Corporations	2nd		
JPY CMS as voted by financial institutions		1st	#1 for ten consecutive years	

#### Gross profit by Region\*2



#### Breakdown of gross profit (IBU)\*3



\*1 Source: Cash Management Service Investigation from "ASIAMONEY" Magazine Aug. 2015 Edition

\*2 Managerial accounting basis \*3 Managerial accounting basis. SMBC non-consolidated

## IV. Business strategy

# 4. Marketing units (3) International business: Asia strategy

- Implement key measures along our medium- to long-term strategy toward becoming a truly Asia-centric institution, while paying close attention to the slowing economy

Medium- to long-term strategy		1H, FY3/16 achievements	Implementation for second half of FY3/16
1	Develop existing businesses	<ul style="list-style-type: none"> <li>● 2<sup>nd</sup> year of medium-term management plan “<b>Implementation</b>” phase</li> <li>● Virtuous cycle between relationship-building and products; increase in <b>cross-selling</b></li> </ul>	<ul style="list-style-type: none"> <li>● Construct further <b>business processes</b></li> <li>● <b>Strengthen development of human resources</b></li> </ul>
2	Enter large Tier 2, and middle sized corporate businesses	<ul style="list-style-type: none"> <li>● Promoting Asia core client program               <ul style="list-style-type: none"> <li>● Virtuous cycle between account planning, solution-providing, relationship-building, and product providing</li> </ul> </li> <li>● Gateway to Asia/Japan               <ul style="list-style-type: none"> <li>● Strengthen business in Asia with western multi-national corporations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Increase business with core clients</li> <li>● Capture business abroad with Asian corporations through increase in our cross-regional collaboration</li> <li>● Continue to increase of business with western multi-national corporations</li> <li>● Collaboration with SMBC Nikko (Hong Kong) Debt Capital Markets</li> </ul>
3	Strengthen transaction banking business	<ul style="list-style-type: none"> <li>● Continued to develop customer base while monitoring changes in the environment</li> </ul>	<ul style="list-style-type: none"> <li>● Continue expanding customer base while paying attention to the economic environment</li> </ul>
4	Further promote multi-franchise strategy	<ul style="list-style-type: none"> <li>● Achieved new business transactions and developed new products by building a promotion program (Asia Pacific Transaction Banking Marketing Department)</li> </ul>	<ul style="list-style-type: none"> <li>● Further promote business with non-Japanese corporations</li> <li>● Further sophisticate our business processes</li> </ul>
5	Upgrade business infrastructure	<ul style="list-style-type: none"> <li>● Collaborated with BTPN; agreed on investing in OTO/SOF</li> <li>● Prepared a framework for business operations in East Asia</li> </ul>	<ul style="list-style-type: none"> <li>● Move forward with our strategy in Indonesia</li> <li>● Solidify our management structure and business promotion structure in East Asia</li> </ul>
		<ul style="list-style-type: none"> <li>● Diversified our funding source</li> <li>● Solidified compliance system (Asia Pacific Compliance Team)</li> </ul>	<ul style="list-style-type: none"> <li>● Carry out business while paying close attention to foreign currency funding</li> </ul>

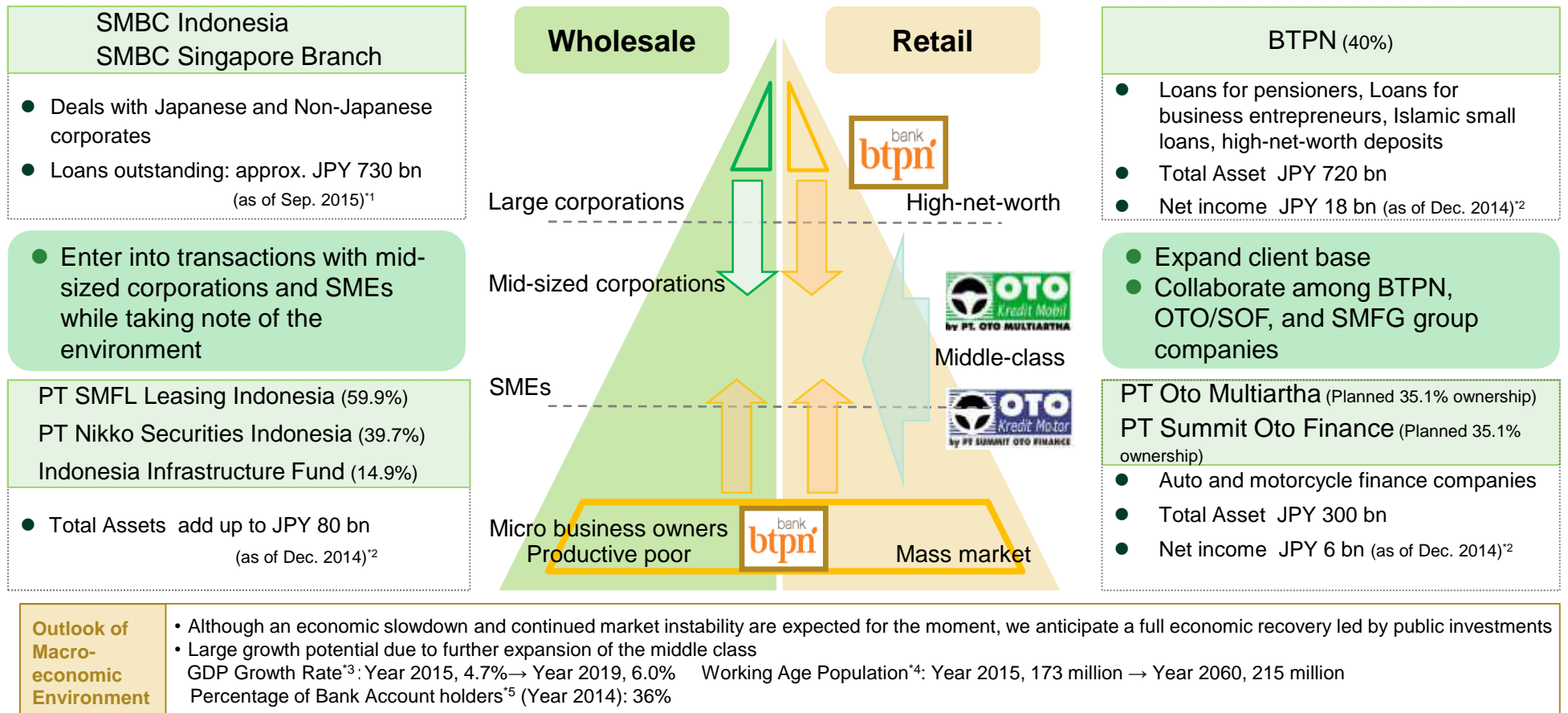
## IV. Business strategy

### 4. Marketing units (3) International Business: Asia Strategy - Business in Indonesia

- Further promote building a base to provide a full-banking service in Indonesia through organically coupling our franchise entities

- Set-up an Advisory Board
- Promote CSR activities

(%)SMFG's percentage ownership in parentheses



<sup>\*1</sup> Converted into JPY at 1 IDR = JPY 0.0081, an exchange rate as of Sep. 2015

<sup>\*2</sup> Converted into JPY at 1 IDR = JPY 0.0097, an exchange rate as of Dec. 2014

<sup>\*3</sup> IMF, World Economic Outlook October 2015    <sup>\*4</sup> United Nations, World Population Prospects the 2015 Revision

<sup>\*5</sup> World Bank, The global Findex Database 2014: Measuring Financial Inclusion around the World



## IV. Business strategy

# Realizing Asia-centric

- Implement strategies toward realizing our vision for the next decade and become a truly Asia-centric institution

## “Gateway to Asia”

- ✓ Support Japanese corporations to expand business in Asia
- ✓ Capture growth of Asian countries and corporations
- ✓ Become a gateway for western corporations to access Asia

Asia: 75 offices

- ★: Banking business offices
- : Overseas offices of SMFG group companies excluding banking business offices
- : Equity method affiliates
- Red outline indicates offices opened or joined SMFG group after Apr. 2014

Established **Gateway to Japan Desk**(Feb. 2015)Received approval to open **Dalian Br.** of SMBCCN (Jul. 2015)Made **The Bank of East Asia (Hong Kong)** an equity-method affiliate of SMBC (Mar. 2015) (17.4% shares)Opened **Manila Br.** (Sep. 2015)Opened **Yangon Br.** (Apr. 2015)Made **ACLEDA Bank (Cambodia)** an equity-method affiliate of SMBC (Sep. 2015) (18.25% shares)

Australia

## Promote Multi Franchise strategy

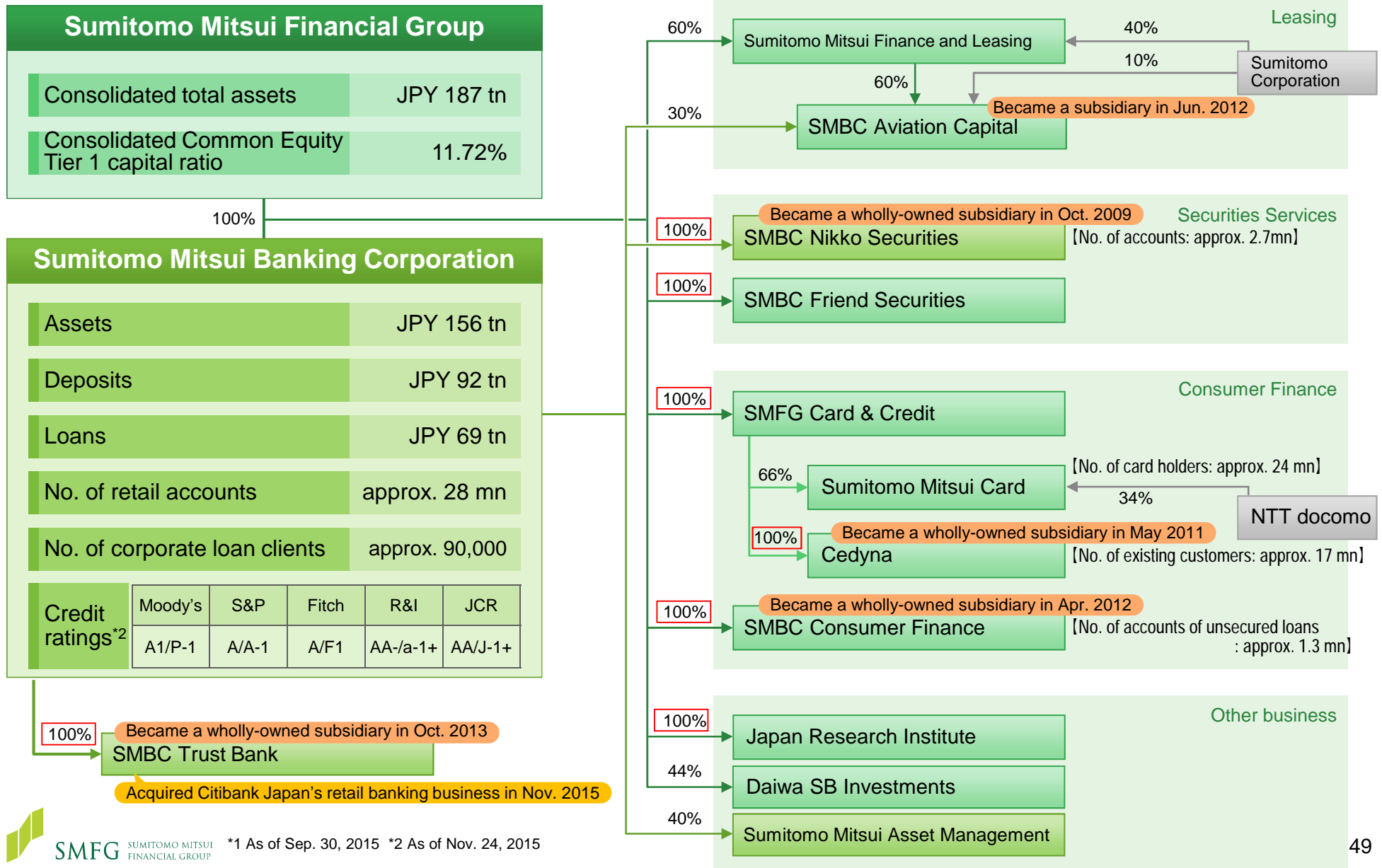
- ✓ Full Bank
- ✓ Localization
- ✓ Commitment

▶ Aim to establish  
“second or third”  
SMBC



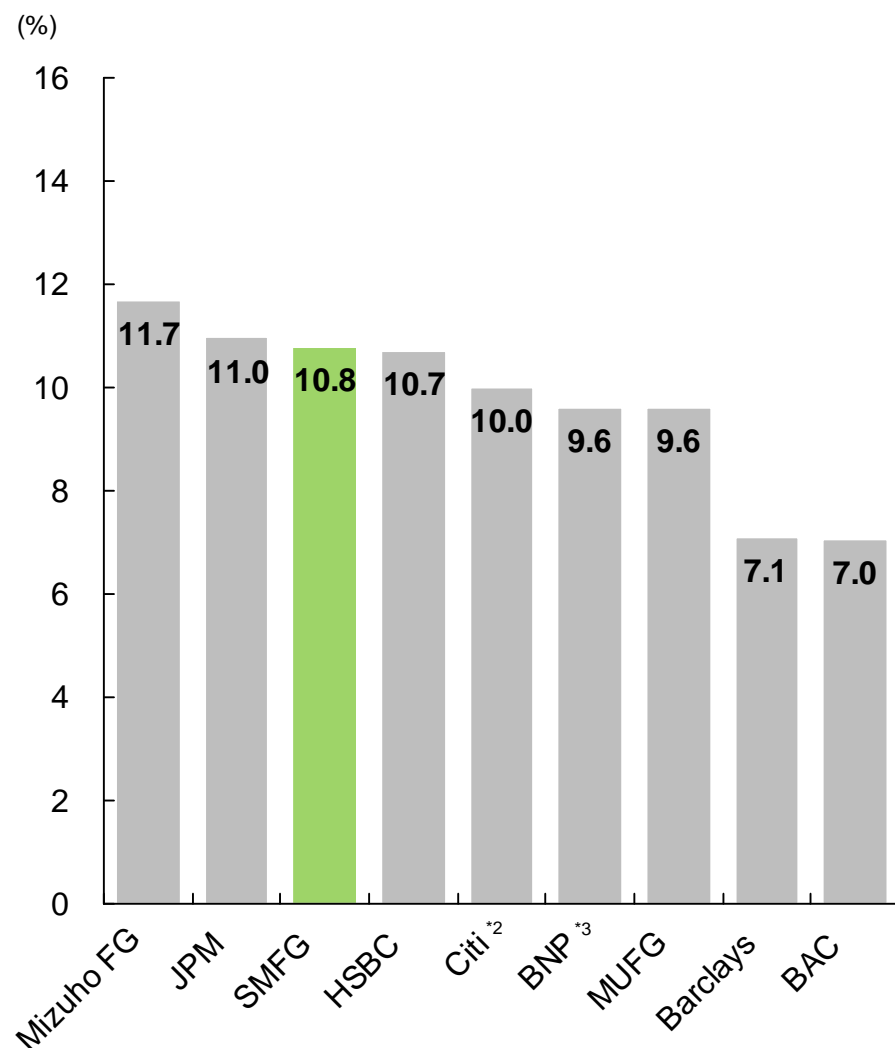
# Appendix

# Group structure\*1

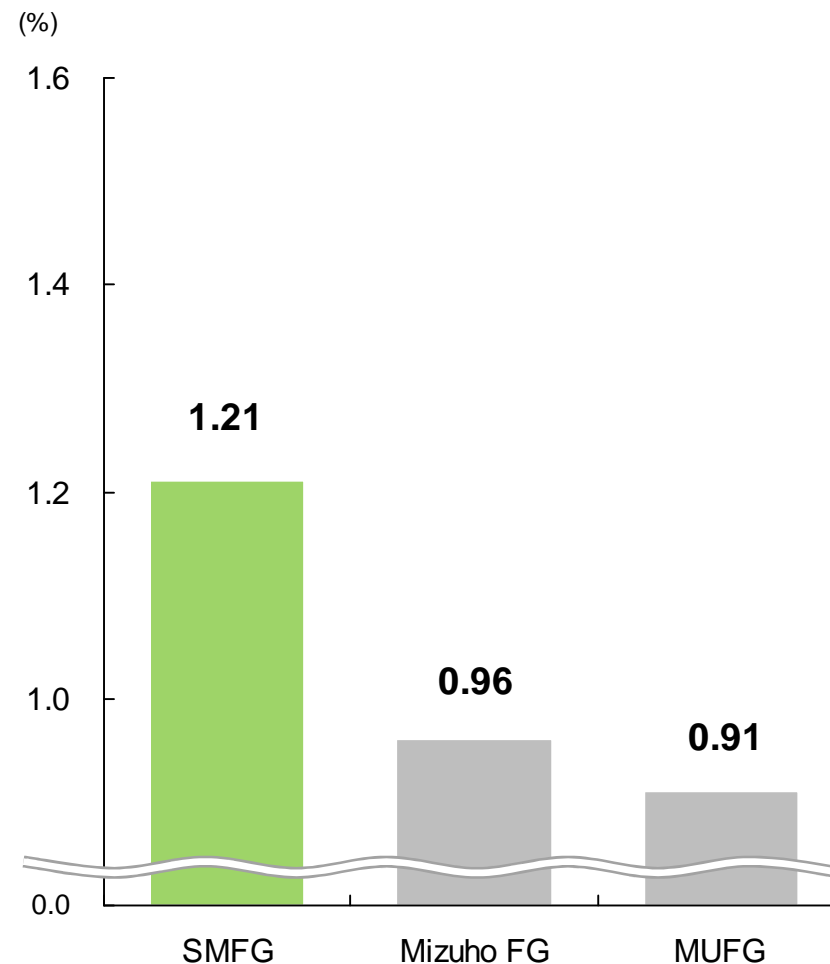


# Peer comparison

## ROE<sup>\*1</sup>



## Domestic loan-to-deposit spread<sup>\*4</sup>



Proportion of loans to individuals & SMEs			
	67.9%	59.4%	55.2%

<sup>\*1</sup> Based on each company's disclosure. 1H, FY3/16 results for SMFG, Mizuho FG and MUFG, and Jan.-Sep. 2015 results for others

<sup>\*2</sup> ROTCE: Return on tangible common equity <sup>\*3</sup> Excluding exceptional

<sup>\*4</sup> 1H, 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

# Credit ratings of G-SIBs (Moody's)\*

	Apr. 2001	Jul. 2007	Oct. 2015
Aaa		<ul style="list-style-type: none"> <li>Bank of America</li> <li>Bank of New York Mellon</li> <li>Citibank</li> <li>JPMorgan Chase Bank</li> <li>Royal Bank of Scotland</li> <li>UBS</li> <li>Wells Fargo Bank</li> </ul>	
Aa1	<ul style="list-style-type: none"> <li>Bank of America</li> <li>Crédit Agricole</li> <li>Wells Fargo Bank</li> <li>UBS</li> </ul>	<ul style="list-style-type: none"> <li>Banco Santander</li> <li>Barclays Bank</li> <li>BNP Paribas</li> <li>Crédit Agricole</li> <li>Credit Suisse</li> <li>Deutsche Bank</li> <li>HSBC Bank</li> <li>ING Bank</li> <li>Nordea Bank</li> <li>Société Générale</li> <li>State Street Bank &amp; Trust</li> </ul>	
Aa2	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>Barclays Bank</li> <li>Citibank</li> <li>HSBC Bank</li> <li>ING Bank</li> <li>JPMorgan Chase Bank</li> <li>Royal Bank of Scotland</li> <li>State Street Bank &amp; Trust</li> </ul>	<b>SMBC</b> <ul style="list-style-type: none"> <li>BPCE(Banque Populaire)</li> <li><b>BTMU</b></li> <li><b>Mizuho Bank</b></li> <li>UniCredit</li> </ul>	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC Bank</li> <li>Standard Chartered</li> <li>Wells Fargo Bank</li> </ul>
Aa3	<ul style="list-style-type: none"> <li>Banco Santander</li> <li>BNP Paribas</li> <li>BPCE(Banque Populaire)</li> <li>Deutsche Bank</li> <li>Société Générale</li> <li>UniCredit</li> </ul>	<ul style="list-style-type: none"> <li>Goldman Sachs Bank</li> <li>Morgan Stanley Bank</li> </ul>	<ul style="list-style-type: none"> <li>JPMorgan Chase Bank</li> <li>Nordea Bank</li> </ul>
A1	<ul style="list-style-type: none"> <li>Credit Suisse</li> </ul>	<ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> <li>ICBC</li> </ul>	<b>SMBC</b> <ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of America</li> <li>Bank of China</li> <li>BNP Paribas</li> <li><b>BTMU</b></li> <li>China Construction Bank</li> <li>Citibank</li> <li>Credit Suisse</li> <li>Goldman Sachs Bank</li> <li>ICBC</li> <li>ING Bank</li> <li><b>Mizuho Bank</b></li> <li>Morgan Stanley Bank</li> <li>State Street Bank &amp; Trust</li> <li>UBS</li> </ul>
A2	<ul style="list-style-type: none"> <li><b>BTMU</b></li> <li>Standard Chartered</li> </ul>	<ul style="list-style-type: none"> <li>China Construction Bank</li> <li>Standard Chartered</li> </ul>	<ul style="list-style-type: none"> <li>Barclays Bank</li> <li>BPCE(Banque Populaire)</li> <li>Crédit Agricole</li> <li>Société Générale</li> </ul>
A3	<b>SMBC</b> <ul style="list-style-type: none"> <li><b>Mizuho Bank</b></li> </ul>		<ul style="list-style-type: none"> <li>Banco Santander</li> <li>Deutsche Bank</li> <li>Royal Bank of Scotland</li> </ul>
Baa1	<ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> <li>China Construction Bank</li> <li>ICBC</li> </ul>		<ul style="list-style-type: none"> <li>UniCredit</li> </ul>

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

# FY3/2015 performance by segment

(JPY bn)						
	Gross profit	YOY change	Expenses, etc.	YOY change	Consolidated net business profit <sup>*1</sup>	YOY change
<b>Total</b>	1,512.7	+62.6	(895.6)	(91.4)	617.1	(28.8)
<b>Banking business</b>	953.9	(6.5)	(499.5)	(12.7)	454.4	(19.2)
of which						
<b>SMBC</b>	803.0	(24.8)	(398.8)	(11.9)	404.2	(36.7)
<b>Leasing</b>	81.9	+11.5	(32.0)	(4.3)	49.9	+7.1
of which						
<b>Sumitomo Mitsui Finance and Leasing<sup>*1</sup></b>	71.6	+6.1	(29.9)	(3.5)	41.7	+2.6
<b>Securities services</b>	192.9	+15.7	(157.0)	(15.5)	35.9	+0.2
of which						
<b>SMBC Nikko Securities<sup>*2</sup></b>	176.2	+22.9	(131.9)	(17.1)	44.3	+5.8
<b>Consumer finance business</b>	300.1	+15.0	(195.9)	(7.1)	104.2	+8.0
of which						
<b>Sumitomo Mitsui Card</b>	101.3	+5.8	(77.0)	(4.9)	24.3	+0.9
<b>Cedyna<sup>*3</sup></b>	82.4	(0.2)	(61.5)	(0.5)	20.9	(0.7)
<b>SMBC Consumer Finance<sup>*1</sup></b>	114.7	+9.0	(50.9)	(3.6)	63.8	+5.4
<b>Other businesses<sup>*4</sup></b>	(16.1)	+26.9	(11.2)	(51.8)	(27.3)	(24.9)

<sup>\*1</sup> On a consolidated basis

<sup>\*2</sup> Represents non-consolidated figures of SMBC Nikko Securities plus figures of the overseas incorporated securities companies

<sup>\*3</sup> Cedyna provides consolidated figures minus figures of its immaterial subsidiaries

<sup>\*4</sup> Includes profits / losses to be offset as internal transactions between segments

# ■ SMBC's performance by business unit\*1

(JPY bn)				1H, FY3/15	FY3/15	1H, FY3/16	YOY change*2
	Wholesale Banking Unit	Gross banking profit		262.5	555.4	257.6	(4.9)
		Expenses		(102.0)	(206.8)	(101.9)	(1.4)
		<b>Banking profit</b>		160.5	348.6	155.7	(6.3)
	Retail Banking Unit	Gross banking profit		185.8	386.8	182.9	(2.4)
		Expenses		(169.7)	(350.1)	(174.4)	(3.2)
		<b>Banking profit</b>		16.1	36.7	8.5	(5.6)
	International Banking Unit	Gross banking profit		166.7	345.3	180.7	+12.7
		Expenses		(50.2)	(106.6)	(60.9)	(6.9)
		<b>Banking profit</b>		116.5	238.7	119.8	+5.8
	Marketing units	Gross banking profit		615.0	1,287.5	621.2	+5.4
		Expenses		(321.9)	(663.5)	(337.2)	(11.5)
		<b>Banking profit</b>		293.1	624.0	284.0	(6.1)
Treasury Unit		Gross banking profit		211.0	354.0	222.5	+11.5
		Expenses		(12.7)	(25.9)	(14.6)	(0.9)
		<b>Banking profit</b>		198.3	328.1	207.9	+10.6
Headquarters		Gross banking profit		1.8	(7.2)	(40.7)	(41.7)
		Expenses		(52.3)	(101.8)	(47.0)	+0.5
		<b>Banking profit</b>		(50.5)	(109.0)	(87.7)	(41.2)
Total (SMBC non-consolidated)		Gross banking profit		827.8	1,634.3	803.0	(24.8)
		Expenses		(386.9)	(791.2)	(398.8)	(11.9)
		<b>Banking profit</b>		440.9	843.1	404.2	(36.7)

\*1 SMBC non-consolidated. Managerial accounting basis \*2 After adjustments for interest rates and exchange rates, etc.

# Bond portfolio

		Mar. 2013		Mar. 2014		Mar. 2015		Sep. 2015	
		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	17.4	0.10	17.1	0.07	17.0	0.07
	of which JGB	27.0	0.12	14.2	0.05	14.3	0.03	14.3	0.03
	Held-to-maturity	5.5	0.06	4.3	0.03	3.3	0.02	2.7	0.01
	Others	21.5	0.06	9.9	0.02	11.0	0.01	11.6	0.02
	Foreign bonds (Other securities)			4.3	(0.03)	5.6	0.03	4.9	(0.01)

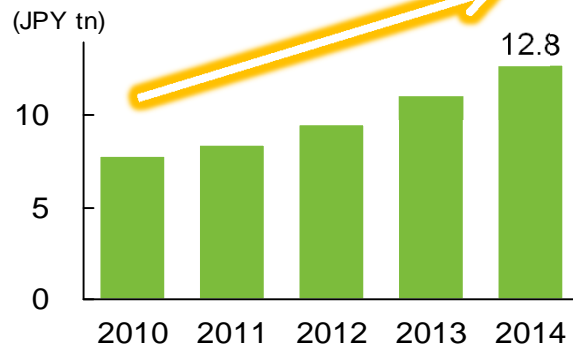
SMBC non-consolidated	Yen-denominated bonds	28.9	0.16	16.3	0.09	16.4	0.07	16.3	0.07
	of which JGB	26.2	0.11	13.8	0.05	14.0	0.03	14.0	0.03
	Held-to-maturity	5.5	0.06	4.3	0.03	3.3	0.02	2.7	0.01
	Others	20.7	0.06	9.5	0.02	10.7	0.01	11.3	0.02
	Foreign bonds (Other securities)			3.2	(0.02)	4.2	0.03	3.5	(0.01)

# Business alliances of payment services\*1

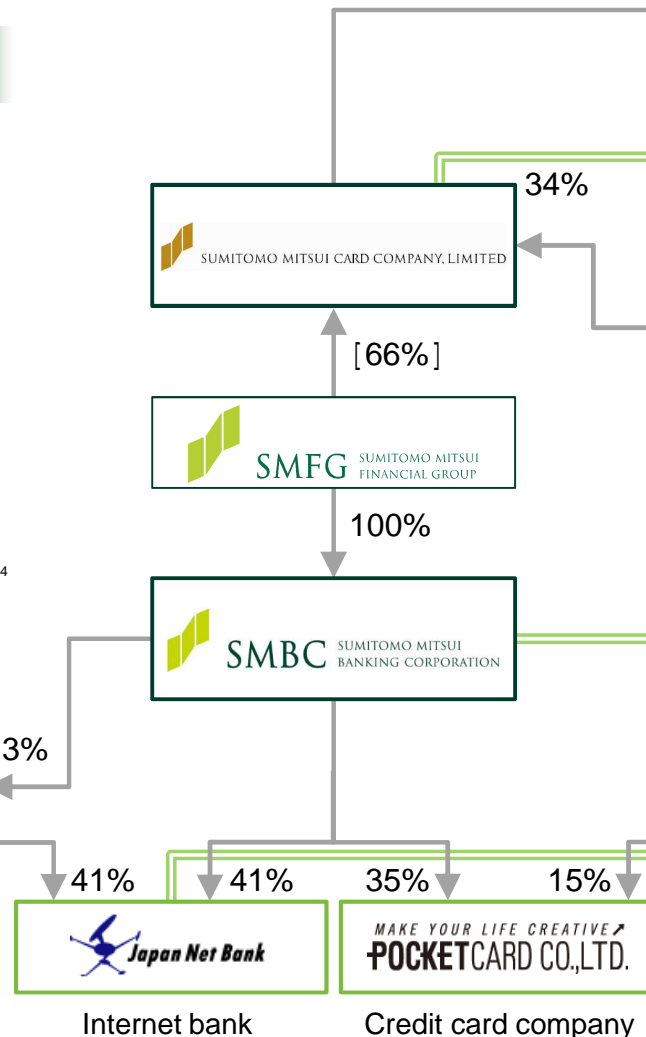
→ Capital/business alliances, investments  
 — Business alliances

Consolidated subsidiaries  
 Equity method affiliates

Market size of domestic B to C e-commerce\*2



EC operators / Payment service providers		Mkt share of transaction volume*3, 4
1	Rakuten	15.7%
2	SoftBank Payment Service	14.1%
3	<b>GMO Payment Gateway</b>	<b>12.0%</b>
4	<b>Yahoo Japan</b>	<b>9.3%</b>
5	Amazon Japan	7.5%



Smartphone payment service providers *Silicon Valley, U.S.*

**Square**

Multi-foreign currency online settlement providers *Silicon Valley, U.S.*

**Stripe**

Mobile operators

Mkt share of # of subscribers\*5

1	<b>NTT DOCOMO</b>	<b>42.2%</b>
2	SoftBank group	29.0%
3	KDDI group	28.6%

Global accelerator *Silicon Valley, U.S.*

**Plug and Play**

Convenience stores

Mkt share of all store sales\*6

1	Seven-Eleven Japan	39.4%
2	<b>Family Mart</b>	<b>19.7%</b>
3	Lawson	19.3%

Internet bank

Credit card company

\*1 As of Jun. 2015 for ownership. Figures in [ ] indicate indirect ownership \*2 Source: Ministry of Economy, Trade and Industry

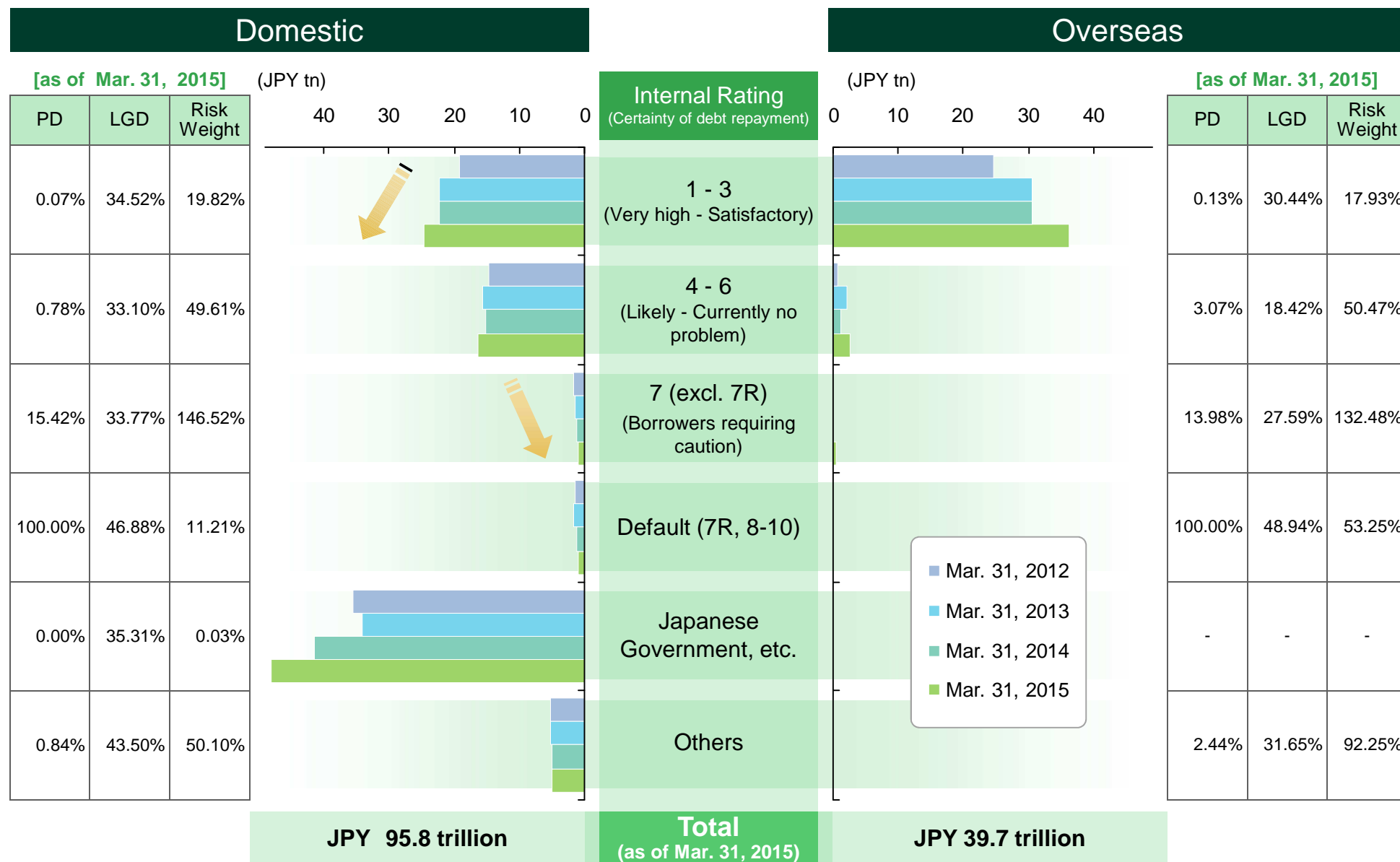
\*3 Proportion of transaction volume of 3 e-commerce operators (net sales for Amazon Japan) and 2 payment service providers within domestic B to C e-commerce market

\*4 Based on data of Ministry of Economy, Trade and Industry; Yano Research Institute; each company's disclosure, etc.

\*5 Source: Ministry of Internal Affairs and Communications \*6 Source: The NIKKEI



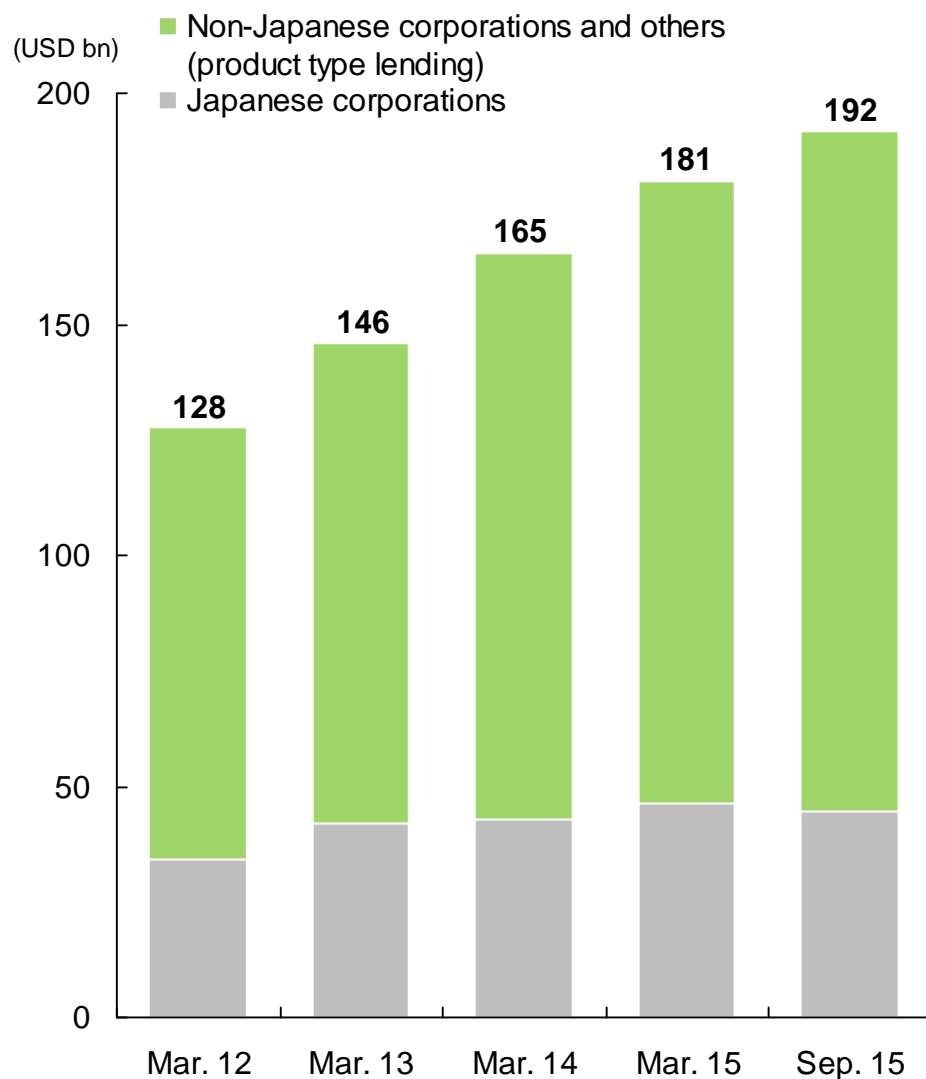
# Corporate, sovereign and bank exposures



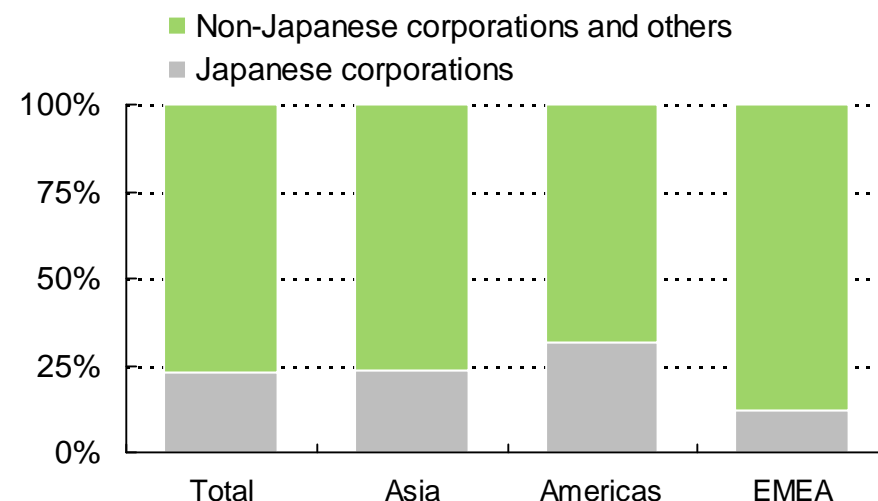
# Overseas loan balance classified by borrower type

(Geographic classification based on booking office)

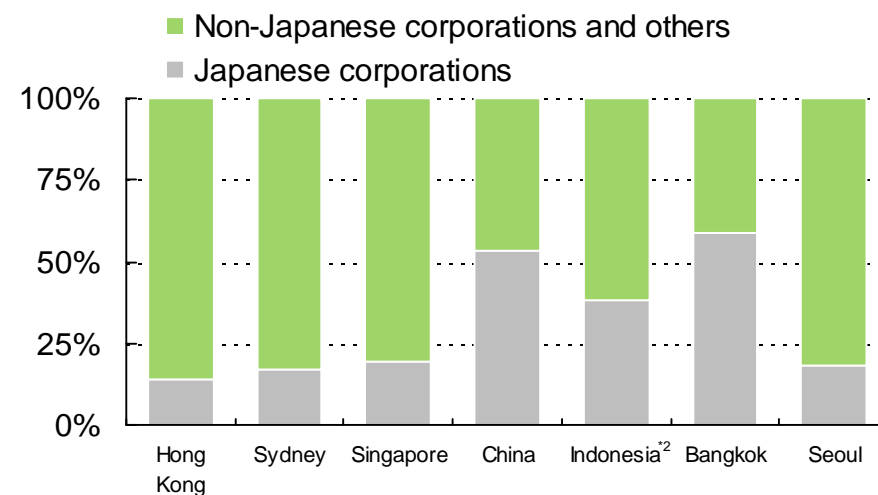
## Total\*<sup>1</sup>



## By region (Sep. 2015)\*<sup>1</sup>



## Major marketing channels in Asia (Sep. 2015)\*<sup>1</sup>



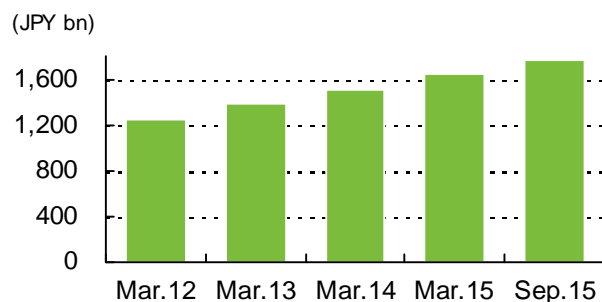
\*<sup>1</sup> Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China). Includes trade bills after Mar. 2015

\*<sup>2</sup> Sum of SMBC and SMBC Indonesia

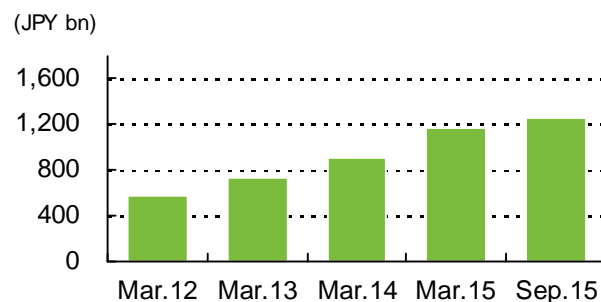
# Loan balance in Asian countries/areas

(Geographic classification based on borrowers' domicile)\*

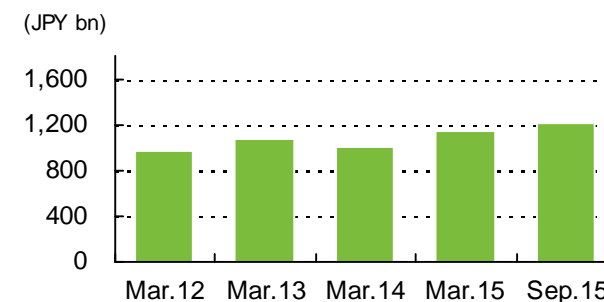
## Hong Kong



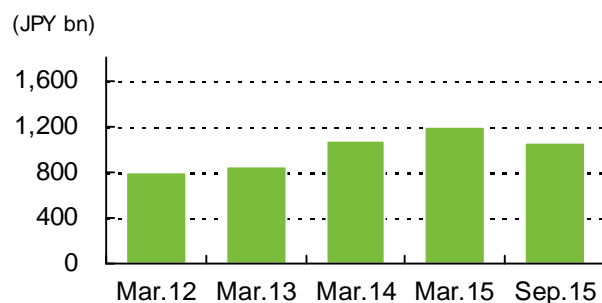
## Australia



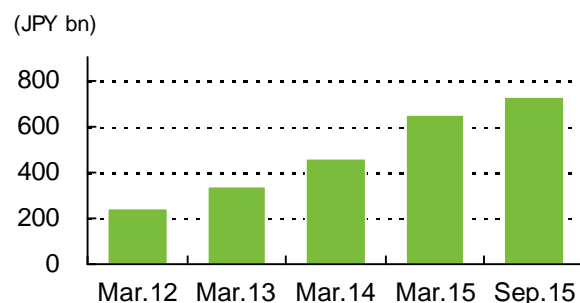
## Singapore



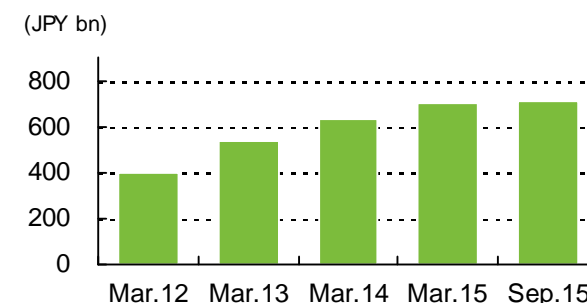
## China



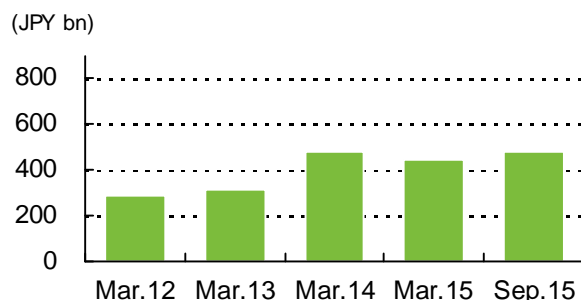
## Indonesia



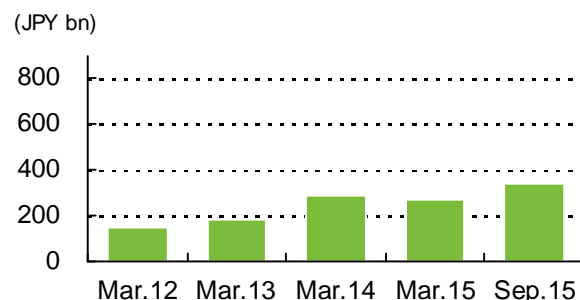
## Thailand



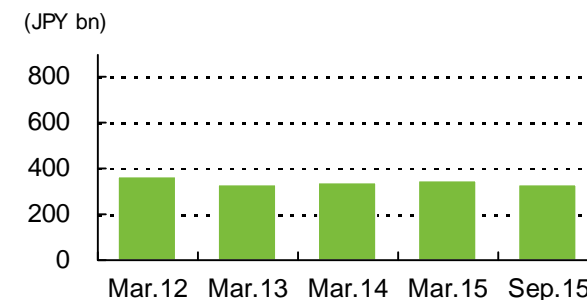
## India



## Taiwan



## Korea



\* Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Indonesia  
Loan balances are translated into JPY from each country's local currency at the exchange rate of Sep. 30, 2015

# SMFG's network in Asia

- ★: Banking business offices  
 ○: Overseas offices of SMFG group companies excluding banking business offices  
 □: Equity method affiliates  
 Red outline indicates offices opened or joined SMFG group after Apr. 2014



SMBC SUMITOMO MITSUI BANKING CORPORATION	Banking	< Asia and Oceania > 14 countries/areas, 38 offices* <sup>1</sup>
Sumitomo Mitsui Finance and Leasing	Leasing	<ul style="list-style-type: none"> <li>Beijing</li> <li>Shanghai</li> <li>Chengdu</li> <li>Guangzhou</li> <li>Hong Kong</li> <li>Bangkok</li> <li>Kuala Lumpur</li> <li>Singapore</li> <li>Jakarta</li> </ul>
SMBC NIKKO	Securities	<ul style="list-style-type: none"> <li>Hong Kong</li> <li>Sydney</li> <li>Singapore</li> <li>Jakarta</li> </ul>
	M&A advisory	<ul style="list-style-type: none"> <li>Shanghai</li> <li>Hong Kong</li> <li>Singapore</li> <li>Jakarta</li> </ul>
SMBC FRIEND SECURITIES	Market research	<ul style="list-style-type: none"> <li>Hong Kong</li> </ul>
SUMITOMO MITSUI CARD COMPANY, LIMITED	Prepaid card services	<ul style="list-style-type: none"> <li>Seoul*<sup>2</sup></li> </ul>
	Consulting	<ul style="list-style-type: none"> <li>Shanghai</li> </ul>
	Market research	<ul style="list-style-type: none"> <li>Singapore</li> </ul>
Cedyna	Auto loans	<ul style="list-style-type: none"> <li>Ho Chi Minh*<sup>3</sup></li> </ul>
SMBC CONSUMER FINANCE	Consumer finance	<ul style="list-style-type: none"> <li>Hong Kong</li> <li>Shenzhen</li> <li>Shenyang</li> <li>Tianjin</li> <li>Chongqing</li> <li>Chengdu</li> <li>Wuhan</li> <li>Shanghai</li> <li>Bangkok</li> </ul>
	Loan management and collection	<ul style="list-style-type: none"> <li>Taipei</li> </ul>
The Japan Research Institute, Limited	Consulting	<ul style="list-style-type: none"> <li>Shanghai</li> </ul>
	System integration	<ul style="list-style-type: none"> <li>Shanghai</li> <li>Singapore</li> </ul>

\*<sup>1</sup> As of Sep. 30, 2015. Includes SMBC, SMBC's banking subsidiaries and equity method affiliates. Excludes offices planned to be closed

\*<sup>2</sup> Prepaid cards targeted at travelers to Korea from Japan offered through an alliance with Hana SK Card Co., Ltd. since Nov. 2012

\*<sup>3</sup> Expanded auto loan business through alliance with Vietnam Eximbank since May 2013

\*<sup>4</sup> SMBC made ACLEDA Bank an equity method affiliate in Sep. 2015

# BTPN (Bank Tabungan Pensiunan Nasional)

- Showing steady results and expanding business operations stably, despite stagnant stock prices due to the slowdown of the Indonesian economy
- We aim to make BTPN a core bank of SMFG's business in Indonesia in the medium- to long-term

## Financial results

(IDR bn)	2013	2014	Jan.-Sep. 2015
<b>Gross banking profit</b>	7,449	7,780	6,233
<b>Expenses</b>	(3,980)	(4,501)	(3,709)
<b>Net income</b>	2,131	1,853	1,375
<b>ROE</b>	26.2%	18.4%	14.5%

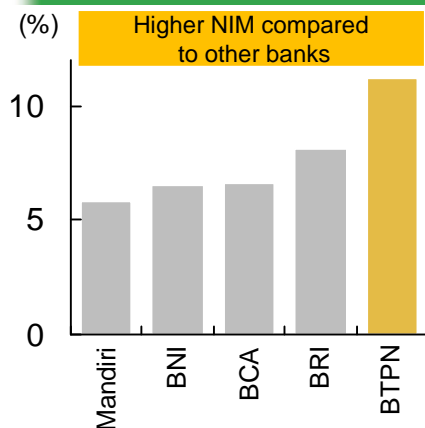
  

<b>Loan</b>	46,105	51,994	56,938
<b>Customer deposit</b>	52,196	53,335	59,103
<b>Total asset</b>	69,665	75,015	80,113

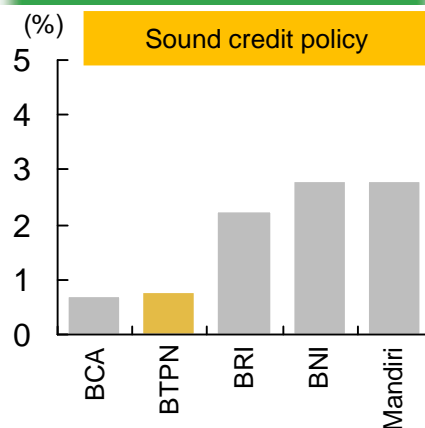
Expense for investment into new business

YOY +11%

## Net Interest Margin\*



## NPL ratio\*



\* Based on each company's disclosure (Sep. 2015 results)

## Collaboration after SMBC's investment, impact on SMFG's 1H, FY3/16 financial results

### Strengthening collaboration

- Equity method affiliate with SMBC's 40% ownership
  - Total investment amount approx. USD 1.5 bn, approx. 6,500 IDR per stock (Total of May 2013 and Mar. 2014)
- Governance support via appointment of 2 SMBC representatives as members of BTPN Board of Commissioners
- Further expansion of customer base by sharing SMBC retail banking expertise (high-net-worth deposit business, marketing, credit management, etc.)
- Started mobile banking this year called "BTPN WOW!" targeting mass market clientele; SMBC envisions expanding this type of business in other parts of Asia in the future
- Support for funding
  - Post SMBC's investment, Fitch Ratings raised BTPN's Indonesian domestic rating by 2 notches
  - SMBC extended loans collaborating with IFC

### Impact on SMFG's 1H, FY3/16 financial results

- BTPN's stock price is highly volatile due to illiquidity
- Stock price at end of Sep. 2015: 2,910 IDR
- Incurring an impairment loss in accordance to accounting standards due to BTPN stock price falling considerably compared to our acquisition cost despite strong operating results
- SMFG and SMBC's revised financial targets for FY3/16 already incorporates the impairment loss

# Products that we have strengths overseas

## Asset finance

### Aircraft-related business

- Formed a group for marketing and solution-providing for domestic and overseas aircraft investors and aircraft leasing, centered around SMBC Aviation Capital

### SMBC Aviation Capital results / Number of owned and managed aircraft\*1

(USD mil)	1H, FY3/16	FY3/15
<b>Total revenue*2</b>	492	948
<b>Net income</b>	104	175
<b>Aircraft asset</b>	10,250	10,140
<b>Net asset</b>	1,550	1,460

Aircraft leasing companies	Country	# owned/managed
1 GECAS	USA	1,624
2 AerCap	Netherlands	1,305
<b>3 SMBC AC</b>	<b>Ireland</b>	<b>386</b>
4 AWAS	Ireland	313
5 CIT Aerospace	USA	312

## Initiatives in middle market business

- High spread and well-diversified portfolio
- Carefully select profitable transactions, while strengthening credit control
- Compose around 2% of our overseas loan balance

### U.S. middle market business

- Sponsor finance for mid-sized corporations through agent banks / sponsor funds
- # of borrowers: approx. 100; loan balance: USD 1.4 bn; average loan balance: USD 15 mn per borrower; loan spread: 480bp; credit costs: 50bp (as of Mar. 2015)

### Acquisition of European loan portfolio from GE

## Project Finance

- Received "Global bank of the year" award by IJ Global



### League tables (Jan.-Sep. 2015)\*3

	Global	Asia*4
<b>Project Finance</b>	<b># 4</b>	<b># 5</b>

\*1 As of Dec. 31, 2014 (Source: Ascend "Airline Business") \*2 Leasing revenue + gains (losses) on sales of aircraft etc.

\*3 Source: Thomson Reuters (Mandated Arrangers) \*4 Asia Pacific

# Capital and risk-weighted assets (SMFG consolidated)

## Capital ratio (transitional basis)

	(JPY bn)	Mar. 31, 2015	Sep. 30, 2015 <i>Preliminary</i>
<b>Common Equity Tier 1 capital (CET1)</b>		<b>7,476.5</b>	<b>7,662.6</b>
of which:			
Total stockholders' equity related to common stock		6,909.0	7,195.7
Accumulated other comprehensive income <sup>*1</sup>		801.5	662.2
Regulatory adjustments related to CET1 <sup>*1</sup>		(460.4)	(425.5)
<b>Tier 1 capital</b>		<b>8,528.6</b>	<b>9,011.9</b>
of which:			
Additional Tier 1 capital instruments		-	300.0
Eligible Tier 1 capital instruments (grandfathered) <sup>*3</sup>		1,124.3	1,125.0
Regulatory adjustments <sup>*1,2</sup>		(348.2)	(342.2)
<b>Tier 2 capital</b>		<b>2,437.3</b>	<b>2,620.5</b>
of which:			
Tier 2 capital instruments		375.0	657.0
Eligible Tier 2 capital instruments (grandfathered) <sup>*3</sup>		1,424.0	1,424.0
Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount <sup>*2</sup>		699.4	557.8
Regulatory adjustments <sup>*1,2</sup>		(165.2)	(135.5)
<b>Total capital</b>		<b>10,965.9</b>	<b>11,632.4</b>
<b>Risk-weighted assets</b>		<b>66,136.8</b>	<b>65,364.6</b>
<b>Common Equity Tier 1 capital ratio</b>		<b>11.30%</b>	<b>11.72%</b>
<b>Tier 1 capital ratio</b>		<b>12.89%</b>	<b>13.78%</b>
<b>Total capital ratio</b>		<b>16.58%</b>	<b>17.79%</b>

## Common Equity Tier 1 capital ratio

(fully-loaded<sup>\*4</sup>, pro forma)

	(JPY bn)	Mar. 31, 2015	Sep. 30, 2015
Variance with CET1 on a transitional basis <sup>*5</sup>		441.2	285.4
of which:			
Accumulated other comprehensive income		1,202.3	993.3
of which:			
Net unrealized gains on other securities		1,074.6	859.1
of which:			
Minority interests (subject to be phased-out)		(70.5)	(69.6)
Regulatory adjustments related to CET1		(690.6)	(638.3)
<b>Common Equity Tier 1 capital</b>		<b>7,917.7</b>	<b>7,948.0</b>
<b>Risk-weighted assets</b>		<b>65,925.9</b>	<b>65,218.2</b>
<b>Common Equity Tier 1 capital ratio</b>		<b>12.0%</b>	<b>12.1%</b>
<b>Ref: Common Equity Tier 1 capital ratio (excluding net unrealized gains)</b>		<b>9.0%</b>	<b>9.8%</b>

## Preferred securities which become callable in FY3/16

Issuer / Series	Issue date	Amount outstanding	Dividend rate <sup>*6</sup>	First call date <sup>*7</sup>	Step-up
<b>SMFG Preferred Capital JPY 2 Limited</b>					
Series C	Dec. 2008	JPY 140 bn	4.87%	Jan. 2016	None
Series D	Jan. 2009	JPY 2 bn	4.80%	Jan. 2016	None

## Leverage ratio

(transitional basis, preliminary)

	(JPY bn)	Sep. 30, 2015
Tier 1 capital		9,011.9
Leverage exposure		195,810.0
<b>Leverage ratio</b>		<b>4.60%</b>

## LCR

(transitional basis)

Average Jul. – Sep. 2015
<b>111.2%</b>

<sup>\*1-3</sup> 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 <sup>\*1</sup> and <sup>\*2</sup> below

<sup>\*1</sup> 40% of the original amounts are included <sup>\*2</sup> 40% phase-out is reflected in the figures <sup>\*3</sup> Cap is 70% <sup>\*4</sup> Based on the Mar. 31, 2019 definition

<sup>\*5</sup> Each figure represents 60% 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

<sup>\*6</sup> Until the first call date. Floating rate thereafter <sup>\*7</sup> Callable at any dividend payment date on and after the first call date, subject to prior confirmation of the FSA

# Meeting international financial regulations

		Regulations	Contents of regulation	Effective	Current status	Action taken & impact on SMFG
G20	G-SIFI regulation and supervision	G-SIB surcharge	Required for additional loss absorption capacity above the Basel III minimum	2016	Finalised at FSB / Domestic regulation under consultation	Requirement for SMFG to be 8% on a fully-loaded basis. Achieved 8% CET 1 ratio by the end of Mar. 2013
		Adequacy of loss-absorbing capacity (TLAC)	Required to hold loss absorbing capacity, which consists of eligible liabilities and regulatory capital, on both a going concern and gone concern basis	2019	Finalised at FSB in Nov. 2015	Currently have no issues in meeting requirements. Taking actions needed
		Recovery and Resolution Plan	SMFG Group Recovery Plan	Implemented	Submitted	Work in accordance with due dates, including those of overseas operations
			ISDA Protocol: Stays on early termination rights following the start of resolution proceedings of derivatives counterparty	Implemented	Adhered	Adhered at each of the relevant major entities
	Prudential regulation Basel III	Capital requirement	Required to raise the level and quality of capital and enhance risk coverage under Basel III	2013	Under phased implementation	Achieved our target of 8% CET 1 ratio by Mar. 2013, one year ahead of schedule
			Fundamental review of trading book (Strengthened capital standards for market risk)	TBD	3 <sup>rd</sup> consultation completed Finalisation targeted by end-2015	Implementation schedule remains unclear. Paying attention to discussions
			Revisions to the Standardised Approaches	TBD	Consultation for operational/credit risk commenced in Oct./Dec. 2014	A revised consultative document will be published by the end of 2015. Paying attention to discussions
			Revisions to the internal models	TBD	Under discussion	A consultative document will be published by the end of 2015. Paying attention to discussions
			Capital floors	TBD	Consultation commenced in Dec. 2014	Details and implementation schedule of regulation remain unclear. Paying attention to discussions
			Review of the Credit Valuation Adjustment (CVA) risk framework	TBD	Consultation commenced in Jul. 2015	Implementation schedule remains unclear. Paying attention to discussions
			Interest-rate risk in the banking book	TBD	Consultation commenced in Jun. 2015	Under discussion whether (i) uniformly applied Pillar 1 measure for calculating capital charge, or (ii) review of the current framework (Pillar 2). Paying attention to discussions
		Leverage ratio requirement	Non-risk-based measure based on "on-and off-accounting balance sheet items" against Tier 1 capital. Minimum requirement: 3% (on a trial basis)	2018	Domestic regulation for disclosure finalised in Mar. 2015	Currently have no issues in meeting requirements although paying attention to national finish. Minimum requirement of 3% subject to reexamination internationally
		Minimum standards for liquidity (LCR/NSFR)	LCR: Required to have sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. >=100% needed	2015	Under phased implementation	In good position due to domestic deposit base. Intend to further strengthen foreign currency ALM
			NSFR: Required to maintain a sustainable maturity structure of assets and liabilities >=100% needed	2018	Finalised at BCBS in Oct. 2014	Currently have no issues in meeting requirements although paying attention to national finish
US	Financial market / Financial system reform	Large exposure regulation	Tightening of exposure limit to a single borrower (25% of Tier 1) and expansion of scope of applicable exposure type, etc.	Jan. 2019	Partly implemented in Dec. 2014	Limited impact from early adoption of derivatives, etc. Paying attention to remaining issues including treatment of interbank exposures
		OTC derivatives markets reforms	<ul style="list-style-type: none"> <li>Centralizing of OTC derivatives clearing</li> <li>Margin requirement for non-centrally cleared derivatives</li> </ul>	Dec. 2012 Sep. 2016	Scope of application being expanded Implementation date postponed in Mar. 2015	Taking actions needed although impact will be smaller compared to investment banks
		Regulation of shadow banking system	Strengthen the oversight and regulation of the shadow banking system such as MMFs, repos and securitizations	TBD	Discussion underway on five specific areas	FSB's final rule to apply haircut floors on repo transactions excluded JGBs as applicable collateral (Oct. 2014)
		Limitation on banking activities / Ring fencing regulation	Requirements for foreign banking organizations (FBO Rule)	Jul. 2016	Final regulation published	Business related to regulation is limited. Taking actions needed
EU			Ring-fenced banks prohibited from providing certain services and required to be isolated from the rest of the financial group in UK and EU	TBD	UK: Enacted in Dec. 2013, EU: Proposal published in Jan. 2014	SMBC will be out of scope, but still paying close attention to the discussion

Able to meet requirements easily

Able to meet requirements

Impact unclear



# Ongoing major regulatory discussions

Regulations			Contents	Schedule	Finalised at FSB or BCBS	Domestic regulation
Capital requirement	Credit risk	Revisions to the Standardised Approach	· 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	· Under consultation (comment period closed in Mar. 2015) · A revised consultative document will be published by the end of 2015. Comprehensive data collection and analysis will be made through the QIS in early 2016	Unfinished	Unfinished
		Review of the CVA risk framework	· 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	· Under consultation (comment period closed in Oct. 2015) · Targeted to be finalised in mid-2016	Unfinished	Unfinished
	Market risk	IRRBB (Interest-rate risk in the banking book)	· Under discussion whether (i) uniformly applied Pillar 1 measure for calculating capital charge, or (ii) review of the current framework (Pillar 2).	· Under consultation (comment period closed in Sep. 2015) · Targeted to be finalised through 2016	Unfinished	Unfinished
	Operational risk	Revisions to the Standardised Approach	· Seeks to address the weaknesses identified in the existing approach by (i) refining the operational risk proxy indicator by replacing Gross Income (GI) with a superior indicator, and (ii) improving calibration of the regulatory coefficients based on the results of the quantitative analysis	· Under consultation (comment period closed in Jan. 2015) · A revised consultative document will be published by the end of 2015. Removing the use of the Advanced Measurement Approach(AMA) will also be consulted	Unfinished	Unfinished
	Overall	Revisions to the internal models	· Seeks to review possible modifications to the IRB framework including constraints on model parameter estimates	· A consultative document will be published by the end of 2015	Unfinished	Unfinished
		Capital floors based on standardised approaches	· Replacement of the Basel I-based transitional capital floor with a permanent floor based on the Basel II/III standardised approaches for credit, market and operational risks	· Under consultation (comment period closed in Mar. 2015) · To be discussed according to the revisions to the standardised approaches and the internal models	Unfinished	Unfinished
Leverage ratio requirement		Leverage ratio	· Continue to test a minimum requirement of 3% to be introduced in 2018 (from Jan. 2013 to Jan. 2017) · Public disclosure requirement started on Jan. 2015	· Appropriate level of leverage ratio to be finalised by 2017 at the latest* · Scheduled to be implemented in 2018 · Domestic regulations on calculation and disclosure implemented	Finished in part	Finished in part
G-SIFI regulation		TLAC (total loss-absorbing capacity)	· 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	· Finalised 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)
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
Specialised lending	· 100%	· Project finance, Object finance, commodities finance, income-producing real estate finance: 120% · Exposures to land acquisition, development and construction finance: 150%
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
Retail exposures	· 75% for exposures that meet the regulatory retail criteria	· Considering whether to maintain
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
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
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%
Off-balance sheet exposures	· Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 0%	· Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 10%

## 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

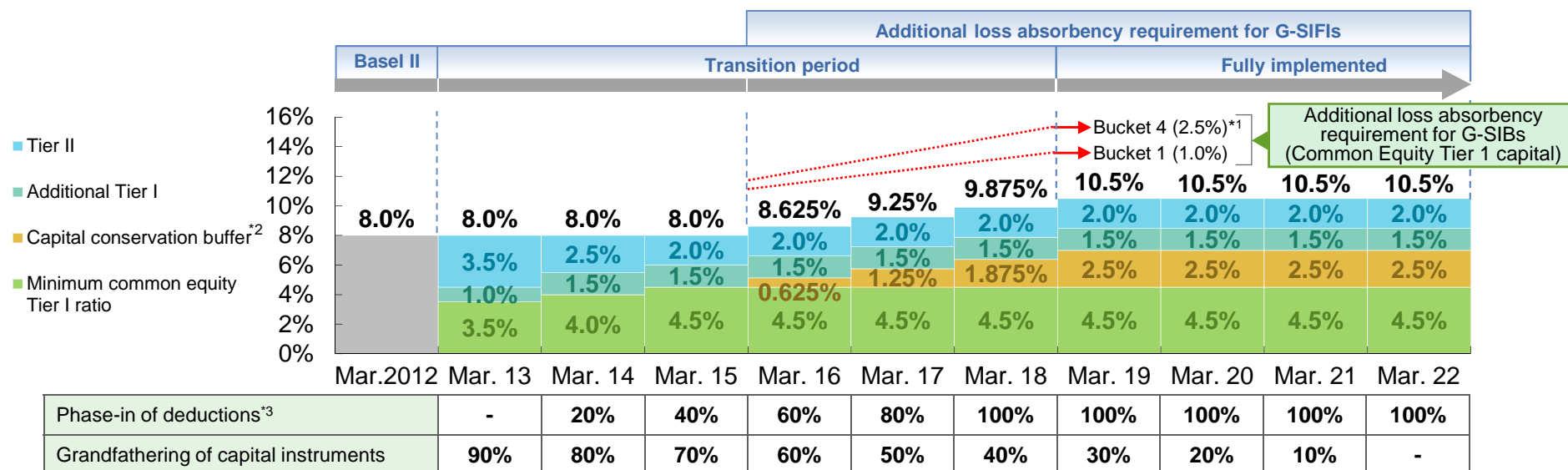
### Revision under consultation

- While the revision for the capital floors is consulted separately from the revisions to the standardised approaches, it will be finalised in accordance with the revisions to the standardised approaches
- Details including the level of capital floors and implementation schedule are unclear

\* 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

# Application of Basel III

- Capital requirements and liquidity coverage ratio have been phased-in in line with international agreements
- Domestic regulations on leverage ratio, net stable funding ratio and capital buffers including capital conservation buffer and countercyclical buffer, 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)<sup>\*4</sup>

Leverage ratio	Mar. 2015 Domestic regulation finalised	Mar. 2015: Start disclosure ( <i>minimum: 3%</i> )					Jan. 2018: Migration to pillar 1			2015 through 1 <sup>st</sup> half 2017: <i>Final adjustments to definition and calibration</i>	
Liquidity coverage ratio (LCR)	Oct. 2014 Domestic regulation finalised	Phased-in from Mar. 2015	Mar. 2015 60%	Jan. 2016 70%	Jan. 2017 80%	Jan. 2018 90%	Jan. 2019 100%				
Net stable funding ratio (NSFR)	Oct. 2014 Finalised at BCBS	Oct. 2014: <i>Final document published</i>					2018/1: <i>Full implementation</i>				

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

\*2 Countercyclical buffer (CCyB) omitted in the chart above; if applied, expected to be 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

# Public sector support and point of non-viability in Japan

Framework			Systemic risk	Subject entities	Conditions	Point of non-viability	No. of cases
Existing framework	Act on Special Measures for Strengthening Financial Functions <i>Capital injection</i>		Not Required	Banks (Capital injection may be made through BHC)	No suspension of payment of deposits and not having negative net worth	No	31
	Article 102 of Deposit Insurance Act (DIA)	Item 1 measures <i>Capital injection</i>	Required (Credit system in Japan or in a certain region)	Banks only	Undercapitalized	No	1
		Item 2 measures <i>Financial assistance exceeding payout cost</i>			Suspension of payment of deposits or having negative net worth <sup>*1</sup>	Yes <sup>*3</sup>	-
		Item 3 measures <i>Nationalization</i>			Suspension of payment of deposits and having negative net worth <sup>*1</sup>		1
Newly established framework	Article 126-2 of DIA	Specified Item 1 measures <i>Liquidity support</i> <i>Capital injection</i>	Required (Financial system such as financial market in Japan)	Financial institutions including banks and BHCs	Not having negative net worth	No	-
		Specified Item 2 measures <i>Supervision or control and</i> <i>Financial assistance for orderly resolution</i>			Suspension of payment or having negative net worth <sup>*2</sup>	Yes <sup>*3</sup>	-

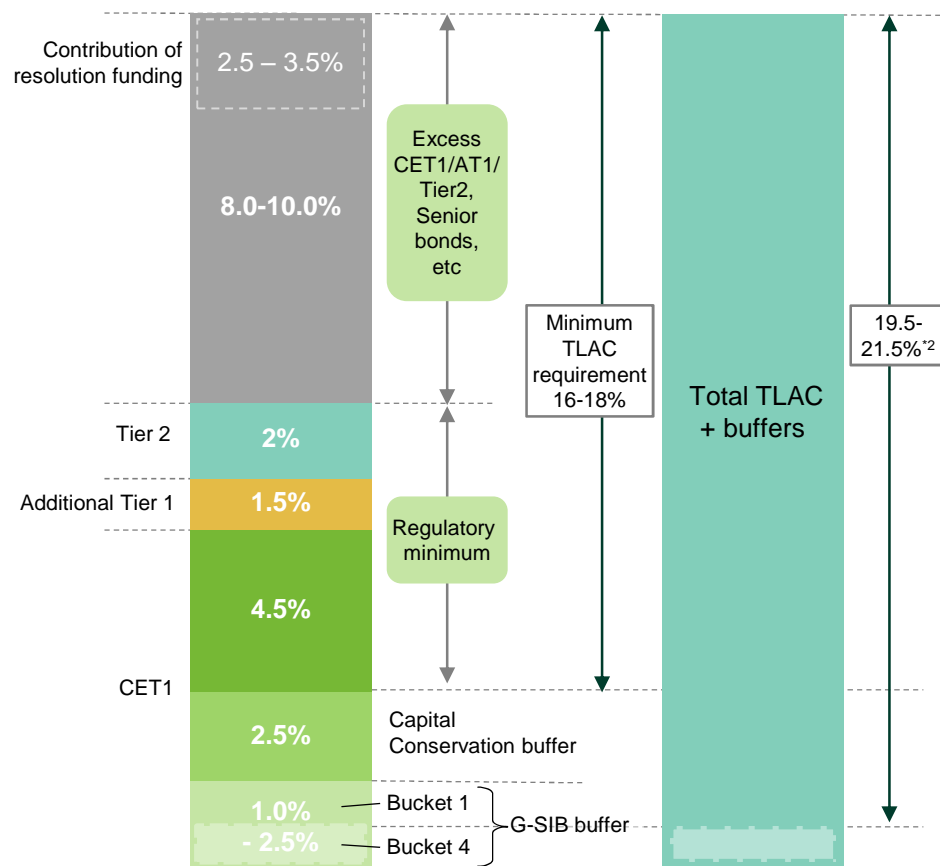
<sup>\*1</sup> Including the likelihood of a suspension of payment of deposits

<sup>\*2</sup> Including the likelihood of a suspension of payment or negative net worth

<sup>\*3</sup> Specified in Q&A published by FSA on March 6, 2014

# TLAC requirements for G-SIBs<sup>\*1</sup>

## Illustrative TLAC requirement



## Highlights of TLAC requirement

### Minimum external TLAC requirements

	Jan. 2019 - Dec. 2021	After Jan. 2022
Risk weighted assets (RWA) basis [Incl. buffers]	16% [19.5%]	18% [21.5%]
Leverage ratio denominator basis	6%	6.75%

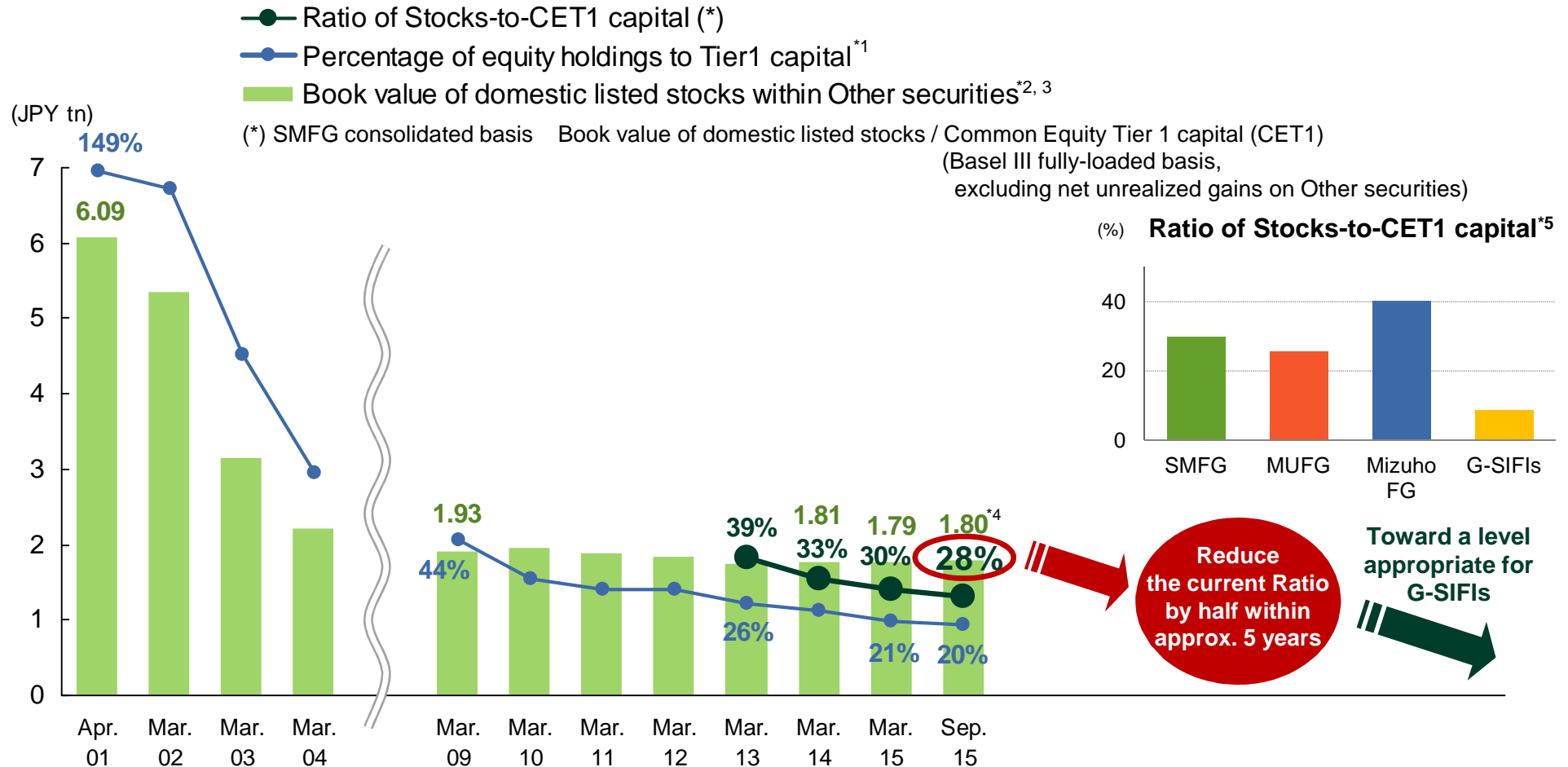
### Instruments eligible for external TLAC

- Items that satisfy regulatory capital requirements, with certain exceptions such as non-controlling interests included in AT1/T2 after Jan. 2022
- Certain unsecured liabilities that are subordinated to excluded liabilities such as insured deposits (senior notes issued by a holding company which does not have any excluded liabilities on its balance sheet, etc.)
- An access to credible ex-ante commitments to recapitalize a G-SIB in resolution may count towards a firm's TLAC as 2.5% of RWA by Dec. 2021 and 3.5% of RWA after Jan. 2022. Japanese deposit insurance system is reported as such<sup>\*3</sup>

<sup>\*1</sup> Based on the FSB's final document in Nov. 2015 <sup>\*2</sup> Excludes Countercyclical Buffer. 21.0% (by Dec. 2021) - 23.0% (after Jan. 2022) for Bucket 4 G-SIBs which are required to hold 2.5% G-SIB buffer <sup>\*3</sup> As reported by The Nikkei on Nov. 10, 2015

# Reduction of strategic shareholdings

## Transition of strategic shareholdings outstanding (SMFG consolidated basis)



\*1 Ratio against SMFG consolidated Tier 1 Capital (ratio against SMBC consolidated Tier 1 Capital until end of Mar. 2002. Ratio against Basel III fully-loaded SMFG consolidated Tier 1 capital from end of Mar. 2013) \*2 SMBC consolidated basis until Mar. 2002 \*3 Same meaning as acquisition cost

\*4 Diminishes after deducting increase in book value from the termination of hedge transactions

\*5 For 3 Japanese banks, ratio of book value of domestic listed stocks to CET1 excluding net unrealized gains on other securities, as of end of Mar. 2015. CET1 is based on our estimation of Basel III fully-loaded basis, pro forma. For G-SIFIs, an average of 21 banks' ratio of AFS equity (MTM)-to-CET1 capital (transitional basis) as of the end of Dec. 2014. 21 banks are determined as excluding 3 Japanese banks and 6 banks with insufficient data on equity holdings (BNP, GS, ABC, BPCE, ACA, ICBC) out of 30 G-SIFIs

## ■ Establishment of SMFG Corporate Governance Guideline

- Established SMFG Corporate Governance Guideline in May 2015, in due consideration of the Japan's Corporate Governance Code

Enhance transparency and fairness of management,  
and improve SMFG's corporate value over the mid to long term

- Elect one-third or more of the directors, and at least two of them, as independent outside directors
- Establish and disclose selection standards and procedures for director candidates and corporate auditor candidates, as well as independence standards for outside directors and corporate auditors
- Disclose the policy with respect to strategic shareholdings in other listed companies; the Board of Directors will examine and confirm the objective and rationale behind shareholdings; and establish and disclose standards for execution of voting rights in relation to shareholdings



# Corporate governance

## No. of directors and corporate auditors (SMFG)

	FY3/15	
Directors	13	13
o/w outside	3	5
Corporate Auditors	6	6
o/w outside	3	3

June  
2015

More than one-third of SMFG's directors  
are outside directors

Shareholders' Meeting

Corporate Auditors/  
Board of  
Corporate Auditors

Board of Directors

Nominating  
Committee

Compensation  
Committee  
(\*)

Auditing  
Committee  
(\*)

Risk  
Committee

(\*) Chairman: Outside Director

## Outside directors and corporate auditors (SMFG)

Directors	● Mr. Yoshinori Yokoyama (Project Professor at The University of Tokyo)
	● Mr. Kuniaki Nomura (Attorney at Law)
	● Mr. Arthur M. Mitchell (Attorney at Law admitted in New York) <b>New</b>
	● Mr. Masaharu Kohno (Previous Ambassador of Japan to the Republic of Italy) <b>New</b>
	● Ms. Eiko Sakurai (Chairman and CEO of Dow Corning Toray, Ltd.) <b>New</b>
Corporate Auditors	● Mr. Ikuo Uno (Executive advisor to the Board of Nippon Life Insurance Company)
	● Mr. Satoshi Itoh (Certified Public Accountant)
	● Mr. Rokuro Tsuruta (Attorney at Law)

## Newly appointed outside directors



**Mr. Arthur M. Mitchell**  
(Attorney at Law  
admitted in New York)



**Mr. Masaharu Kohno**  
(Previous Ambassador  
of Japan to the  
Republic of Italy)



**Ms. Eiko Sakurai**  
(Chairman and CEO  
of Dow Corning Toray, Ltd.)



# CSR (Corporate Social Responsibility)

- In order to fulfill our role as a global financial group that supports the sustainable growth of society, we will promote initiatives on CSR activities that focus on the topics of “Environment”, “Next Generation”, and “Community”

## Environment

- Reduce environmental impact
- Manage environmental risks
- Promote environmental businesses
- Engage in environmental conservation activity etc.

- Exhibit our “Eco-products”
- Proactive in “SMFG Clean-up” (clean-up activities at rivers and seashores)
- Issued green bond



Exhibition of our “Eco-products”

## Next Generation

- Contribute to improvement of financial literacy
- Cultivate our human resources in emerging countries
- Promote workforce diversity
- Establish a better work-life balance etc.

- Establish “Rising Square”
- Implement CSR activities in Indonesia and Myanmar



“Rising Square” (SMBC East Tower)

## Community

- Support the restoration efforts for the Great East Japan Earthquake
- Contribute to community-based activities in many areas led by executive and employee volunteers
- Help those who are suffering from cognitive impairment etc.

- Volunteer efforts for disaster-stricken areas
- Nurture individuals who are “cognitive impairment supporters”
- Contribute to community at home and abroad

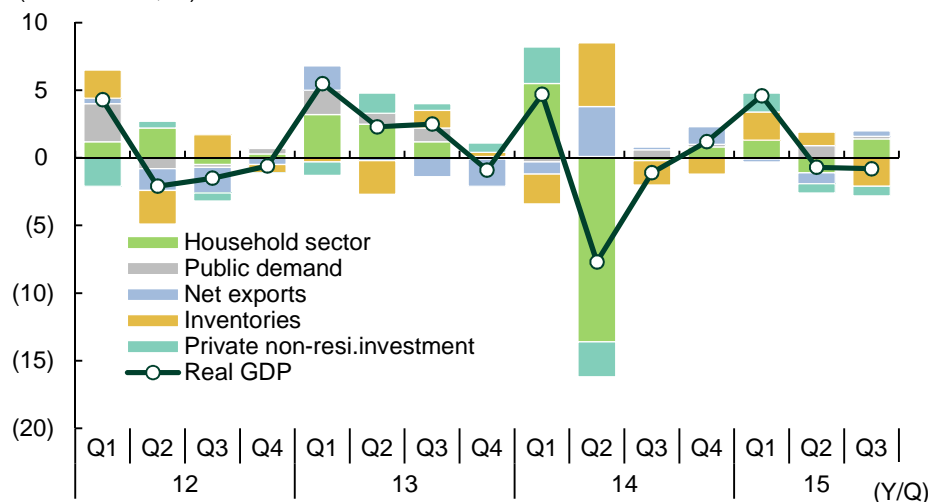


Visit to Miyagi Prefecture’s temporary housing facility (supporting restoration)

# Current Japanese economy

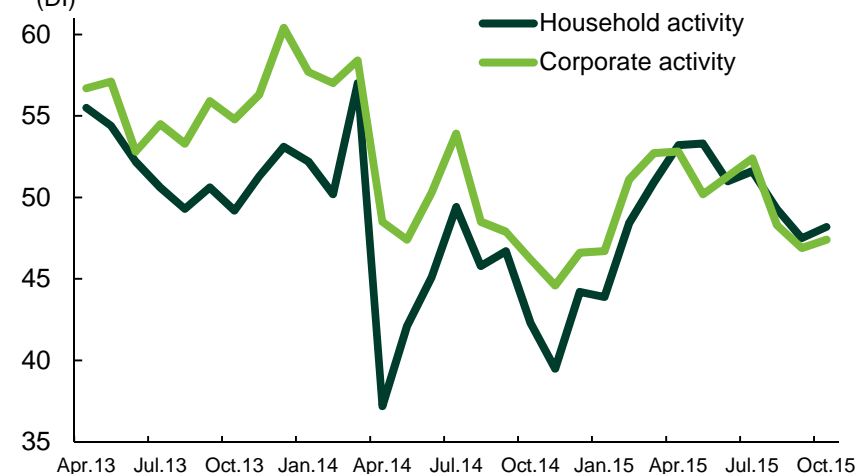
## Real GDP growth rate (annualized QOQ change)\*1

(Contribution, %)



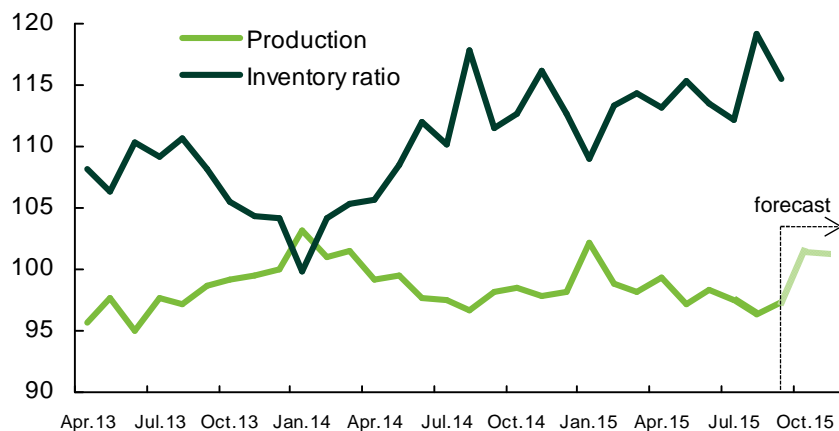
## Economy watchers survey\*2

(DI)

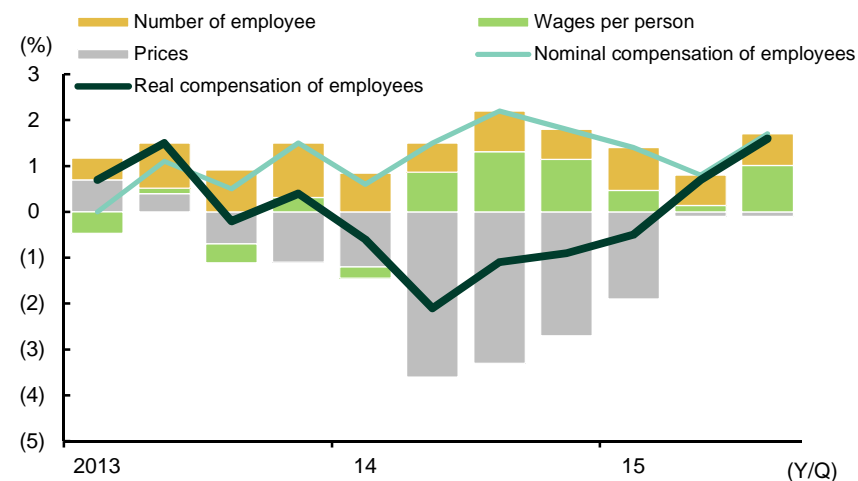


## Indices of industrial production\*3

(2010 = 100)



## 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 Oct. and Nov. 2015, 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”, “estimate”, “expect”, “intend”, “may”, “plan”, “probability”, “risk”, “project”, “should”, “seek”, “target” 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 earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and results of operations, and investors’ decisions.