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"SMFG's Management Strategy"

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<Presentation Summary>

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(Cover page)

Ladies and gentlemen. My name is Miyata from Sumitomo Mitsui Financial Group. I would like to thank you very much for joining us for this session despite your very busy schedule. I also would like to take this opportunity to thank our shareholders and investors for your ongoing support.

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Since the Bank of Japan ("BOJ") announced the introduction of "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate" on January 29, 2016, the financial and capital markets have become very unstable.

The stock price of banks dropped sharply due to an uncertainty about the degree of impact of the negative interest rate policy on financial institutions, as well as some European banks announcing weak financial results. Although our share price has recovered slightly, it remains to be down by about 20% compared to what it was in January 28, 2016, and PBR declined to 0.4 times level, which is causing concern for shareholders.

Today, I would like to make my presentation based on the agenda on page 1. Especially, regarding the first item, "Impact of BOJ's negative interest rate policy", I will explain three points in detail. Firstly, the major potential issues to the banking industry caused by the negative interest rate policy; secondly, the influence to our business and the degree of impact on our profit; and finally, our initiatives to manage those issues and overcome the impact on our profit.

Please move on to page 3.

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The left hand side of the slide shows the BOJ's three-tier system of interest rates, which started on February 16, 2016 and is applied to the outstanding balance of

each financial institution's current account at the BOJ. The right hand side shows the major potential issues to banks.
There are two major potential issues. First is the possibility of negative yield investments triggered by an increase in cash under limited investment opportunities. Second is the decline of domestic loan interest rates.
Please move on to page 4.

(P.4)

As we assumed that the negative interest rate policy will lower our net interest margin, we have already taken actions to mitigate the negative impact.
First, as shown on the right hand side of the slide, in order to control the inflow of cash, we lowered interest rates for JPY time deposits over 2 years on February 8, and we also lowered interest rates for JPY ordinary deposits on February 16 to 0.001%, which is the lowest level ever. In addition, we started our initiative to promote shifts from JPY deposits to foreign currency deposits by raising interest rates for foreign currency deposits.
Next, as shown on the left hand side, in order to manage our asset portfolio, the important points are i) controlling the BOJ's current account balance, ii) exploring alternative investments when JGBs mature, and iii) increasing loans.
SMBC's average balance of the BOJ's current account was 26 trillion yen in the first half of this fiscal year. The large majority of this is included in the "Basic balance" on which interest rate of +0.1% will continue to be generated.
Furthermore, the level of our current JGB holding is low since we made the decision to reduce our JGB holding early on and shifted those investments into the BOJ's current account balance and equity index-linked investment trusts. This means that we were able to lower our re-investment risk with negative yield when JGBs mature.
Regarding loans, we will continue our efforts to meet the positive loan demand of our clients.
Please move on to page 5.

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The domestic loan / deposit business which will be affected by the negative interest rate policy is the core business for banks. However, Japan has been in a low interest rate environment for a long time and we have taken various initiatives including strengthening our international business, securities business, and consumer finance business to grow in such an environment.

As shown on the bottom half of the slide, SMBC's domestic loan / deposit related revenue accounted for 35% of SMFG's consolidated gross profit in FY 2002. However, it is now down to 18% as of the first half of FY 2015. Accordingly, the area that will be affected by negative interest rates would only be to this part of our business.
Please move on to page 6.

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The left hand side of the slide shows the interest-earning assets and interest-bearing liabilities of the SMBC's non-consolidated domestic operations for the first half of this fiscal year. And on the right hand side, we show the impact of negative interest rates to our profits based on certain assumptions.
The impact to our net income is as follows. We have made a rough calculation based on the assumption that market interest rate declines by 10 bps and the tax rate is 30%.
First, because it will impact our earnings for only two months for this fiscal year, the impact would be about JPY 3.5 billion. This amount is about 0.5% of our full year consolidated net income target of JPY 760 billion. As for the annual impact, it can be calculated as approximately JPY 21 billion.
Therefore, I would like to point out that the immediate impact of the BOJ's negative interest rate policy to our profit is limited, and we have already taken certain measures to mitigate the potential negative impact.
Then I would like to talk about our financial performance and initiatives to achieve growth on a mid-long term basis.
Please move on to page 8.

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Achievement rate of SMFG's cumulative profit attributable to owners of parent (net income) for 3Q, FY 2015 was 82% against the full-year forecast.
SMFG showed favorable progress due to good performance mainly at our international business, group companies and SMBC's Treasury unit.

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Page 9 shows the peer comparison of ROE, overhead ratio and domestic loan-to deposit spread.
We will continue to focus on high profitability and efficiency.
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I would like to explain our initiatives for the mid and longer term growth.

First, our efforts for group-wide collaboration, to take advantage of SMBC's extensive client base.

Here I would like to explain especially about collaboration between SMBC and SMBC Nikko Securities.

In the wholesale business, SMBC Nikko Securities aims at over 20% market share in equity and bond underwritings and securing position as one of the top three brokerage firms in Japan. As the left side bottom shows, SMBC Nikko Securities secured the No.3 position in both equities and bonds underwritings for the nine months of April to December 2015. Also SMBC Nikko Securities ranked No.2 in the IPO league table executing 20 deals as a Lead Manager.

In the retail business, we are promoting bank-securities retail integration between SMBC and SMBC Nikko Securities. Furthermore, we acquired the retail banking business of Citibank Japan and integrated into SMBC Trust Bank last November. We will continue to address the individual clients' various needs including investment advice, inheritance and asset succession by enhancing our service capability on a group basis.

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Please turn to page 12.

Let's move on to the consumer finance business.

Consumer finance is one of the important businesses within our retail business with relatively high spread and stable earnings.

The loan guarantee business for financial institutions has been growing with an annual rate of 20% and the outstanding loan guarantee amount topped the JPY 1 trillion mark at the end of September 2015.

While we continue to monitor carefully the trend in the number of interest refund claims, we will respond to the borrowing needs for sound consumption of individual clients and continuously aim to grow.

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Please turn to page 13.

The left hand side of the slide shows our initiative for FinTech.

Under the "Open Innovation" concept, we are promoting "Input" where variety of information and ideas are collected, "Ideation" where we link the contents inputted into businesses, and "Output" where those ideas are commercialized.

Collaborating with outside partners, we will aim to achieve rapid innovation.
The right hand side shows our initiatives for supporting the growth of startups on a group basis.

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Please turn to page 14.
In the international business, we are promoting cross-selling with non-Japanese large corporates and also selectively focusing on high margin and liquid assets in order to improve profitability of our loan portfolio.
To be specific, we are promoting arrangement of M&A finance in the Americas and EMEA, and strengthening the function of equity and bond underwriting of SMBC Nikko Securities.
Also, as one of our initiatives to increase profitable assets, we acquired European LBO-related assets from General Electric group (GE). The loan spread on these assets is higher than our existing overseas loan spread, and the portfolio is well-diversified among mid-sized companies domiciled in European countries. We were also able to add GE's know-how for accurate credit processing for LBO assets.

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Please move on to page 15.
We are adopting a more cautious credit-taking approach in Asia because of the slowdown of Asian economy.
However, our policy of strengthening our business in Asia over the mid to longer term has not changed.
Please move on to page 19.

(P.19)

We frequently receive questions about our asset quality from investors. Therefore, let me explain the soundness of our asset portfolio.
Page 19 shows SMFG's consolidated exposures to corporates, sovereigns and banks classified on our internal rating scale.
The right hand side shows the overseas exposures, most of which are "1-3" on our internal rating scale.
Regarding the quality of credit in this zone, please refer to the section under "PD", Probability of Default.

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The left hand side on page 20 shows our exposure to oil and gas, and other resources related industries.

Our exposure to non-Japanese oil and gas related industries is around USD 56 billion, accounting for 6% of SMFG's total exposure. Out of which, around 90% is classified as "1-3" on our internal rating.

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Turning to page 21, let me explain our policy on reducing strategic shareholdings.

In order to mitigate the impact from stock price fluctuations on capital, we initially aim to have the assurance of reducing the ratio of the book value of stocks to CET1 capital from 28% at the end of September 2015 to 14% within approximately five years, and further reduce the ratio to below 10%, which we think is an appropriate level for G-SIFIs.

We feel that we are making good progress as we have started to obtain consent from a number of clients. We will continue engaging in dialogue with our clients, and aim to reduce strategic shareholdings as early as possible.

Please turn to page 24.

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We now move on to shareholder returns.

Our basic dividend policy is to raise dividend per share in a stable manner. I would like to point out that we have shown a proven track record as presented in the chart.

The annual dividend forecast for FY 2015 is JPY 150 with a dividend payout ratio of 27.8%. Going forward, we will aim to increase our dividend payout ratio towards 30%.

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Please turn to page 25.

Common Equity Tier l capital ratio on a Base III fully loaded basis stood at 12.2%, or 9.6% excluding net unrealized gains on Other securities, as of the end of December 2015.

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An overview of our basic capital policy is shown in page 26.

We will continue to strive to achieve steady growth of shareholder value while

keeping a balance among growth investments, return to shareholders, and financial soundness.
However, we would like to take a conservative capital management approach until the international financial regulations become clear.
Please move on to page 27.

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Last slide, page 27, summarizes the three messages I would like to convey to you today.
Firstly, the immediate impact of the BOJ's negative interest rate policy to us is limited.
Secondly, our financial performance is solid. Our asset portfolio is healthy and downside risks are limited. In addition, we are progressing toward the reduction of strategic shareholdings.
Lastly, we have shown a proven track record of increasing dividend per share as our basic dividend policy is to raise dividend per share in a stable manner.
We will continue to strive to achieve steady growth of shareholder value while keeping a balance among growth investments, return to shareholders, and financial soundness.
We hope that we can obtain your continued support. Thank you very much for your kind attention.

(End)