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**Presentation at Bank of America Merrill Lynch 2016 Japan Conference**  
**“SMFG management strategy under the changing business environment”**

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<Presentation Summary>

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**(Cover page)**

Hello everyone, my name is Koichi Miyata, President of SMFG.

Thank you for taking the time today to attend this session. I would also like to thank Merrill Lynch Japan Securities for organizing this conference.

Since the Bank of Japan (“BOJ”) announced the introduction of the Negative Interest Rate Policy in January this year, stock price of the Japanese banking sector has unfortunately underperformed the Nikkei Stock Average.

Although our share price has recovered from the lowest level of the year marked early in July, PBR remains at 0.6 times.

**(P.1)**

As the market conditions are uncertain and unstable, we are quickly reacting to “change” and taking various measures to capture opportunities to develop our business.

Today, I will first talk about our management strategy for approximately 20 minutes, and then take questions from Mr. Sasaki and the audience.

Please turn to p.3.

**(P.3)**

First our business environment. This slide illustrates the macro environment.

As shown on the left hand side, real GDP growth rate from the year 2010 to 2015 shows pronounced slowdown on a global basis.

As shown on the right hand side, in addition to the slowdown of the economy, emergence of Populism and Nationalism shown in the UK referendum and surplus funds under the easing of monetary policy in developed countries which has led to a rise of market volatility can be pointed out. We believe the world is in the middle of a major structural change.

Please turn to p.4.

**(P.4)**

Next is the macro environment in Japan. Although there are both positive and negative factors, generally speaking, the Japanese economy continues to gradually recover.

The financial regulations are shown on the right hand side. After the financial crisis, international financial regulations have been tightened.

Please turn to p.5.

**(P.5)**

As the business environment changes, various issues and downside risks have emerged.

We will proceed with initiatives to address these risks, but on the other hand we also regard the changing environment as our opportunity.

We would like to enhance our corporate value by further elevating SMFG's unique strengths, which are asset efficiency, capital efficiency and cost efficiency through setting priorities for resource allocation.

Please turn to p.7.

**(P.7)**

Here are our first quarter results. Consolidated net income was ¥184.3 billion, which represents 26% progress towards our full year target of ¥700 billion.

Compared to the last fiscal year, our profit decreased mainly due to a decrease in profits from equity index-linked investment trusts because of the weak market and sluggish sales in investment products. However, to this fiscal year's target, the progress is in line.

Next, I would like to talk about our strategy under the changing business environment.

Please turn to p.10.

**(P.10)**

SMFG has consolidated leading companies of each industry into the group and enhanced functions as a diversified financial services group.

While we have been providing clients with one-stop-services through our group companies, going forward, we will also manage our costs and risks on a group basis to make further progress.

Please turn to p.11.

**(P.11)**

Now, I would like to talk about our initiatives to capture opportunities engaging from the changing business environment.

First, addressing domestic investors' needs of retail clients.

Promoting the shift "from saving to investment" has been a long-standing issue for the Japanese economy and financial institutions.

The shift "from saving to investment" of individuals has not progressed much unfortunately due to the current risk-off mood. However, we believe there is a chance that shift occurs drastically in the mid- to long-term, since the government has set up "promoting people's stable wealth management through diversified investments" in its economic policies.

We have developed a unique business model, "bank-securities retail integration", where a Japanese mega bank and one of the three major Japanese security firms are working together. In two years since the collaboration started in all branches, assets under management increased by approximately one trillion yen.

Moreover, we are promoting reorganization of group companies such as the merger of securities subsidiaries and consolidation of an asset management company. We will further enhance our products, services and marketing capabilities.

**(P.12)**

Please look at p.12. Next is addressing domestic investors' needs for corporate clients.

Under the negative interest rate environment, investment needs of regional banks, insurance companies and corporate clients for positive returns are growing. We have responded to these needs by leveraging products with our know-how and competitive advantage.

For example, needs of regional banks for strengthening the consumer finance business as a lucrative asset class are growing. SMBC Consumer Finance has built a win-win relationship with these financial institutions by collaborating and providing know-how of assessment and collection as an industry-leading company. Our loan guarantee balance is increasing in an annual growth rate of double-digits. Moreover, we are distributing investment products originated from our strong project finance and aircraft leasing/finance businesses that meet the needs of investors. Although it has been only a few years since we started these initiatives in full-scale, distribution amount of fiscal year 2015 reached a few hundred billion yen level, which is doubled from the previous year.

**(P.13)**

Please look at p.13. Next is support for growth companies and industries.

We have supported start-up companies throughout their growth stage on a group basis. SMBC Nikko Securities has been focusing on assisting these companies through the IPO process. SMBC Nikko Securities ranked the second in the number of IPO lead manager deals for both the first quarter of this fiscal year and last fiscal year.

Furthermore, we established an agricultural corporate entity aiming to build an industrial farm management model. We are looking to contribute to the vitalization of agriculture and local regions in Japan by leveraging our financial expertise in the agricultural sector as well as participating in agricultural production and sales.

Please turn to p.15.

**(P.15)**

This page shows our services utilizing IT.

We regard FinTech as a growth engine, and are promoting various initiatives in this area. Today, I would like to explain our services using smartphones as an example of these initiatives.

SMBC first launched a Banking app in February 2013. Since then we have been adding new functions and services to enhance usability and security. In April 2016, we introduced a new banking app that has a “simple”, “easy” and “friendly” screen design so that a wide range of age group could use it comfortably. In addition, we are promoting group collaboration in this area as well. This fall we will launch a new app that enables to view transactions of SMBC, SMBC Nikko Securities and Sumitomo Mitsui Card in one screen. This will contribute to our cross-selling activities.

Moreover, we will start a new paperless convenience store payment service through a joint venture between NEC and SMBC next year.

Within SMBC’s internet banking services, the number of customers who login via smartphones has exceeded that of login via PCs. We will continue to enhance services utilizing smartphones.

**(P.16)**

Please turn to p.16.

Our international business is one of the growth drivers which consists around 35% of the consolidated banking profit of SMFG.

Having said so, we are paying attention to the tightening of international financial regulations, the rise in foreign currency funding costs, and an increase in credit risks mainly in the resource related sector.

By utilizing the risk-appetite framework, we will seek to upgrade the international business and portfolio management, and improve profitability. Please turn to p.18.

**(P.18)**

As the emerging economies slow down, we are currently adopting a more cautious credit-taking approach in Asia. However, our policy of strengthening our Asian business in this decade has not changed.

For example, Indonesia is a country with high growth potential. SMBC has promoted collaboration with Bank Tabungan Pensiunan Nasional (“BTPN”), a local middle-rank commercial bank by investing 40% and making it an equity-method affiliated company in fiscal 2013.

One of the collaboration projects is digital banking services. BTPN provides a low-priced, safe and easy mobile banking service through low cost feature-phones for the mass market. The services started in March 2015 and as BTPN formed an alliance with the largest local wireless carrier in April 2016, the number of customers has already reached 800 thousand. BTPN also started a new smartphone based digital banking service for the high-net-worth and middle class segments this August.

The needs of mobile banking services for the mass market in emerging countries are growing significantly. We are looking into applying these services in other emerging countries in the future.

**(P.19)**

Please look at p.19. I would like to now talk about our expense control.

Regarding expenses, each one of our group companies are already reviewing the items in detail and in fact we were able to see some progress in the first quarter.

However, in order to reduce expenses drastically, we need to make a fundamental review of our expense structure.

This fiscal year, we set up a group-based cost reduction council to work on cost reduction on a group-wide basis. We are steadily promoting “Economy of scale” by negotiating procurement and office lease contracts on a group-basis, “Integration of duplicated functions” in head office and back-office operations and “Commonalizing and commoditizing” of marketing offices and systems.

We are aiming to revisit to be a financial institution with recognition of high

efficiency.

**(P.20)**

P.20 shows specific initiatives that are taken to control expenses.

Merger of the securities subsidiaries is expected to generate approximately ¥10 billion of cost synergies by consolidating systems and nearby branches.

Initiatives for next-generation workplace are illustrated on the right hand side. SMBC has started initiatives to enable employees to access the work environment, anytime, anywhere in accordance with each one's working style. We believe this will allow employees to fully exert their ability, improve efficiency and reduce system development costs.

From the next page, I would like to talk about our capital policy.

**(P.22)**

An overview of our basic capital policy is shown on p.22.

We will continue to strive to achieve steady growth of shareholder value while keeping a balance among financial soundness, return to shareholders, and growth investments.

**(P.23)**

Our capital position is shown on p.23.

Our Common Equity Tier1 capital ratio stood at 11.8%, and 10.0% excluding net unrealized gains on Other securities, as of the end of June 2016. This means we have achieved our capital ratio target of “the mid-9% range, excluding net unrealized gains on Other securities”, which we view as our capital adequacy benchmark.

The consultation process is still on-going for international financial regulations including revisions to the standardized approach and capital floors that may result in the increase of risk-weighted assets. Although not to the extent of our initial estimation, there still remains possibility that it will make certain impact to our capital position. Therefore, we are not confident at our capital adequacy quite yet. However, since the impact of the international financial regulation is expected to become more clear by the end of the year, we believe we are coming close to where we can make final confirmation of our capital adequacy.

**(P.24)**

I would now like to explain p.24. As for our strategic shareholdings, as a first step,

we aim to halve the ratio of the book value of domestic listed stocks to CET1 capital from 28% as of September 2015 to 14% in five years or so, or approximately ¥500 billion.

In the 1st quarter of this fiscal year, we reduced only around ¥4 billion as a result of cautious execution, considering unstable market conditions. However, we have continued to negotiate with clients and the outstanding amount of consent to sell obtained from clients has increased to roughly ¥90 billion.

Going forward, starting from September 2015 until the end of March 2017, with a conscious of an even pace, we aim to obtain consent to sell of approximately ¥150 billion.

**(P.25)**

Lastly, let me talk about our dividend.

Our basic dividend policy is to raise dividend per share in a stable manner. In the fiscal year ending March 2017, our forecast is a dividend per share of ¥150 and a dividend payout ratio of 30.2%.

Although the business environment remains uncertain, we will focus on the level we committed.

We will act accordingly to the changing business environment to improve asset efficiency, capital efficiency and cost efficiency, and concurrently strengthen our shareholders return. We hope that we can obtain your continued support.

Thank you very much for your kind attention.

(End)