

Bank of America Merrill Lynch 2018 Japan Conference

SMBC Group Management Strategy

September 2018



SUMITOMO MITSUI
FINANCIAL GROUP

- I 1Q, FY3/2019 performance
- II Progress of the Medium-Term Management Plan
- III Capital Policy

I 1Q, FY3/2019 performance

1Q, FY3/2019 performance

- Made good progress towards the full year target

Income statement

	(JPY bn)			
	1Q	Result (in USD)	YoY	Target FY3/19
Consolidated gross profit	719.1	6.5 bn	(18.3)	
General and administrative expenses	428.8		(25.1)	
Equity in gains (losses) of affiliates	24.0		+4.4	
Consolidated net business profit ^{*1}	314.4	2.8 bn	+11.2	1,155
Total credit cost	8.4		(6.4)	200
Gains (losses) on stocks	29.0		+0.1	
Other income (expenses)	(3.2)		(2.0)	
Ordinary profit	331.9	3.0 bn	+15.7	1,020
Extraordinary gains (losses)	(1.3)		(0.7)	
Income taxes	82.9		+33.1	
Profit attributable to owners of parent	227.1	2.1 bn	(14.4)	700

Key ratios

	Result	
	1Q	YoY
ROE ^{*2}	10.5%	(1.3)%
Overhead ratio	59.6%	(2.0)%

Impact from the deconsolidation of the regional banks: approx. (1)%

Progress of the Medium-Term Management Plan

Major developments from a year ago

- Finalization of Basel III (Dec. 2017) : impact of RWA inflation to be as expected
- BOJ to continue NIRP for the time being : current Medium-Term Management Plan assumes NIRP will continue until FY3/20

International financial regulations

Assumption
(Medium-Term
Management Plan)

- Our RWA to be inflated by **25%**
- To be implemented in FY3/21

Finalization of Basel III
(Dec. 2017)

Outcome

- Our RWA to be inflated by **25%**
- To be fully implemented in FY3/27

⇒ **Focus can be put on
“enhancing shareholder returns”
and “investing for growth”**

Monetary policy in Japan

- Short-term rate to be **(0.10)%** until FY3/20
assuming NIRP will continue for three years

BOJ Monetary Policy Meeting
(Jul. 2018)

- BOJ to continue NIRP

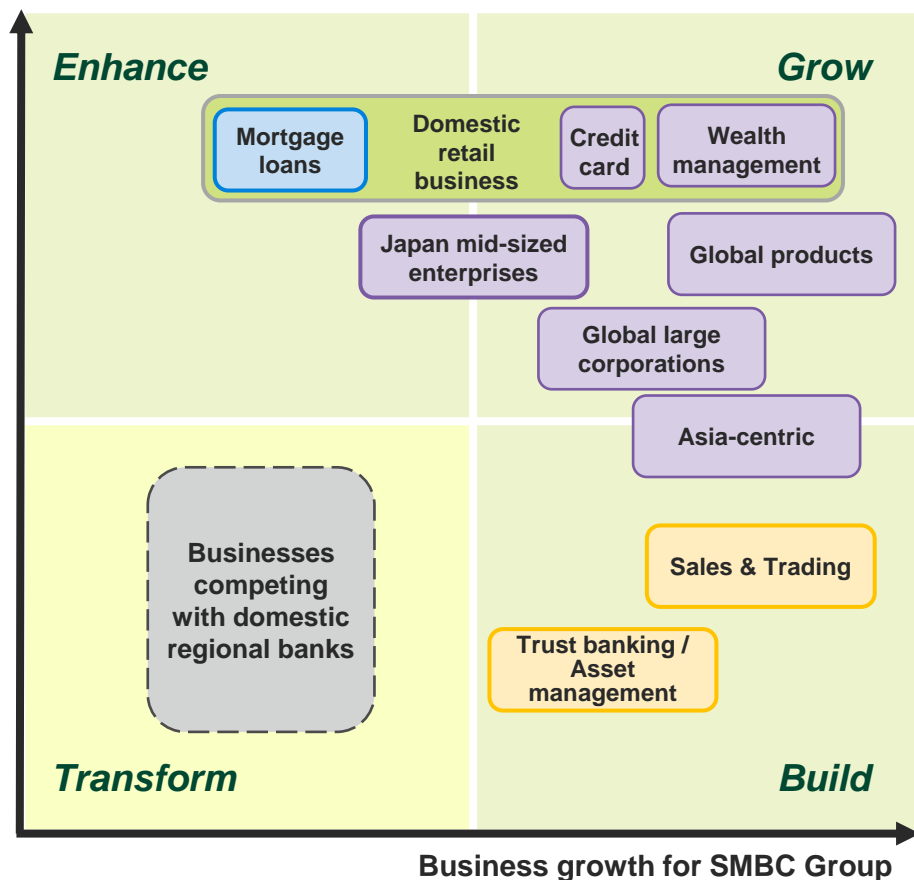
⇒ **Accelerate the Medium-Term
Management Plan**

Transformation of business/asset portfolio

- Prioritize business fields when allocating resources to enhance capital efficiency
- Announced and executed group reorganization measures to transform business/asset portfolio

Business portfolio transformation

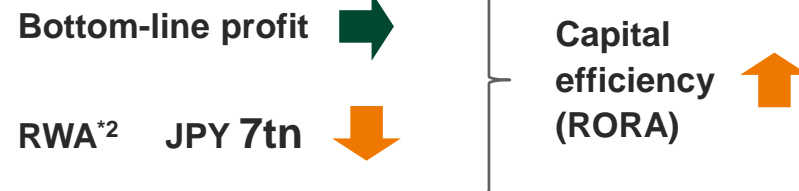
SMBC Group's competitive advantage



Review of group operations

- Merger of SMBC Nikko and SMBC Friend Completed
- Deconsolidation of Kansai Urban Banking Corporation and THE MINATO BANK Completed
- Yahoo! JAPAN consolidated The Japan Net Bank Completed
- Change of shareholder composition of POCKET CARD Completed
- Reorganization of the joint leasing partnership of SMFL Nov. 2018
- Merger of BTPN and SMBC Indonesia*1 2H, FY3/19
- Merger of SMAM and Daiwa SB Investments Apr. 2019

Deconsolidation of the regional banks and SMFL



Cost control: Improving productivity and efficiency

- Reduce cost by JPY 50 bn through the three key initiatives
- Reduction of JPY 26 bn was already materialized during FY3/18

Progress of key initiatives

Target

Business reform to improve efficiency

JPY 20bn

- Automated approx. 1.4 mn hours (workload of 700 people) of operation by utilizing RPA on a group-wide basis
⇒ **Three-year plan: 3 mn hours (workload of 1,500 people)**
- Working on integrating and sharing functions of group companies
 - ✓ System infrastructure
 - ✓ Back operations (e.g. salary payment)
 - ✓ Purchase goods and services

Retail branch reorganization

JPY 20bn

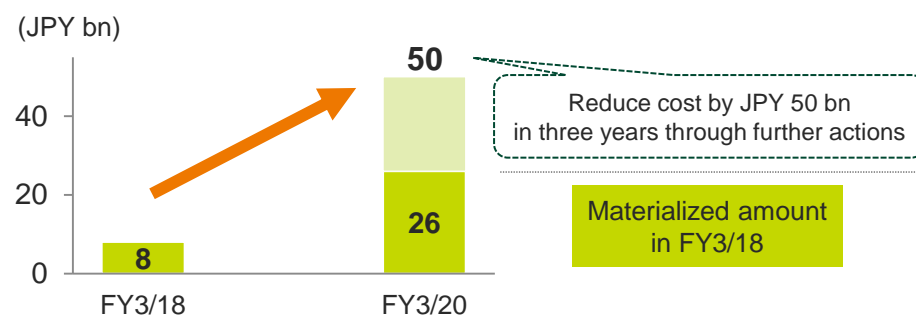
- Transformed 122 branches to next-generation branches and centralized back-office operations of 155 branches

Reorganization of group companies

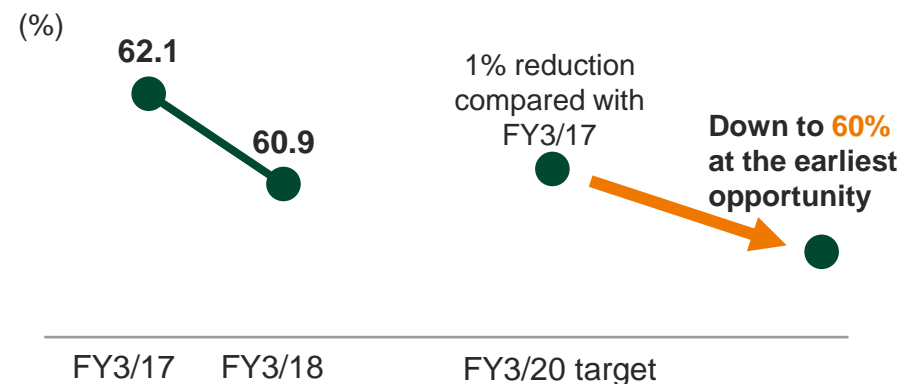
JPY 10bn

- Completed merger of SMBC Nikko and SMBC Friend
- Integrated 4 back office services subsidiaries

Progress of cost reduction



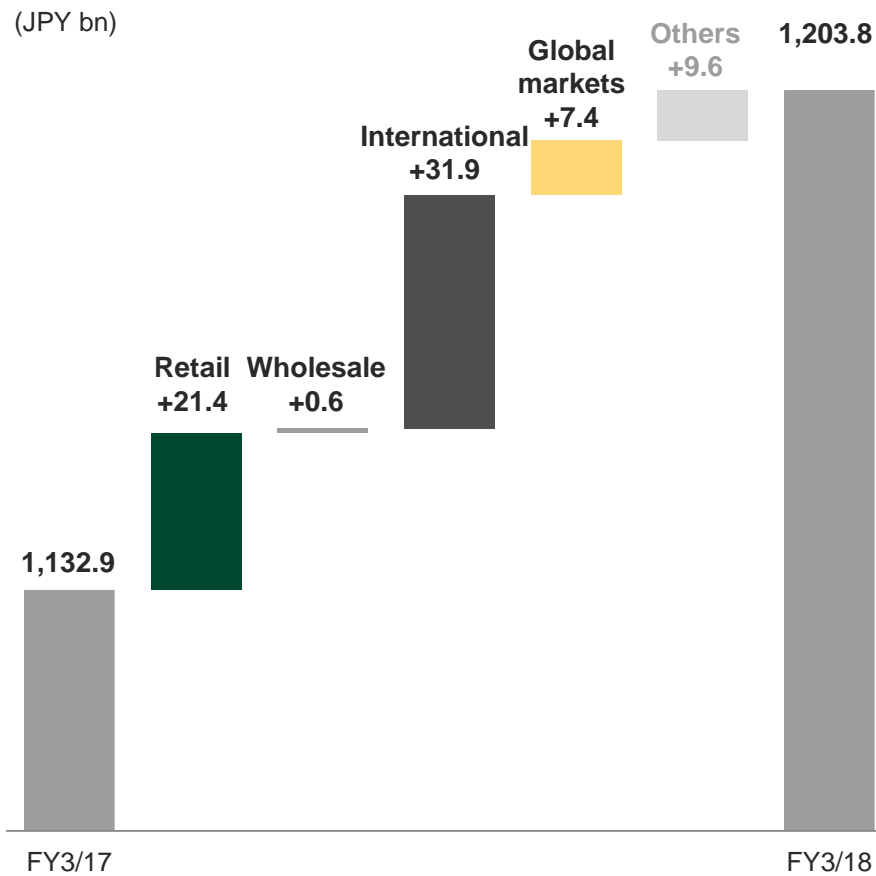
Transition of OHR



Initiatives by business unit: FY3/2018 results

- All four business units increased their net business profit in FY3/18

Net business profit by business unit



Major initiatives for FY3/19

Retail

- Strengthen the wealth management business with high-net-worth clients on a group-wide basis
- Accelerate the pace of branch reorganization

Wholesale

- Promote group-wide transformation to an earnings base that is not overly dependent on assets
- Further strengthen operations to focus on improving profitability

International

- Strengthen global products and promote cross-selling to further improve asset efficiency
- Take advantage of mid-to long-term growth in Asia through the Multi-Franchise strategy

Global markets

- Rebalance portfolio dynamically according to the environmental changes
- Further enhance Sales & Trading to improve and stabilize profitability

Initiatives by business unit: Wholesale business

- Maintain high profitability by further enhancing relationships with our corporate clients and providing customers with various solutions on a group-wide basis
- Offset the decline of interest income by increasing non-interest income and transform the profit structure

Competitiveness of our Wholesale business

Broad Customer Base

Various Solutions on a Group-wide Basis

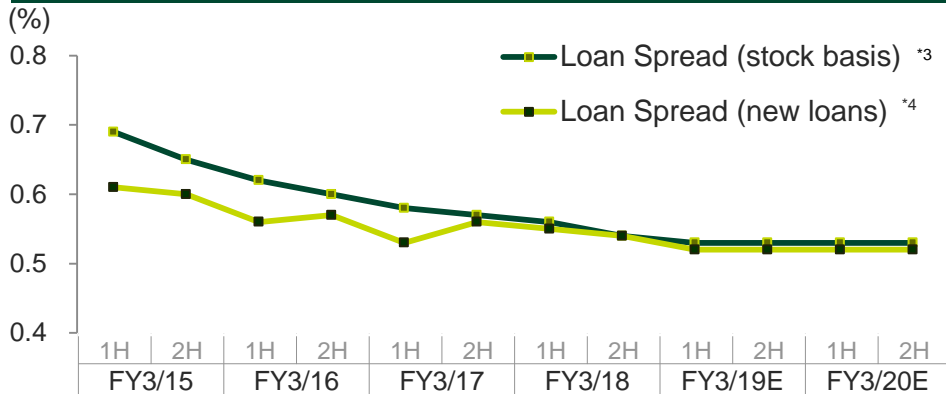
Strong Relationship with Clients

ROE (FY3/18)
11.4%

Domestic Loan Spread
Mid-sized corporations and SMEs^{*1}

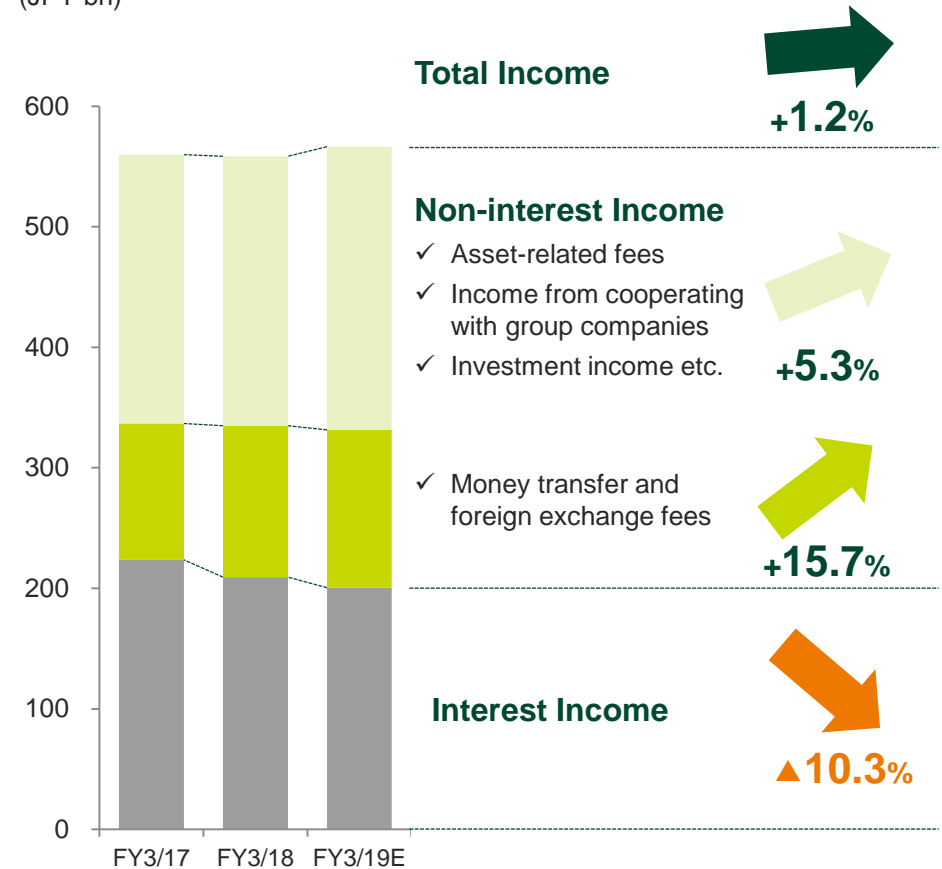
- ✓ SMBC Group **69 bp**
- ✓ Mizuho FG **62 bp**
- ✓ MUFG **60 bp**

Domestic loan spread ^{*2}



Breakdown of Income ^{*2, 5}

(JPY bn)

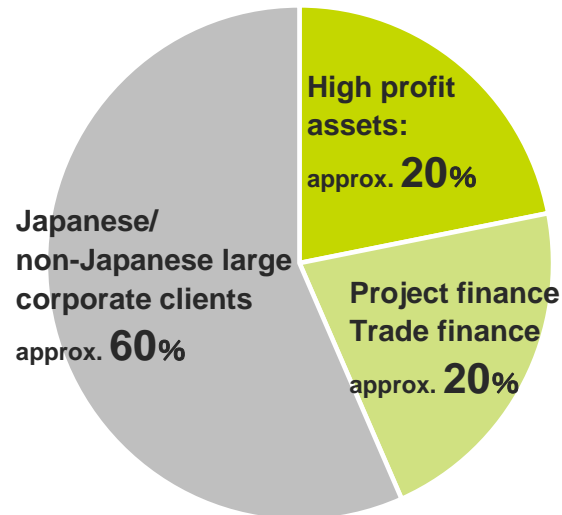


Initiatives by business unit: International business

- Strengthen global products that we hold competitive advantages and promote cross-selling to further improve asset efficiency
- In Asia, expand profit by deepening relationship with core clients and capture the mid- to long-term growth in the region through the Multi-Franchise strategy

Improve asset efficiency

Overseas asset portfolio



Promote cross-selling

- Loans · Deposits
- FX · Derivatives
- Financial Solutions
- M&A

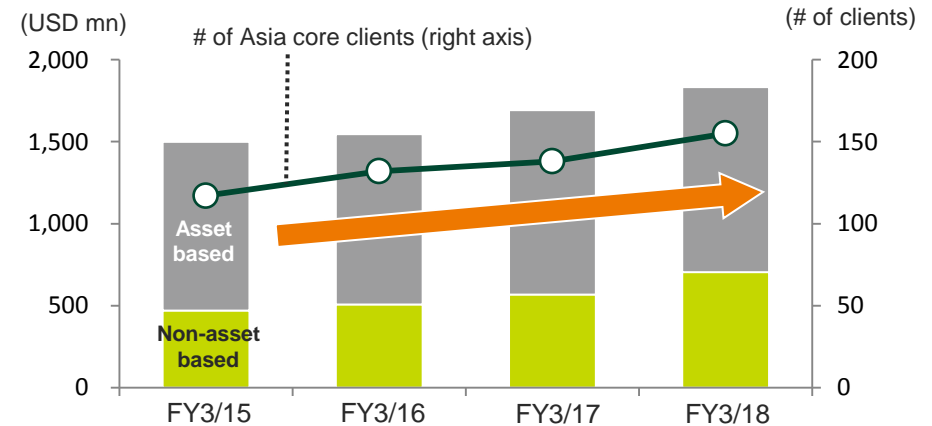
Strengthen global products

- #4 global Aircraft leasing
- #5 global Subscription finance
- #3 UK Middle LBO
- #6 North America Railcar leasing
- #3 global Project finance
- #4 ECA Trade finance

Asia-centric

- Enhance non-asset based profit and expand customer base centered on transaction banking

Profit and number of core clients in Asia

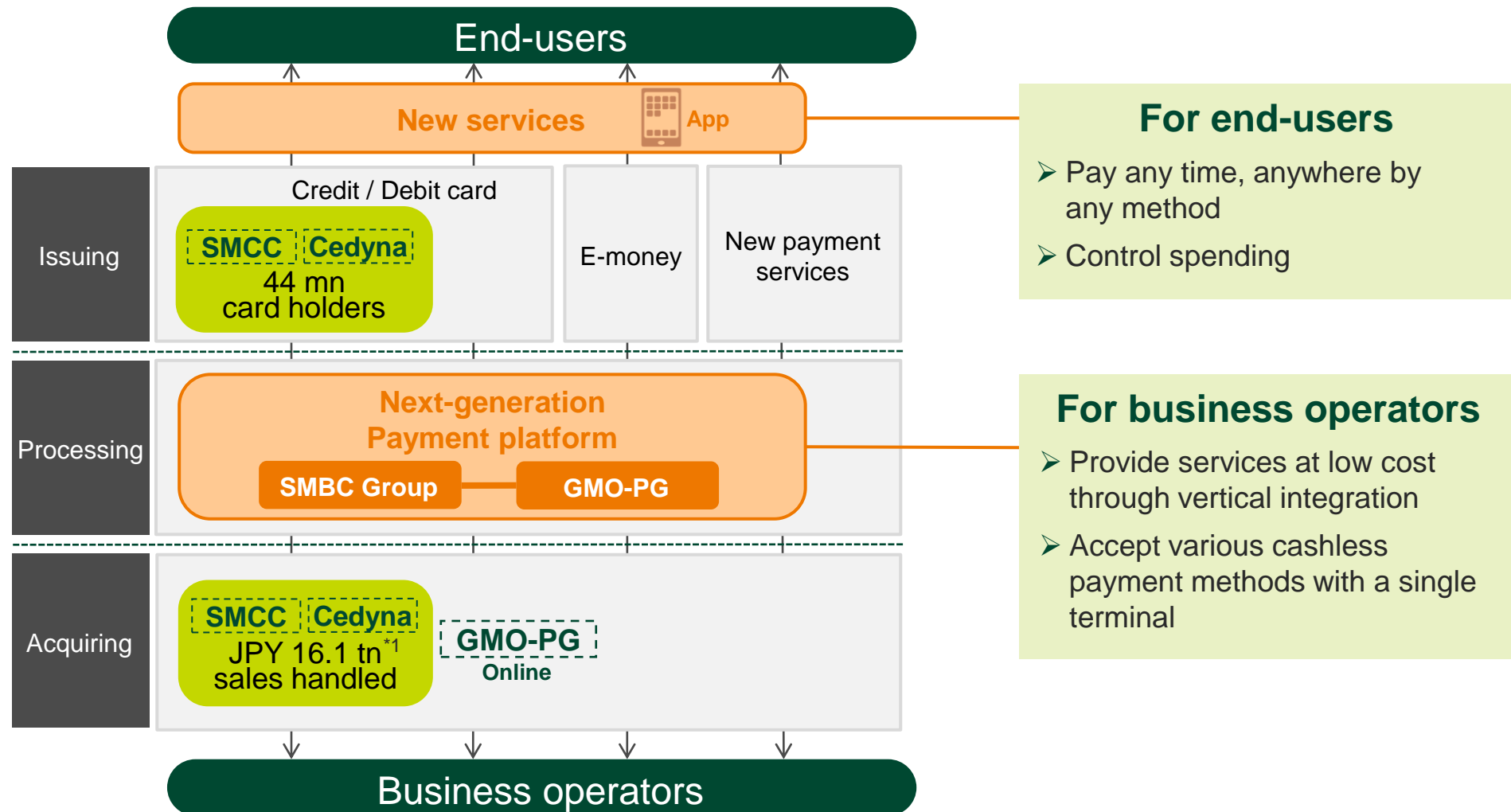


- Merger of BTPN and SMBC Indonesia

- ✓ Merger plan was submitted to the Indonesian local authorities
- ✓ Aim to complete the merger during 2H, FY3/19
- ✓ The merged entity will become our consolidated subsidiary
- ✓ Shift to a full-line commercial bank covering both wholesale and retail operations

Cashless payment strategy

- Lead the development of the cashless payment market in Japan through initiatives that benefit both end-users and business operators



*1 Annual. Includes sales handled from the Issuing business

Governance

- Enhance governance framework through Internal Committees
- Appointed SMBC Group Global Advisors in August 2018

Board of Directors

**Internal Director
(executive)**

7 directors

**Internal Director
(non-executive)**

3 directors



Outside Director

7 directors

Expertise

Management	3
Finance/accounting	1
Law	2
Diplomacy	1

- Outside director
- Internal director (executive)
- Internal director (non-executive)
- Outside experts
- Chairman

Internal Committees

Nomination	
Compensation	
Audit	
Risk (optional)	

SMBC Group Global Advisors

- Appointed to provide advice on global business and on political and economic issues around the world

Name	Key Appointments
Dr. Andreas Dombret *1	A member of the Executive Board, Deutsche Bundesbank ('10-'18) Vice Chairman Europe, Bank of America ('05-'09)
Dr. Robert D. Hormats	Vice Chairman, Kissinger Associates ('13-Present) United States Under Secretary of State ('09-'13)
Mr. Andrew N. Liveris	Executive Chairman, DowDuPont Inc. ('17-'18) Chairman and CEO, The Dow Chemical Company ('06-'17)
Mr. Cesar V. Purisima	Secretary of Finance of the Republic of the Philippines ('10-'16) Secretary of Trade and Industry of the Republic of the Philippines ('04-'05)
Sir David Wright	Vice Chairman, Barclays Capital ('03-'17) British Ambassador to Japan ('96-'99)
Mr. Joseph Yam	A member of the Executive Council, Hong Kong SAR ('17-Present) Chief Executive of the Hong Kong Monetary Authority ('93-'09)



*1 The appointment will be effective from November 1st 2018



Capital Policy

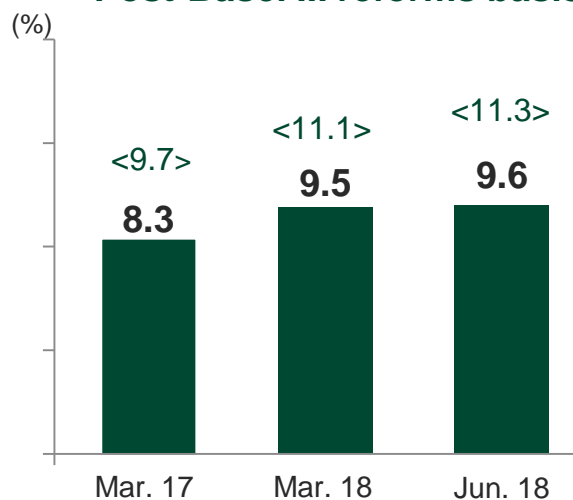
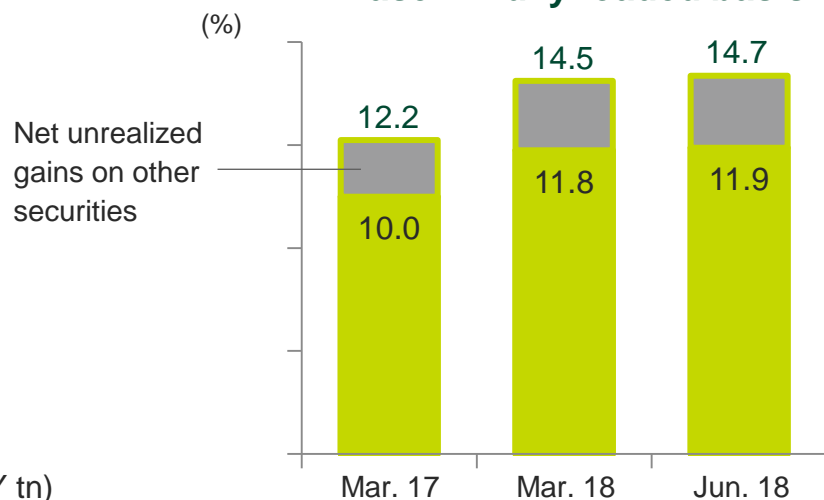
Capital position

- The Basel III reforms were finalized with a capital floor of 72.5%. The final impact of RWA inflation will be as expected
- We expect that CET 1 ratio is likely to reach our target of 10% by the end of Mar.19, one year ahead of the original target, through RWA controls including inorganic initiatives and accumulation of earnings

CET1 ratio

Basel III fully-loaded basis*1

Post-Basel III reforms basis*2



Expect to reach our target of 10% by Mar. 19

Factors to reach the target ahead of schedule

- Higher profits than expected (FY3/18, FY3/19 target) around +20bp
- Regional banks subsidiaries turned into equity method affiliates around +30bp FY3/18
- SMFL turned into an equity method affiliate around +40bp Nov. 2018

(JPY tn)	Mar. 17	Mar. 18	Jun. 18
Risk-weighted assets (RWA) (Excludes RWA associated with net unrealized gains on stocks)	70.6	63.5	64.0
CET1 capital (o/w net unrealized gains on other securities)	8.68 (1.54)	9.22 (1.69)	9.43 (1.78)

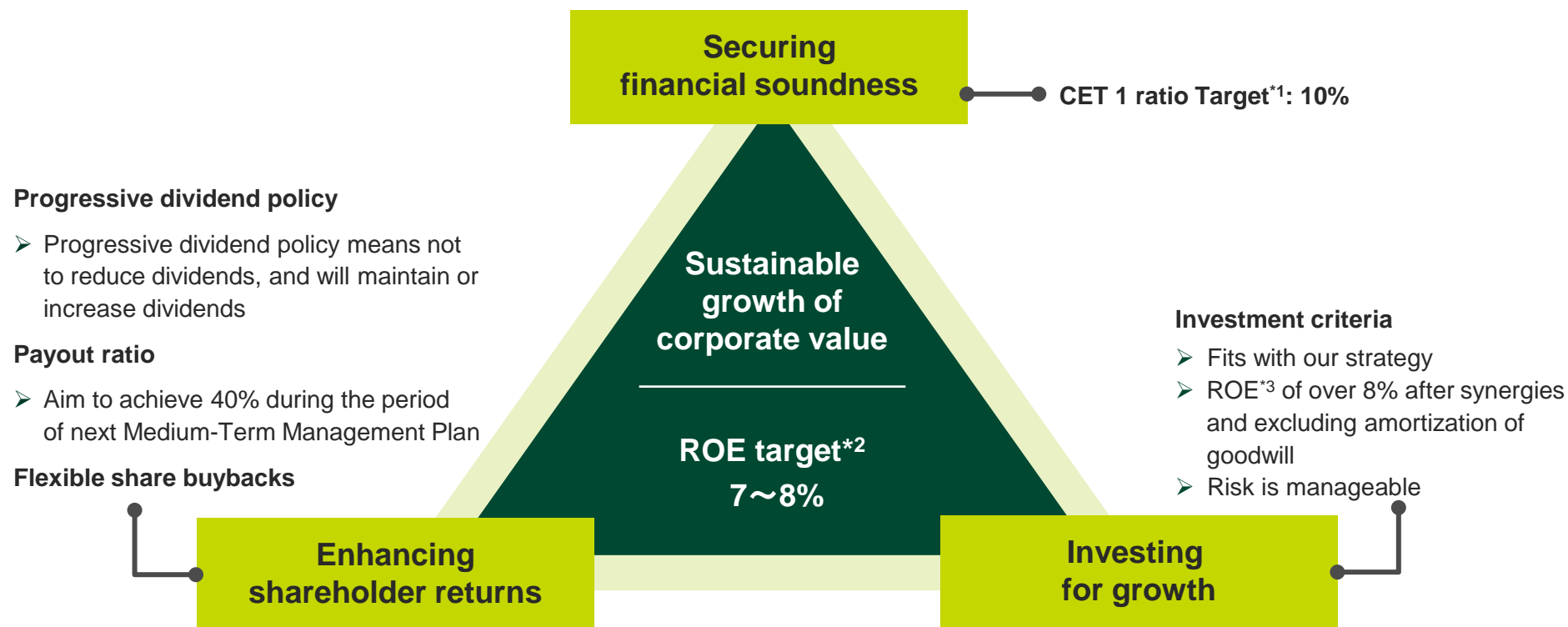
(JPY tn)	Mar. 17	Mar. 18	Jun. 18
Risk-weighted assets (RWA) (Including RWA associated with net unrealized gains on stocks)	88.8 (85.6)	82.4 (78.7)	82.9 (79.0)
CET1 capital (o/w net unrealized gains on other securities)	8.68 (1.54)	9.22 (1.69)	9.43 (1.78)

*1 Based on the definition applicable for Mar.19

*2 Calculated with RWA inflated by 25% compared to the current Basel III fully-loaded basis. Figures in < > are calculated with CET1 including net unrealized gains on other securities and RWA including RWA associated with net unrealized gains on stocks

Basic capital policy

- Achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth
- Dividends will be our principal approach to shareholder returns. In addition, we will proceed with share buybacks on a flexible basis assuming our financial soundness is maintained
 - We aim to pay progressive dividends supported by our sustainable earnings growth, and achieve a payout ratio of 40% during the period of the next medium-term management plan
 - We will execute share buybacks as and when appropriate taking into account the factors such as our capital position, earnings trends, stock price, growth investment opportunities and an improvement of capital efficiency



Shareholder Returns announced in May 2018

- **Dividends: FY3/18: JPY 170 (YoY +JPY 20; vs initial target +JPY 10) ; FY3/19 target: JPY 170**
- **Share buybacks: JPY 70 billion (all of the repurchased shares were cancelled)**
 - The above reflects our expectation that CET1 ratio is likely to reach our target of approx. 10% by the end of FY3/19 through controls of risk-weighted asset including inorganic initiatives and accumulation of earnings; and the outperformance of profit attributable to owners of parent in FY3/18 versus our initial target announced in May 2017 and the expectation of robust business performance to continue in FY3/19

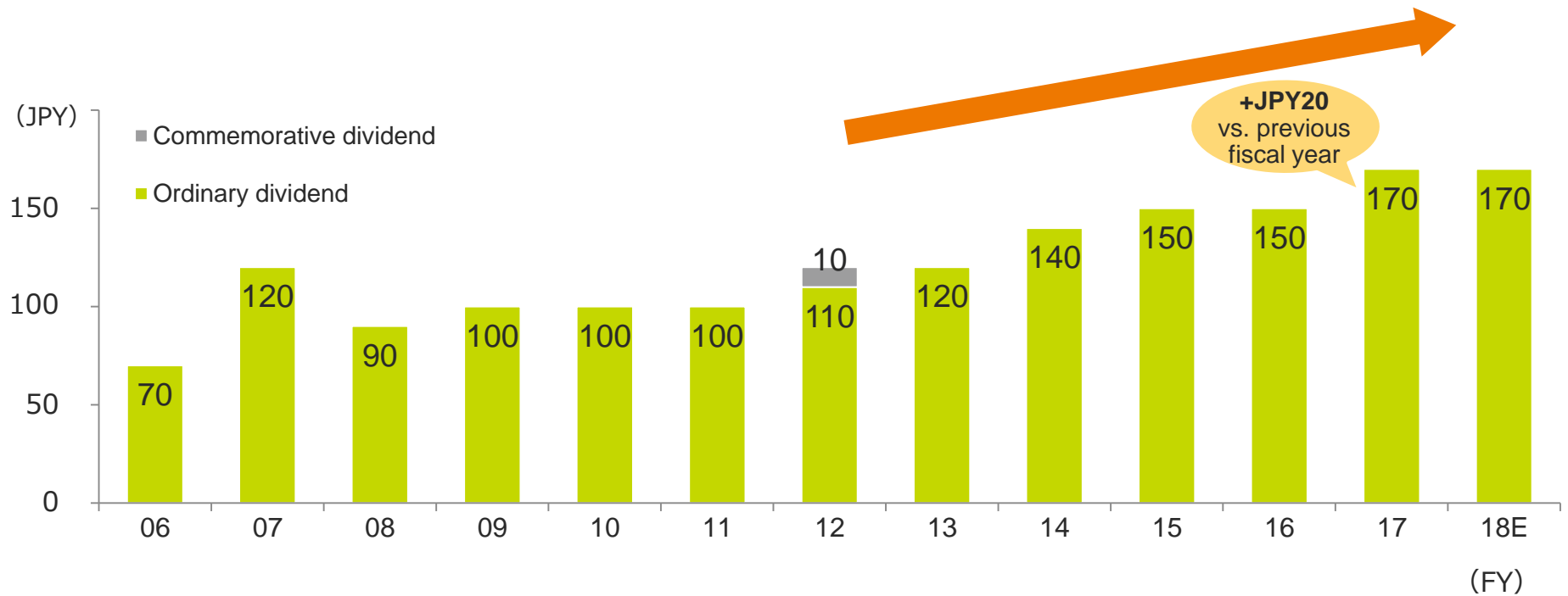
Overview of shareholder return initiatives

(JPY)	FY3/18	YoY	vs. May 2017 target	FY3/19 target
Dividend per share	170	+ 20	+10	170
Dividend payout ratio	32.7%	+2.8%		34.3%
Profit attributable to owners of parent	734.4 bn	+ 27.8 bn	+ 104.4 bn	700 bn
Share buybacks	70 bn			
(Ref) Total payout ratio	42.2%			

Outline of the repurchase and cancellation of own shares

Aggregate amount repurchased	JPY 70 bn
Aggregate number of shares repurchased	15 mn shares (Equivalent to 1.1% of the number of shares issued excluding treasury stock) ^{*1}
Repurchase period	From May 15, 2018 to June 19, 2018
Cancellation date	August 20, 2018

(Ref) Dividends per share*1,2



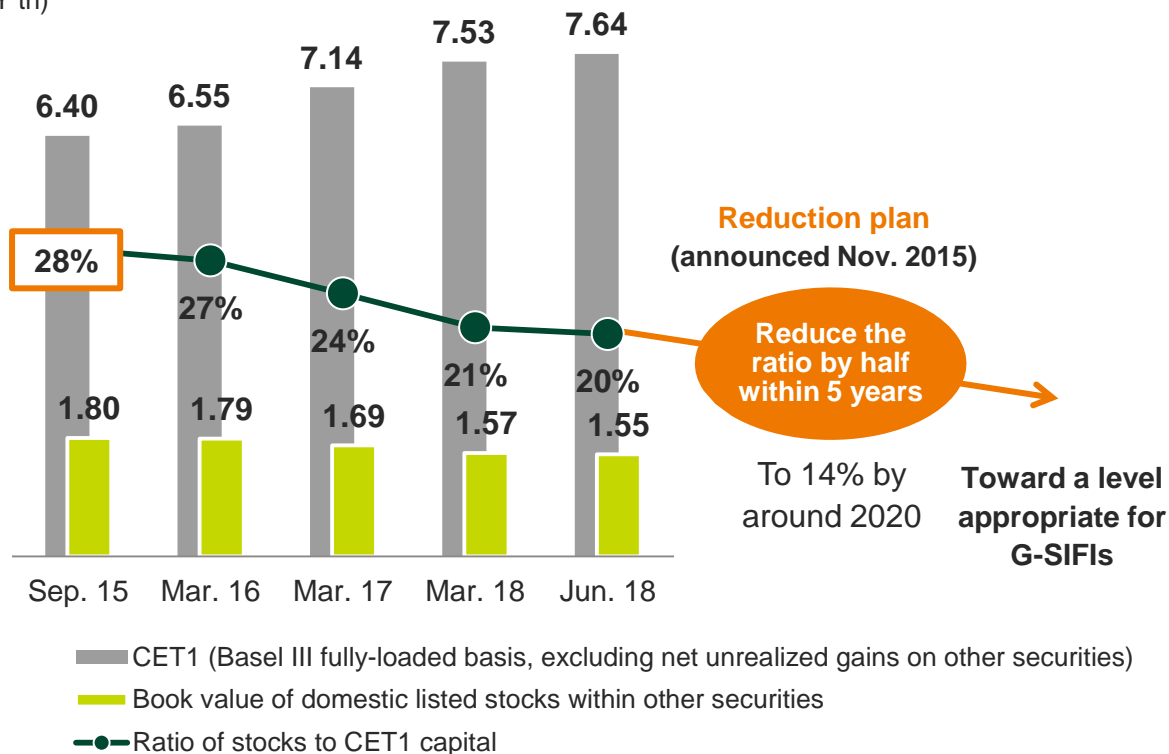
Dividend payout ratio*3	12.5%	20.5%	-	46.8%	30.0%	26.8%	21.3%	20.3%	26.2%	32.7%	29.9%	32.7%	34.3%
ROE*4	13.8%	15.8%	-	7.5%	9.9%	10.4%	14.8%	13.8%	11.2%	8.9%	9.1%	8.8%	

Strategic shareholdings

- Aim to halve the ratio*1 of stocks to CET1 during the five years starting from the end of Sep. 2015
 - Reduce the book value of domestic listed stocks of up to about 30%, or about JPY 500 bn (JPY 100 bn per year)
- Reduction is progressing as planned

Strategic shareholdings and reduction plan (Consolidated basis)

(JPY tn)



Reduction results

1Q, FY3/19 approx. JPY 20 bn
 (since Sep. 2015 approx. JPY 250 bn) - (1)

Consent of sales from clients outstanding

Jun. 2018 approx. JPY 100 bn - (2)

(1) + (2) = approx. JPY 350 bn

- **Made good progress in the 1Q, FY3/19**
- **Accelerate the Medium-Term Management Plan to become a financial group with high quality**
- **Focus can be put on “enhancing shareholder returns” and “investing for growth” as we are on track to attain our CET1 ratio target**

Appendix

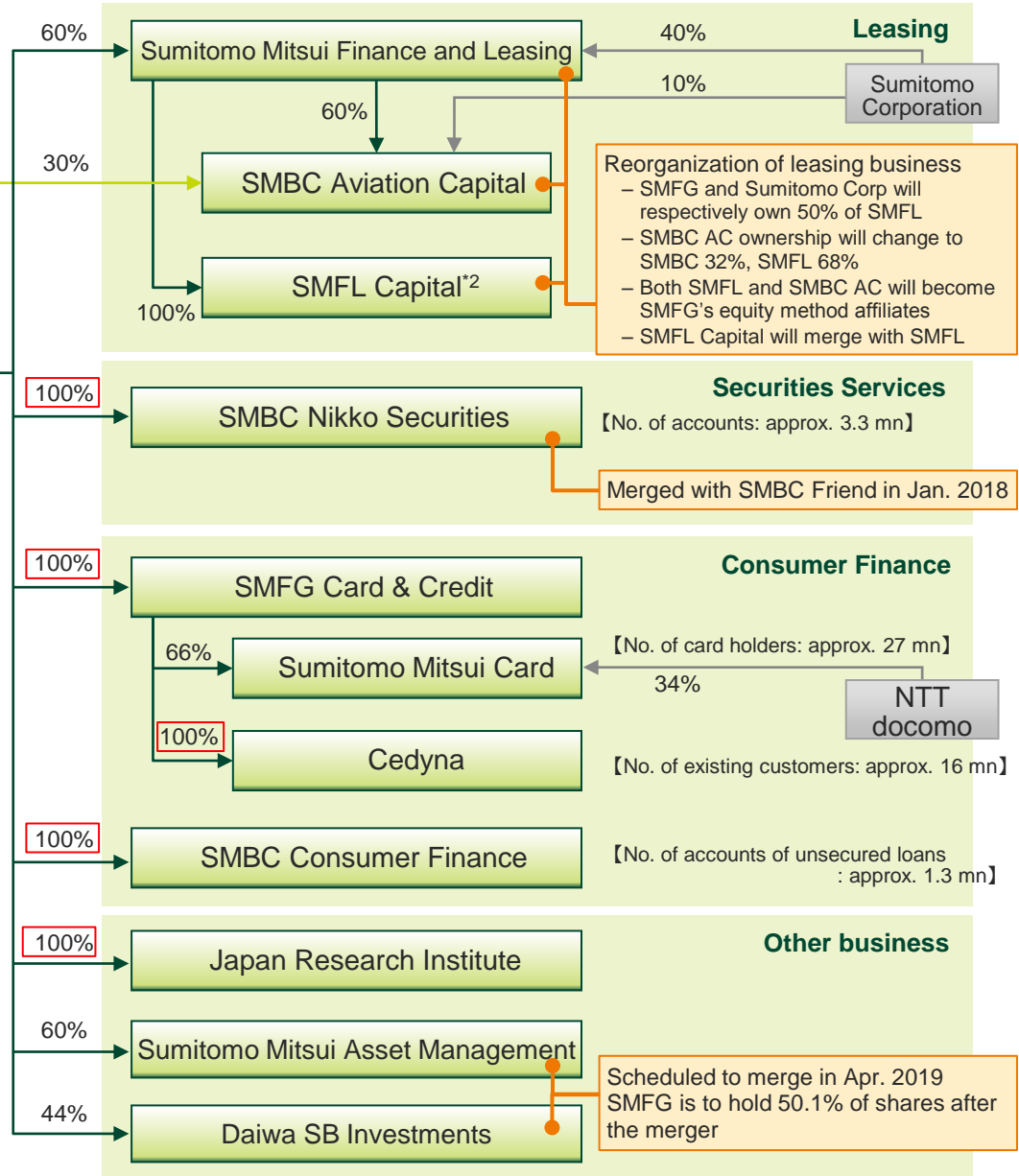
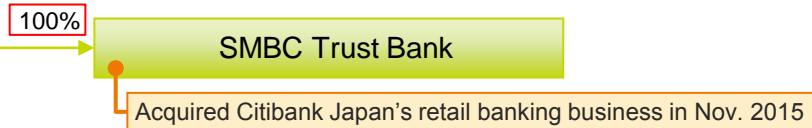
Group structure*1

Sumitomo Mitsui Financial Group

Consolidated total assets	JPY 199 tn				
Consolidated CET1 ratio	14.50 %				
Credit ratings	Moody's	S&P	Fitch	R&I	JCR
	A1/P-1	A-/-	A/F1	A+/-	AA-/-

Sumitomo Mitsui Banking Corporation

Assets	JPY 171 tn				
Deposits	JPY 110 tn				
Loans	JPY 74 tn				
No. of retail accounts	approx. 27 mn				
No. of corporate loan clients	approx. 80,000				
Credit ratings	Moody's	S&P	Fitch	R&I	JCR
	A1/P-1	A/A-1	A/F1	AA-/a-1+	AA/J-1+

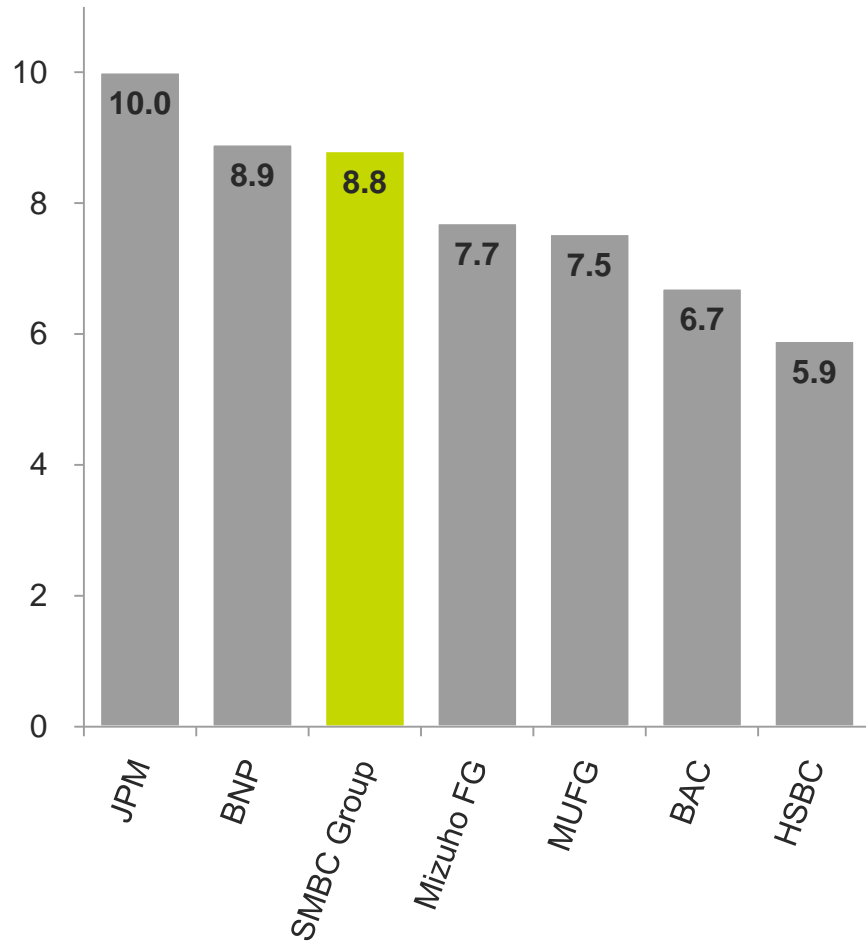


*1 As of Mar.31 2018 for figures
 *2 Changed name from GE Japan GK to SMFL Capital Company, Limited in Sep. 2016

Peer comparison

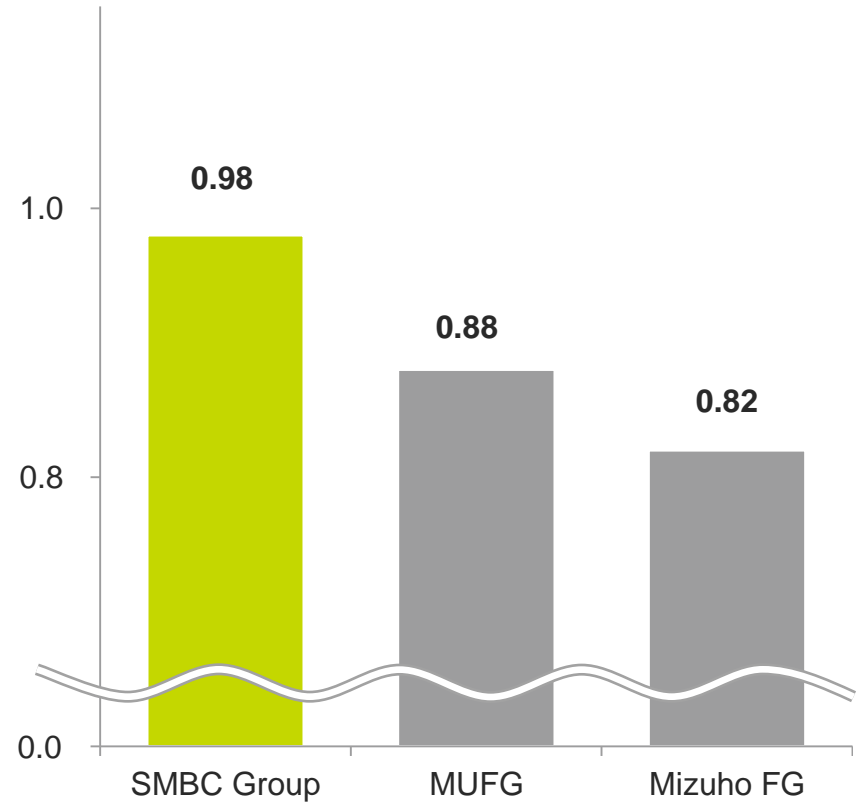
ROE*1

(%)



Domestic loan-to-deposit spread*2

(%)



Proportion of loans to individuals & SMEs	SMBC Group	MUFG	Mizuho FG
	63.3%	63.0%	59.3%

*1 Based on each company's disclosure. FY3/18 results for SMBC Group, MUFG and Mizuho FG and Jan.-Dec. 2017 results for others

*2 FY3/18 results. Based on each company's disclosure. The figures shown in the graph are non-consolidated figures of: SMBC for SMBC Group, MUFG Bank for MUFG and Mizuho Bank for Mizuho FG

1Q, FY3/2019 financial results

Income statement

		(JPY bn)	1Q FY3/19	YoY	1H target	FY3/19 target
Consolidated	1 Consolidated gross profit	USD 6.5 bn	719.1	(18.3)		
	2 General and administrative expenses <Overhead ratio>		428.8 59.6%	(25.1) (2.0)%	Impact from the deconsolidation of the regional banks: approx. (1)%	
	3 Equity in gains (losses) of affiliates		24.0	+4.4		
	4 Consolidated net business profit*1	USD 2.8 bn	314.4	+11.2	555	1,155
	5 Total credit cost		8.4	(6.4)	100	200
	6 Gains (losses) on stocks		29.0	+0.1		
	7 Other income (expenses)		(3.2)	(2.0)		
	8 Ordinary profit	USD 3.0 bn	331.9	+15.7	480	1,020
	9 Extraordinary gains (losses)		(1.3)	(0.7)		
	10 Income taxes		82.9	+33.1		
	11 Profit attributable to owners of parent	USD 2.1 bn	227.1	(14.4)	310	700
12 ROE		10.5%	(1.3)%			
Non-consolidated	13 Gross banking profit	USD 3.1 bn	344.9	(12.1)		
	14 Expenses*2		205.2	(0.6)		
	15 Banking profit*1	USD 1.3 bn	139.7	(11.6)	265	605
	16 Total credit cost		(23.2)	(8.6)	35	70
	17 Gains (losses) on stocks		28.7	+0.9		
	18 Ordinary profit	USD 1.7 bn	192.0	+4.0	260	590
19 Net income	USD 1.2 bn	136.4	(32.1)	180	420	

Consolidated net business profit and profit attributable to owners of parent reached 27% and 32% of the full-year target, respectively

YoY changes

Consolidated gross profit decreased due to the impact from the deconsolidation of the regional banks in the Kansai area.

However, excluding the impact from the deconsolidation, it increased mainly driven by the International and Wholesale Business Units

General and Administrative expenses decreased as a result of the group-wide cost control initiatives and the deconsolidation of the regional banks. They decreased even after excluding the impact from the deconsolidation

Equity in gains of affiliates increased as a result of gains on share exchange from the deconsolidation of the regional banks (approx. JPY 13 bn), despite the loss of gains on sales of a subsidiary at The Bank of East Asia recorded in the previous year (approx. JPY (8) bn)

Total credit cost decreased mainly because of the reversal of credit cost from large borrowers at SMBC

Gains on stocks remained flat due to the gains on sales of strategic shareholdings (approx. JPY 26 bn)

Income taxes increased mainly because of the loss of tax benefits related to the sales of securities recorded in the previous year

Contribution of subsidiaries to Profit attributable to owners of parent

	(JPY bn)	1Q FY3/19	YOY		1Q FY3/19	YOY
SMBCCF		13.6	+0.1	SMCC	3.1	(0.2)
SMBC Nikko *3		13.4	(1.2)	SMAM	0.9	+0.3
SMFL		8.7	(0.2)	SMBC Trust	(0.5)	+2.7
Cedyna		5.5	(0.2)			

*1 Before provision for general reserve for possible loan losses *2 Excludes non-recurring losses

*3 Excludes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

Breakdown of gross profit

By business unit*1

	(JPY bn)	FY3/17*3	FY3/18	YoY*4
Wealth management business		320.8	360.7	+23.4
Credit card business		365.5	385.2	+19.7
Non-consolidated income on loans (excl. consumer finance)		160.0	145.0	(12.6)
Consumer finance business		287.1	302.1	+15.1
o/w Retail business unit		1,313.9	1,311.5	+34.2
S Income on loans		183.8	177.8	(6.2)
M Money remittance, electronic banking		62.7	64.1	+1.4
B Foreign exchange		37.9	41.9	+3.8
C Loan syndication		48.7	51.6	+3.0
Structured finance		35.2	31.5	(3.8)
Securities business		93.7	81.9	(11.9)
Leasing business		116.5	122.8	+6.2
o/w Wholesale business unit		776.4	772.9	(6.7)
Asset related income*2		378.4	403.8	+12.0
Non-asset related income*2		95.8	128.9	+28.8
Loan related fees*2		108.6	98.5	(9.3)
Securities business		37.7	39.6	+2.2
Aircraft leasing		46.8	45.8	(1.3)
o/w International business unit		566.1	632.0	+38.8
o/w SMBC's Treasury Unit		272.4	273.4	(2.0)
o/w Global markets business unit		346.8	356.2	+6.4
Consolidated gross profit		2,920.7	2,981.1	+60.3
o/w SMBC's domestic income on loans and deposits		493.5	470.0	(17.1)
o/w International business unit's income on loans and deposits*2		249.9	261.3	+14.8

By accounting item

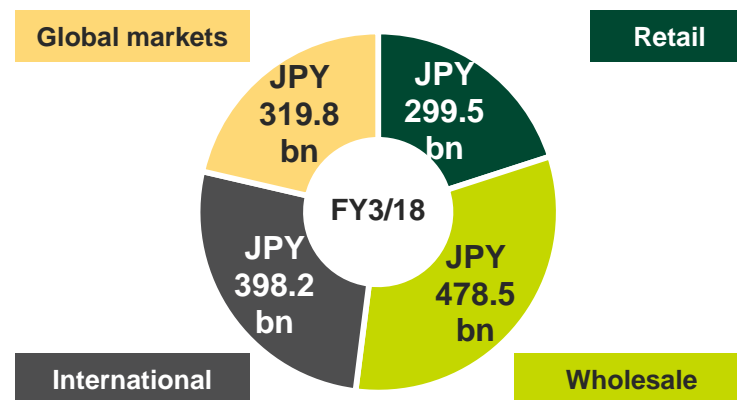
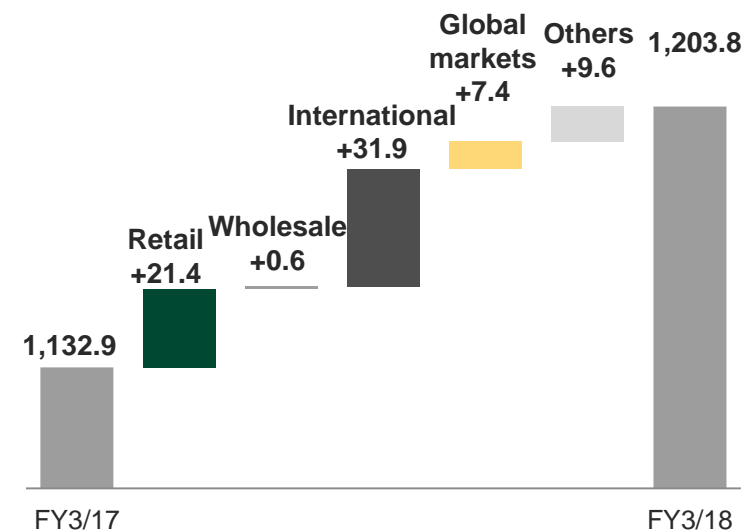
	(JPY bn)	FY3/17	FY3/18	YoY
Consolidated gross profit*5		2,920.7	2,981.1	+60.3
Net interest income		1,358.6	1,390.2	+31.6
o/w SMBC		1,138.9	957.0	(181.9) <+18.1>*6
Domestic		904.2	707.3	(196.9) <+3.1>*6
Overseas		234.8	249.7	+15.0
SMBCCF		163.0	171.0	+9.0
Trust fees		3.8	3.9	+0.1
Net fees and commissions		1,013.3	1,066.6	+53.3
o/w SMBC		348.9	329.9	(19.0)
SMCC		187.0	211.0	+24.0
SMBC Nikko		176.0	198.0	+22.0
Cedyna		108.0	107.0	(1.0)
SMBCCF		66.0	70.0	+5.0
Net trading income + Net other operating income		545.0	520.3	(24.7)
o/w SMBC		173.9	139.0	(34.9)
SMBC Nikko		148.0	156.0	+8.0
SMFL		149.0	154.0	+5.0

FY3/2018 results by business unit

		(JPY bn)	FY3/17 ^{*1}	FY3/18	YoY ^{*2}
Retail	Gross profit		1,313.9	1,311.5	+34.2
	Expenses		1,041.1	1,027.5	+16.1
	Overhead ratio		79.2%	78.3%	(0.8)%
	Others		12.1	15.5	+3.3
	Net business profit		284.9	299.5	+21.4
	ROE ^{*3, 4}		-	7.5%	-
	RWA (JPY tn) ^{*3, 5}		-	13.8	-
Wholesale	Gross profit		776.4	772.9	(6.7)
	Expenses		344.8	347.8	+1.6
	Overhead ratio		44.4%	45.0%	+0.6%
	Others		45.7	53.4	+8.9
	Net business profit		477.2	478.5	+0.6
	ROE ^{*3, 4}		-	11.4%	-
	RWA (JPY tn) ^{*3, 5}		-	20.1	-
International	Gross profit		566.1	632.0	+38.8
	Expenses		241.2	280.7	+23.2
	Overhead ratio		42.6%	44.4%	+1.0%
	Others		38.4	46.9	+16.3
	Net business profit		363.4	398.2	+31.9
	ROE ^{*3, 4}		-	10.6%	-
	RWA (JPY tn) ^{*3, 5}		-	21.0	-
Global markets	Gross profit		346.8	356.2	+6.4
	Expenses		50.2	53.9	+3.3
	Overhead ratio		14.5%	15.1%	+0.7%
	Others		8.1	17.5	+4.3
	Net business profit		304.8	319.8	+7.4
	ROE ^{*3, 4}		-	33.5%	-
	RWA (JPY tn) ^{*3, 5}		-	5.9	-

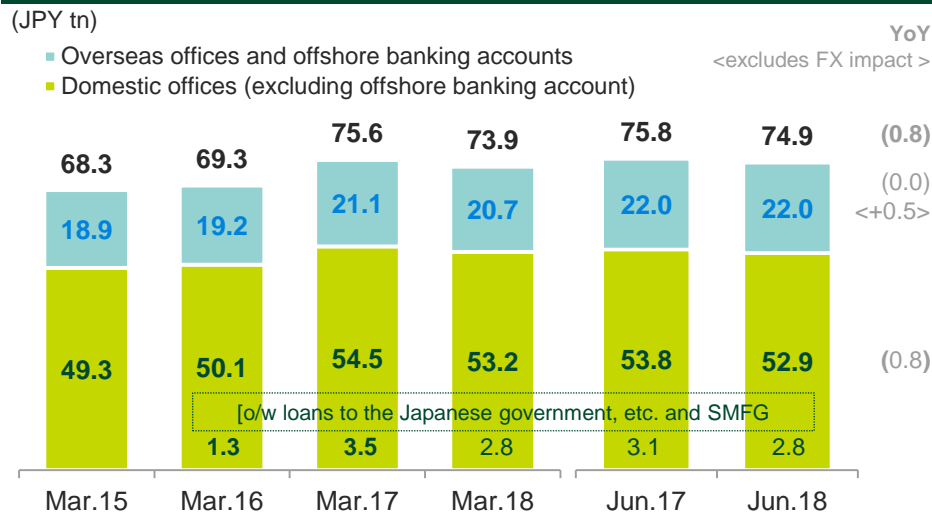
Net business profit by business unit

(JPY bn)

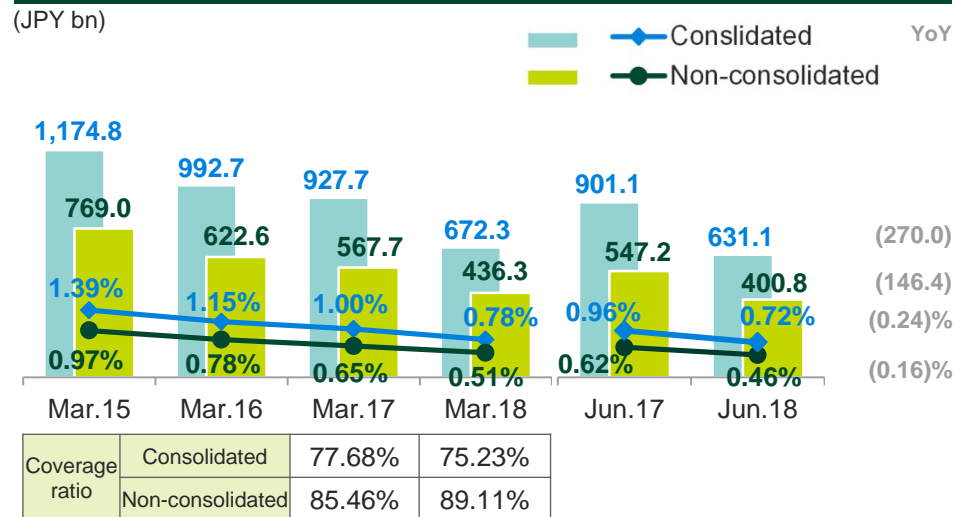


Trends in key figures

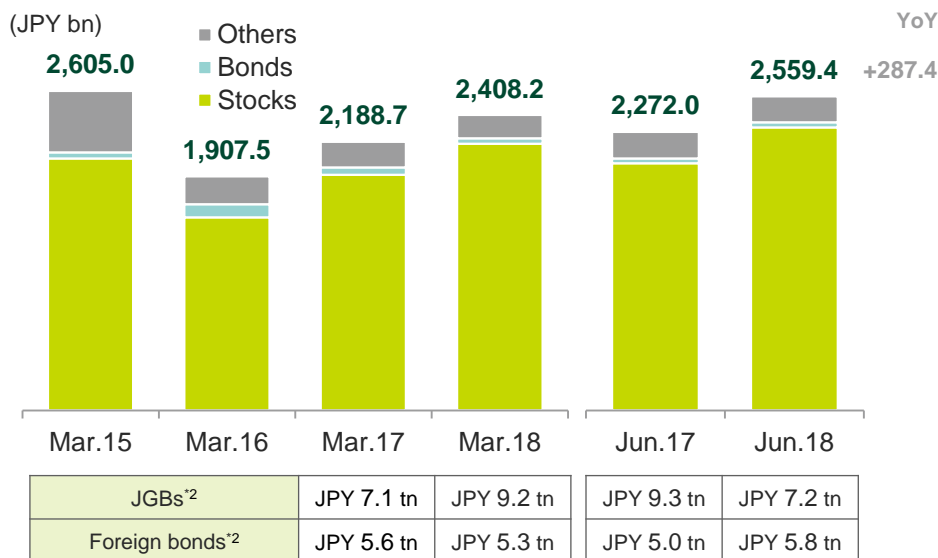
Loan balance (Non-consolidated)



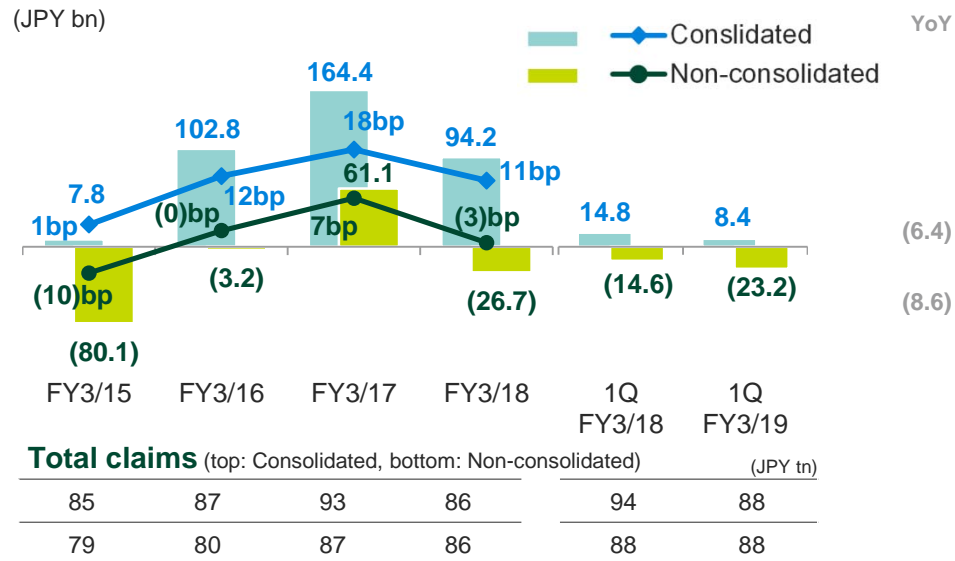
NPLs and NPL ratio*3



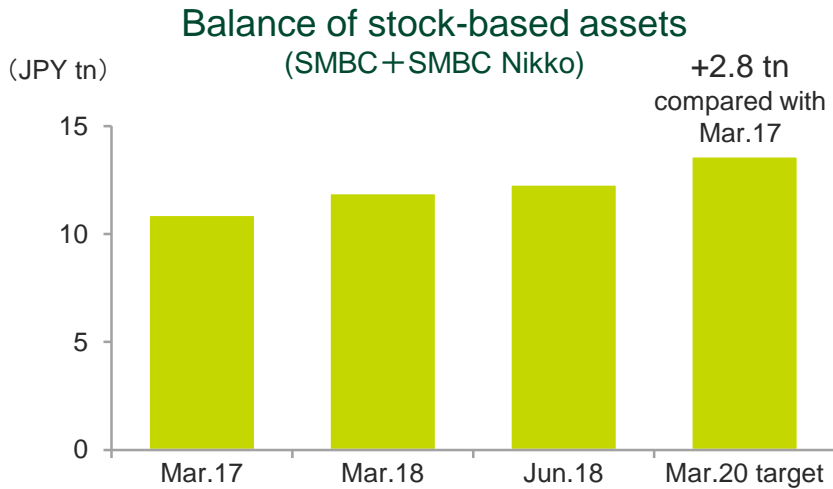
Unrealized gains (losses) on other securities*1



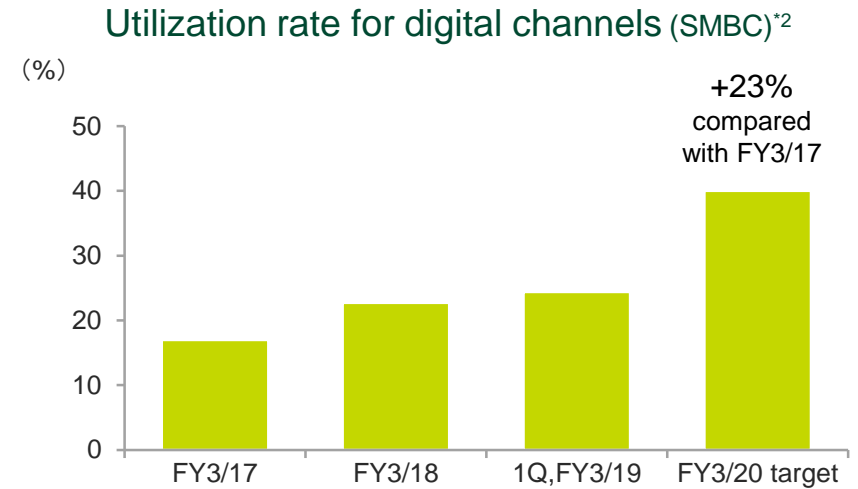
Total credit cost and Total credit cost ratio*4



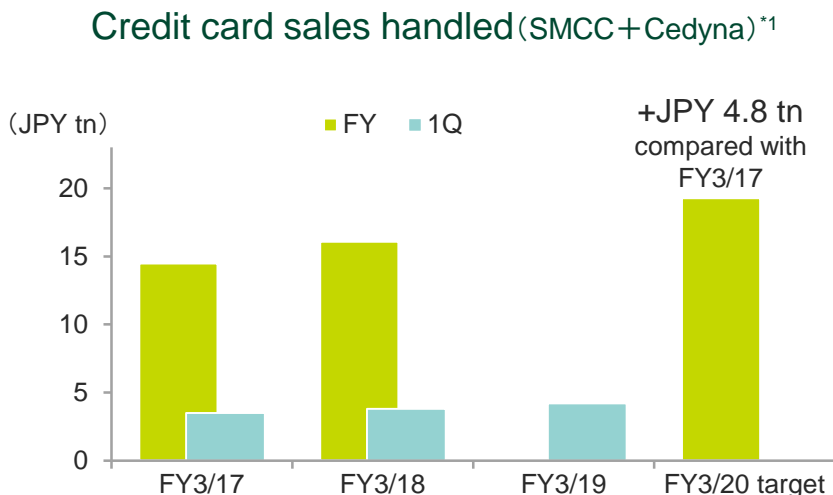
Wealth management business



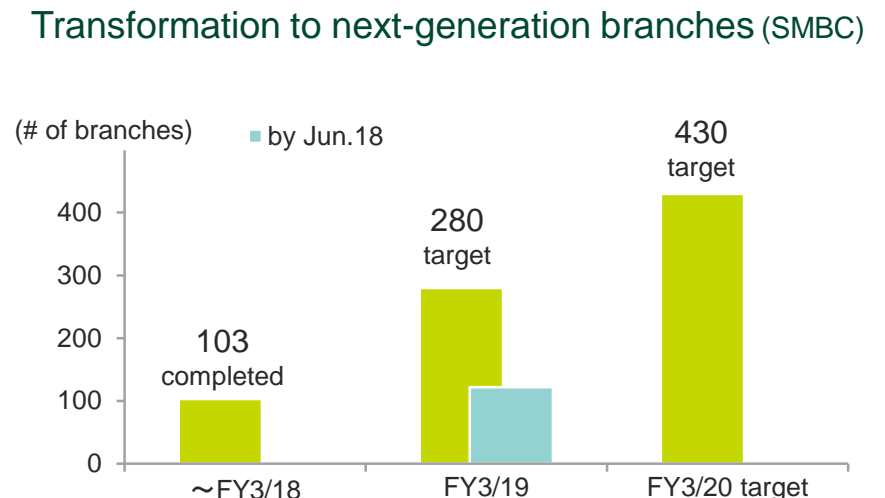
Digitalization



Credit card business

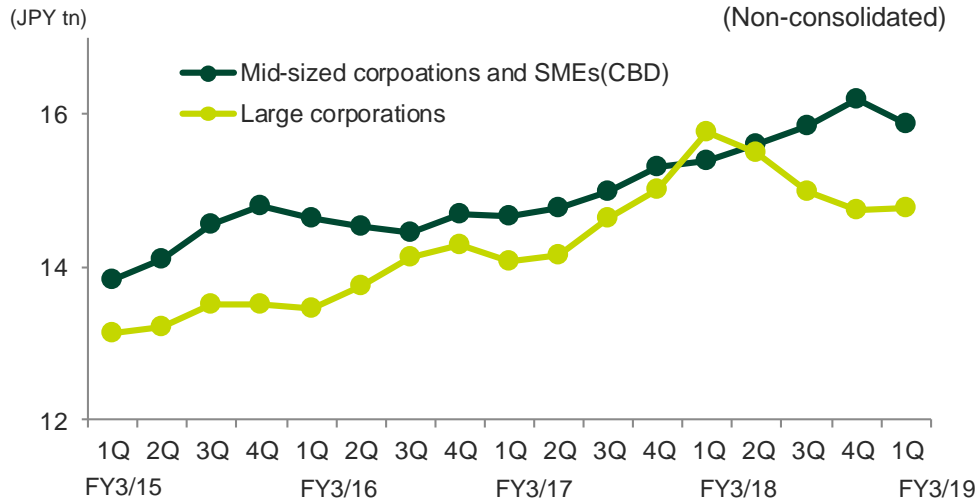


Branch reorganization



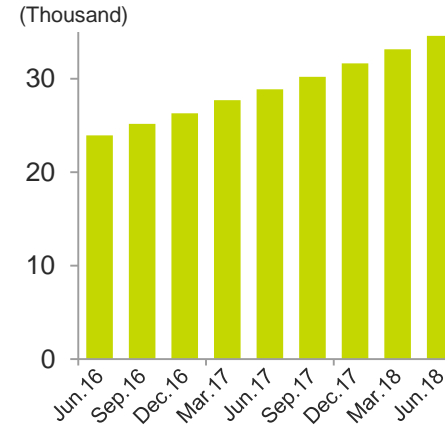
Wholesale business

Loan balance of wholesale Banking Unit *1,2

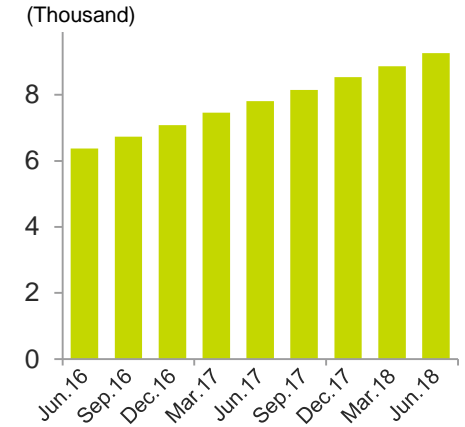


Bank-securities collaboration*4

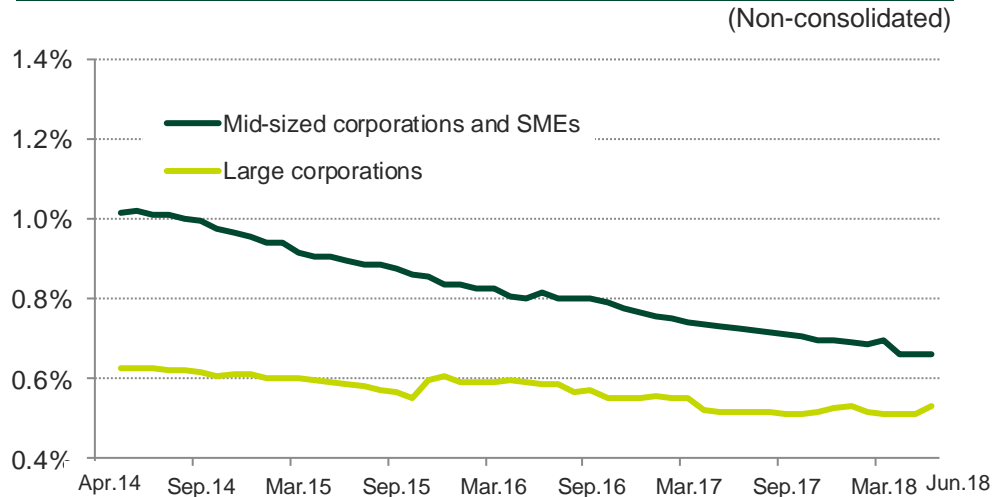
Asset Management



Investment banking



Domestic corporate loan spread *1,3



League tables (Apr.-Jun.2018)*5

		Rank	Mkt share
SMBC Nikko	Global equity & equity-related (book runner, underwriting amount)*6	#4	15.9%
	JPY denominated bonds (lead manager, underwriting amount)*7	#5	16.4%
	Japanese corporate bonds (lead manager, underwriting amount)	#3	18.0%
SMBC Group	IPO (lead manager, No. of deals)*8	#1	22.7%
	Financial advisor (M&A, No. of deals)*9	#2	3.2%
	Financial advisor (M&A, transaction volume)*9	#7	36.9%

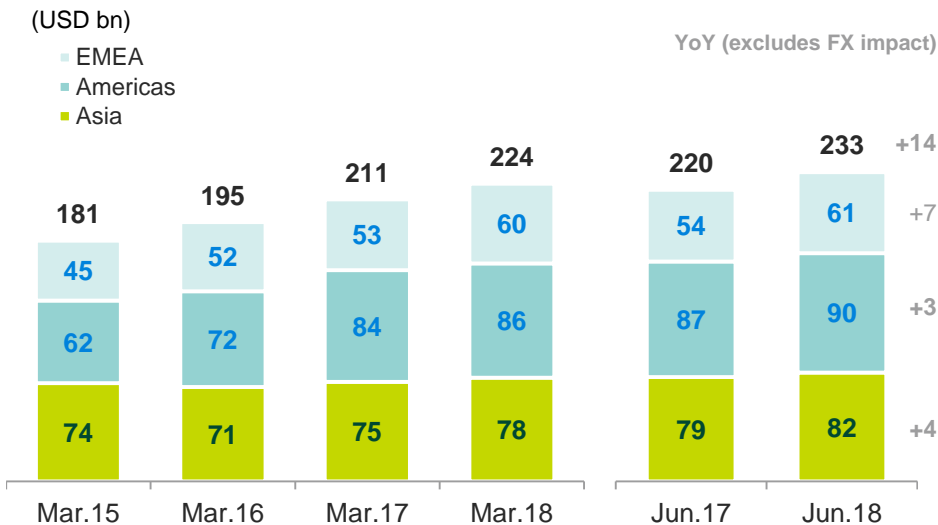
*1 Managerial accounting basis. Excludes loans to the Japanese government, etc. *2 Quarterly average *3 Monthly average loan spread of existing loans

*4 Accumulated no. of cases via referral / intermediary services from SMBC to SMBC Nikko *5 Source: SMBC Nikko, based on data from Thomson Reuters

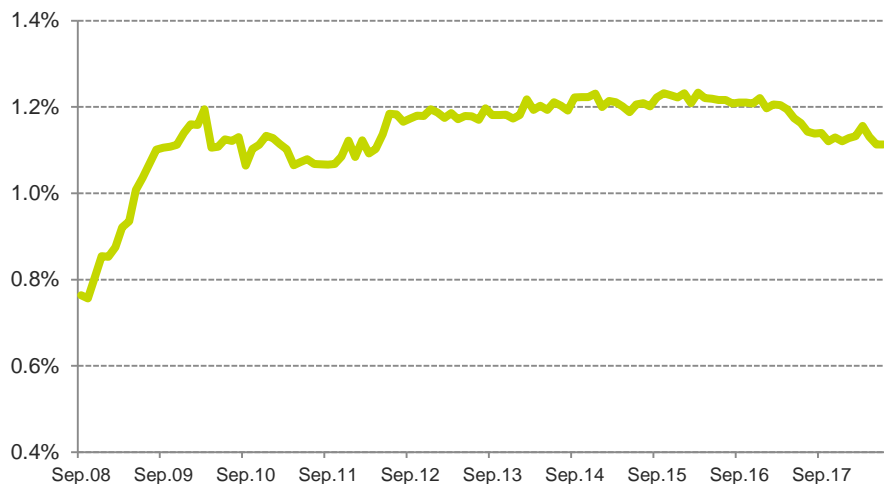
*6 Japanese corporate related only. Includes overseas offices *7 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds *8 Excludes REIT IPO. Includes overseas offices *9 Japanese corporate related only

Overseas business*1

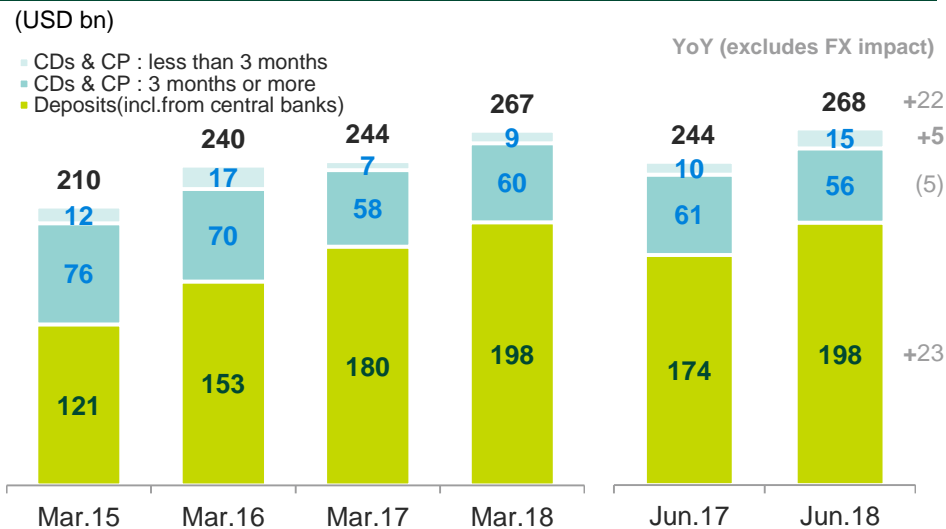
Overseas loan balance (includes trade bills)



Overseas loan spread*2



Overseas deposit balance



Foreign currency bonds outstanding ³ (USD bn)	Senior	44.1	54.2
	Subordinated	4.1	4.2

	45.8	55.6
	4.1	4.1

Benchmark issues of foreign currency bonds*4 (since Apr. 2018)

Senior / Sub	Issue Date	Currency	Amount (mn)	Tenor	Coupon
Senior (SMBC)	Apr.24, 2018	USD	750	2y	3mL+40bp
Senior (SMFG) *5	Jul.19, 2018	USD	750	5y	3.748%
			500	5y	3mL+86bp
			750	10y	3.944%
Senior (SMFG) *5	Jul.23, 2018	EUR	500	5y	0.819%

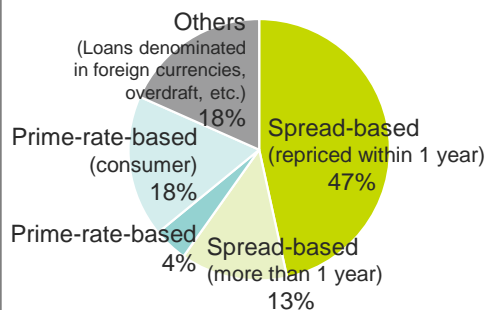
Balance sheet

Non-consolidated

- BOJ's current account balance
Jun. 2018 JPY 43.0 tn

Non-consolidated

- Domestic loans outstanding
JPY 52.9 tn



- By customer segment*1

(JPY tn, at period-end)	Jun. 18	Change from Mar. 18
Large corporations	15.1	+0.2
Mid-sized corporations & SMEs	17.6	(0.3)
Individuals	13.5	(0.1) ^{*2}

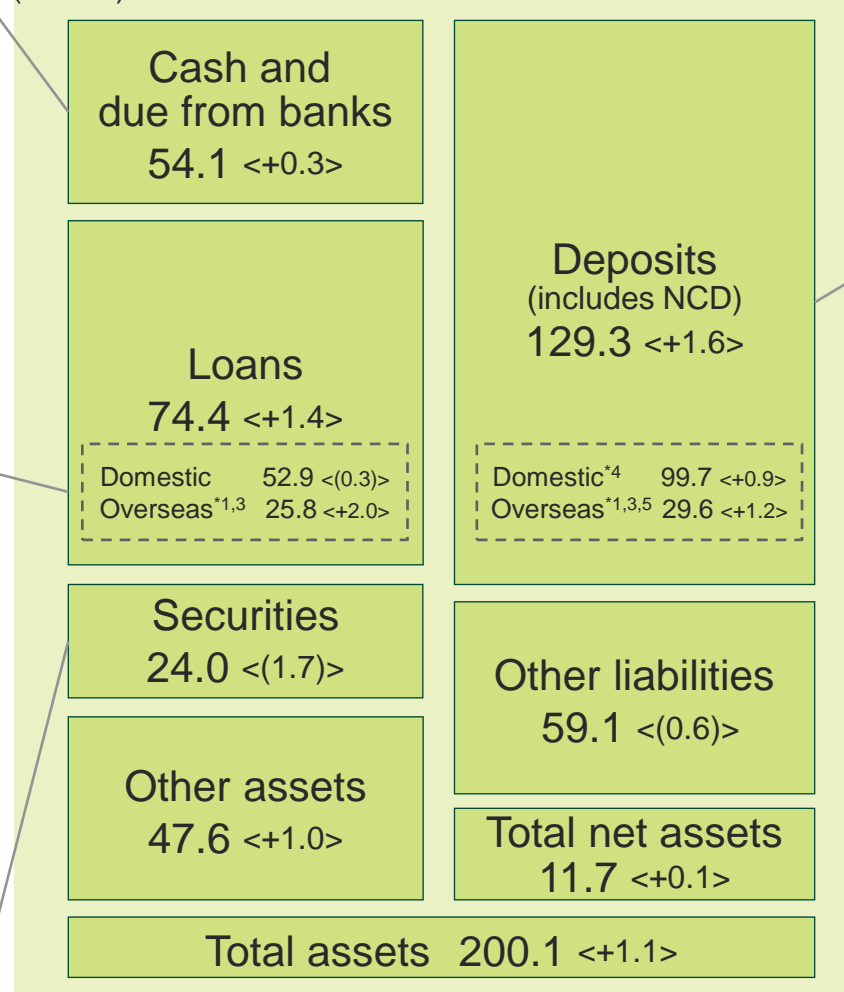
Consolidated

(Other securities)

- o/w Stocks JPY 4.0 tn
- o/w JGBs JPY 7.2 tn
- o/w Foreign bonds JPY 7.5 tn

Consolidated B/S (Jun. 2018) <vs. Mar. 2018>

(JPY tn)

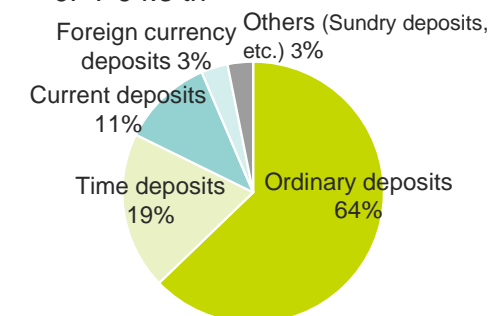


Loan to deposit ratio

57.5 %

Non-consolidated

- Domestic deposits outstanding
JPY 94.3 tn

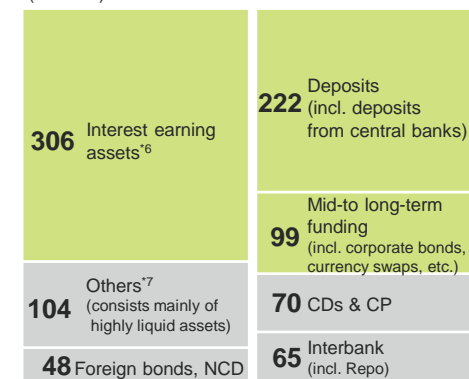


- By type of depositor

(JPY tn)	Mar. 17	Mar. 18	Jun. 18
Total	87.7	92.9	94.3
Individuals	43.6	45.3	46.3
Corporates	44.1	47.6	48.0

(Ref) Non-JPY B/S items*1

(USD bn)



459 Assets / Liabilities

Domestic loan-to-deposit spread, progress of the financial targets

Domestic loan-to-deposit spread*1

(%)	FY3/18				FY3/19
	1Q	2Q	3Q	4Q	1Q
Interest earned on loans and bills discounted	0.99	0.98	0.98	0.97	0.95
Interest paid on deposits, etc.	0.00	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.99	0.98	0.98	0.97	0.95

(Ref) Excludes loans to the Japanese government, etc.

Interest earned on loans and bills discounted	1.04	1.02	1.01	1.01	0.99
Loan-to-deposit spread	1.04	1.02	1.01	1.01	0.99

Progress of the financial targets

		1Q FY3/19	FY3/20 target
Capital Efficiency	ROE	10.5%	7~8%
Cost Efficiency	OHR	59.6%	1% reduction compared with FY3/17 (62.1%)
Financial Soundness	CET1 ratio*2	9.6%	10%

(Ref) Per share information

(JPY/Share)	1Q FY3/19	YoY	FY3/19 target
Profit attributable to owners of parent	161.78	(9.50)	501.69

(JPY/Share)	Jun, 2018	Change from Mar. 18
Net assets	7,502.96	+136.75

*1 Non-consolidated

*2 Post-Basel III reform basis. CET1 excludes net unrealized gains on other securities. RWA excludes RWA associated with net unrealized gains on stocks

- Made steady progress in executing initiatives based on the three core policies of the Medium-Term Management Plan
- Progress of the financial results is ahead of target

SMBC Group Next Stage

To achieve sustainable growth by combining the Group's strengths with more focused business management

Progress on financial targets				
		FY3/17	FY3/18	FY3/20 Target
Capital Efficiency	ROE	7.8%*1	8.8%	7~8%
Cost Efficiency	OHR	62.1%	60.9%	1% reduction compared with FY3/17
Financial Soundness	CET1 ratio*2	8.3%	9.5%	10%

1

Discipline

Disciplined business management

- Announced and implemented group reorganization measures to transform business/asset portfolio
 - ✓ Regional banks in Kansai area, joint leasing business, etc.
- Executed cost control initiatives
 - ✓ Business reform, retail branch reorganization, integration of SMBC Nikko and SMBC Friend

2

Focus

Focus on our strengths to generate growth

- Made steady progress in executing key initiatives in the seven strategic business areas
- Accelerated selection and concentration of business operations as well as business model reorganization in the four business units

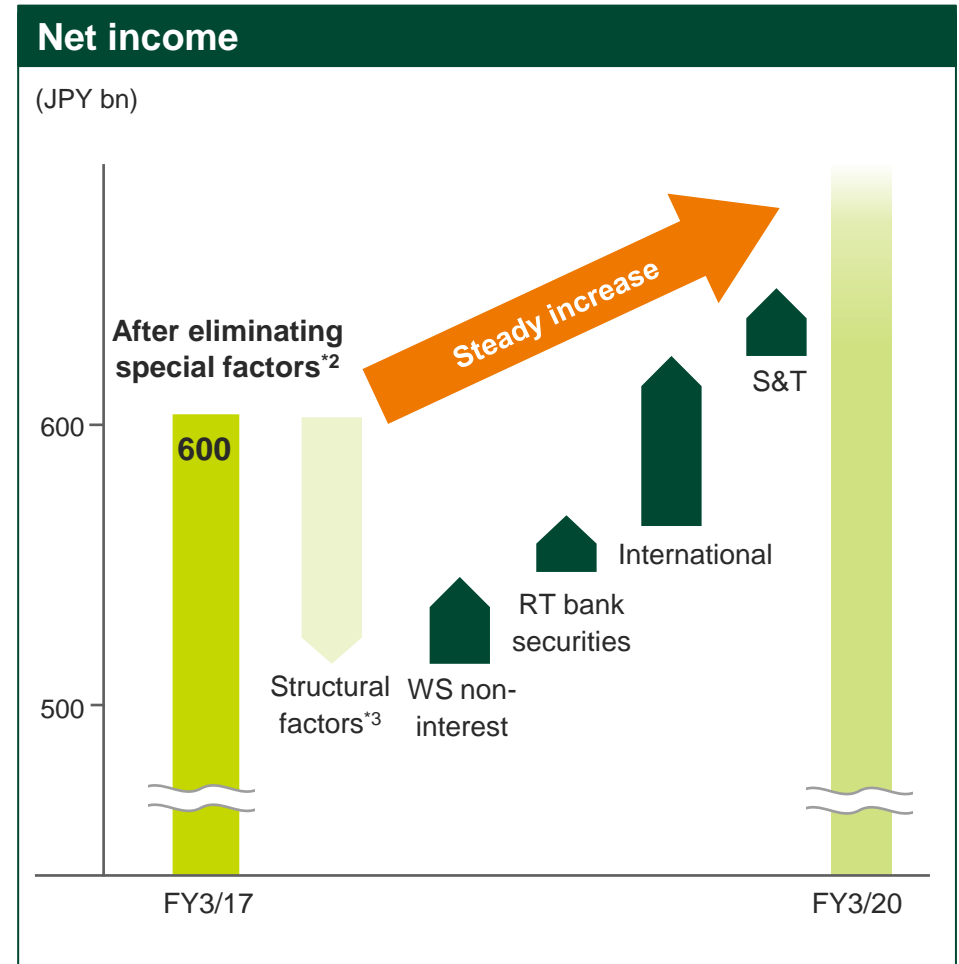
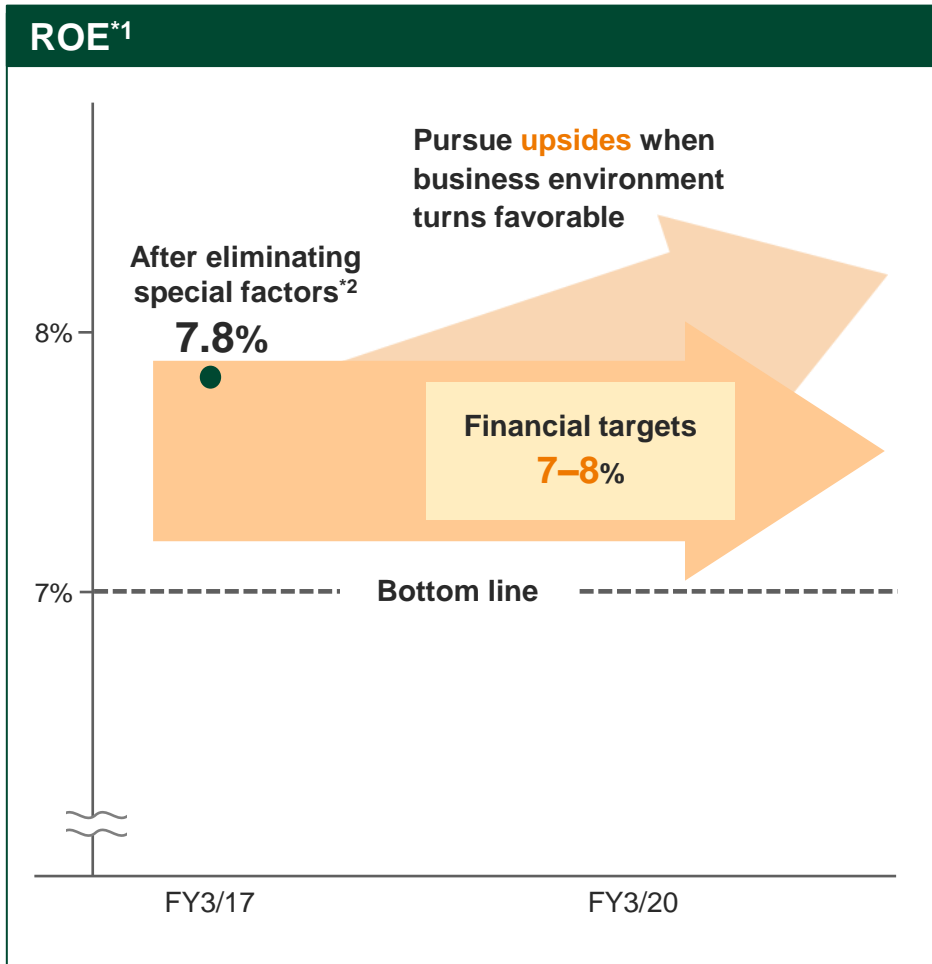
3

Integration

Integration across the Group and globally to achieve sustainable growth

- Introduced CxO system and Group-wide business units
- Transformed into a Company with Three Committees and reviewed the executive pay system
- Promoted digitalization
 - ✓ Focused on businesses that can be monetized and lead to the generation and commercialization of new platforms

- In order to comply with regulations, accumulation of capital will be prioritized for the time being. However, we will secure at least 7% of ROE. In addition, by steadily enacting initiatives of the Medium-Term Management Plan, we will pursue upsides when business environment including regulations turns favorable
- Steadily increase bottom-line profit despite expected profit decline due to structural factors



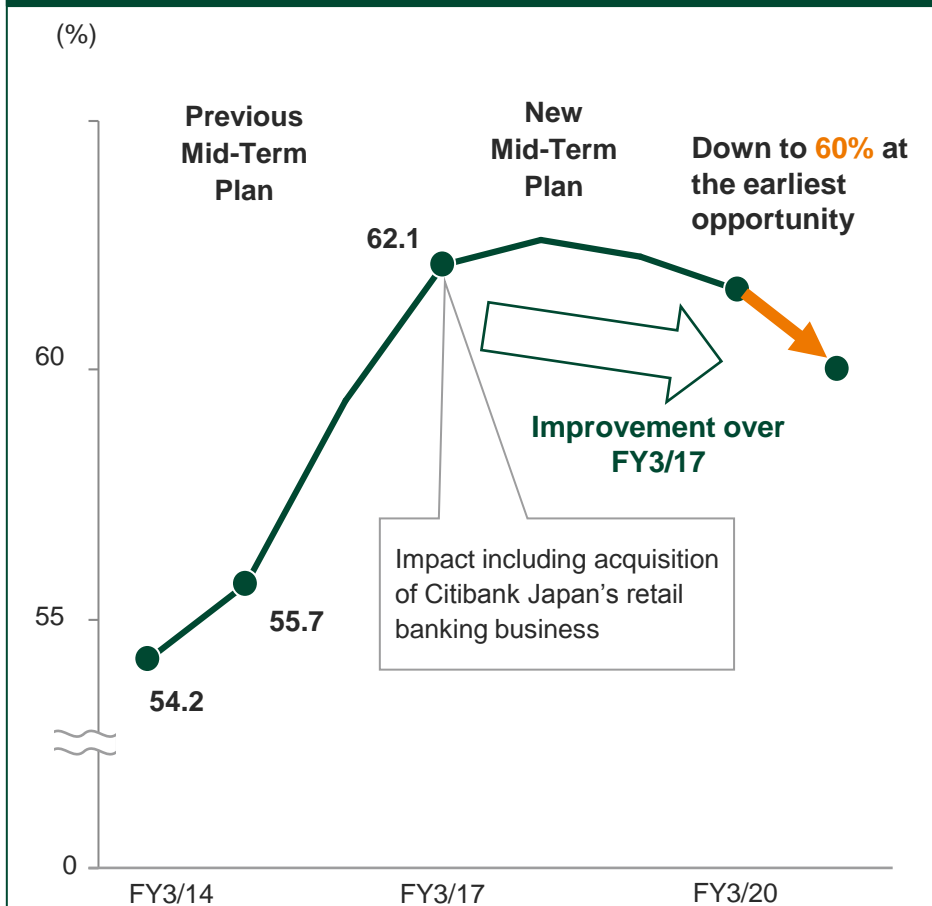
*1 On a stockholders' equity basis

*2 Excluding special factors, such as the effects of implementing the consolidated corporate-tax system

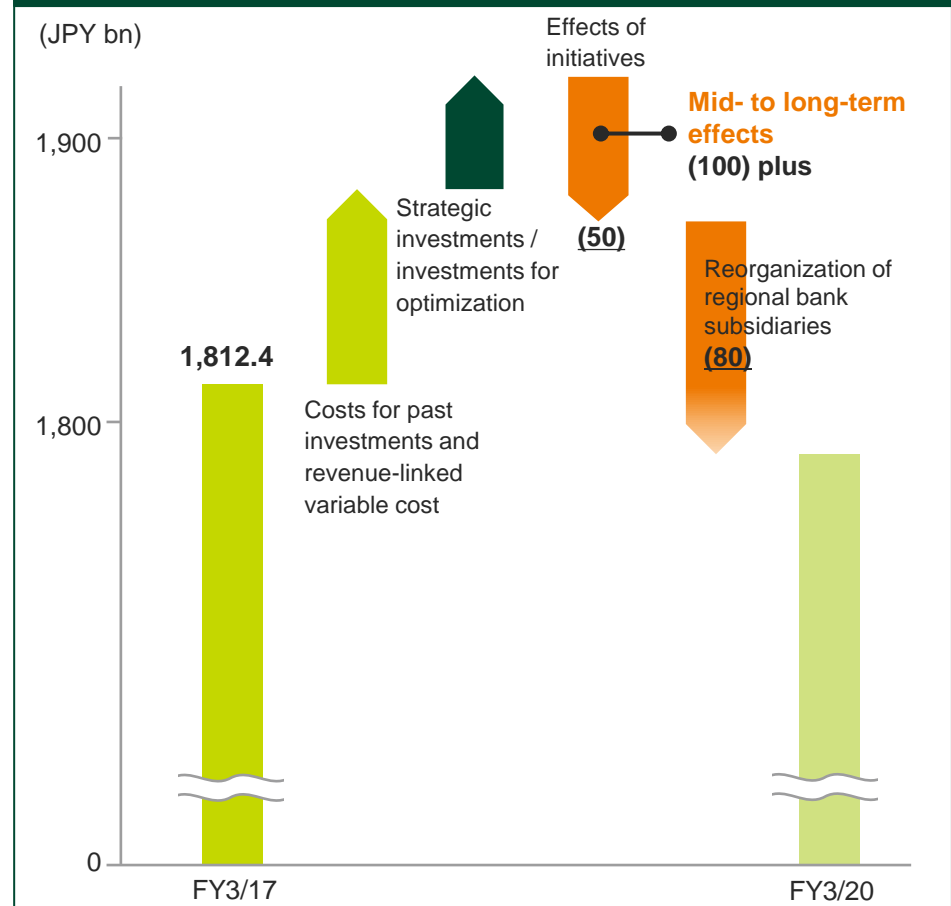
*3 Effects of negative interest rates, decline of domestic loan spreads and higher foreign currency funding costs

- Improve productivity on a group-wide basis and start reducing the overhead ratio
- Establish downward trend of overhead ratio and aim at around 60% at the earliest opportunity after FY3/20

Overhead ratio







Changes in expenses



Focus on Seven Core Business Areas

Concept		Strategic Focus	
Enhance Enhance business base in domestic market	1	Hold the number one retail banking franchise in Japan	Digitalization
	2	Build on our lead position in the Japanese medium-sized enterprise market	
	3	Increase market share in Corporate & Investment Banking in key global markets	
Grow Sustainable growth of US/EU businesses Make Asia our second mother market	4	Establish a top-tier position in product lines where we are competitive globally	
	5	Accelerate our “Asia-centric” strategy	
Build Build our new strengths for future growth	6	Strengthen sales & trading capability	
	7	Develop asset-light businesses: trust banking and asset management	

Projections by business unit

	ROE			Net business profit (JPY bn)		RWA (JPY tn)
	FY3/20 target	FY3/17 comparison	Three year plan	FY3/20 target	FY3/17 comparison	FY3/18
Retail	7%		<ul style="list-style-type: none"> ➤ Expenses will initially increase due to initiatives such as branch reorganization. The cost reduction effects of the initiatives and the merger of SMBC Nikko and SMBC Friend will appear in the latter of the period ➤ Reduce overall RWA while strengthening businesses such as credit cards and consumer finance 	285	+15	13.8
Wholesale	10%		<ul style="list-style-type: none"> ➤ While net business profit will increase by strengthening securities business, etc, net income will slightly decrease with the normalization of credit costs ➤ Reduce RWA through sales of strategic shareholdings 	475	+10	20.1
International	9%		<ul style="list-style-type: none"> ➤ Expenses will initially increase with costs of past investments and strategic investments in the securities business, but in the latter of the period, profits will increase by generating returns on the investments/initiatives that have been made ➤ Reduce the growth rate of RWA in three years by half compared to the previous three years (+22%). Control the increase in the latter of the period 	415	+50	21.0
Global markets	39%		<ul style="list-style-type: none"> ➤ Increase in profit is expected by enhancing the Sales & Trading business ➤ Reduce RWA through nimble portfolio management 	335	+20	5.9

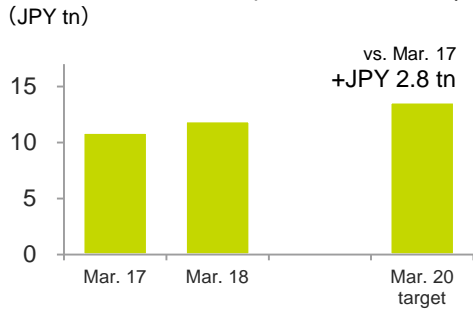
Notes:

- 1 ROE for each unit is managerial accounting basis with RWA calculated assuming Basel III reforms are finalized. ROE for the International business unit excludes the mid- to long-term foreign currency funding costs. ROE for the Global Markets business unit does not include interest-rate risk associated to the banking account. The objectives on RWA written in the three year plan are determined based on the current regulation
- 2 FY3/17 comparison for ROE is image of three-year developments of ROE from FY3/17 estimates when formulating the Medium-Term Management Plan
- 3 FY3/17 comparisons for ROE and Net business profit are after adjustments for interest rate and exchange rate impacts
- 4 FY3/17 results for each unit are managerial accounting basis, pursuant to current regulation

Retail

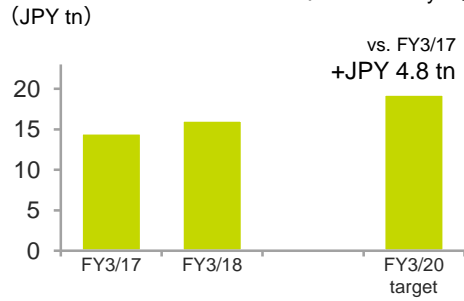
Balance of stock-based assets

(SMBC+SMBC Nikko)



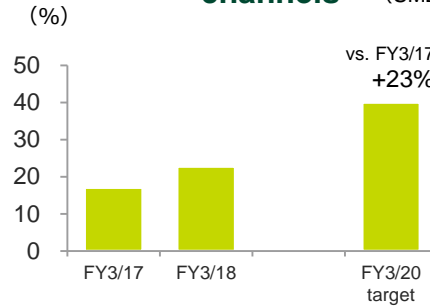
Credit card sales handled

(SMCC+Cedyna)

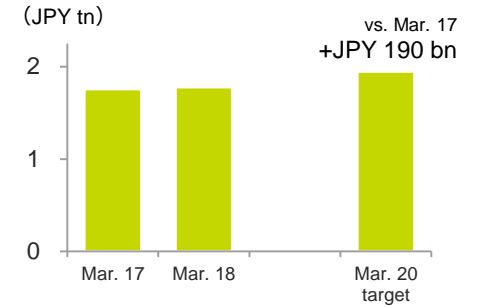


Utilization rate for digital channels

(SMBC)

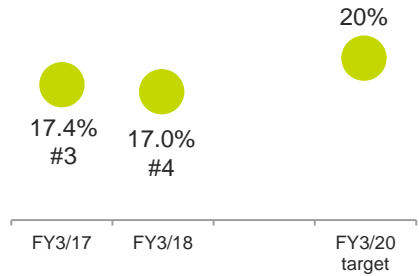


Balance of card loans

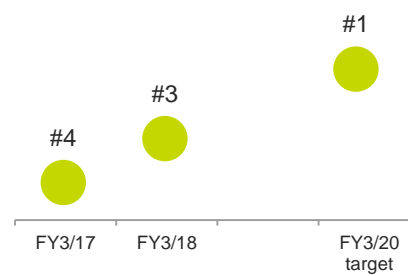


Wholesale

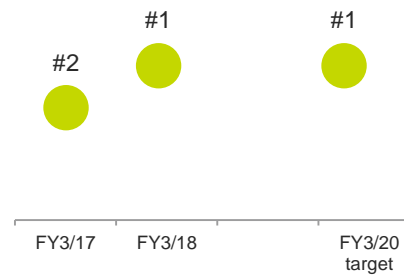
Lead arranger of Japanese corporate bonds (league table)



Lead arranger of IPO deals (league table)

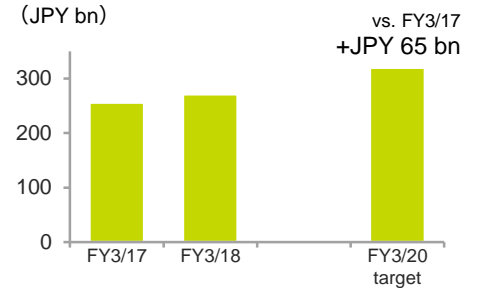


M&A advisory deals (league table)



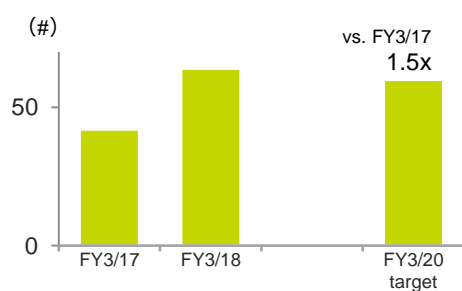
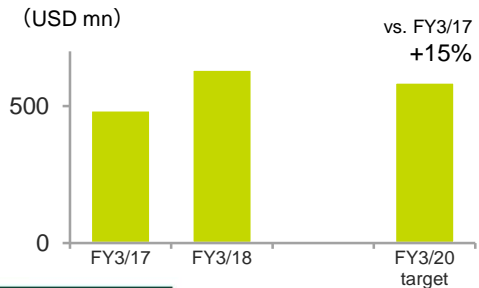
Global markets

S&T profits



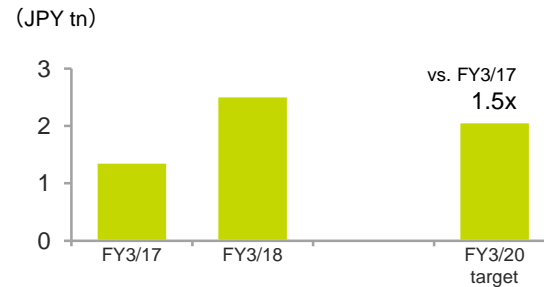
International

Non-asset based profit (Asia) Active book runner (Securities)



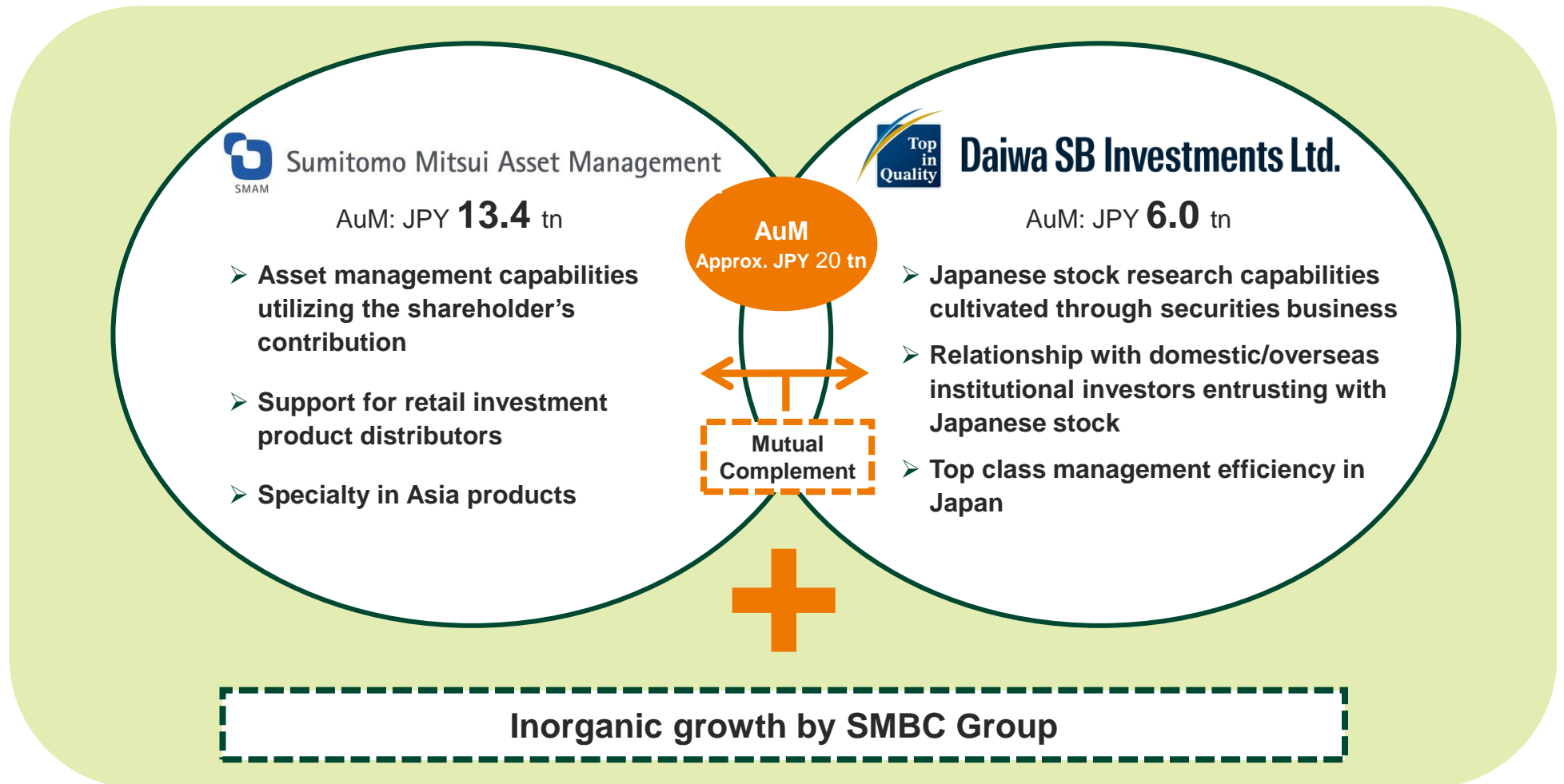
O&D

Distribution amount



Reorganization of the asset management business

- The merger will expand the scale of operations and bring enhanced business foundations along with stronger investment management capabilities
- The merged company will pursue further growth as a platform of SMBC Group's asset management business



IT investment strategy

- Since the large renewal of systems has been completed, IT investment is expected to decrease in the current Medium-Term Management Plan. In the mean time, we will further allocate our resources to “strategic investments” ; investments for business innovation through digitalization and the creation of new businesses

Previous Medium-Term Management Plan

Main subject

Large renewal of systems

- Bank accounting system
- Core systems in group companies

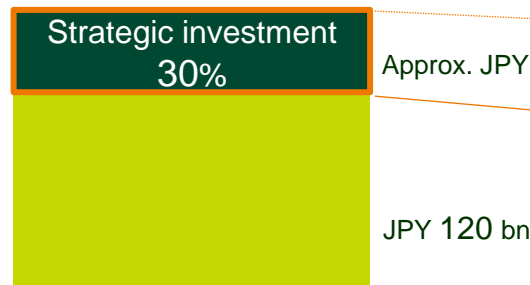
Up front investment to strategic areas

- Asia, retail, settlement, etc.

Annual amount of IT investment

approx. JPY 170 bn

Allocation of resources to strategic investments



Review of budget

Once / year

Current Medium-Term Management Plan

Selected investments to strategic areas

- Select strategic and growing areas to invest in, such as investments for business innovation through digitalization and the creation of new businesses

Adoption of efficient development method and utilization of new technology

approx. JPY 150 bn

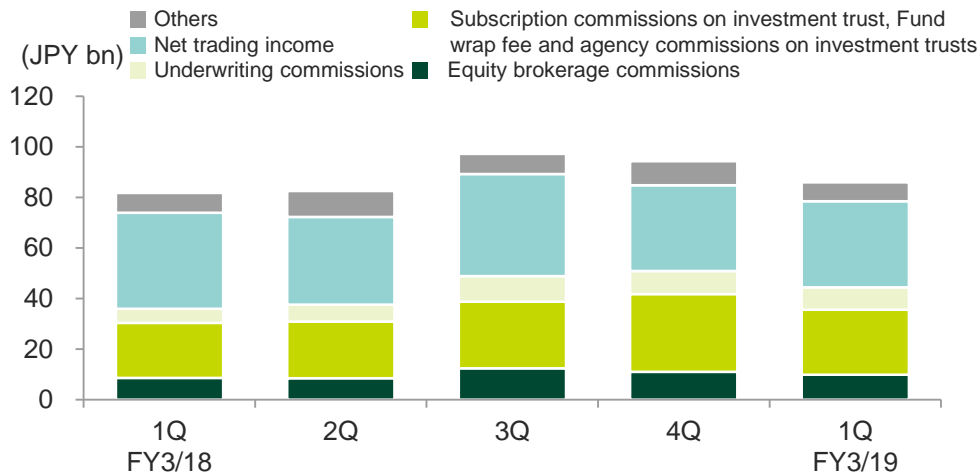


Because of the dynamic changes in IT environment, we will review the budget flexibly

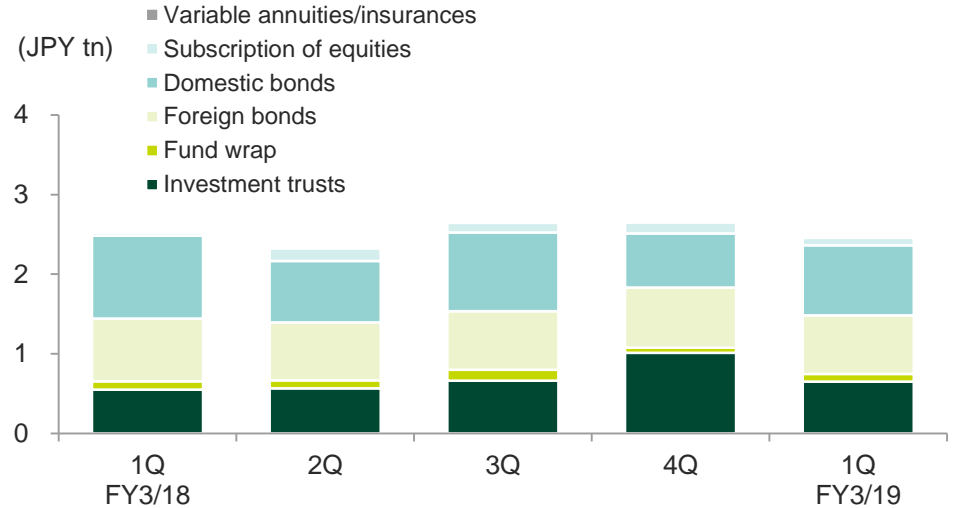
Financial results

(JPY bn)	FY3/18	1Q FY3/19	YoY	vs. sum of two subsidiaries*1
Net operating revenue	357.3	86.4	+4.3	(4.7)
SG&A expenses	267.6	70.2	+7.9	(0.3)
Ordinary income	94.9	18.0	(2.9)	(4.2)
Profit attributable to owners of parent	63.7	14.9	+0.5	(0.4)

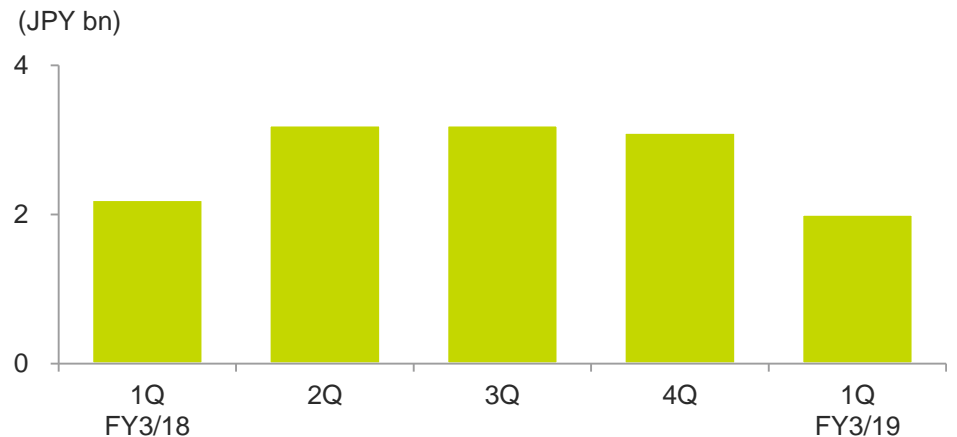
Net operating revenue



Product sales



Earnings of overseas business*2



*1 Compared with the sum of SMBC Nikko and SMBC Friend

*2 Earnings of SMBC Nikko Securities (Hong Kong), SMBC Nikko Securities (Singapore), Securities Product Group of SMBC Nikko Capital Markets, SMBC Nikko Securities America and preparation company for consolidated subsidiary in Frankfurt, Germany

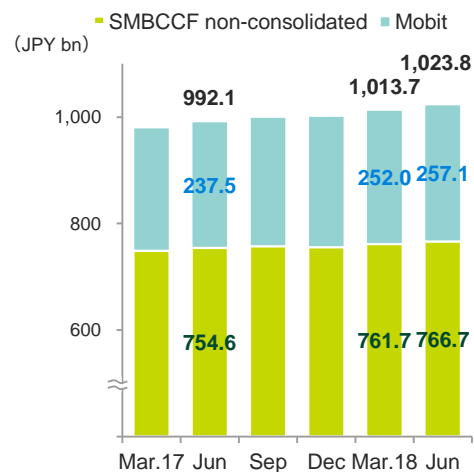
Financial results (consolidated)

(JPY bn)	FY3/18	1Q FY3/19	YoY
Operating income	273.8	69.7	+2.3
Operating expenses	238.3	53.4	+3.2
Expenses for loan losses	58.1	20.9	+2.2
Ordinary profit	35.9	16.4	(0.9)
Profit attributable to owners of parent	24.6	13.6	+0.1

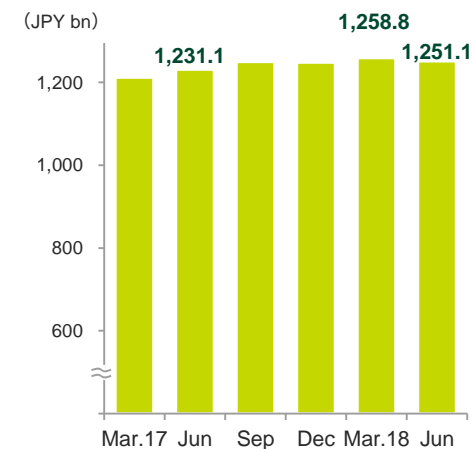
Consumer loans outstanding	1,115.6	1,126.4	
Allowance on interest repayments	109.4	101.6	
Loan guarantee	1,258.8	1,251.1	No. of companies with guarantee agreements: 189 (Jun. 2018)
Regional banks, etc.	616.2	616.5	

Loans / loan guarantee / overseas businesses

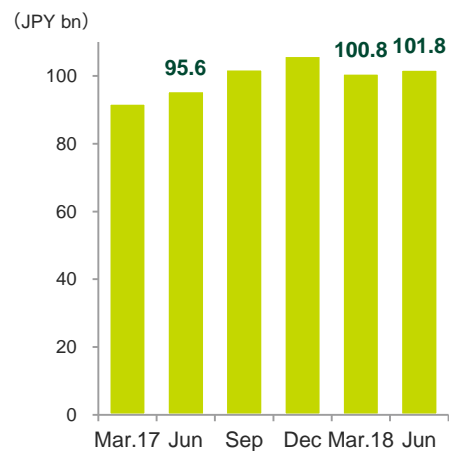
Consumer loans outstanding (domestic)



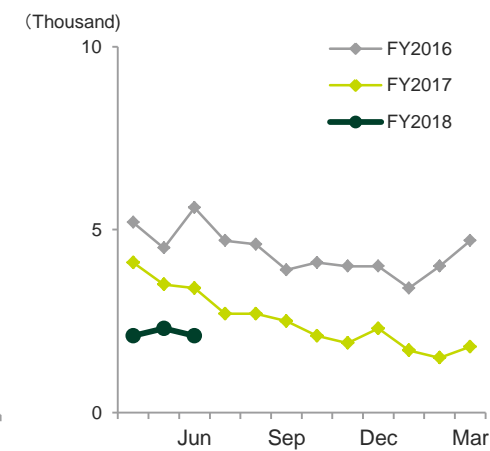
Loan guarantee amount



Consumer loans outstanding (overseas)

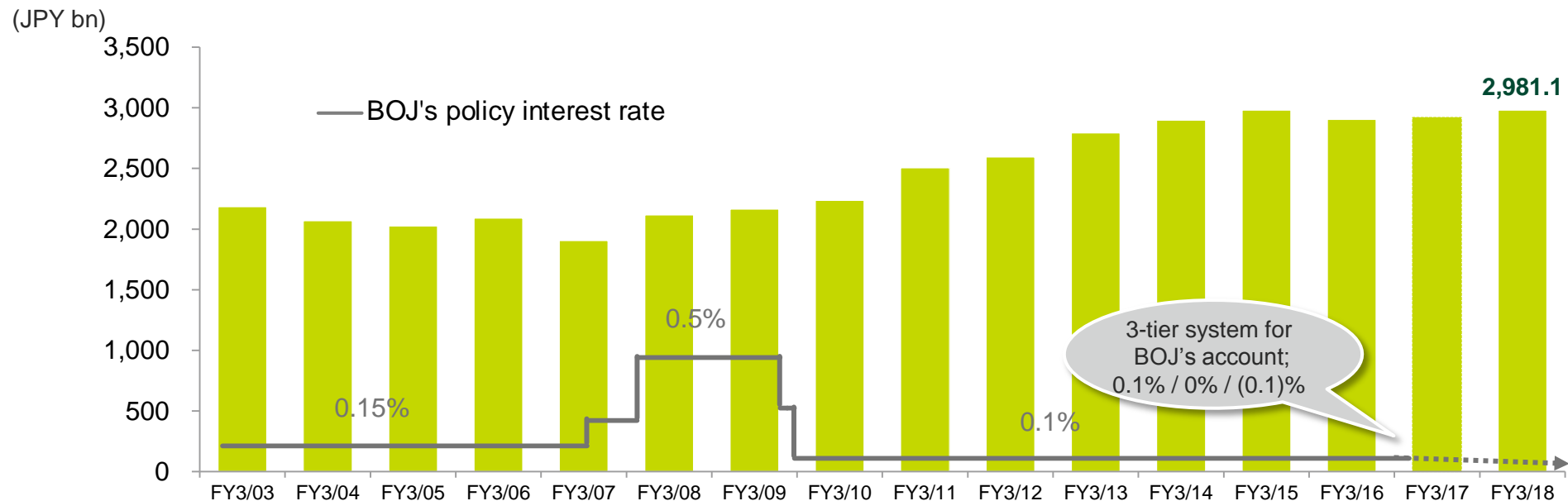


No. of interest refund claims



Changes in our business mix

Consolidated Gross profit



Breakdown of contribution to Gross profit

	FY3/03	FY3/18
SMBC's domestic loan / deposit related revenue	35%	15%
International business (banking)	5%	17%
Group companies	18%	47%

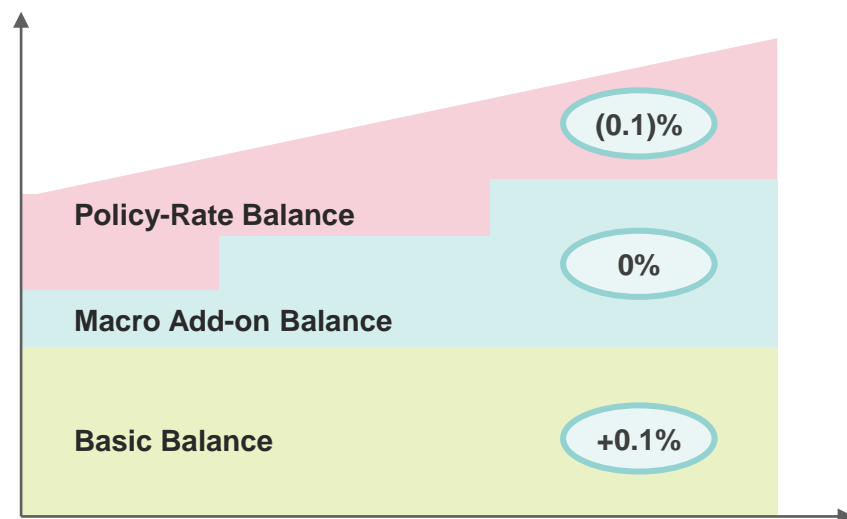
Proportion of International business unit within Consolidated net business profit: 33%

BOJ's monetary policy

Timeline

Apr. 2013	Introduction of the Quantitative and Qualitative Monetary Easing (QQE)
Oct. 2014	Expansion of QQE
Jan. 2016	Introduction of Negative Interest Rate Policy
Sep. 2016	Introduction of QQE with yield curve control
Jul. 2018	Strengthening the Framework for Continuous Powerful Monetary Easing

Three-tier system in current accounts at BOJ



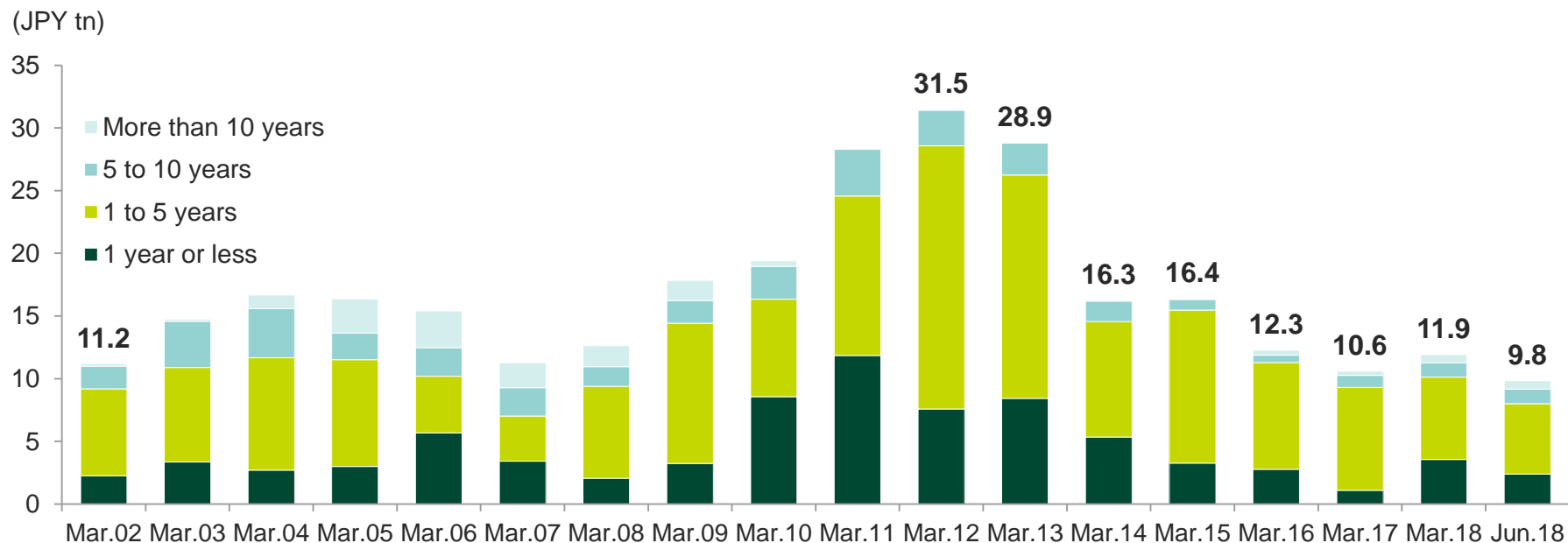
Jul. 2018 announcement

- **Introduction of forward guidance for policy rates**
 - Maintain the current level of low interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices **including the effects of the consumption tax hike scheduled in Oct. 2019**
- **Flexible operation of yield curve control**
 - Continue to purchase JGBs so that 10-year JGB yield will remain at around 0% **with allowing certain volatility of the yields**
 - Conduct JGBs purchases **in a flexible manner** so that their amount outstanding will increase at an annual pace of about JPY 80 tn
- **Flexible operation of asset purchases**
 - Continue to purchase ETFs and J-REITs so that their balances will increase at approximate annual paces of ¥6 trillion and ¥90 billion respectively
 - **Make the buying operation in a flexible manner** depending on market conditions
- **Reduce the Policy-Rate Balance**
 - **Reduce the size of the policy-rate balance** to which a negative interest rate is applied from the current level of about JPY 10 tn on average to about JPY 5 tn. By doing so, the BoJ will be able to alleviate cost pressure on private financial institutions

Yen bond portfolio

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)



of which JGBs (JPY tn)	Mar.12	Mar.13	Mar.14	Mar.15	Mar.16	Mar.17	Mar.18	Jun.18
	26.2	13.8	14.0	9.8	8.0	9.3	7.3	

Average duration (years) ^{*1}	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	2.8	2.9	2.3	2.7
Unrealized gains (losses) (JPY bn) ^{*2}	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	103.8	57.5	44.2	42.3

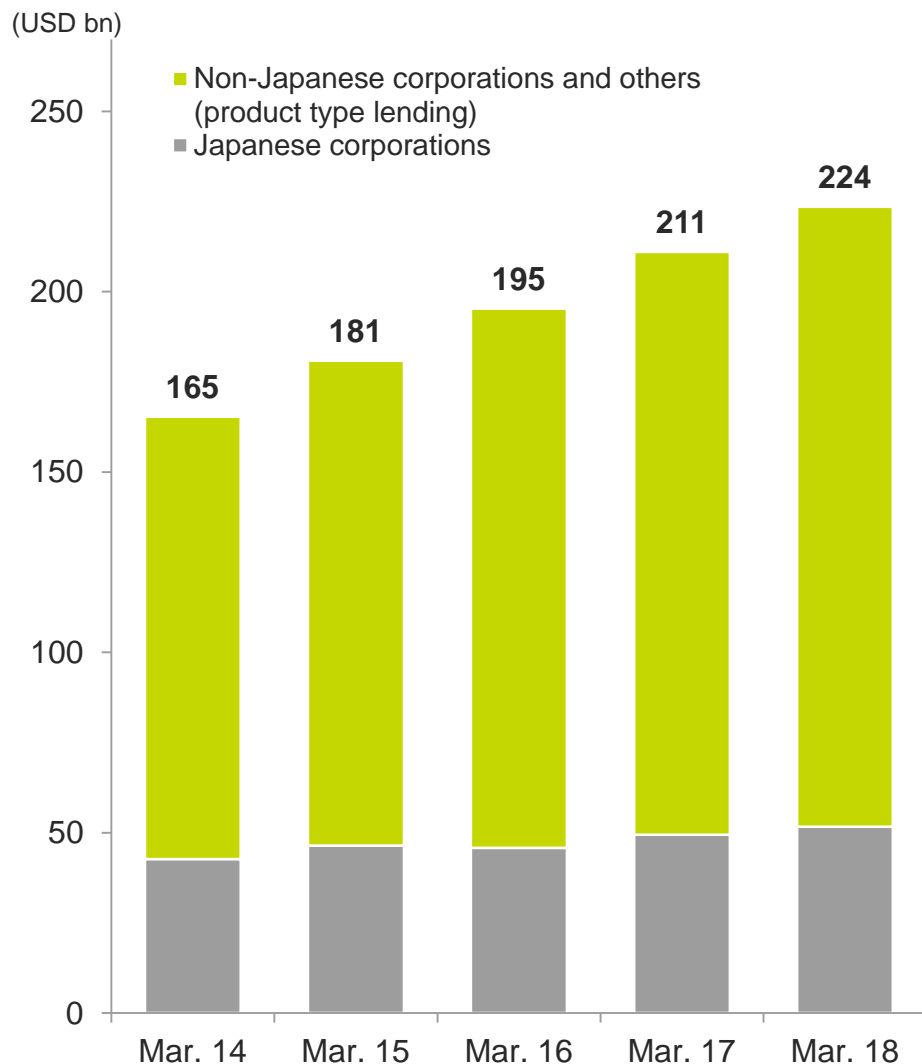
Bond portfolio

		Mar. 2013		Mar. 2017		Mar. 2018		Jun. 2018	
		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)									
Consolidated	Yen-denominated bonds	30.4	0.17	11.4	0.07	12.2	0.05	10.1	0.04
	of which JGB	27.0	0.12	8.5	0.03	9.6	0.01	7.5	0.01
	Held-to-maturity	5.5	0.06	1.2	0.01	0.4	0.00	0.4	0.00
	Others	21.5	0.06	7.3	0.02	9.2	0.01	7.2	0.01
	Foreign bonds (Other securities)			7.1	(0.11)	7.2	(0.16)	7.5	(0.17)

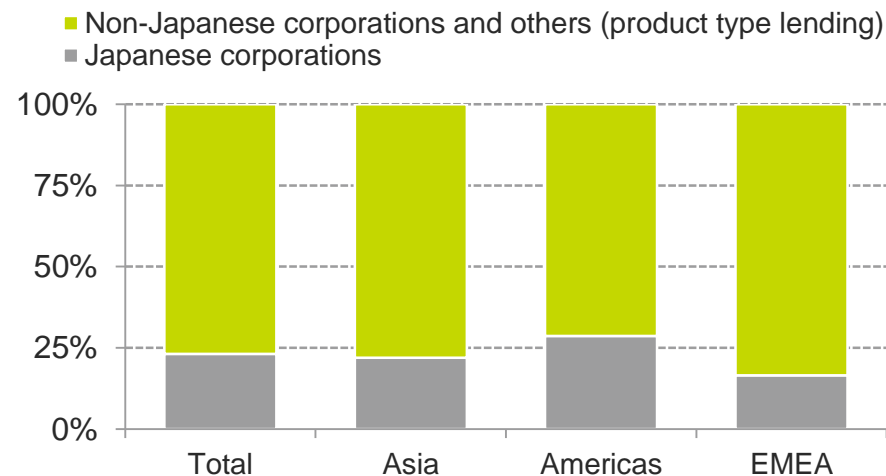
Non-consolidated	Yen-denominated bonds	28.9	0.16	10.6	0.06	11.9	0.05	9.8	0.04
	of which JGB	26.2	0.11	8.0	0.03	9.3	0.01	7.3	0.01
	Held-to-maturity	5.5	0.06	0.9	0.01	0.1	0.00	0.1	0.00
	Others	20.7	0.06	7.1	0.02	9.2	0.01	7.2	0.01
	Foreign bonds (Other securities)			5.6	(0.10)	5.3	(0.14)	5.8	(0.15)

Overseas loan balance classified by borrower type*1

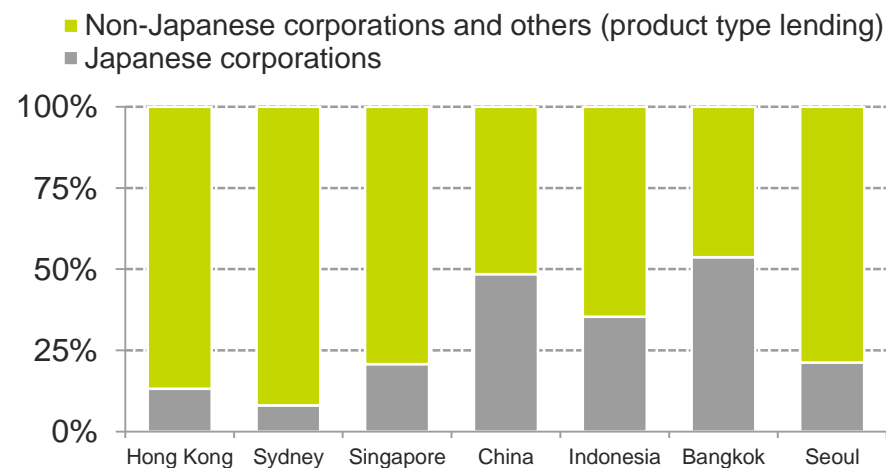
Total



By region (Mar. 2018)

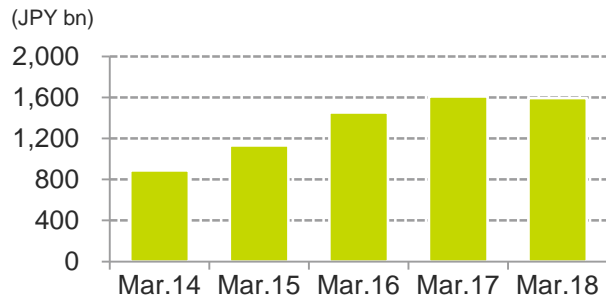


Major marketing channels in Asia (Mar. 2018)*2

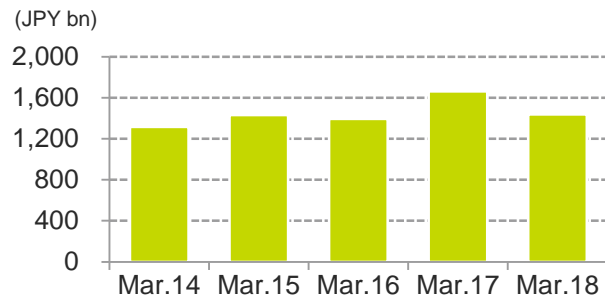


Loan balance in Asian countries/areas*1

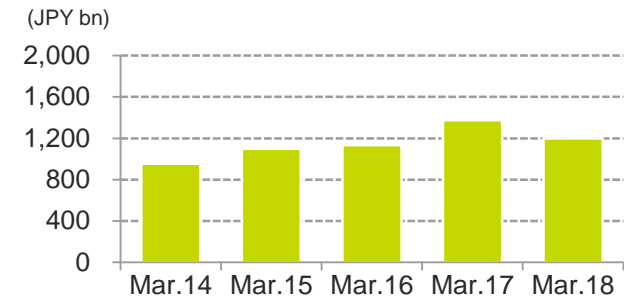
Australia



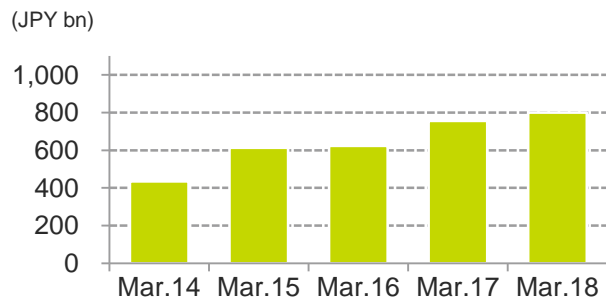
Hong Kong



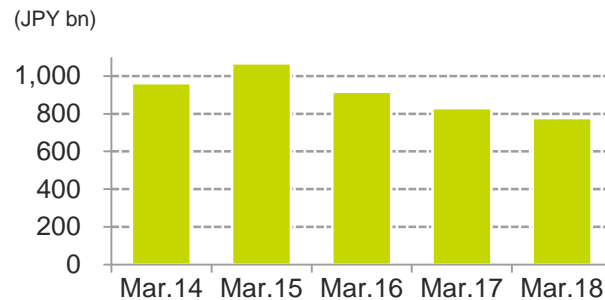
Singapore



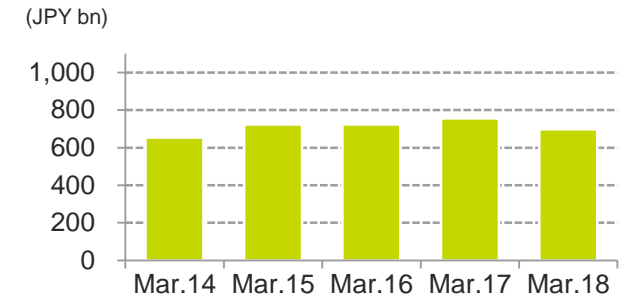
Indonesia



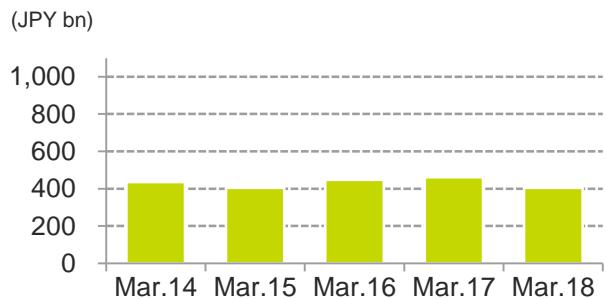
China



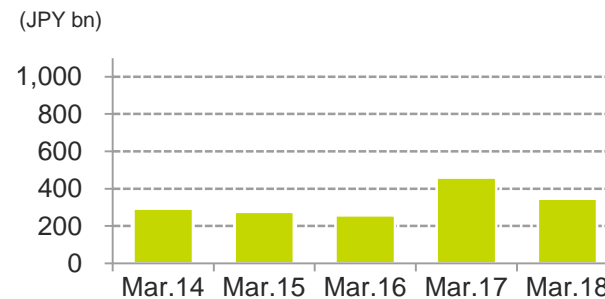
Thailand



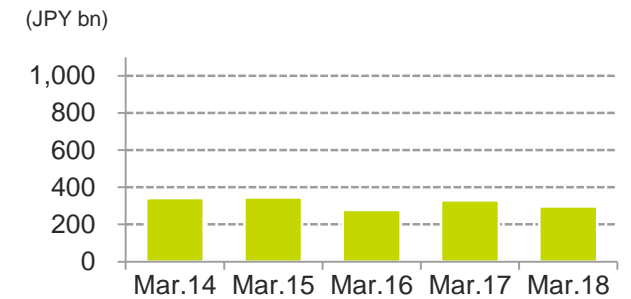
India



Taiwan



Korea



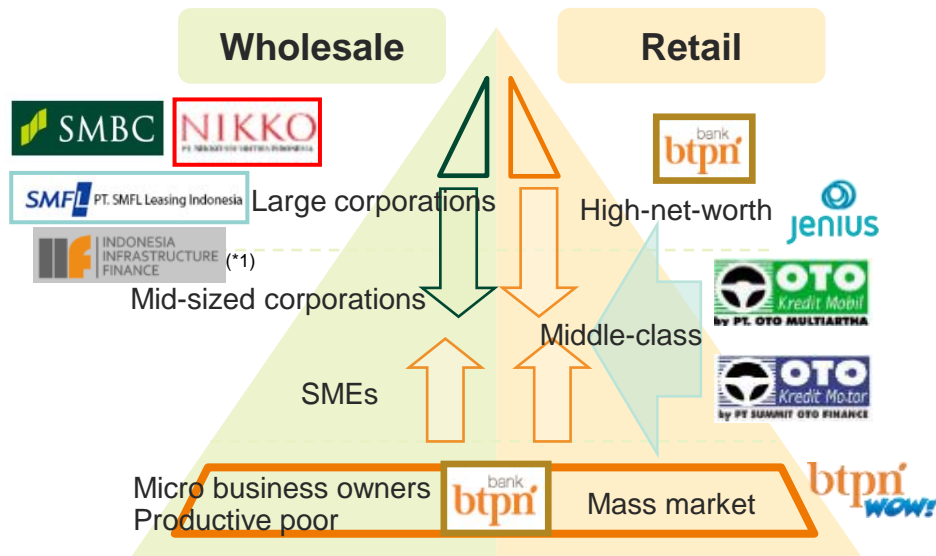
*1 Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Indonesia. Loan balances are translated into JPY at the exchange rate of Mar. 2018

Indonesia strategy (Multi-Franchise strategy)

- We will accelerate pursuing synergies among the Group companies in Indonesia
- BTPN and SMBC Indonesia are proceeding with the merger process

Expanding business to provide full-banking service

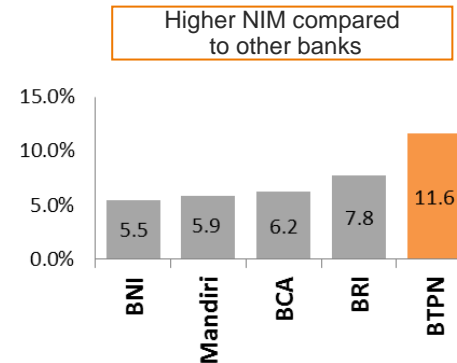
- Bank Tabungan Pensiunan Nasional (BTPN)
 - ✓ Promote Branchless banking service (Wow!) and smartphone-based digital banking service (Jenius) (About 6 million customers as of Mar. 2018)
 - ✓ BTPN and SMBC Indonesia are proceeding with the merger process (The merger is targeted to close in 2H, FY3/19)



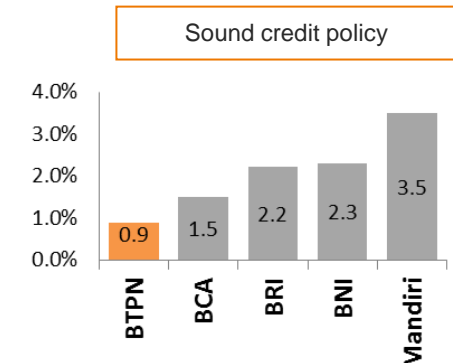
Financial results of BTPN*2

(IDR billion)	2015	2016	2017	YoY
Gross banking profit	8,401	9,464	9,991	+5.6%
Operating expenses	5,156	5,984	6,934	+15.9%
Net profits	1,702	1,752	1,221	(30.3)% ^{*3}
ROE	13.3%	11.7%	7.5%	(4.2)%
Gross loans	58,587	63,168	65,352	+3.5%
Customer deposits	60,273	66,202	67,918	+2.6%
Total assets	81,040	91,371	95,490	+4.5%

Net Interest Margin*4



NPL ratio*4



Products that we have strengths overseas

Aircraft-related business

- Providing solutions to domestic and overseas aircraft investors and offering aircraft leasing on a Group basis led by SMBC Aviation Capital

SMBC Aviation Capital results*¹ /
Number of owned and managed aircraft*²

(USD mn)	FY3/17	FY3/18
Total revenue	1,185	1,114
Net income	299	295
Aircraft asset*³	10,963	11,109
Net asset	1,969	2,274

Aircraft leasing companies	Country	# owned/managed
1 GECAS	USA	1,324
2 AerCap	Ireland	1,076
3 Avolon	Ireland	585
4 SMBC AC	Ireland	450
5 Nordic Aviation Capital	Denmark	416

Railcar leasing*⁴

SMBC Rail Services

(a wholly-owned consolidated subsidiary in the U.S.)

- U.S. based mid-sized railcar leasing company, leased assets: USD 4.3 bn
- Number of cars owned and managed: approx. 57.3 thousand railcars
- Our strengths
 - ✓ Well-diversified portfolio management
 - ✓ Young age of railcars
 - ✓ Well-diversified client base by industry

Subscription finance, Americas / EMEA middle market business*⁴

- Extending loans to funds based on commitments from investors
 - ✓ Balance of claims : approx. USD 25 bn
 - ✓ Spread: around 150 bp
- Sponsor finance for mid-sized corporations, LBO loans
 - ✓ Accounts for around 2% of our overseas loan balance. Carefully select profitable transactions
 - ✓ Spread: around 350bp - 450bp

Exposure to resource-related sectors*1

		(JPY tn)	Mar. 16	Ratio to total exposure	Mar. 17	Ratio to total exposure	Mar. 18	Ratio to total exposure
		Integrated Oil & Gas*2	1.5	1.3%	1.3	1.1%	1.3	1.1%
		Services (Drilling, field services)	0.5	0.4%	0.4	0.4%	0.3	0.3%
		Upstream (E&P*3)	1.7	1.4%	1.5	1.2%	1.3	1.1%
		Midstream (Storage/Transportation)	1.4	1.2%	1.4	1.1%	1.3	1.1%
		Downstream (Refining)	0.7	0.6%	0.9	0.7%	1.0	0.8%
		Oil and gas	5.8	5.0%	5.5	4.4%	5.3	4.4%
		Other resources (Mining)	1.1	1.0%	0.9	0.8%	0.8	0.7%
		Non-Japanese*4 (Resource-related sectors)	6.9	6.0%	6.4	5.2%	6.1	5.1%
		o/w Upstream	0.2	0.2%	0.2	0.2%	0.2	0.2%
		Oil and gas	1.6	1.4%	1.3	1.1%	1.1	0.9%
		Other resources (Mining)	0.2	0.2%	0.2	0.2%	0.2	0.1%
		Japanese (Resource-related sectors)	1.8	1.6%	1.5	1.2%	1.3	1.0%
		Resource-related sectors	8.8	7.6%	7.9	6.4%	7.4	6.1%
		Oil and gas	7.4	6.4%	6.8	5.5%	6.4	5.3%
		Other resources (Mining)	1.3	1.1%	1.1	0.9%	1.0	0.8%
		Non-Japanese*4	38	32.9%	41	33.5%	40	33.2%
		Japanese	77	67.1%	82	66.5%	81	66.8%
		Total exposure (consolidated)	115		123		121	

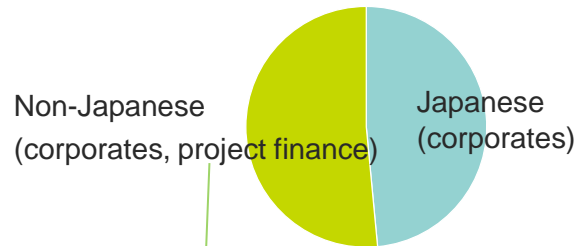
- “Oil and gas” does not include petrochemical; Japanese “Other resources (Mining)” does not include general trading companies
- Non-Japanese (resource-related sectors) : Corporate finance approx. 70%; Project finance approx. 30%
- Japanese (resource-related sectors) : Corporate finance 100%
- Exposure to resource-related sectors excluding project finance which are unaffected by resource prices is JPY 6.3 tn; Exposure at default (EAD) to the sectors is JPY 5.5 tn as of Mar. 2018

Loan and exposure to the China / Russia / Turkey

Loan balance in China^{*1, 2}

(JPY tn)

Mar. 17 ^{*2}	Mar. 18
0.8	0.8

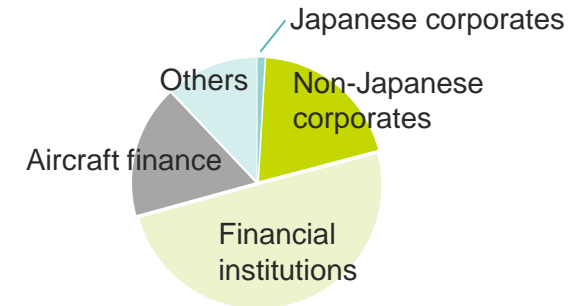


- Most borrowers are classified as “1-3” in our internal rating

Exposure to Turkey^{*3}

(USD bn)

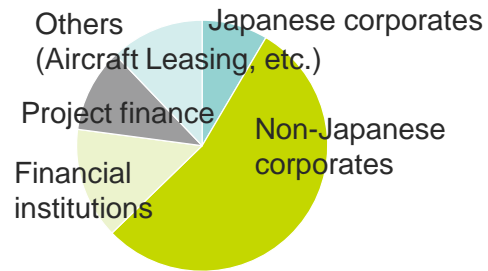
Mar. 17	Mar. 18
3.5	3.4



Exposure to Russia^{*3}

(USD bn)

Mar. 17	Mar. 18
3.2	3.5



- Started to investigate and analyze climate-related impact according to TCFD. Revised credit policy for businesses associated with environmental and social risk
- Achieved the target of female managers ratio earlier than planned

Environment

Task Force on Climate-related Financial Disclosures (TCFD)

- Set up a working group to respond to the final report “Recommendations of the Task Force on Climate-related Financial Disclosures” (by Financial Stability Board)
- Analyze and quantify data of climate-related impact according to TCFD and plan to disclose its progress as required

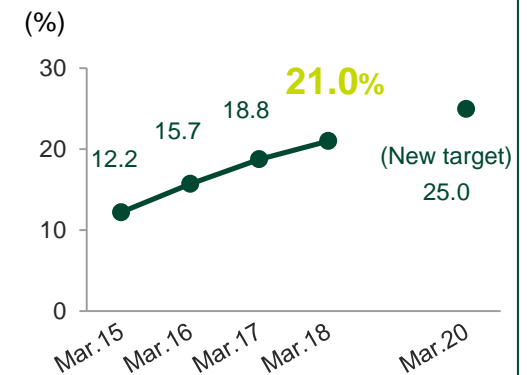
Revision of credit policy

- Coal-fired power plants
Provide financial support only to coal-fired power plants that use USC^{*2} or more advanced technologies^{*3}
- Palm oil plantation developments
Not provide financial support to Palm Oil plantation companies that are involved in illegal logging and/or human rights violations
- Deforestation
Not provide financing businesses that are involved in illegal logging and/or land clearing activities.

Society

Diversity & Inclusion

- SMBC achieved the former target of female managers ratio, “20% by Mar. 21” earlier than planned
- New target of “25% by Mar. 20” is set



- SMBC received Top Gold Rating on PRIDE index evaluation for LGBT-related initiatives
- Amended employment regulation regarding same-sex partnership



*1 SMBC issued green bond in 2015

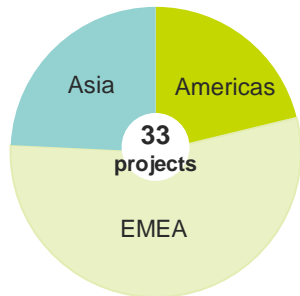
*2 Ultra-supercritical (i.e., with a steam pressure >240 bar and ≥593° C steam temperature) or Emissions < 750 g CO2/kWh

*3 For projects, which we have already committed support from the perspective of energy shortage solution in emerging countries, or where the Japanese government or Multilateral Development Banks support are confirmed will be considered prudently as exceptions

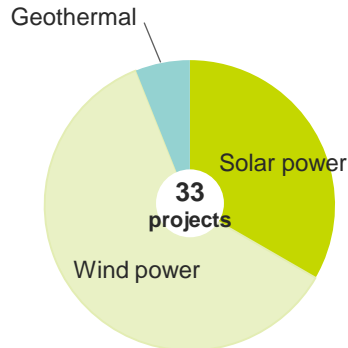
Promote environmental businesses

Project finance for renewable energy related projects (FY3/18)

➤ Regional breakdown



➤ Sector breakdown



Reduce environmental impact

Obtain new third-party verification of environmental data

- Reduction in CO2 emission of major 10 group companies have been verified by a third-party



Environmental management system

- 7 major group companies*1 obtained ISO 14001 certification



Next generation

Cultivate Human Resources in emerging countries

- MOU with Indonesian financial conglomerate Djarum Group
- Supporting teacher training program in Myanmar

Improve financial literacy

- # of participants at financial and economic education programs organized by companies in SMBC Group (cumulative number) : Approx. 130,000 (FY3/18)

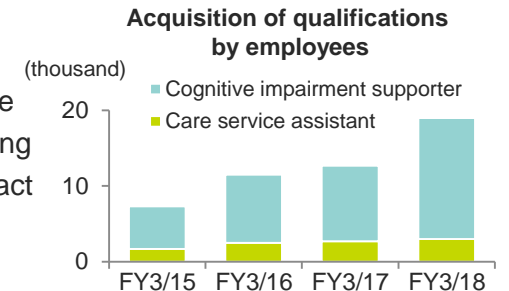


Bank work experience program for elementary school students

Community

Initiatives to realize universal society

- Create branches that can be visited with total peace of mind by seniors and people with disabilities through training employees who directly interact with customers



Dialogue with stakeholders

- SMBC Group organizes a dialogue session with stakeholders once a year to verify the suitability of our CSR activities as a financial institution
- The agenda for FY3/18 was on SDGs and the expanding ESG investments

- Selected the goals to focus on through our business to realize the Sustainable Development Goals (SDGs)

Goals to focus	E		S			G				
	Environment		Next Generation			Community		Governance		
	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1 NO POVERTY	11 SUSTAINABLE CITIES AND COMMUNITIES	5 GENDER EQUALITY	10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Retail	<ul style="list-style-type: none"> ➢ Cashless, transactions without bankbook ➢ Electronic contract by tablets 		<ul style="list-style-type: none"> ➢ Improve financial literacy ➢ ESG investment trusts 							
Wholesale	<ul style="list-style-type: none"> ➢ Assessment loan (ESG/SDGs Assessment loan, etc.) 		<ul style="list-style-type: none"> ➢ Support growing companies, taking initiatives to realize smart mobility 			<ul style="list-style-type: none"> ➢ Assessment loan (SMBC Workstyle Reform loan, etc.) 				
International	<ul style="list-style-type: none"> ➢ Establish loan policy and support businesses regarding environmental/social risk ➢ Renewable energy projects 		<ul style="list-style-type: none"> ➢ Take initiatives toward financial inclusion (retail business in Asia, etc.) 			<ul style="list-style-type: none"> ➢ Multi franchise strategy in Asia 				
Global markets	<ul style="list-style-type: none"> ➢ Promote eco-business and reduce environmental burden through issuing green bonds 		<ul style="list-style-type: none"> ➢ Improve convenience of financial market through promotion of digitalization 			<ul style="list-style-type: none"> ➢ Provide solutions to form a healthy and active financial / capital market 				

Credit ratings of G-SIBs (Operating banks, by Moody's)*1

	Apr. 2001	Jul. 2007	July. 2018	
Aaa		<ul style="list-style-type: none"> Bank of America Bank of New York Mellon Citibank JPMorgan Chase Bank 	<ul style="list-style-type: none"> Royal Bank of Canada Royal Bank of Scotland UBS Wells Fargo Bank 	
Aa1	<ul style="list-style-type: none"> Bank of America Crédit Agricole 	<ul style="list-style-type: none"> UBS Wells Fargo Bank 	<ul style="list-style-type: none"> Banco Santander Barclays Bank BNP Paribas Crédit Agricole Credit Suisse Deutsche Bank 	
Aa2	<ul style="list-style-type: none"> Bank of New York Mellon Barclays Bank Citibank HSBC Bank ING Bank 	<ul style="list-style-type: none"> JPMorgan Chase Bank Royal Bank of Canada Royal Bank of Scotland State Street Bank & Trust 	<ul style="list-style-type: none"> SMBC <i>Mizuho Bank</i> 	<ul style="list-style-type: none"> <i>MUFG Bank</i> UniCredit
Aa3	<ul style="list-style-type: none"> Banco Santander BNP Paribas Deutsche Bank 	<ul style="list-style-type: none"> Société Générale UniCredit 	<ul style="list-style-type: none"> Goldman Sachs Bank 	<ul style="list-style-type: none"> Morgan Stanley Bank
A1	<ul style="list-style-type: none"> Credit Suisse 	<ul style="list-style-type: none"> Agricultural Bank of China Bank of China 	<ul style="list-style-type: none"> ICBC 	<ul style="list-style-type: none"> SMBC Agricultural Bank of China Bank of China China Construction Bank Citibank Crédit Agricole Credit Suisse Goldman Sachs Bank ICBC
A2	<ul style="list-style-type: none"> <i>MUFG Bank</i> 	<ul style="list-style-type: none"> Standard Chartered 	<ul style="list-style-type: none"> China Construction Bank 	<ul style="list-style-type: none"> Standard Chartered
A3	<ul style="list-style-type: none"> SMBC 	<ul style="list-style-type: none"> <i>Mizuho Bank</i> 		
Baa1	<ul style="list-style-type: none"> Agricultural Bank of China Bank of China 	<ul style="list-style-type: none"> China Construction Bank ICBC 		<ul style="list-style-type: none"> UniCredit
Baa2				<ul style="list-style-type: none"> Deutsche Bank

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

Credit ratings of G-SIBs (Holding companies, by Moody's / S&P)*1

July. 2018					
	Moody's		S&P		
Aaa					AAA
Aa1					AA+
Aa2					AA
Aa3					AA-
A1	<ul style="list-style-type: none"> SMFG ● Bank of New York Mellon ● Mizuho 	<ul style="list-style-type: none"> ● MUFG ● State Street 			A+
A2	<ul style="list-style-type: none"> ● HSBC ● Standard Chartered 	<ul style="list-style-type: none"> ● Wells Fargo 	<ul style="list-style-type: none"> ● Bank of New York Mellon ● HSBC 	<ul style="list-style-type: none"> ● State Street 	A
A3	<ul style="list-style-type: none"> ● Bank of America ● Goldman Sachs 	<ul style="list-style-type: none"> ● JPMorgan ● Morgan Stanley 	<ul style="list-style-type: none"> SMFG ● Bank of America ● ING ● JPMorgan ● Mizuho 	<ul style="list-style-type: none"> ● MUFG ● UBS ● Wells Fargo 	A-
Baa1	<ul style="list-style-type: none"> ● Citigroup ● ING 	<ul style="list-style-type: none"> ● UBS 	<ul style="list-style-type: none"> ● Citigroup ● Credit Suisse ● Goldman Sachs 	<ul style="list-style-type: none"> ● Morgan Stanley ● Standard Chartered 	BBB+
Baa2	<ul style="list-style-type: none"> ● Credit Suisse 	<ul style="list-style-type: none"> ● RBS 	<ul style="list-style-type: none"> ● Barclays 		BBB
Baa3	<ul style="list-style-type: none"> ● Barclays 		<ul style="list-style-type: none"> ● RBS 		BBB-
Ba1					BB+

*1 Long-term issuer ratings (if not available, Senior unsecured ratings for Moody's) of holding companies

Capital and risk-weighted assets, consolidated

Capital ratio (transitional basis)

	(JPY bn)	Mar. 18	Jun. 18
Common Equity Tier 1 capital (CET1)		9,217.4	9,426.2
o/w Total stockholders' equity related to common stock		8,510.1	8,667.5
Accumulated other comprehensive income		1,753.4	1,801.2
Regulatory adjustments related to CET1		(1,049.3)	(1,045.4)
Tier 1 capital		10,610.2	10,823.0
o/w Additional Tier 1 capital instruments		599.8	598.0
Eligible Tier 1 capital instruments (grandfathered) ^{*1}		650.3	650.3
Regulatory adjustments		(81.6)	(81.6)
Tier 2 capital		1,693.9	1,676.3
o/w Tier 2 capital instruments		993.4	1,001.3
Eligible Tier 2 capital instruments (grandfathered) ^{*1}		625.4	594.8
Regulatory adjustments		(50.0)	(50.0)
Total capital		12,304.1	12,499.3
Risk-weighted assets		63,540.3	64,022.2
Common Equity Tier 1 capital ratio		14.50%	14.72%
Tier 1 capital ratio		16.69%	16.90%
Total capital ratio		19.36%	19.52%

Common Equity Tier 1 capital ratio (fully-loaded^{*2})

	(JPY bn)	Mar. 18	Jun. 18
Common Equity Tier 1 capital		9,217.4	9,426.2
Risk-weighted assets		63,540.3	64,022.2
Common Equity Tier 1 capital ratio		14.5%	14.7%
Ref: Common Equity Tier 1 capital ratio (excluding net unrealized gains)		11.8%	11.9%

Preferred securities which become callable in FY3/19

	Issue date	Amount outstanding	Dividend rate ^{*3}	First call date ^{*4}	Type
SMFG Preferred Capital USD 3 Limited	Jul. 2008	USD 1.35 bn	9.5%	Jul. 2018	Step-up Called
SMFG Preferred Capital JPY 2 Limited (Series A)	Dec. 2008	JPY 113 bn	4.57%	Jan. 2019	Step-up

Leverage ratio

(transitional basis)

	(JPY bn)	Jun. 18
Tier1 Capital		10,823.0
Leverage exposure		214,018.2
Leverage ratio		5.05%

LCR

(transitional basis)

Average Apr. – Jun. 18
134.8%

*1 Cap is 40%. Subject to transitional arrangements. *2 Based on the Mar. 2019 definition. *3 Until the first call date. Floating rate thereafter
*4 Callable at any dividend payment date on and after the first call date, subject to prior confirmation of the FSA

TLAC requirements

TLAC and capital buffer requirements for SMFG

Minimum external TLAC requirements

	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
Plus capital buffers*1	19.5%	21.5%
Factoring treatment of access to Deposit Insurance Fund Reserves	17.0%	18.0%
Minimum external TLAC requirements (Leverage ratio denominator basis)	6%	6.75%
Plus leverage ratio buffer*1	n.a.	7.25%

- Based on current calculations, we expect that the TLAC requirements based on RWA, post-Basel III reforms basis, will be more constraining than requirements based on the leverage ratio denominator

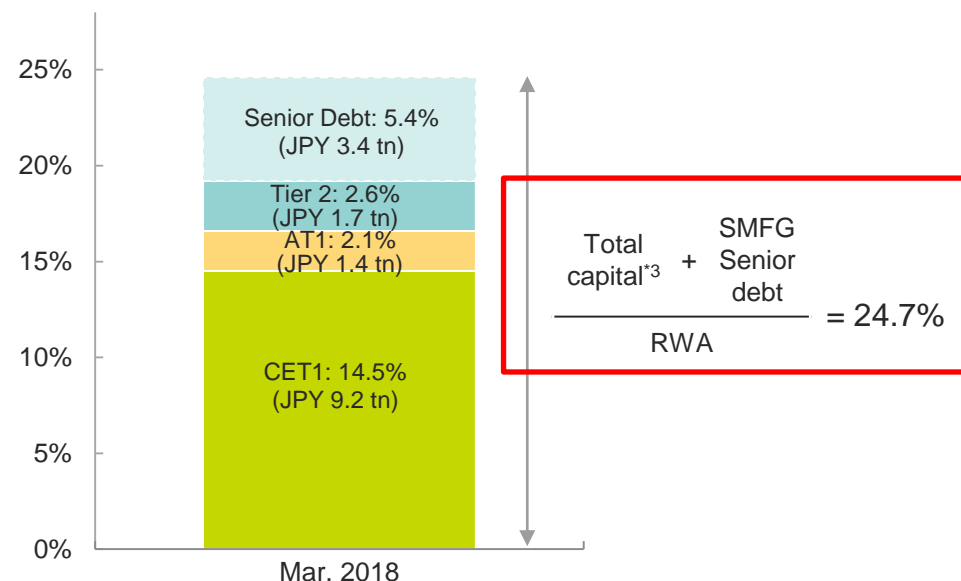
Contribution of Japanese Deposit Insurance Fund Reserves

- The FSA plans to allow Japanese G-SIBs to count the amount equivalent to 2.5% of RWA from Mar. 2019 and 3.5% of RWA from Mar. 2022 as external TLAC

Meeting TLAC requirement

Total capital plus SMFG senior debt to RWA*2

(Consolidated)



Issuance amount of SMFG senior unsecured bond

(JPY tn)	FY3/17	FY3/18	
		1H, FY3/18	FY3/18
Issuance amount through the period	1.5 (USD 13.7 bn)	0.7 (USD 6.5 bn)	1.4 (USD 13.0 bn)

*1 Excludes countercyclical buffer. As for the G-SIB buffer, SMFG was allocated to bucket 1 (1.0%) according to the list published by the FSB in Nov. 2017

*2 This figure is not the same as TLAC ratio

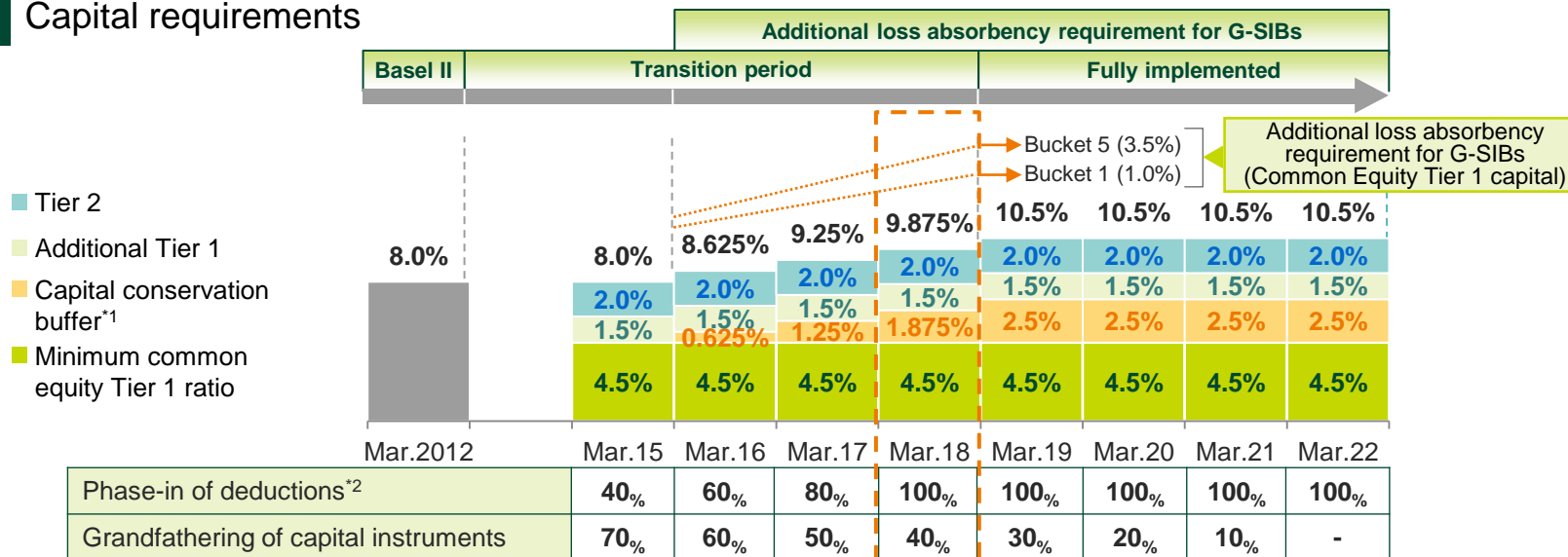
*3 Transitional basis. We expect the calculation for TLAC ratio, when the TLAC requirements in Japan are finalized, will differ from the one for total capital ratio. For example, some items in total capital will not be included in TLAC capital and vice versa

Overview of major international regulations

Regulations		Outline	
Capital requirement	Credit risk	Revised internal ratings-based framework	<ul style="list-style-type: none"> Constraints on the use of the internal ratings based approach to credit risk; (i) applying the standardised approach to exposures to equities, (ii) applying the F-IRB approach for exposures to financial institutions, large corporates and medium sized corporates, or (iii) applying or raising floors to PDs/LGDs and revising the estimation methods
		Revised Standardised Approach	<ul style="list-style-type: none"> 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
		CVA framework	<ul style="list-style-type: none"> 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
	Market risk	Revised market risk framework	<ul style="list-style-type: none"> The revised internal models approach replaces VaR and stressed VaR with a single Expected Shortfall to capture tail risks that are not accounted for in the existing VaR measures. The revised standardised approach adopts the sensitivities-based method to extend the use of sensitivities to a much broader set of risk factors
	Operational Risk	Revised operational risk framework	<ul style="list-style-type: none"> Use of the Business Indicator (BI), a proxy of size of business, and the loss data for risk weighted assets calculation Termination of the Advanced Measurement Approaches (AMA)
	Overall	Output floors based on standardised approaches	<ul style="list-style-type: none"> Replacement of the Basel I-based transitional capital floor with a permanent floor based on standardised approaches
Sovereign exposures	Regulatory treatment of sovereign exposures	<ul style="list-style-type: none"> Basel Committee has completed its review of the regulatory treatment of sovereign exposures and decided not to proceed the consultation process 	
Leverage ratio requirement	Leverage ratio	<ul style="list-style-type: none"> The leverage ratio buffer for G-SIBs set at 50% of a G-SIB's higher-loss absorbency risk-weighted requirements Revisions to the exposure definitions including credit conversion factors for off-balance sheet items 	
G-SIBs regulation	TLAC (total loss-absorbing capacity)	<ul style="list-style-type: none"> Minimum requirement of (i) 16% of RWA and 6% of the Basel III Tier 1 leverage ratio denominator as from 2019, (ii) 18% of RWA and 6.75% of the Basel III Tier 1 leverage ratio denominator as from 2022 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 Should be issued and maintained by resolution entities 	

Application of Basel III

Capital requirements



		2022	2023	2024	2025	2026	2027
RWA*3	Revised standardised approach and internal ratings-based framework for credit risk	Implementation					
	Revised credit valuation adjustment (CVA) framework						
	Revised market risk framework						
	Revised operational risk framework						
	Output floor						
		50%	55%	60%	65%	70%	72.5%

Leverage ratio and liquidity rules

	2015	2016	2017	2018	2019	2020	2021	2022
Leverage Ratio	Disclosure			Implementation				
Revised Leverage Ratio*3, 4								Implementation
Liquidity Coverage Ratio (LCR)	60%	70%	80%	90%	100%			
Net Stable Funding Ratio (NSFR) *3	Implementation							

*1 Countercyclical buffer (CCyB) omitted in the chart above; if applied, phased-in in the same manner as the Capital conservation buffer

*2 Including amounts exceeding limit for deferred tax assets, mortgage servicing rights and investment in capital instruments of unconsolidated financial institutions

*3 Scheduled based on final documents by BCBS (domestic regulations not published) *4 Revised exposure definition and G-SIB buffer

Public sector support and point of non-viability in Japan

Framework	Systemic risk	Subject entities	Conditions	Point of non-viability
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*1 and not having negative net worth	No
Article 102 of Deposit Insurance Act (DIA)	Required (Credit system in Japan or in a certain region)	Banks only	Item 1 measures <i>Capital injection</i>	No
			Item 2 measures <i>Financial assistance exceeding payout cost</i>	Yes*3
			Item 3 measures <i>Nationalization</i>	
Introduced in Mar. 2014 Article 126-2 of DIA	Required (Financial system such as financial market in Japan)	Financial institutions including banks and BHCs	Specified Item 1 measures <i>Liquidity support Capital injection</i>	No
			Specified Item 2 measures <i>Supervision or control and Financial assistance for orderly resolution</i>	Yes*3

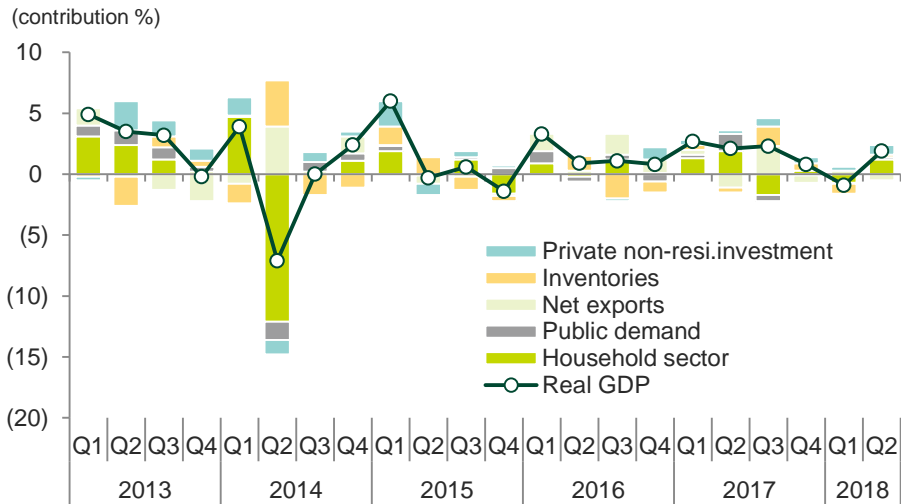
*1 Including the likelihood of a suspension of payment of deposits

*2 Including the likelihood of a suspension of payment or negative net worth

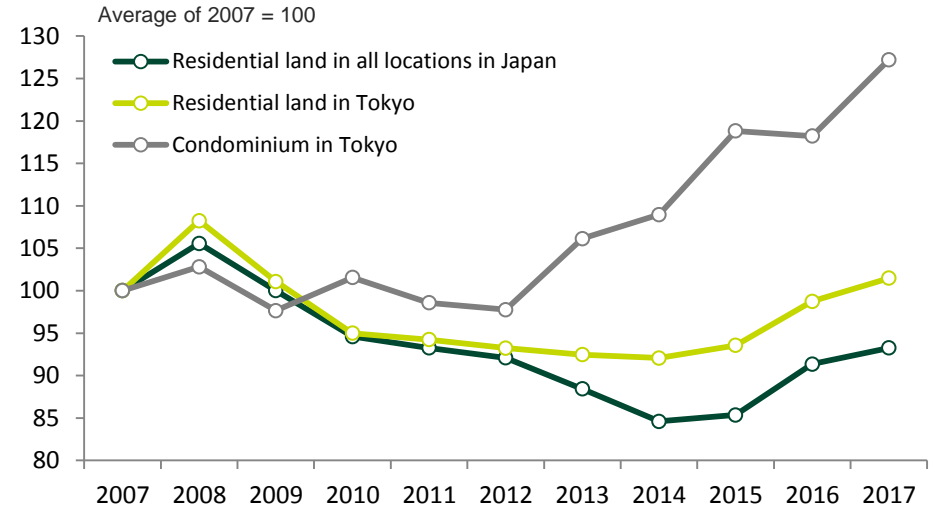
*3 Specified in Q&A published by FSA on March 6, 2014

Current Japanese economy

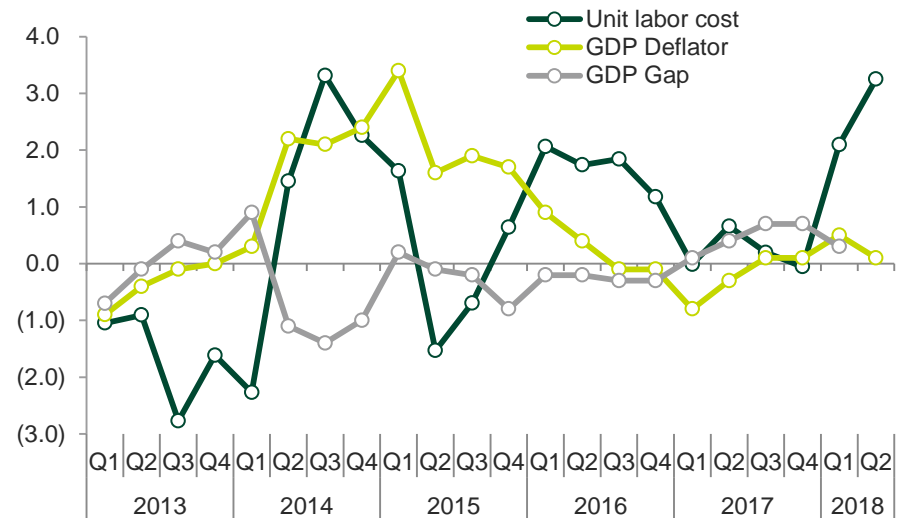
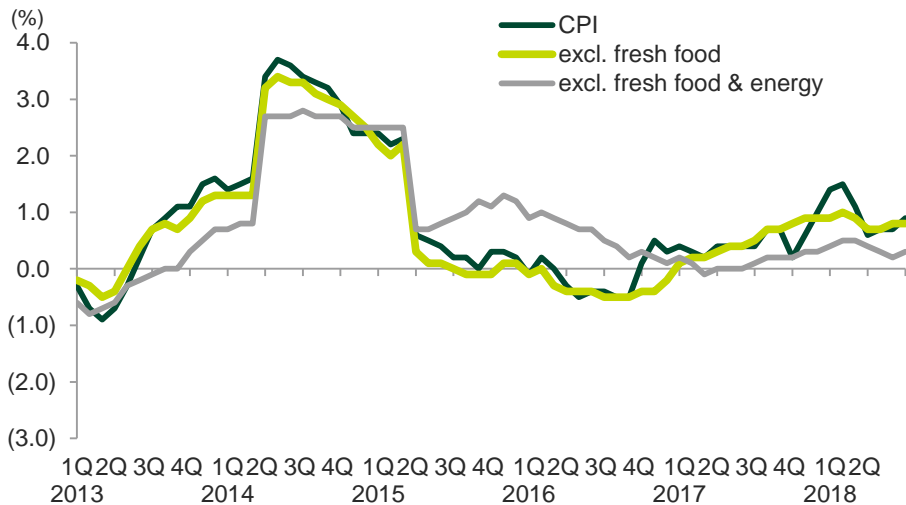
Real GDP growth rate*1 (annualized QOQ change)



Price index for residential land and condominium*2



Indicators to measure progress out of deflation*3



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,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” 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; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. 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 our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.

Definitions

- Consolidated : SMFG consolidated
- Non-consolidated : SMBC non-consolidated
- SMFG : Sumitomo Mitsui Financial Group, Inc.
- SMBC : Sumitomo Mitsui Banking Corporation
- SMBC Trust : SMBC Trust Bank
- SMFL : Sumitomo Mitsui Finance and Leasing
- SMBC Nikko : SMBC Nikko Securities
- SMBC Friend : SMBC Friend Securities
- SMCC : Sumitomo Mitsui Card Company
- SMBCCF : SMBC Consumer Finance
- SMAM : Sumitomo Mitsui Asset Management
- SMBCAC : SMBC Aviation Capital
- Retail business unit (RT) : Domestic retail and SME businesses
SMBC (RT), SMBC Nikko (RT), SMCC, Cedyne, SMBCCF, others
- Wholesale business unit (WS) : Domestic large/mid-size corporation business
SMBC (WS), SMBC Nikko (WS), SMBC Trust (WS), SMFL (Domestic), others
- International business unit (Inter.) :
SMBC (Inter.), SMBC Nikko (Inter.), SMBC Trust (Inter.), SMFL (Inter.), others
- Global markets business unit (GM) : Market / Treasury related businesses
SMBC (Treasury), SMBC Nikko (Product), others
- Large corporations : Global Corporate Banking Division
- Mid-sized corporations & SMEs : Corporate Banking Division (CBD) and SMEs covered by Retail Banking Unit
- Exchange rates(TTM)

	Jun.17	Mar.18	Jun.18
USD	JPY 111.96	JPY 106.25	JPY 110.45
EUR	JPY 127.90	JPY 130.73	JPY 127.78