

Investors Meeting Presentation for 1H, FY3/2019 Performance

November 19, 2018



SUMITOMO MITSUI
FINANCIAL GROUP

- Hello everyone.
Thank you very much for your interest in us and for your ongoing support.
- At the end of September, the Medium-Term Management Plan "SMBC Group Next Stage", which ends in FY3/20, reached the half way point.
In the past year and a half, we have implemented various measures to attain the goal of becoming a financial group with high quality.
I believe we achieved some positive results in both strategic initiatives and financial results, suggesting we are on the right track.
- Today, I would first like to make a presentation for about 35 minutes before answering any questions you may have.
- Please turn to page 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

- 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
- SMCC : Sumitomo Mitsui Card Company
- SMBCCF : SMBC Consumer Finance
- SMAM : Sumitomo Mitsui Asset Management
- SMBC AC : SMBC Aviation Capital
- Consolidated : SMFG consolidated
- Non-consolidated : SMBC non-consolidated
- Net business profit : Before provision for general reserve for possible loan losses
- Expenses (non-consolidated) : Excludes non-recurring losses
- Retail Business Unit (RT) : Domestic retail and SME businesses
SMBC (RT), SMBC Nikko (RT), SMBC Trust (RT), SMCC, Cedyna, 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 and SMEs covered by Retail Banking Unit
- Exchange rates(TTM)

	Sep. 17	Mar. 18	Sep. 18
USD	JPY112.74	JPY 106.25	JPY 113.58
EUR	JPY132.88	JPY 130.73	JPY 132.15



■ Agenda

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- This is today's agenda.
- First I will talk about the performance of 1H, FY3/19 and our earnings targets for FY3/19, followed by the progress of the Medium-Term Management Plan and initiatives going forward, and our capital policy.
- Please turn to page 5.

**I. 1H, FY3/2019 performance and
FY3/2019 target**



1. Highlights of 1H, FY3/2019 performance

- Consolidated net business profit reached 55% and profit attributable to owners of parent reached 68% of the full-year target

(JPY bn)	1H, FY3/19	YoY	vs May target
Consolidated gross profit	USD 12.9 bn 1,460.0	(5.8)	
G&A expenses	852.5	(42.1)	
Overhead ratio	58.4%	(2.6)%	
Equity in gains (losses) of affiliates	33.0	+2.8	
Consolidated net business profit	USD 5.6 bn 640.4	+39.1	+85.4
Total credit cost	5.0	(29.1)	(95.0)
Gains (losses) on stocks	51.9	+0.5	
Other income (expenses)	(7.1)	(4.0)	
Ordinary profit	USD 6.0 bn 680.2	+64.7	+200.2
Extraordinary gains (losses)	(5.0)	(1.5)	
Income taxes	161.5	+20.7	
Profit attributable to owners of parent	USD 4.2 bn 472.6	+52.5	+162.6
ROE	10.7%	+0.6%	

YoY changes

Consolidated gross profit increased by JPY 48 bn driven by the steady performance of each business unit, excluding the impact from the deconsolidation of the Kansai regional banks.

G&A expenses decreased by JPY 42.1 bn mainly due to the deconsolidation of the regional banks. Despite excluding this impact, it remained nearly flat as a result of group-wide cost control initiatives.

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 due to 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 44 bn.)

Impact from the deconsolidation of the regional banks (1H, FY3/19)

	(JPY bn)		(JPY bn)
Consolidated gross profit	(54)	Consolidated net business profit	+1
G&A expenses	(41)	Profit attributable to owners of parent	+11
Equity in gains (losses) of affiliates	+14		



- Here is the performance highlights of 1H, FY3/19.
- Profit attributable to owners of parent was ¥472.6 billion, which reached 68% of the full year target.
- Consolidated net business profit increased by ¥39.1 billion year on year, mainly because the top-line profit increased in each business unit.
The impact on each major accounting item from the deconsolidation of the Kansai regional banks, which happened in March 2018, is shown in the bottom right.
In the first half, while there were some impact to the consolidated gross profit and G&A expenses due to the deconsolidation, the impact on net business profit was limited to a ¥1 billion increase because Equity in gains of affiliates recorded a gain of ¥13 billion on share exchanges.
- Profit attributable to owners of parent increased by ¥52.5 billion year on year, mainly due to the increase in net business profit as well as lower credit costs associated with the reversal of credit costs from large borrowers at SMBC.
- Compared with the financial target announced in May, Profit attributable to owners of parent was higher by ¥162.6 billion due to higher net business profit in each business unit as well as lower-than-expected credit costs.
- Please turn to page 7.

(Ref.) Performance of SMBC and group companies

SMBC			
	1H, FY3/19 (JPY bn)	YoY	vs May target
Gross banking profit	704.4	(4.7)	
o/w Net interest income	485.8	+5.2	
Domestic	332.2	(21.4)	
Overseas	153.6	+26.6	
o/w Net fees and commissions	157.0	+13.1	
Domestic	84.7	+7.2	
Overseas	72.4	+5.8	
o/w Net trading income + Net other operating income	60.6	(22.9)	
o/w Gains (losses) on bonds	(1.7)	(21.4)	
Expenses	402.5	(1.3)	
Banking profit	301.9	(3.4)	+36.9
Total credit cost	(56.3)	(30.8)	(91.3)
Gains (losses) on stocks	49.3	(0.7)	
Ordinary profit	408.3	+39.8	+148.3
Net income	300.9	+16.4	+120.9

Major group companies					
(left : results of 1H, FY3/19 / right : YoY)					
(JPY bn)	SMBC Nikko ^{*1}	SMBCCF	SMCC ^{66%}		
Gross profit	175.8 (6.4)	133.7 +3.9	113.4 +9.4		
Expenses	140.6 (0.4)	55.0 +1.6	90.8 +8.0		
Net business profit	35.2 (6.1)	78.7 +2.2	22.7 +1.4		
Net income	25.9 (2.2)	29.4 +3.1	9.9 +0.6		

(JPY bn)	SMFL ^{60%}	Cedyna	SMBC Trust		
Gross profit	94.9 +2.8	77.9 (1.6)	24.5 +5.1		
Expenses	44.5 +1.9	57.2 (0.2)	27.1 +2.4		
Net business profit	51.2 +0.4	20.9 (1.3)	(2.6) +2.8		
Net income	31.4 +2.4	11.9 (0.6)	(3.7) +0.7		

(JPY bn)	SMAM ^{60%}		
Gross profit	13.2 +1.8		
Expenses	8.7 +0.4		
Net business profit	4.5 +1.4		
Net income	3.0 +0.9		



^{*1} Excludes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

2. Earnings target for FY3/2019

● Revised earnings target based on the first half results

	Results	Target		
	FY3/18	FY3/19	vs May target	
	(JPY bn)			
Consolidated	Consolidated net business profit	1,203.8	1,180	+25
	Total credit cost	94.2	130	(70)
	Ordinary profit	1,164.1	1,120	+100
	Profit attributable to owners of parent	734.4	700	-
Non-consolidated	Banking profit	617.2	605	-
	Total credit cost	(26.7)	0	(70)
	Ordinary profit	755.3	640	+50
	Net income	577.0	460	+40
Per share information (JPY / share)				
	Profit attributable to owners of parent	520.67	501.58	-
	Dividend	170	170	-

Changes from the May target

Consolidated net business profit

While the first half results exceeded the May target by JPY 85.4 bn, as we expect the market conditions in the second half to be uncertain, the target of consolidated net business profit was revised upward by only JPY 25 bn against the May target.

Total credit cost (consolidated)

Lowered the target by JPY 70 bn because credit cost at SMBC in the first half was lower than the May target.

Profit attributable to owners of parents

Remains the same because income tax is expected to increase, while the target of ordinary profit was revised upward by JPY 100 bn.

(Factors to increase income tax)

- Profit is higher than expected.
- Tax on unrealized gains on assets is expected to be imposed as a result of applying the consolidated tax system to SMCC, which will become a wholly owned subsidiary of SMFG.



- Here is the earnings target for FY3/19.
- Consolidated net business profit was revised upward by ¥25 billion as we expect the market conditions in the second half to be uncertain while the first half results exceeded the May target by ¥85.4 billion.
Ordinary profit was revised upward by ¥100 billion as a result of lowering the target for credit costs based on the results of the first half.
- On the other hand, profit attributable to owners of parent remains unchanged as income tax would increase because (a) profit is higher than expected and (b) tax on unrealized gains on assets is expected to be imposed as a result of applying the consolidated tax system to SMCC, which will become a wholly owned subsidiary of SMFG.
- Now, let us move on to the progress and strategy going forward regarding our Medium-Term Management Plan.
- Please turn to page 17.

3. Breakdown of gross profit

By business units^{*1}

	(JPY bn)	FY3/18	1H, FY3/19	YoY ^{*3}
Consolidated gross profit		2,981.1	1,460.0	(5.8)
o/w SMBC's domestic income				
on loans and deposits		470.0	226.8	(8.1)
International Business Unit's income				
on loans and deposits ^{*2}		261.3	148.1	+10.9
o/w Retail Business Unit		1,311.5	633.0	+2.8
Wealth management business		360.7	170.8	(2.4)
Credit card business		385.2	192.5	+8.3
Non-consolidated income on loans		145.0	68.3	(4.5)
Consumer finance business		302.1	152.4	+1.9
o/w Wholesale Business Unit		772.9	383.1	+12.0
Income on loans		177.8	86.8	(3.4)
Money remittance, electronic banking		64.1	32.1	+1.0
Foreign exchange		41.9	19.9	+0.4
Loan syndication		51.6	14.6	(7.8)
Structured finance		31.5	20.8	+13.6
Security business		81.9	40.8	+5.3
Leasing business		122.8	61.6	+0.3
o/w International Business Unit		632.0	338.1	+21.5
Asset related income ^{*2}		403.8	207.8	+2.2
Loan related fees ^{*2}		98.5	53.8	+4.6
Securities business		39.6	20.9	+2.2
Aircraft leasing		45.8	24.0	+0.2
o/w Global markets Business Unit		356.2	200.2	+3.8
o/w SMBC's Treasury Unit		273.4	158.8	+2.5

By accounting items

	(JPY bn)	FY3/18	1H, FY3/19	YoY
Consolidated gross profit^{*4}		2,981.1	1,460.0	(5.8)
Net interest income		1,390.2	684.4	(23.7) ^{*5}
o/w SMBC		957.0	485.8	+5.2
Domestic		707.3	332.2	(21.4)
Overseas		249.7	153.6	+26.6
SMBCCF		171.0	88.0	+3.0
Trust fees		3.9	2.2	+0.3
Net fees and commissions		1,066.6	506.6	+22.0 ^{*5}
o/w SMBC		329.9	157.0	+13.1
SMCC		211.0	106.0	+9.0
SMBC Nikko		198.0	101.0	+9.0
Cedyna		107.0	53.0	(0.0)
SMBCCF		70.0	37.0	+2.0
Net trading income				
+ Net other operating income		520.3	266.8	(4.4)
o/w SMBC		139.0	60.6	(22.9)
SMFL		154.0	88.0	+7.0
SMBC Nikko		156.0	70.0	(17.0)



^{*1} Managerial accounting basis ^{*2} Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Trust, etc. ^{*3} After adjustments of interest rates and exchange rates, etc.

^{*4} Numbers excluding SMBC are rounded

^{*5} Includes the impact from the deconsolidation of the regional banks; JPY (43.3) bn for net interest income and JPY (8.8) bn for net fees and commissions

4. Loans^{*1}

Loan balance

Breakdown of change from Sep. 2017 to Sep. 2018

Domestic offices excl. Japan offshore banking accounts excl. loans to the Japanese government, etc. and SMFG	(0.2) +0.1
Overseas offices and Japan offshore banking accounts after adjustment for changes in exchange rate	+0.2 +0.4
Total	+0.0



Loans to the Japanese government, etc. and SMFG

JPY 1.3 tn	JPY 3.5 tn	JPY 2.8 tn	JPY 3.1 tn	JPY 2.8 tn
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Domestic loan-to-deposit spread

	1H, FY3/19 (%)	YoY	1Q	2Q
Interest earned on loans and bills discounted	0.95	(0.04)	0.95	0.95
Interest paid on deposits, etc.	0.00	(0.00)	0.00	0.00
Loan-to-deposit spread	0.95	(0.04)	0.95	0.95

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

Interest earned on loans and bills discounted	0.98	(0.05)	0.99	0.98
Loan-to-deposit spread	0.98	(0.05)	0.99	0.98

Average loan balance and spread^{*2}

	Balance (JPY tn)		Spread (%)	
	1H, FY3/19	YoY ^{*4}	1H, FY3/19	YoY
Domestic loans	51.9	(1.1)	0.76	(0.02)
Excluding loans to the Japanese government, etc.	49.1	(0.7)	0.80	(0.03)
o/w Large corporations	14.9	(0.8)	0.52	+0.01
Mid-sized corporations & SMEs	17.6	+0.5	0.65	(0.05)
Individuals	13.5	(0.4)	1.44	(0.03)
IBU's interest earning assets ^{*3} (USD bn, %)	290.4	+19.4	1.12	(0.04)



^{*1} Non-consolidated ^{*2} Managerial accounting basis ^{*3} Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Trust, etc. Sum of loans, trade bills, and securities
^{*4} After adjustments for exchange rates, etc.

5. Domestic loans and deposits*1

Domestic loan balance*2

(JPY tn)

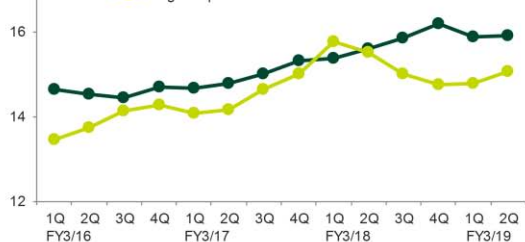
■ Individuals
■ Mid-sized corporations and SMEs
■ Large corporations



Domestic corporate loan balance*2,3

(JPY tn)

● Mid-sized corporations and SMEs(CBD)
● Large corporations



Domestic deposit balance

(JPY tn)

■ Individuals ■ Corporates



Domestic corporate loan spread*2,4

1.4%

1.2%

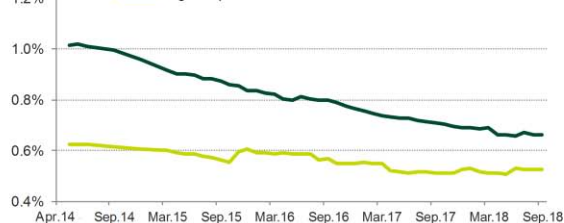
1.0%

0.8%

0.6%

0.4%

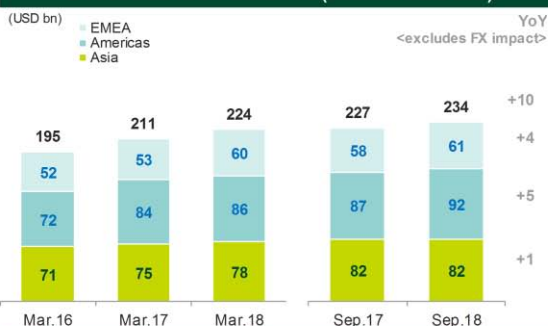
● Mid-sized corporations and SMEs
● Large corporations



*1 Non-consolidated *2 Managerial accounting basis *3 Quarterly average, excludes loans to the Japanese government, etc.
*4 Monthly average loan spread of existing loans, excludes loans to the Japanese government, etc.

6. Overseas loans and deposits*1

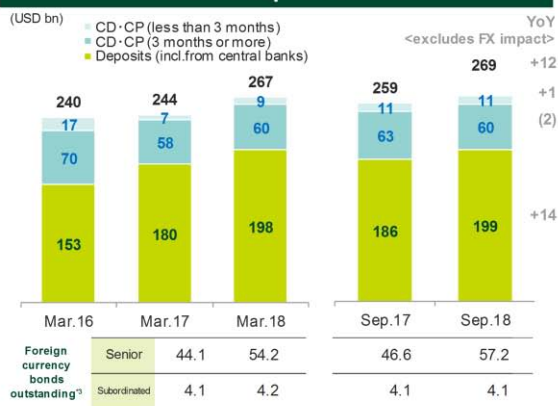
Overseas loan balance (includes trade bills)



Overseas loan spread*2



Overseas deposit balance



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

Security type	Issue Date	Currency	Amount (mn)	Tenor	Coupon
Senior (SMBC)	Oct. 16, 2018	USD	1,000	2y	3mL+37bp
Senior (SMFG)	Oct. 16, 2018	USD	1,000	5y	3.936%
TLAC bonds			850	5y	3mL+80bp
			650	10y	4.306%
Covered bonds (SMBC)	Nov. 6, 2018	EUR	1,000	5y	0.550%



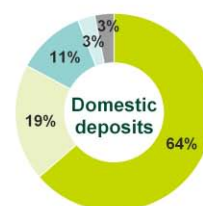
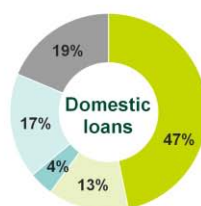
*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China) *2 Monthly average loan spread of existing loans *3 Bonds issued by SMFG and SMBC
*4 Issued in overseas market. Targeting foreign institutional investors

7. Balance sheet

Consolidated B/S

	Sep.18	vs Mar. 18
(JPY bn)		
Total assets	207.0	+7.9
o/w Cash and due from banks	56.1	+2.4
o/w BOJ's current account balance ^{*1}	44.9	+3.3
o/w Loans	75.9	+3.0
o/w Domestic loans ^{*1}	53.4	+0.2
o/w Large corporations ^{*2}	15.5	+0.6
Mid-sized corporations & SMEs ^{*2}	17.8	(0.1)
Individuals ^{*2}	13.3	(0.2) ^{*3}
o/w Securities	25.1	(0.6)
o/w Other securities	24.8	(0.6)
o/w Stocks	3.9	(0.0)
JGBs	6.9	(2.3)
Foreign bonds	9.0	+1.8
Total liabilities	195.2	+7.8
o/w Deposits	119.4	+2.9
o/w Domestic deposits ^{*1}	94.4	+1.5
Individuals	46.2	+0.9
Corporates	48.1	+0.6
o/w NCD	11.5	+0.3
Total net assets	11.8	+0.2
Loan to deposit ratio	58.0%	

Composition of loans and deposits^{*1}



- Spread-based (repriced within 1 year)
- Spread-based (more than 1 year)
- Prime-rate-based
- Prime-rate-based(consumer)
- Others
- (Loans denominated in foreign currencies, overdraft, etc.)
- Ordinary deposits
- Time deposits
- Current deposits
- Foreign currency deposits
- Others (Sundry deposits, etc.)

(Ref) Non-JPY B/S items^{*2,4}

	(USD bn)
305 Interest earning assets	222 Deposits (incl. deposits from central banks)
105 Others (consists mainly of highly liquid assets)	102 medium- to long-term funding (incl. corporate bonds, currency swaps, etc.)
58 Foreign bonds, NCD	71 CDs & CP
	73 Interbank (incl. Repo)

468 Assets / Liabilities



^{*1} Non-consolidated ^{*2} Managerial accounting basis ^{*3} After adding back the portion of housing loans securitized in 1H,FY3/19 of approx. JPY 122.5 bn
^{*4} Sum of SMBC, SMBC Europe, and SMBC (China)

8. Gains (losses) on bonds / bond portfolio

Gains (losses) on bonds (non-consolidated)

	FY3/18	1H, FY3/19	YoY
(JPY bn)			
Gains (losses) on bonds	11.7	(1.7)	(21.4)
Domestic operations	7.5	2.8	(3.6)
International operations	4.2	(4.5)	(17.9)

Bond portfolio

	(JPY tn)	Mar.18		Sep.18	
		Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)
Consolidated	Yen-dominated bond	12.2	0.05	9.9	0.03
	o/w JGB	9.6	0.01	7.2	(0.00)
	Held-to-maturity	0.4	0.00	0.3	0.00
	Others	9.2	0.01	6.9	(0.00)
	Foreign bonds (other securities)	7.2	(0.16)	9.0	(0.22)
Non-consolidated	Yen-dominated bond	11.9	0.05	9.6	0.02
	o/w JGB	9.3	0.01	7.0	(0.00)
	Held-to-maturity	0.1	0.00	0.0	0.00
	Others	9.2	0.01	6.9	(0.00)
	Foreign bonds (other securities)	5.3	(0.14)	7.2	(0.19)

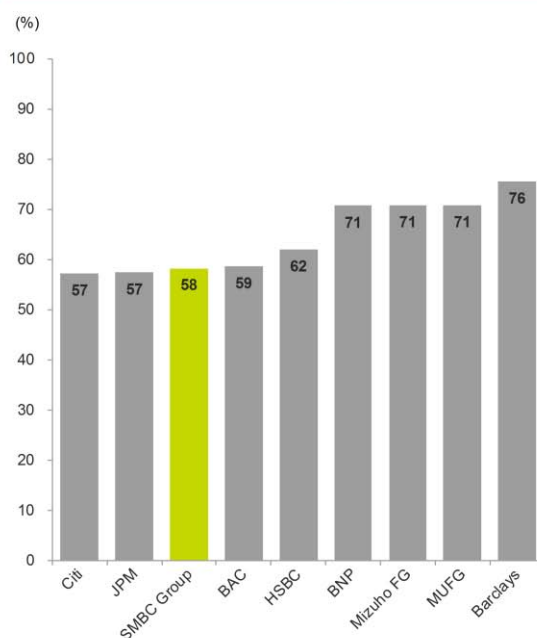
9. Expenses

	1H, FY3/19	YoY
Expenses (consolidated)	852.5	(42.1)
Overhead ratio	58.4%	(2.6)%

Major group companies

	1H, FY3/19	YoY
SMBC	402.5	(1.3)
SMBC Nikko	140.6	(0.4)
SMCC	90.8	+8.0
Cedyna	57.2	(0.2)
SMBCCF	55.0	+1.6
SMFL	44.5	+1.9
SMBC Trust	27.1	+2.4
SMAM	8.7	+0.4

Overhead ratio comparison^{*1}

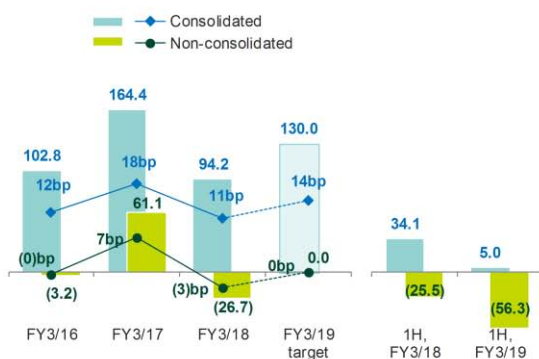


^{*1} Based on each company's disclosure. G&A expenses (for Japanese banks, includes non-recurring losses of subsidiary banks) divided by top-line profit (net of insurance claims).
1H, FY3/19 results for SMBC Group, MUFG and Mizuho FG, and Jan. - Sep. 2018 results for others

10. Credit costs / non-performing loan

Credit costs^{*1}

(JPY bn)



Major group companies

(JPY bn)

	1H, FY3/19	YoY
SMBCCF	43	+1
SMCC	9	(1)
Cedyna	7	+0

Non-performing loan balance and ratio^{*2}

(JPY bn)

Consolidated
Non-consolidated

Coverage ratio

	Mar.18	Sep.18
Consolidated	75.23%	75.00%
Non-consolidated	89.11%	88.79%



Total claims

(JPY tn)

	93	86	94	90
Consolidated				
Non-consolidated	87	86	89	89

Claims on borrowers requiring caution^{*3}

	1.6	1.3	1.6	0.9
Non-consolidated				



¹ Total credit cost ratio = Total credit cost / Total claims * ² NPL ratio = NPLs based on the Financial Reconstruction Act (excludes normal assets) / Total claims
³ Excludes claims to Substandard borrowers

II. Progress of Medium-Term Management Plan and initiatives going forward



1. Review of the first half of Medium-Term Management Plan and initiatives going forward

- Made good progress in both strategic initiatives and financial results
- Further accelerate the Medium-Term Management Plan and achieve a healthy balance between enhancing shareholder returns and investing for growth

Review of the first half of the Medium-Term Management Plan (Apr.2017-Sep.2018)

Going forward

Discipline	Group structure	Improving ROE through group reorganization: (a) deconsolidation of regional banks, (b) reorganization of leasing business, credit card business, and asset management business, and (c) consolidation of BTPN, etc.
	Cost control	Cost reduction target JPY 50 bn : total of JPY 33 bn has already been materialized by executing major initiatives
Focus	Retail	Increasing the balance of investment products through the wealth management business Steady progress in branch reorganization
	Wholesale	Transforming profit structure: offset the decline of interest income due to the negative interest rate policy by increasing non-interest income
	International	Improving asset efficiency: achieved KPI for active book runner (securities) and others in the first year
	Global Markets	Steady increase in S&T profits (increased by JPY16 bn in FY3/18)
Integration	Digitalization	Opened innovation centers in Japan and overseas, improved productivity by utilizing AI (AML, etc.)
	Group management	Expanded group-wide collaboration through the business unit system Integrated group management through the CxO system
	ESG/SDGs	Transformed to a Company with Three Committees Achieved the target of female managers ratio ahead of schedule
Capital Policy	Financial soundness	Expect to reach the CET1 ratio target ahead of schedule by controlling assets and accumulating profits
	Shareholder returns	Progressive dividend policy (+JPY 20 in FY3/18), share buyback (JPY 70 bn)

Further accelerate the strategic initiatives

Further enhance shareholder returns
Invest for growth



- Here is a review of the first half of the Medium-Term Management Plan and initiatives going forward.
- Our medium- to long-term vision is to be "a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers." To realize this vision, we will pursue "quality" in every aspect and improve efficiency under the current Medium-Term Management Plan.
- In September, we reached the half way point of the three-year plan. In the past year and a half, we put various initiatives into action as shown in this slide based on three core policies: "Discipline", "Focus", and "Integration." As Group CEO, I think that we are showing good progress so far.
- In terms of capital policy, we expect to reach the CET1 ratio target ahead of schedule. To enhance shareholder returns, we introduced a progressive dividend policy, increased our dividend per share for FY3/18 by ¥20 year-on-year, and conducted share buyback of ¥70 billion.
- We also made good progress in financial targets as shown at the bottom.
- Overall, we made good progress in both strategic initiatives and financial results. However, in the face of increasing uncertainty over the business environment, we will never relax our mind and will continue to leverage our strengths, which are speed and the ability to execute. We will further accelerate the Medium-Term Management Plan and work on enhancing shareholder returns and investing for growth.
- From the next page, we will discuss our initiatives in detail. Please turn to page 18.

2. Transformation of business and asset portfolio

- Announced and executed group reorganization measures in a speedy manner
- Improve capital and asset efficiency by optimizing the group structure

Group reorganization	Timing	Bottom-line profit	RWA	
Merger of SMBC Nikko and SMBC Friend	Completed	↑ Realize synergies	→	Capital and asset efficiency (ROE/RORA) ↑
Deconsolidation of the Kansai regional banks	Completed	↓ Approx. (1)% on a consolidated basis	↓ JPY (4) tn *2	
Deconsolidation of SMFL	Nov. 2018	↑ Strengthen core business areas	↓ JPY (3) tn *2	
Consolidation of BTPN	2H, FY3/19	↑ Approx. + JPY 3-10 bn*1	↑ +JPY 0.4 tn *2	
Merger of SMAM and Daiwa SB	Apr. 2019	↑ Realize synergies	→	
Making SMCC a wholly owned subsidiary	Apr. 2019	↑ Approx. + JPY 10 bn*1	→	



*1 Estimated impact from the change of ownership ratio based on 1-3Q, FY12/18 results for BTPN and FY3/18 results for SMCC
*2 Post-Basel III basis

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- Let me talk about the transformation of our business/asset portfolio.
- The slide shows a list of the major deals announced or done for group reorganization. As indicated by the arrows, each deal contributes to improving capital efficiency through an increase in bottom-line profit or a reduction in risk-weighted assets.
- In September, we announced that SMFG will make SMCC a wholly owned subsidiary by purchasing all of SMCC shares (34%) held by NTT DoCoMo. Through this reorganization, we will establish a new framework for cooperation with NTT DoCoMo, which we have had joint investment of SMCC since 2005. I will explain the details later.
- We will further improve ROE by optimizing the group structure in a speedy manner.
- Please turn to page 19.

3. Cost control: Improving productivity and efficiency

- Out of the JPY 50 bn target, a reduction of JPY 33 bn has already been materialized in the first half of the Medium-Term Management Plan. Made steady progress toward the workload reduction target and controlled the number of employees by curbing the hire of new graduates
- OHR improved to 58.4% in 1H, FY3/19. There are factors including the deconsolidation of SMFL that would raise the OHR in the second half of this fiscal year

Progress of key initiatives

Target Materialized

Business reform to improve efficiency

JPY 20bn JPY 15 bn

- Automated approx. 1.6 mn hours (workload of 800 people) of operation by utilizing RPA on a group-wide basis
⇒ **Three-year plan: 3 mn hours (workload of 1,500 people)**
- The integration and sharing of functions on a group-wide basis are generally progressing as planned

Retail branch reorganization

JPY 20bn JPY 8 bn

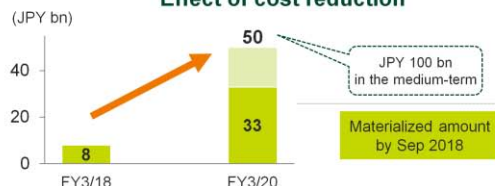
- Completed transformation of 142 branches to smart branches as well as centralization of back-office operations of 193 branches

Reorganization of group companies

JPY 10bn JPY 10 bn

- Further reduce cost by the integration of SMCC and Cedyna

Effect of cost reduction

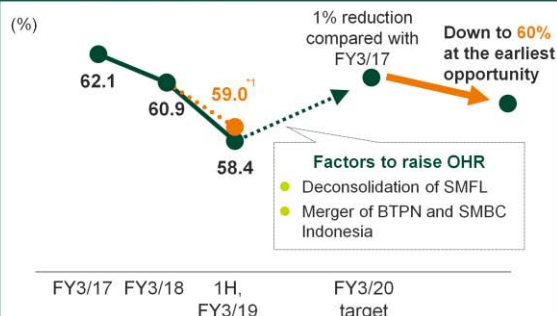


Effect on personnel through key initiatives to improve efficiency

Reduce workload of **4,000 people** (generate capacity)

- Reduced workload of 2,100 people as of the end of 1H, FY3/19
- Control the number of employees by curbing the hire of new graduates or by not re-hiring temporary staff

Overhead ratio (OHR)



SMBC *1 Excluding the impact from the deconsolidation of the Kansai regional banks

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- Here is a summary of our cost control measures.
- We made good progress in three key initiatives outlined in the Medium-Term Management Plan. Out of the ¥50 billion target over the three years, we have already materialized a reduction of ¥33 billion.
We will continue to promote these initiatives and aim for a reduction of ¥100 billion in the medium-term.
- We reduced the workload of 2,100 people by the end of the first half of FY3/19. The capacity generated will allow us to redeploy personnel to strategic business fields and also to control the number of employees by curbing the hire of new graduates and not re-hiring temporary staff.
For example at SMBC, we reduced the recruitment of new graduates joining FY3/19 by 40% compared with the previous fiscal year. We plan to further reduce by 20% year-on-year in FY3/20.
- The bottom right shows the transition of OHR.
OHR in the first half of FY3/19 was 59%, despite excluding the impact from the deconsolidation of the Kansai regional banks. This was due to the favorable performance of the top-line profit.
OHR is expected to increase in the second half of FY3/19 because of the deconsolidation of SMFL and the merger of BTPN and SMBC Indonesia.
However, we will continue to strengthen our cost control efforts on a group basis to achieve the target of the Medium-Term Management Plan, even after considering the expected increase.
- Please turn to page 20.

4. Initiatives by business unit: 1H, FY3/2019 results

(JPY bn)		FY3/18	1H FY3/19 ^{*1}	YoY ^{*2}
Retail	Gross profit	1,311.5	633.0	+2.8
	Expenses	1,027.5	508.7	+3.4
	Overhead ratio	78.3%	80.4%	+0.2%
	Net business profit	299.5	130.3	(0.1)
	ROE ^{*3}	7.5%	6.5%	(0.3%)
RWA (JPY bn) ^{*4}		13.8	12.9	+0.3
Wholesale	Gross profit	772.9	383.1	+12.0
	Expenses	347.8	171.1	+2.3
	Overhead ratio	45.0%	44.6%	(0.8%)
	Net business profit	478.5	233.6	+9.1
	ROE ^{*3}	11.4%	13.3%	+2.2%
RWA (JPY bn) ^{*4}		20.1	19.2	(0.7)
International	Gross profit	632.0	338.1	+21.5
	Expenses	280.7	156.0	+12.3
	Overhead ratio	44.4%	46.1%	+0.7%
	Net business profit	398.2	203.8	+1.4
	ROE ^{*3}	10.6%	10.4%	(0.4%)
RWA (JPY bn) ^{*4}		21.0	21.4	+0.1
Global Markets	Gross profit	356.2	200.2	+3.8
	Expenses	53.9	27.2	+0.2
	Overhead ratio	15.1%	13.6%	(0.2%)
	Net business profit	319.8	182.5	+4.6
	ROE ^{*3}	33.5%	38.4%	+2.5%
RWA (JPY bn) ^{*4}		5.9	5.7	(1.4)



^{*1} ROE and RWA are preliminary figure ^{*2} After adjustments of the changes of interest rates and exchange rates ^{*3} Managerial accounting basis with RWA calculated assuming Basel III reforms are finalized. Excludes impact from the provision for losses on interest repayments and the cost from branch reorganization (Retail), the medium- to long-term foreign currency funding costs (International) and the interest-rate risk associated to the banking account (Global Markets) ^{*4} Basel III transitional basis

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- From here on, we will discuss initiatives by business unit.
- The year-on-year changes in consolidated net business profit are shown on the right hand side. Three business units increased their net business profit and the retail business unit showed almost the same level as the previous fiscal year which recorded a very good performance.
- From the next page, I will discuss initiatives for each business unit. Please turn to page 21.

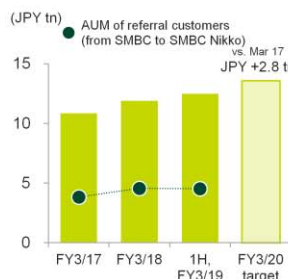
Retail (1) wealth management business, retail branch organization

- Steady increase in the balance of investment products due to the execution of the wealth management strategy. Sales of foreign currency deposits were strong at both SMBC and SMBC Trust (PRESTIA)
- Steady progress in branch reorganization. Some positive effects are already seen such as a decrease in the workload of clerical procedures and an increase in the number of visitors for wealth management consultations

Strengthen the wealth management business

- Balance of fee-based AUM increased steadily
- Sales of foreign currency deposits were strong at both SMBC and PRESTIA by using marketing campaigns

Balance of fee-based AUM (SMBC+SMBC Nikko)



Balance of foreign currency individual deposits (SMBC+SMBC Trust)



Steady progress in retail branch reorganization

- Transformed 142 branches in total to smart branches. Aiming to transform 280 branches in total by the end of FY3/19

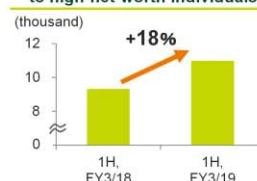
	FY3/18		FY3/19		FY3/20
# of branches transformed to smart branches	103	▶	280	▶	430
Digitalization	Digitalization of interfaces		Increase use of straight-through processing with internal processes		
Cost reduction	FY3/22: JPY 30 bn (reduce expenses associated with in-person banking by 20%)				
	JPY 20 bn plus				

- The sale of investment products to high-net-worth individuals increased while the workload of clerical procedures decreased

of high counter^{*1} visitors



Sales of investment products to high-net-worth individuals^{*2}



*1 Counter for transfers, deposits and withdrawals

*2 Customers with a total of more than JPY 25 million AUM (sum of SMBC group companies) purchasing investment products at smart branches (transformed by Jun 2018)

21

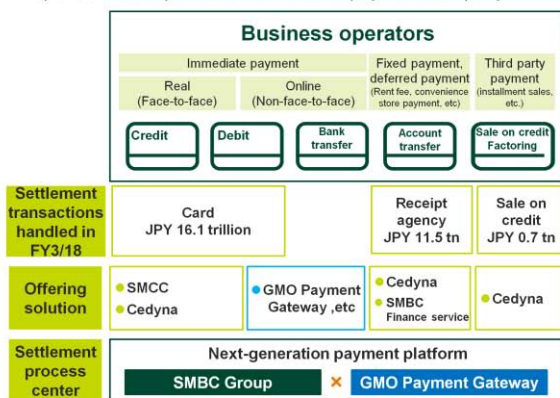
- First, let's look at the Retail business unit. I will first explain the wealth management business as shown on the left.
- The balance of fee-based AUM increased steadily by executing the wealth management strategy which we have been working on from an early stage. Especially, the balance of foreign currency deposits showed a steady increase at both SMBC and SMBC Trust. We hold the No.1 position in foreign currency deposits in Japan.
- One of our strengths in the wealth management business is to meet our customers' medium- to long-term investment needs by leveraging each company's strength; SMBC is one of the three megabanks, SMBC Nikko is one of the three largest securities companies, and SMBC Trust's PRESTIA succeeded Citibank's Japanese retail business. We will continue to strengthen the wealth management business through these three companies.
- Next, I would like to talk about the progress of branch reorganization as shown on the right. We have made steady progress in the three-year plan to transform all 430 branches into smart branches. In the first year and a half, we transformed 142 branches.
- Some positive effects are already seen through the reorganization. The graph at the bottom right shows the trend in the number of high counter visitors, i.e., the counter for transfers, deposits, and withdrawals. The number of these visitors is decreasing due to the shift to smartphone and internet banking.
- On the other hand, the sales of investment products to high-net-worth individuals are increasing steadily. This means that branch reorganization contributes to not only cost reduction but also the enhancement of our consulting service for clients.
- Please turn to page 22.

Retail (2) cashless

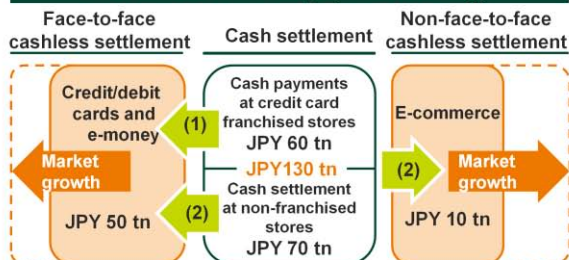
- Aim to become Japan's No.1 all-around payment company by integrating the management of SMCC and Cedyna
- Evolve the cashless payment market in Japan through initiatives that benefit both the business operators and end-users

Integrate management of SMCC and Cedyna

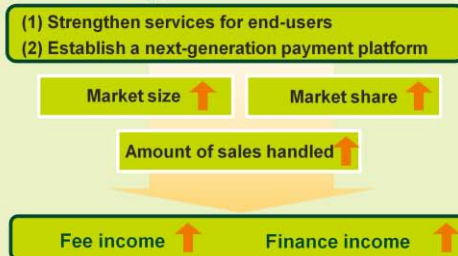
- Make SMCC a wholly owned subsidiary
- Integrate decision-making and financial functions of SMCC and Cedyna
- Aim to provide a comprehensive solution package for business operators as Japan's No.1 all-around payment company



Accelerate cashless payment strategy

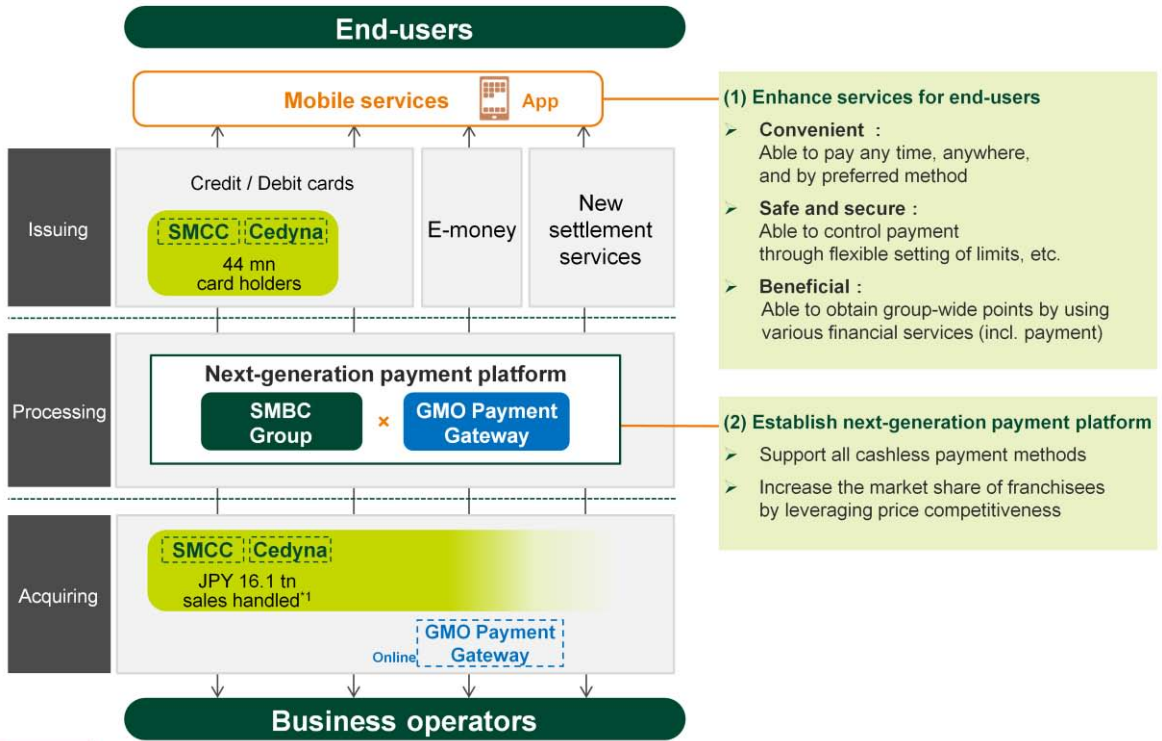


Key points of strategy



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- This slide explains our cashless payment strategy.
- As we announced in September, we plan to reorganize our Group's card business. Specifically, we will make SMCC a wholly owned subsidiary by purchasing its shares held by NTT DoCoMo. After that, we will make Cedyna a subsidiary of SMCC.
- Through this reorganization, SMCC and Cedyna will become the largest cashless payment base in Japan with the amount of about ¥30 trillion in settlement handled. We aim to become Japan's No.1 all-around payment company in a cashless society that changes from day to day by operating the two companies as if they were a single entity which will lead to speedy decision-making and strategy formulation.
- The right hand side shows the overview of the cashless payment market. Currently, Japan's cash payment market is approximately ¥130 trillion. Out of this, ¥60 trillion is cash payments made at credit card franchised stores. These were made by people who prefer cash payments. The remaining ¥70 trillion is cash payments made at credit card non-franchised stores. This is because there are business-operators that do not take on credit card payments because of its high commission fee, etc.
- Our strategy is to enter in this huge cash payment market and shift these cash payments to cashless payments by providing comprehensive solutions that benefit both the business-operators and end-users at a competitive cost. In formulating this strategy, we studied what can be done on a group basis to maximize our advantages by identifying hurdles to evolve the cashless payment market in Japan and our customers' needs.
- The card commission fee rate is on a downward trend. However, we believe that evolving the cashless payment market as a front-runner will not only expand the market size but also increase our market share. We will reduce the impact from the decline in the card commission fee rate by increasing our fee and finance income through the increase of our transaction volume.
- Please turn to page 24.



*1 Includes sales handled from the issuing business

Wholesale (1) transformation of profit structure

- Maintain high profitability by leveraging our competitive advantage. The decline of the loan spread is showing signs of bottoming out
- Made good progress in transformation of the profit structure. The decline in interest income was offset by increasing non-interest income

Competitive advantage

Solid customer base

Various solutions
on a group-wide basisStrong relationship
with clients

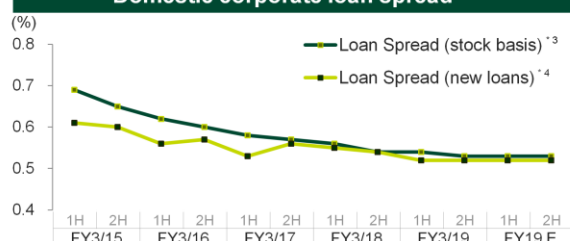
ROE (1H, FY3/19)

13.3%

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

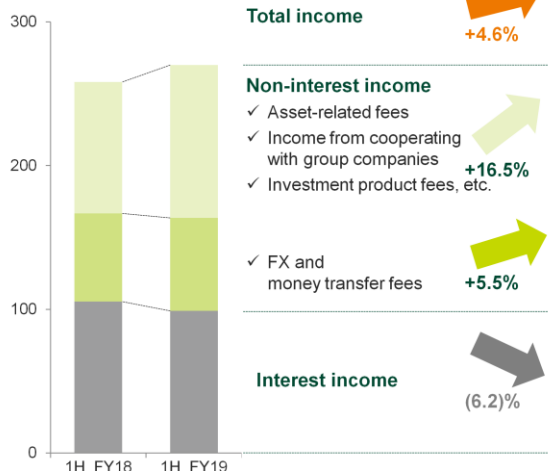
- ✓ SMBC Group 65 bp
- ✓ Mizuho FG 60 bp
- ✓ MUFG 57 bp

Domestic corporate loan spread ^{*2}



Transformation of the profit structure^{*5}

(JPY bn)



^{*1} Based on each company's disclosure. The figures are non-consolidated; SMBC for SMBC Group, simple sum of MUFG Bank and Mitsubishi UFJ Trust & Banking Corporation for MUFG, and Mizuho Bank for Mizuho FG ^{*2} Small and Medium-sized Enterprises ^{*3} Loan spread of overall balance ^{*4} Loan spread of new loans within the applicable fiscal year ^{*5} Wholesale unit (SMBC)

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- Next is the Wholesale business unit.
- We achieved a high ROE of 13.3% for the first half of FY3/19. This is mainly due to (a) leveraging our competitive advantages as shown in the top left, (b) our efforts to improve profitability, and (c) low credit costs.
- The bottom left hand side shows the trend of loan spread. As the low interest rate environment continues, the loan spread has continued to narrow for several years. However, the loan spread on the overall outstanding loan balance and the spread on new loans are now almost at the same level. We therefore expect the loan spread to stop contracting in the not-so-distant future.
- In addition, we are also working to transform our profit structure. The right hand side shows the gross profit of the wholesale business unit and its breakdown. Interest income decreased by about 6% year-on-year in the first half of FY3/19. However, non-interest income such as FX and money transfer fees increased in a steady manner. And also, we were able to execute some large-scale deals. Overall, total income increased by about 5% despite the decline in interest income.
- Please turn to page 25.

Wholesale (2) Mid-sized & large corporate business

- Build on our lead position in the Japanese medium-sized enterprise market by offering multi-solutions on a group wide basis
- Leverage group-based and domestic-overseas integrated approaches to large corporate clients

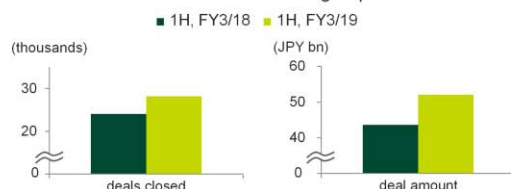
Mid-sized corporate business

- Promote multi-solutions on a group-wide basis

Offering multi-solutions

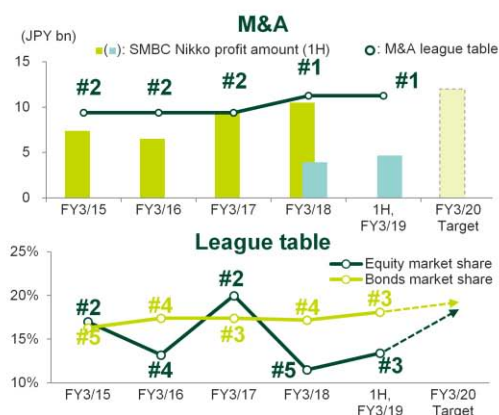
Become clients' business partner	Respond to clients' change in environment
Venture approach	HR Solutions
Turn around solution	Digital transformation
Cash management solutions	
CRE solutions	Create innovation with clients
Owner approach	Smart mobility innovation

- Increased clients referrals within the group



Large corporate business

- Strengthen C&I Banking model globally both in Japan and overseas
- ✓ Formulate cross-functional team in SMBC, SMBC Nikko, SMFL, and SMBC Trust
- ✓ Promote global initiatives through cross-boarder and cross-business unit collaboration



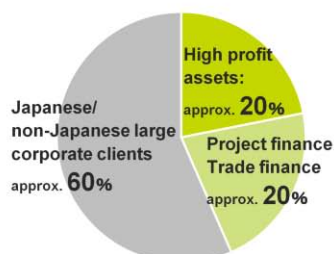
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- In the Japanese corporate banking business where we hold strength, we are working on strengthening our relationship with our clients and enhancing service providing capabilities.
- First, we are building on our lead position in the Japanese medium-sized enterprise market by offering multi-solutions on a group-wide basis.
- The bottom left shows the number of deals closed and the deal amount through clients referrals within group companies.
Both are increasing due to the steady progress in collaboration within group companies as we introduced the business unit system.
- Let's move on to the right hand side. We are expanding transactions with large corporate clients by formulating sophisticated account plans shared within the group and by providing solutions on a global basis.
- The M&A league table is shown on the bottom right, we achieved the top position in the number of M&A advisory deals in Japan with strengthened bank-securities collaboration and domestic-international integration model.
The earnings on a group basis have increased due to our efforts to capture opportunities such as FX, LBO finance and transaction business accompanying M&A deals.
- Please turn to page 26.

International (1) improvement of asset efficiency

- Improve asset efficiency by promoting cross-selling and enhancing products where we hold strengths
- Steady increase in non-asset based profit for non-Japanese large corporate clients in Europe and the U.S as well as the number of active book runner transactions of securities

Improve asset efficiency of overseas asset portfolio



Promoting cross-selling

Loans and Deposits
FX derivatives
Financial solutions
M&A

Enhancing products with strengths

#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



Promote cross-selling

- Non-asset based profit for non-Japanese large corporate clients in Europe and the U.S increased by 35% in 3 years

Revenues by product for non-Japanese large corporate clients in Europe and the U.S.



- The number of active book runner transactions (bonds) approximately doubled year-on-year; 50% were new clients

Active book runner (securities)



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- Let's move on to the International business unit.
- The left hand side shows our overseas asset portfolio.
We are working on promoting cross-selling and enhancing products where we hold strengths in order to improve asset efficiency.
- As shown on the right, we made steady progress in cross-selling. Non-asset based profit such as securities, deposits, FX and derivatives for non-Japanese large corporate clients in Europe and the U.S. increased by 35% over the three years from FY3/15 to FY3/18.
- Especially, we are focusing on the securities business such as bond underwriting. The number of active book runner transactions in the first half of FY3/19 was almost doubled compared with the same period of the previous fiscal year. Also, we are now seeing cases in which SMBC Nikko is appointed "top left" status for the bond issuances by non-Japanese corporate clients. I am happy to see that SMBC Nikko has improved their overseas business capabilities.
- Please turn to page 27.

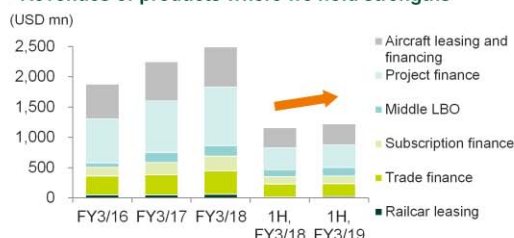
International (2) global products, Asia-centric

- Promote asset turnover (O&D) business, especially for products where we hold strengths
- Expand profit by deepening relationship with core clients in Asia and take advantage of the medium- to long-term growth in Asia through the Multi-franchise strategy

Enhance products where we hold strengths

- Improve market presence and profitability
- Enhance origination and distribution

Revenues of products where we hold strengths



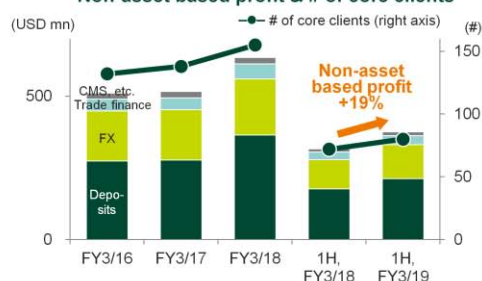
Distribution amount



Asia-centric

- Made good progress in cross-selling with local blue-chip companies

Non-asset based profit & # of core clients



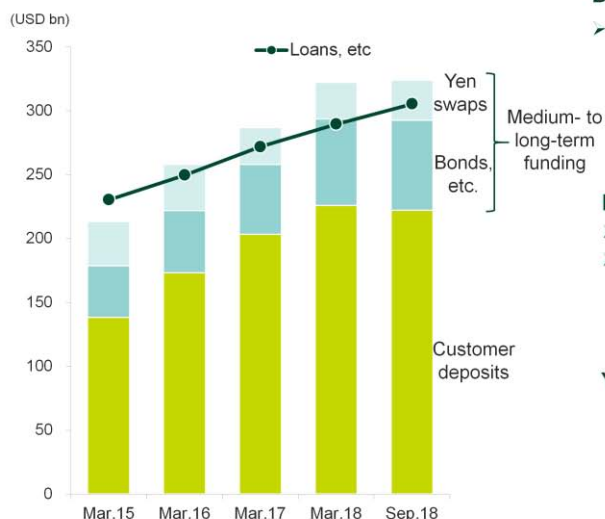
- Merger of BTPN and SMBC Indonesia
 - ✓ Under process (target to close in the second half of FY3/19)
 - ✓ Shift to a full-line commercial bank covering both wholesale and retail operations

- The left shows our initiatives for enhancing products where we hold strengths.
- We are working on further improving profitability and market presence for products such as aircraft leasing and project finance.
We will further strengthen our origination and distribution capabilities while controlling our total balance of assets through the O&D business model.
- The right shows our Asian strategy which we are promoting as a 10-year plan.
You can see a steady increase in the number of clients and profits with local blue-chip companies.
- In Indonesia, where we are implementing the multi-franchise strategy, the merger of BTPN and SMBC Indonesia is under process.
As mentioned before, the target is to close in the second half of FY3/19.
- Please turn to page 28.

International / Global Markets (1) foreign currency funding

- Loans are currently fully covered by customer deposits and medium- to long-term funding while loans are increasing
- Focus on quality, stability, and low-cost in foreign currency funding. Issued covered bonds for the first time in Japan

Foreign currency funding

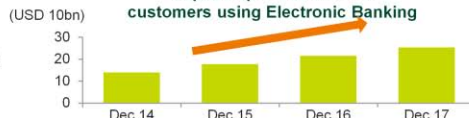


Strengthening foreign currency funding

Deposits: Improve "volume" and "quality"

- Promote cross-selling and increase the number of accounts

Liquid deposit balance of customers using Electronic Banking



Bonds: Stabilize funding

- Diversify funding methods and expand investors base
- Issued foreign currency denominated covered bonds for the first time in Japan (EUR 1 billion in Nov. 18)
 - ✓ Bonds secured by RMBS (rating: Aaa)
 - ✓ Achieve lower funding cost under stress scenarios and expand our investor base

Yen swaps: cost-conscious operation



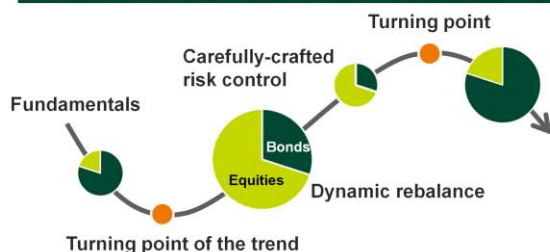
28

- Next is foreign currency funding.
- As you can see on the left hand side, we used to rely on short-term funding such as CD and CP for some of our foreign currency loans in the past. However, as a result of our efforts to increase customer deposits and medium- to long-term funding at a pace that exceeds the growth of loans, we currently cover all of our loans with customer deposits and medium- to long-term funding.
- We do not have a U.S. dollar retail deposit base overseas. Therefore, foreign currency funding is one of the most important management issues as it is essential in order to grow our overseas business. We conduct our foreign currency funding operations with focus on not only increasing volume but also pursuing quality, stability, and low-cost.
- As for customer deposits as shown on the top right, we focus on quality e.g. aiming to increase sticky customer settlement deposits through the introduction of Electronic Banking.
- As for bonds which is one of our medium- to long-term funding methods, we are working to stabilize funding by diversifying our funding methods and broadening our investor base. One of our recent initiatives was the issuance of the first covered bond in Japan. This was secured by mortgage-backed securities held by SMBC with triple-A ratings which were the first time for a private financial institution in Japan. We expect it will bring us a secure funding method at low interest rate in times of market stress, a reduction in cost and broadening of our investor base.
- As for yen swaps which is another method for medium- to long-term funding, we conduct operations with focus on cost. Funding costs for yen swaps are currently at historically low levels. So, we increased our funding amount in the first half of FY3/19 taking advantage of this favorable market condition.
- Please turn to page 29.

Global Markets (1) portfolio management, S&T

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

Market sensitive nimble portfolio management



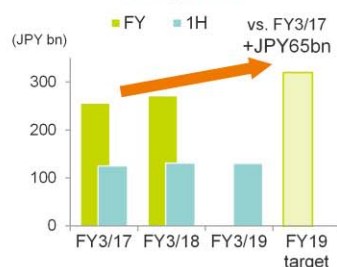
Key points in the first half

- Took advantage of the stock market upswing in the beginning of the fiscal year
- Rebalanced portfolio from equities to bonds before the rise of the trade issue. Recorded profits from bond operations in the declining interest rate trend

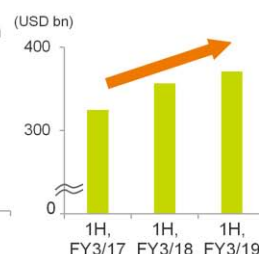
Further enhance S&T

- Provide solutions by identifying risks of customers
- Improve the profitability of each transaction flow (Enhance SMBC Nikko's trading capability)
- Expand globally based on area characteristics

S&T profits



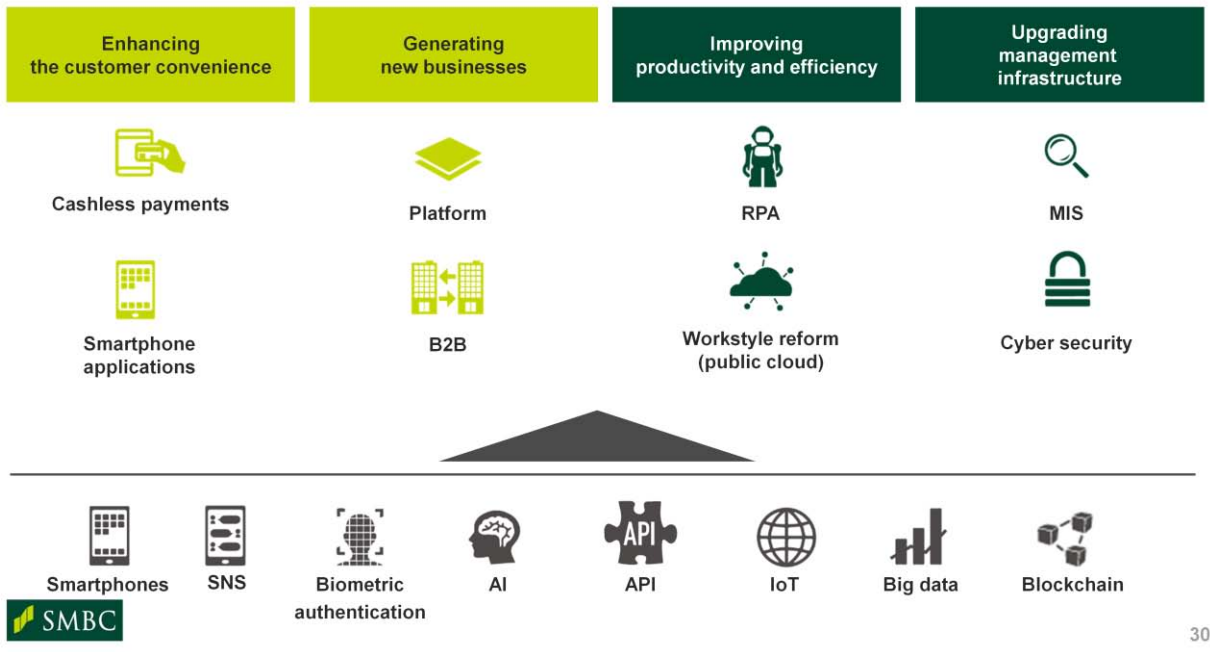
FX transactions



- Last is the Global Markets business unit.
- First is our efforts toward market sensitive nimble portfolio management. In the first half of FY3/19, we were able to make profit by taking advantage of the stock market upswing in the beginning of the fiscal year and rebalancing portfolio from equities to bonds before the rise of the trade issues.
- Although the market outlook remains unclear, we will continue to rebalance our portfolio dynamically according to the environmental changes by harnessing our strengths in trading capabilities to capture earnings opportunities.
- Moving on to the right hand side, we seek to further enhance Sales and Trading.
- In the first half of FY3/19, global derivatives trading and overseas FX-related transactions were brisk at SMBC, while SMBC Nikko struggled in trading income mainly due to the sluggish JGB and overseas credit market. This is the result of our efforts to capture deal opportunities by identifying the risks of customers and providing high-quality solutions from a customer's point of view.
- Please turn to page 30.

5. Digitalization

- Proactively introduce new technologies and promote digitalization



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- This page is showing you our digitalization strategy.
- We are promoting digitalization in four ways shown in the slide as we incorporate various technologies.
- Please turn to page 31.

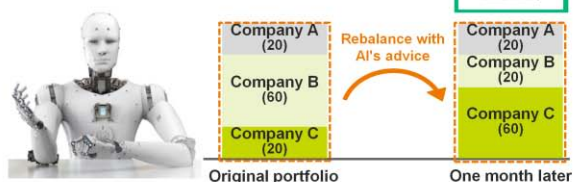
5. Digitalization

- Utilize AI to provide new services, promote efficiency, and upgrade operations

Collaboration of SMBC Nikko and HEROZ

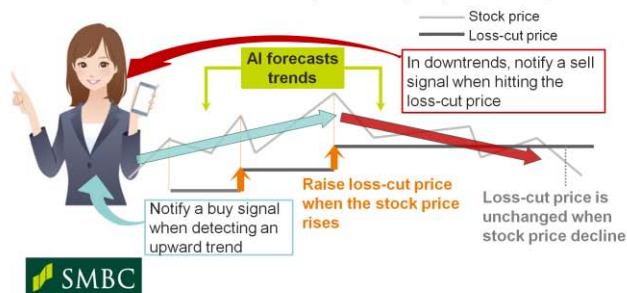
AI stock portfolio diagnostic service

- Forecast future (one month) returns based on the historical stock price and financial data
- Propose portfolio with high expected returns



AI stock price trend monitoring technology

- AI forecasts trends in stock price. Notify buy and sell signals



Improve efficiency and upgrade operations

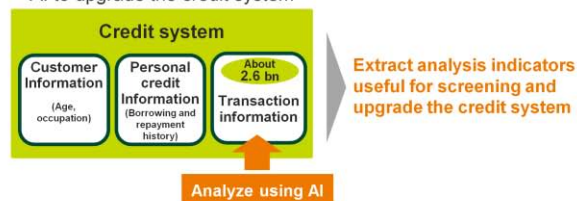
Detecting changes in borrowers' financial status (SMBBC)

- Analyze account information and detect changes in business conditions earlier than the conventional method
- Started sales to outside companies. There were a dozen inquiries from regional banks, etc.



Upgrade credit screening system for card loans (SMBCCF)

- Analyze approximately 2.6 bn transaction information using AI to upgrade the credit system



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- Here are some recent initiatives using AI.
- Recently, services that utilize technology to propose optimal investment portfolio (e.g. robotic advisors) have been launched.
- Under these circumstances, we are developing AI-based investment information services. We are working together with a successful Japanese AI startup "Heroz", who is famous for its AI-based Shogi (Japanese chess) games. Heroz and SMBC Group met at "SMBC BREWERY", a workshop program for companies to develop new businesses within different industries.
- An AI stock portfolio diagnostic service shown on the top left proposes an investment portfolio with high expected returns based on historical stock prices and financial data. This is expected to be the first service for individual stocks launched in Japan targeted for individual customers.
- Examples of utilizing AI to improve efficiency and upgrade operations are shown on the right.
- "Detecting changes in borrowers' financial status" is a system that uses AI to analyze account information and detect changes in business conditions of an obligor earlier than the conventional method. We are using this system to make proposals to our clients as well as to improve our credit monitoring capabilities. In addition to such internal use, we have started selling this system to companies in the industry. Dozen inquiries have already been received from regional banks.
- Shown at the bottom right, we are working to upgrade our credit screening system for card loans by analyzing approximately 2.6 billion transaction information of borrowers at Promise (SMBCCF) using AI.
- Please turn to page 32.

6. ESG: Environment, Society

- Started to examine and analyze climate-related impact according to TCFD.
Revised credit policy for businesses associated with environmental and social risk
- Included in all ESG indices selected by GPIF

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 or more advanced technologies^{*1}
 - For projects where the Japanese government or Multilateral Development Banks support or we have already committed to will be considered as exceptions
- 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 financial support to deals that are involved in illegal logging and/or land clearing activities

Society

Diversity & Inclusion

- SMBC achieved the original target of female managers ratio, "20% by Mar. 21" ahead of schedule
- Set a new target of "25% by Mar. 20"



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

Included in ESG indices selected by GPIF

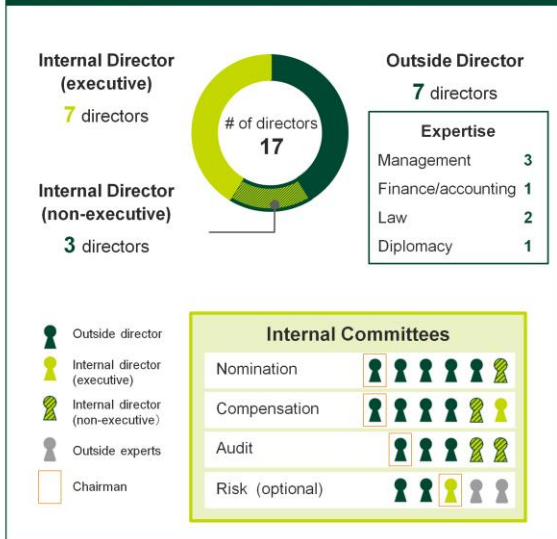


^{*1} Ultra-supercritical (i.e., with a steam pressure >240 bar and ≥5931°C steam temperature) or Emissions < 750 g CO₂/kWh

- This page shows our ESG initiatives.
- For Environment, we have begun to analyze and quantify data of climate-related impact according to TCFD and plan to disclose its progress as required.
- We also revised the credit policy for businesses associated with environmental and social risk, such as coal-fired power plants, palm oil plantation developments, and deforestation.
- For Society, SMBC received this October Top Gold Rating on PRIDE index evaluation for LGBT-related initiatives for the second consecutive year.
- We are the only megabank that is included in all of the ESG indices selected by GPIF.
- Please turn to page 33.

- Strengthen the monitoring function by the seven outside directors who have various knowledge and experience
- Appointed SMBC Group Global Advisors in August 2018

Board of Directors



SMBC Group Global Advisors

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

Name	Key Appointments
Dr. Andreas Dombret	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)



- This slide shows our governance framework.
- We appointed seven outside directors with diverse knowledge and experience, and the ratio of outside directors in the Board of Directors exceeds 40%.
- All three statutory committees are chaired by outside directors.
- In August, we announced the establishment of SMBC Group Global Advisory Meeting which acts in advisory capacity to the Management committee.
- On August 21, the first meeting was held. The global advisors provided us with information of trends and developments in the financial sector. In addition, they provided insight in respect of political and economic issues relating to the formulation of strategy and key risks that we face.
- Please turn to page 34.

6. ESG: Sustainability management

- Established “Corporate Sustainability Committee” chaired by the Group CEO
- Promote initiatives to resolve social issues and achieve the SDGs through business activities with the aim of realizing a sustainable society



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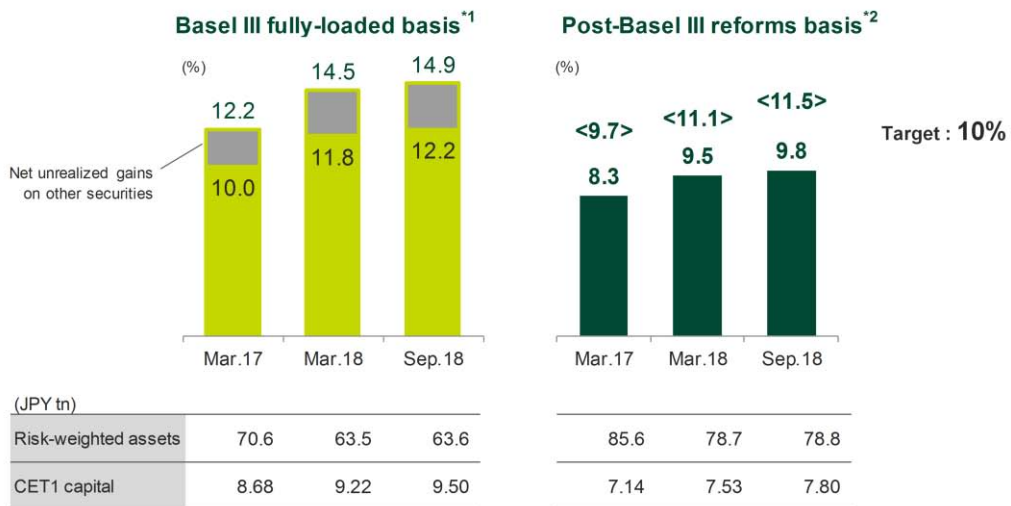
- This slide describes our efforts towards realizing a sustainable society.
- As shown on the left, we established the “Corporate Sustainability Committee” last month. I myself, as Group CEO, will chair this committee to accelerate sustainability management.
- Sustainability management means “management that takes into account the viability of society.” While we had been working on this in our past CSR activities, we will focus more on this taking into account the higher expectations and requirements from the society and stakeholders.
- Specifically, we will enter a stage where our initiatives for Sustainable Development Goals (SDGs) adopted by the United Nations would be conducted with more focus on thinking how we can resolve social issues as a company.
- As shown on the right, SMBC Group selected 10 goals to focus on to realize SDGs through our core business.
In FY3/19, we incorporated these initiatives into the business plan of each business unit and are implementing them accordingly.
- Next, we will discuss our capital policy.
Please turn to page 36.

III. Capital Policy

1. Capital position

- CET1 ratio at of the end of Sep.18 was 9.8%
- Risk-weighted assets remained nearly flat. The increase due to the impact of FX changes and overseas loan expansion were offset by the decrease of investment positions in the Global Markets Business Unit

CET1 ratio



*1 Based on the definition applicable for Mar.19

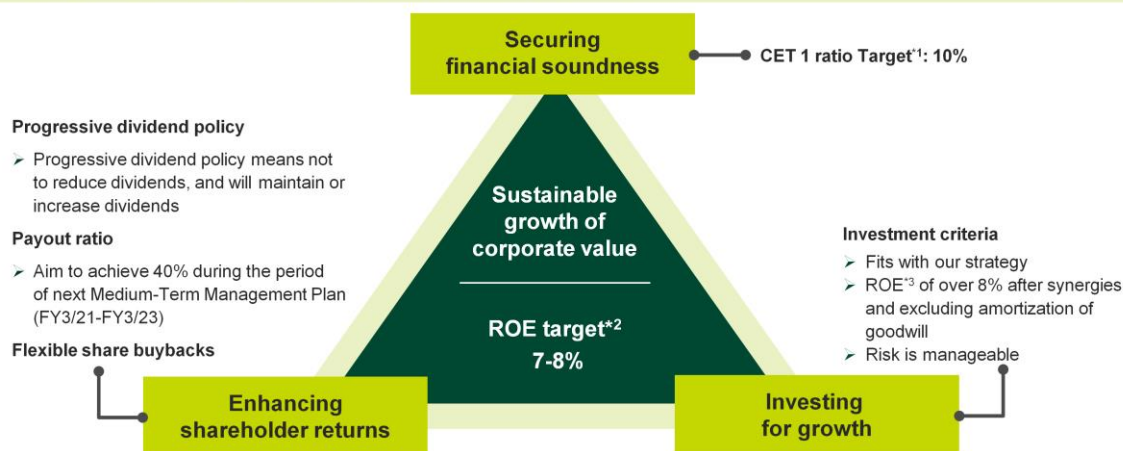
*2 CET1 ratio that (a) includes the impact of RWA inflation expected post the Basel III reforms and (b) is calculated with CET1 excluding net unrealized gains on other securities and RWA excluding RWA associated with net unrealized gains on stocks. Figures in <> include net unrealized gains on other securities and RWA associated with net unrealized gains on stocks

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- This slide illustrates our capital position.
- As shown on the right, the CET1 ratio on the Post-Basel III reforms basis which excludes unrealized gains on securities was 9.8% at the end of September 2018, 0.3% increase from the end of March 2018.
- This is due to the fact that risk-weighted assets were nearly flat. The increase due to the impact of FX changes and overseas loan expansion were offset by the decrease of the investment positions in the Global Markets Business Unit and improvement of asset quality of domestic loans.
- We expect the CET1 ratio to reach our target of 10% by the end of FY3/19, which means we will attain our Medium-Term Management Plan target one year ahead of schedule.
- Please turn to page 37.

2. 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



^{*1} Post-Basel III reforms basis

^{*2} On a stockholders' equity basis

^{*3} Managerial accounting basis with RWA calculated assuming Basel III reforms are finalized

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- Let's move on to our basic capital policy.
- In the past, we have prioritized strengthening our capital base assuming tougher international regulations, but we believe we have reached the stage where focus can be put on enhancing shareholder returns and investing for growth now that regulatory uncertainty has cleared and we are on track to attain our CET1 ratio target. In light of these circumstances, the Board of Directors held thorough discussions and announced our updated capital policy in May as shown on the slide.
- Our basic policy is to achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth. Dividends are our principal approach to shareholder returns, and on top of that we will also proceed with share buybacks on a flexible basis.
- With regard to dividends, we aim to pay progressive dividends supported by our sustainable earnings growth, targeting a dividend payout ratio of 40% during the period of the next Medium-Term Management Plan starting from April 2020.
- We will also conduct flexible share buybacks assuming our financial soundness is maintained, taking into consideration our capital position, earnings trends, share price, growth investment opportunities, and other factors.
- Please turn to page 38.

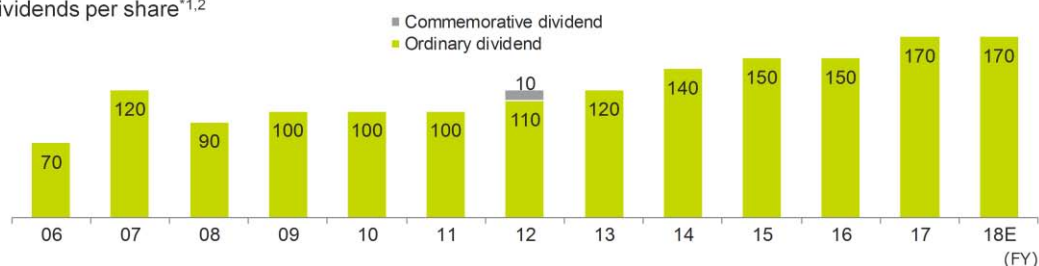
3. Shareholder Returns

- Dividends: FY3/19 target JPY 170 (YoY ±0)

	(JPY)	FY3/19 target	FY3/18
Dividend per share		170	170
Dividend payout ratio		33.9%	32.7%
Profit attributable to owners of parent	JPY 700 bn		JPY 734.4 bn
Share buybacks	-		JPY 70 bn
(Ref) Total payout ratio	-		42.2%

(Ref) Dividends per share^{*1,2}

(JPY)



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%	33.9%
ROE ^{*4}	13.8%	15.8%	-	7.5%	9.9%	10.4%	14.8%	13.8%	11.2%	8.9%	9.1%	8.8%	



^{*1} 100 for 1 stock split of common stock was applied in Jan. 2009. Figures above reflect the stock split, assuming that it had been implemented at the beginning of FY06
^{*2} Common stock only ^{*3} Consolidated payout ratio ^{*4} On a stockholders' equity basis

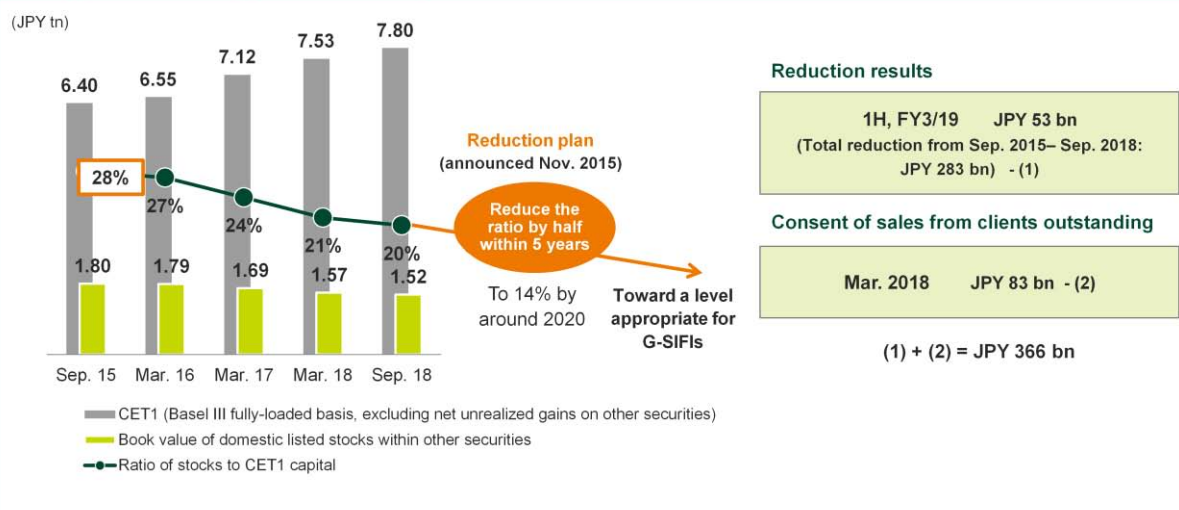
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- This slide shows our policy on shareholder returns for FY3/19.
- For dividends, we will maintain the FY3/18 level of ¥170 per share despite a decline being forecasted in profit attributable to owners of parent.
- Please turn to page 39.

4. Strategic shareholdings

- Aim to halve the ratio 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



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- Next is strategic shareholdings.
- We aim to halve the ratio of the book value of domestic listed stocks to CET1 to 14% during the five years from the end of September 2015, or reducing by ¥500 billion on a book value basis.
- We are making steady progress with the reduction of strategic shareholdings. Reduction in the first half was ¥53 billion and totaled ¥283 billion since the end of September 2015.
- We have also gained consent to sell from clients a further ¥83 billion (outstanding as of end-September 2018), bringing the total to ¥366 billion.
- We will continue to reduce our strategic shareholding according to the plan both to control the impact of share price fluctuations capital and to comply with the revised Corporate Governance Code.
- Please turn to page 40.

■ IV. Key takeaways

- **Made good progress in both strategic initiatives and financial results**
- **Improve ROE through sustainable earnings growth and capital management**

- Lastly, here are the key takeaways of today's presentation.
- I sincerely ask for your continued support and understanding.
Thank you.