

# Investors Meeting FY3/2019

May 17, 2019



SUMITOMO MITSUI  
FINANCIAL GROUP

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
Expenses (non-consolidated)	Excludes non-recurring losses
Net business profit	Before provision for general reserve for possible loan losses

Retail Business Unit	Domestic retail and SME businesses SMBC , SMBC Trust, SMBC Nikko, SMCC, SMBCCF
Wholesale Business Unit	Domestic large/mid-size corporation business SMBC, SMBC Trust, SMFL, SMBC Nikko
International Business Unit	International business SMBC, SMBC Trust, SMFL, SMBC Nikko
Global Markets Business Unit	Market / Treasury related businesses SMBC, SMBC Nikko
Large corporations	Global Corporate Banking Division
Mid-sized corporations & SMEs	Corporate Banking Division and SMEs covered by Retail Banking Unit

### Exchange rates (TTM)

	Mar. 18	Mar. 19
USD	JPY 106.25	JPY 111.00
EUR	JPY 130.73	JPY 124.55

# Agenda

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# I. Financial results

# 1. Income statement

- Both consolidated net business profit and profit attributable to owners of parent exceeded the target.
- Despite the challenging business environment, consolidated net business profit reached the same level as last year's strong performance excluding the impact of group reorganization.

	(JPY bn)	FY3/19	YoY	vs Nov.18 Target
1 Consolidated gross profit		2,846.2	(134.9)	
2 G&A expenses		1,715.1	(101.1)	
Overhead ratio		60.3%	(0.6)%	
3 Equity in gains (losses) of affiliates		61.1	+22.2	
4 Consolidated net business profit		1,192.3	(11.6)	+12.3
5 Total credit cost		110.3	+16.1	(19.7)
6 Gains (losses) on stocks		116.3	(2.6)	
7 Other income (expenses)		(63.1)	+1.4	
8 Ordinary profit		1,135.3	(28.8)	+15.3
9 Extraordinary gains (losses)		(11.7)	+43.5	
10 Income taxes		331.4	+60.9	
11 Profit attributable to owners of parent		726.7	(7.7)	+26.7
12 ROE		8.2%	(0.6)%	

- **Consolidated gross profit** : increased slightly YoY excluding the impact of group reorganization due to the strong performance of the overseas business, while the wealth management business was sluggish due to the deterioration of market conditions.
- **G&A expenses** : decreased YoY even after excluding the impact of group reorganization because of taking cost control measures.
- **Equity in gains** : increased YoY due to group reorganization despite the absence of gains on sale of its subsidiary which The Bank of East Asia recorded in FY3/18
- **Total credit cost** : increased YoY, while reversals of credit cost from large borrowers were recorded in the 1H at SMBC.
- **Gains on stocks** : gains on sales of strategic shareholdings declined (JPY 89 bn, YoY JPY (12) bn), offsetting the one time impact from the reorganization of SMFL.
- **Other income (expenses)** : recorded provisions for losses on interest repayments (JPY 47 bn) at SMBCCF and Cedyna.
- **Extraordinary income (expenses)** : increased YoY with the absence of branch reorganization cost (JPY 25 bn) and goodwill impairment (JPY 21 bn) recorded in FY3/18.
- **Income taxes** : tax imposed at SMCC by becoming a wholly owned subsidiary of SMFG<sup>\*2</sup>.

## Impact of group reorganization<sup>\*1</sup>

(JPY bn)

Consolidated gross profit	(139)	Consolidated net business profit	(12)
G&A expenses	(92)	Profit attributable to owners of parent	0
Equity in gains (losses) of affiliates	+35		

# (Ref.) Group companies

## SMBC

	(JPY bn)	FY3/19	YoY	vs Nov.18 Target
1 <b>Gross banking profit</b>		1,395.6	(32.3)	
2 o/w Net interest income		944.1	(12.9)	
3 Domestic		638.1	(69.2)	
4 Overseas		306.0	+56.3	
5 o/w Net fees and commissions		342.3	+12.4	
6 Domestic		193.4	(7.4)	
7 Overseas		148.9	+19.8	
8 o/w Net trading income+ Net other operating income		107.0	(32.0)	
9 o/w Gains (losses) on bonds (domestic)		6.4	(1.1)	
10 o/w Gains (losses) on bonds (overseas)		(3.5)	(7.7)	
11 <b>Expenses</b>		811.5	+0.8	
12 <b>Banking profit</b>		584.1	(33.1)	(20.9)
13 <b>Total credit cost</b>		(2.2)	+24.5	(2.2)
14 <b>Gains (losses) on stocks</b>		68.0	(59.7)	
15 <b>Ordinary profit</b>		649.6	(105.6)	+9.6
16 <b>Net income</b>		477.4	(99.7)	+17.4

## Other major group companies

(left : results of FY3/19 / right : YoY)

(JPY bn)	SMBC Nikko <sup>*1</sup>		SMBCCF		SMCC 66%	
<b>Gross profit</b>	323.1	(61.4)	268.5	+7.4	254.2	+28.1
<b>Expenses</b>	276.0	(15.4)	110.9	+1.8	190.9	+20.6
<b>Net business profit</b>	47.1	(46.0)	157.6	+5.6	63.3	+7.5
<b>Net income</b>	31.0	(27.2)	45.1	+20.5	(58.5) <sup>*2</sup>	(86.9)

(JPY bn)	Cedyna		SMBC Trust		SMAM 60%	
<b>Gross profit</b>	154.1	(3.2)	49.8	+5.6	25.7	(0.7)
<b>Expenses</b>	114.4	(1.2)	51.7	+1.0	17.9	+0.2
<b>Net business profit</b>	40.0	(1.8)	(1.9)	+4.7	7.9	(0.9)
<b>Net income</b>	11.9	+9.5	(3.8)	+2.0	5.3	(0.7)

(JPY bn)	SMFL 50% <sup>*3</sup>	
<b>Gross profit</b>	179.8	(4.7)
<b>Expenses</b>	88.3	+3.3
<b>Net business profit</b>	93.5	(7.9)
<b>Net income</b>	80.0	+25.5

## 2. FY3/2020 target

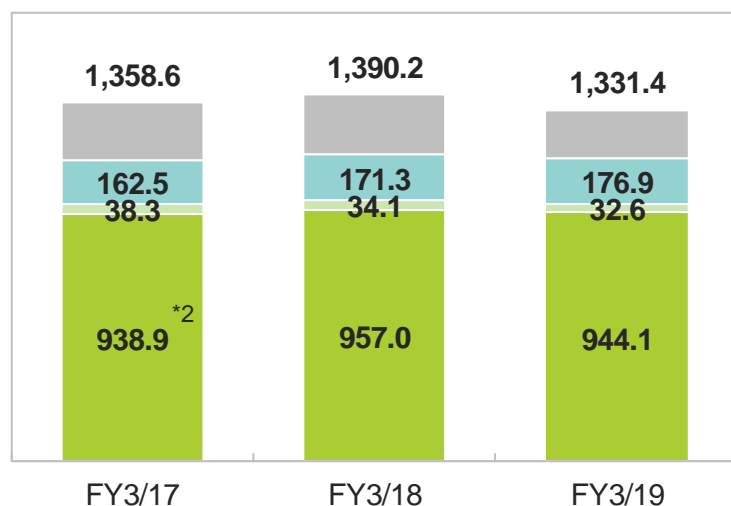
	(JPY bn)	Results	Target	
		FY3/19	FY3/20	1H
Consolidated	Consolidated net business profit	1,192.3	1,180	540
	Total credit cost	110.3	200	100
	Ordinary profit	1,135.3	1,000	460
	Profit attributable to owners of parent	726.7	700	340
Non-consolidated	Banking profit	584.1	610	275
	Total credit cost	(2.2)	70	35
	Ordinary profit	649.6	550	250
	Net income	477.4	390	190

- **Consolidated net business profit** is expected to increase excluding the impact of group reorganization (YoY JPY (60) bn).
- **Total credit cost (consolidated)** is expected to increase due to smaller reversals at SMBC.
- **Profit attributable to owners of parents** is expected to decrease due to the increase of total credit cost.

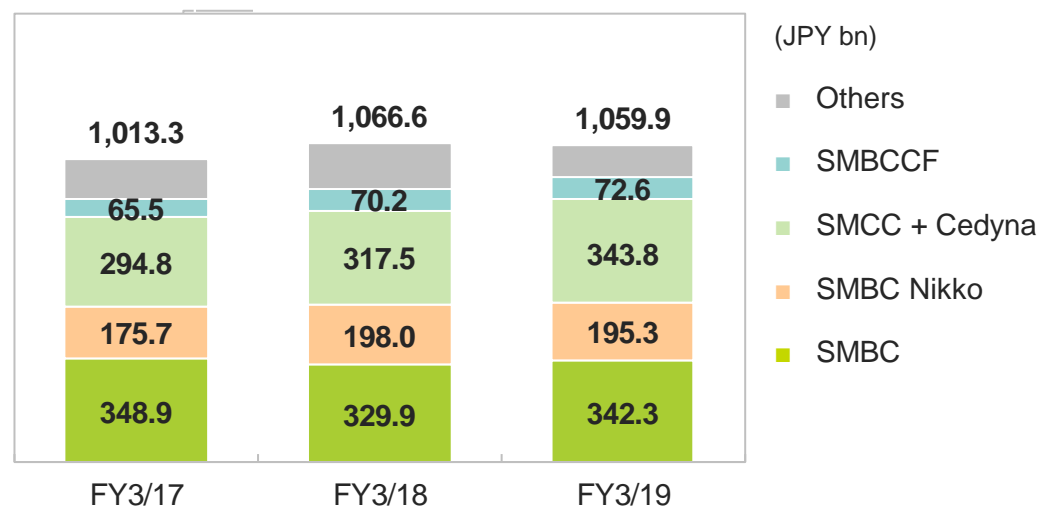
### 3. Consolidated gross profit

	(JPY bn)	FY3/19			YoY <sup>*1</sup>		
		Consolidated	SMBC	Variance	Consolidated	SMBC	Variance
<b>Consolidated gross profit</b>		2,846.2	1,395.6	1,450.6	(134.9)	(32.3)	(102.5)
Net interest income		1,331.4	944.1	387.3	(58.8)	(12.9)	(45.9)
Trust fees		4.7	2.2	2.5	+0.8	+0.2	+0.6
Net fees and commissions		1,059.9	342.3	717.6	(6.7)	+12.4	(19.1)
Net trading income + Net other operating income		450.2	107.0	343.2	(70.1)	(32.0)	(38.1)

#### Net interest income

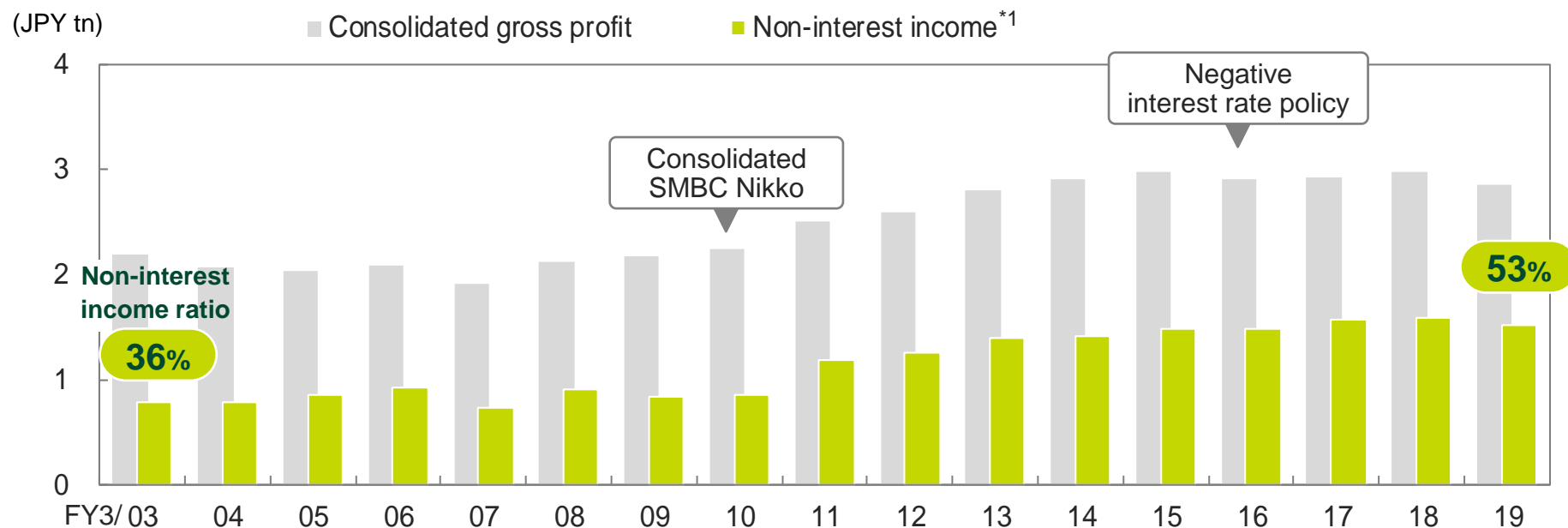


#### Net fees and commissions



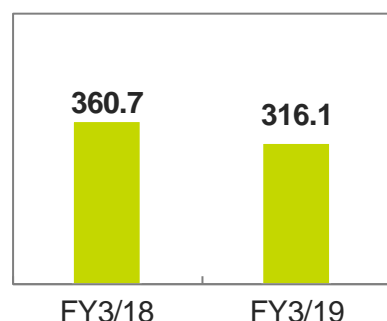


# (Ref.) Non-interest income

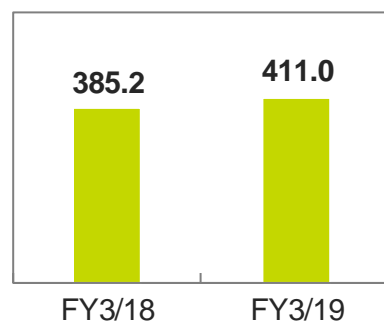


## Major non-interest income items (JPY bn)

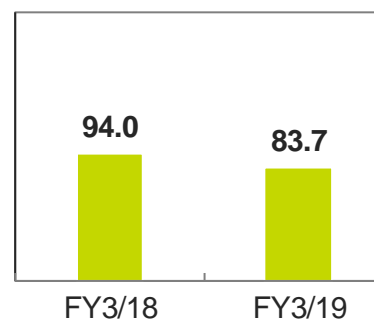
### Wealth management



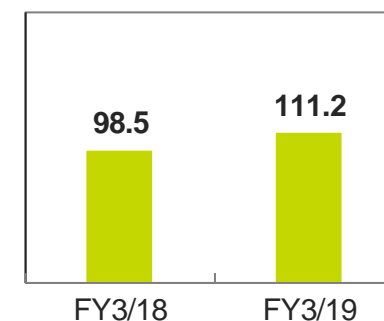
### Credit card



### Structured finance, Loan syndication, real estate finance



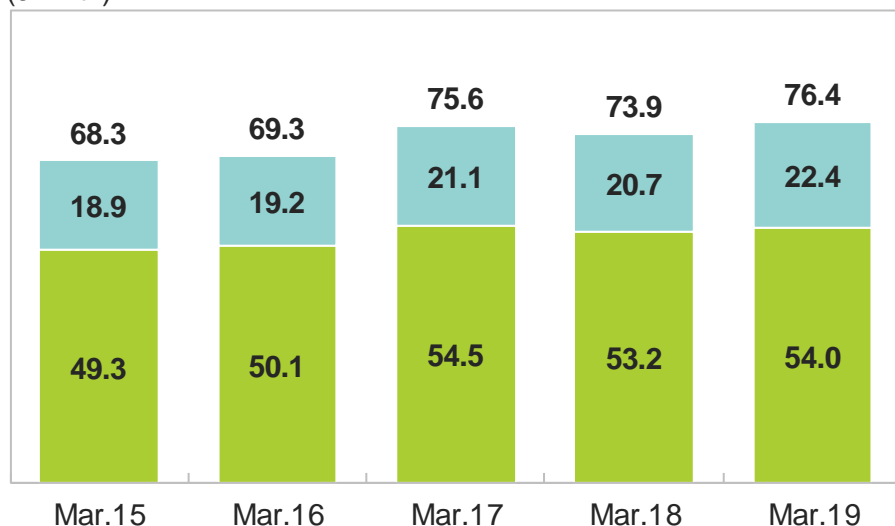
### Loan related fees (overseas)



## 4. Loans<sup>\*1</sup>

### Loan balance

(JPY tn)



#### Of which loans to the Japanese government and SMFG

1.2 tn      1.3 tn      3.5 tn      2.8 tn      2.7 tn

#### Breakdown of change from Mar. 2018 to Mar. 2019

Domestic offices excl. Japan offshore banking accounts	+0.8
excl. loans to the Japanese government and SMFG	+0.9
Overseas offices and Japan offshore banking accounts	+1.7
after adjustment for changes in exchange rate	+1.2
<b>Total</b>	<b>+2.5</b>

### Domestic loan-to-deposit spread

	FY3/19	YoY	1H	2H
(%)				
Interest earned on loans and bills discounted	0.94	(0.04)	0.95	0.93
Interest paid on deposits, etc.	0.00	+0.00	0.00	0.00
Loan-to-deposit spread	0.94	(0.04)	0.95	0.93

(Ref.) Excludes loans to the Japanese government

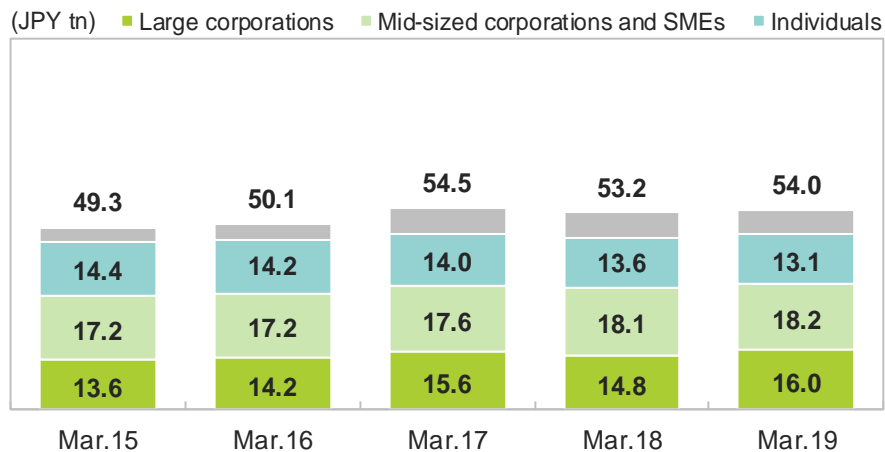
Interest earned on loans and bills discounted	0.97	(0.05)	0.98	0.96
Loan-to-deposit spread	0.97	(0.05)	0.98	0.96

### Average loan balance and spread<sup>\*2</sup>

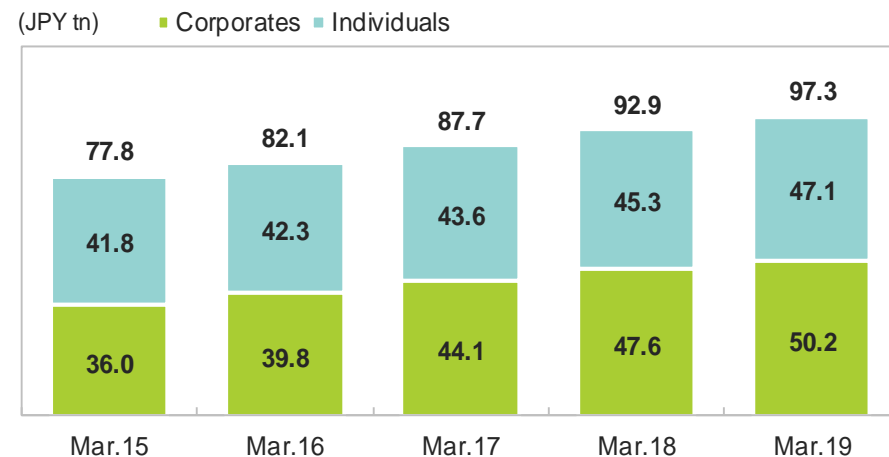
	Balance (JPY tn)		Spread (%)	
	FY3/19	YoY <sup>*4</sup>	FY3/19	YoY
Domestic loans	52.0	(0.6)	0.75	(0.03)
Excluding loans to the Japanese government	49.2	(0.4)	0.79	(0.03)
o/w Large corporations	15.1	(0.2)	0.52	+0.00
Mid-sized corporations & SMEs	17.7	+0.3	0.64	(0.05)
Individuals	13.3	(0.5)	1.43	(0.03)
IBU's interest earning assets <sup>*3</sup>	295.1 USD bn	+19.1 USD bn	1.12	(0.02)

# 5. Domestic loans and deposits\*1

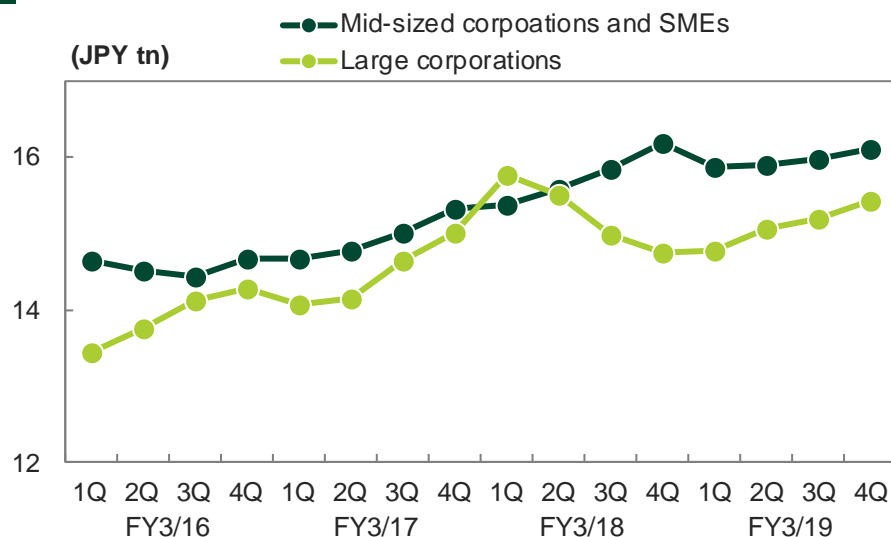
## Domestic loan balance\*2



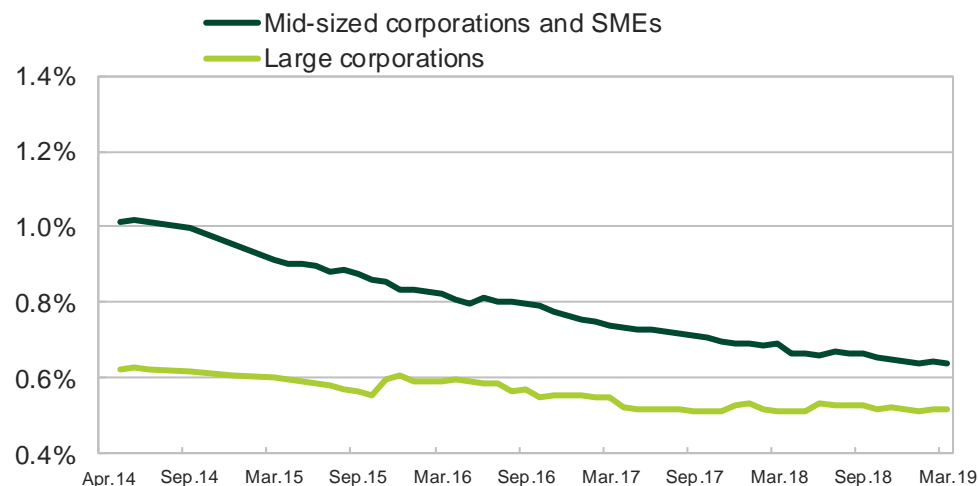
## Domestic deposit balance



## Domestic corporate loan balance\*2,3



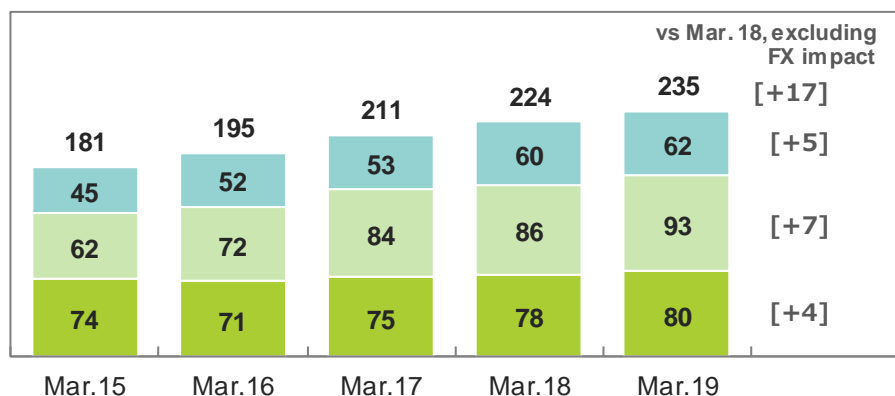
## Domestic corporate loan spread\*2,4



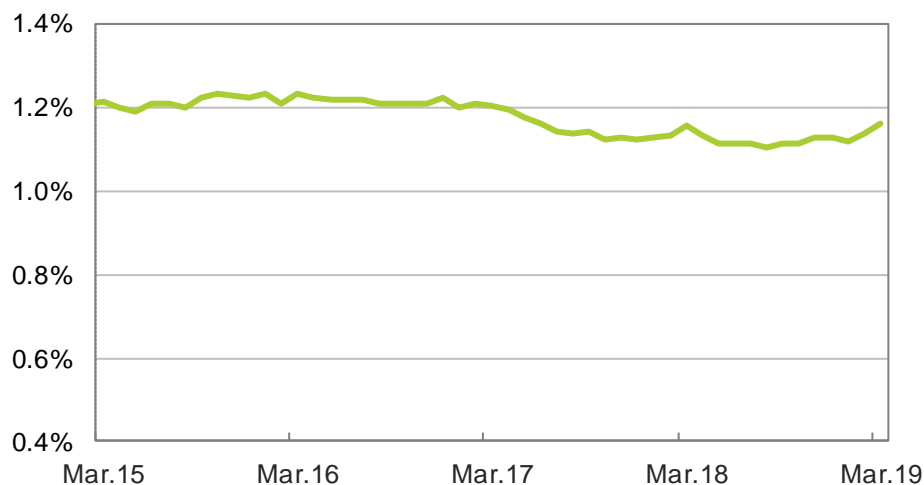
## 6. Overseas loans and deposits\*1

### Overseas loan balance

(USD bn) ■ Asia ■ Americas ■ EMEA

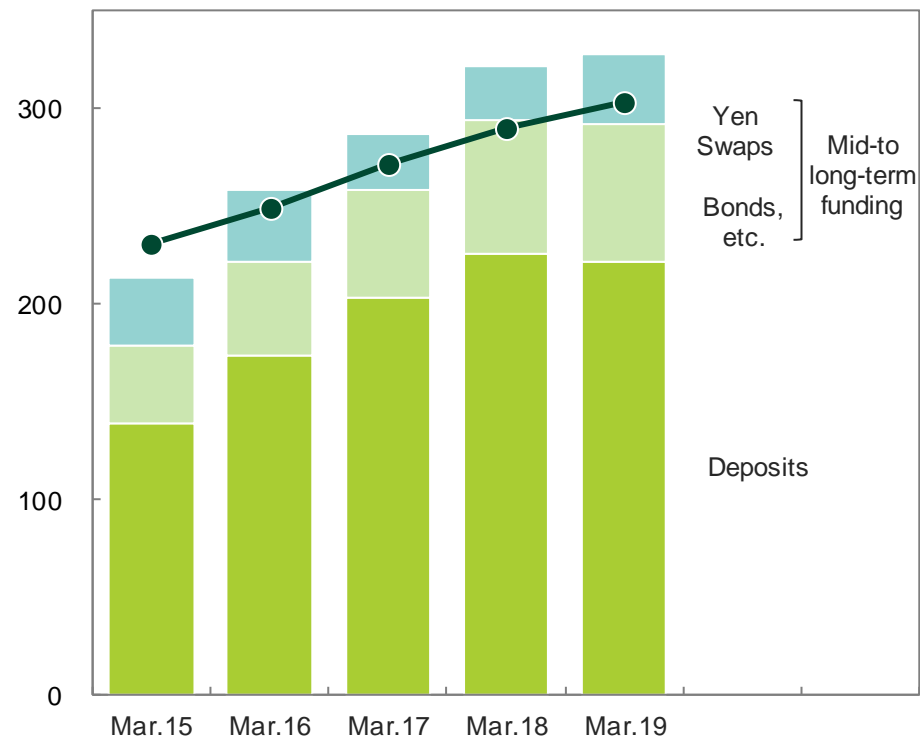


### Overseas loan spread\*2



### Foreign currency funding

(USD bn) ● Loans, etc.

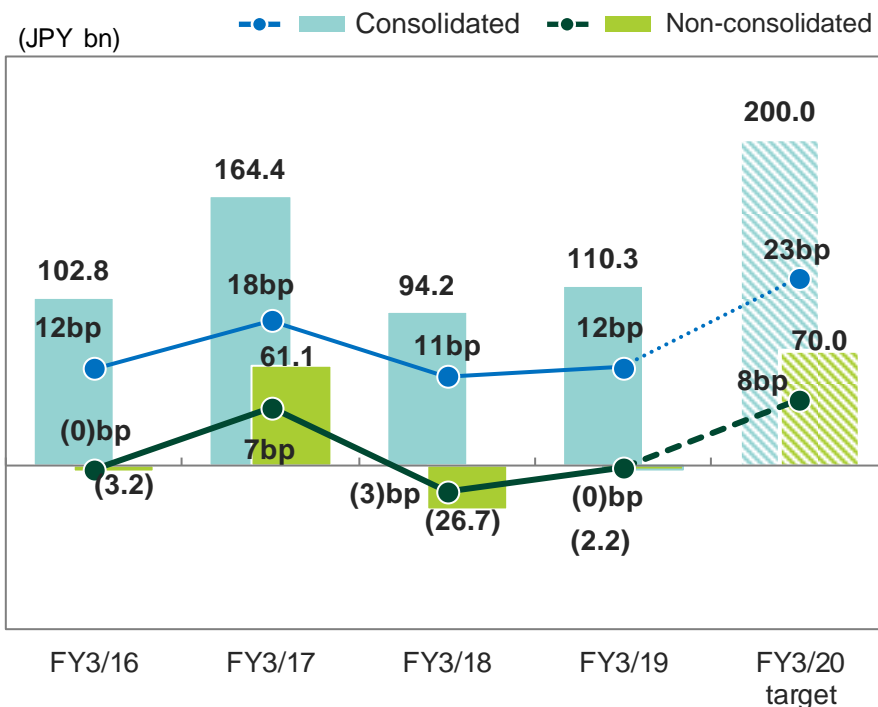


### Foreign currency bonds outstanding (SMFG/SMBC)

Senior	32.9	44.1	54.2	56.0
Sub-ordinated	4.1	4.1	4.2	4.1

## 7. Asset quality

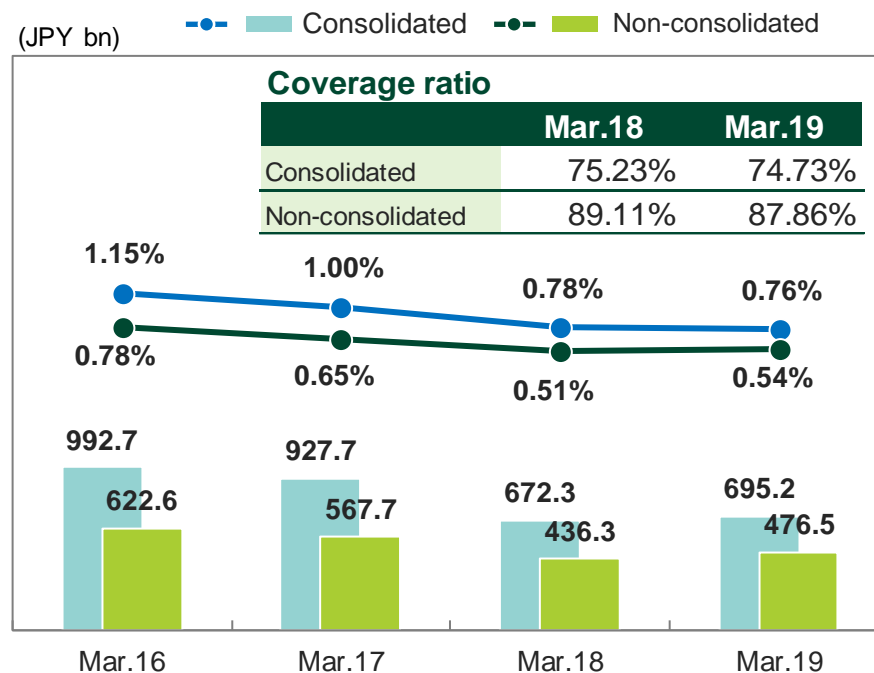
### Credit costs\*1



### Major Group Companies

	(JPY bn)	
	FY3/19	YoY
SMBCCF	76	(5)
SMCC	18	(0)
Cedyna	15	+0

### Non-performing loan balance and ratio\*2



#### Coverage ratio

	Mar.18	Mar.19
Consolidated	75.23%	74.73%
Non-consolidated	89.11%	87.86%

### Total claims

	(JPY tn)		
Consolidated	93	86	91
Non-consolidated	87	86	89

### Claims on borrowers requiring caution (excludes claims to Substandard borrowers)

Non-consolidated	1.6	1.3	0.8
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## 8. Securities

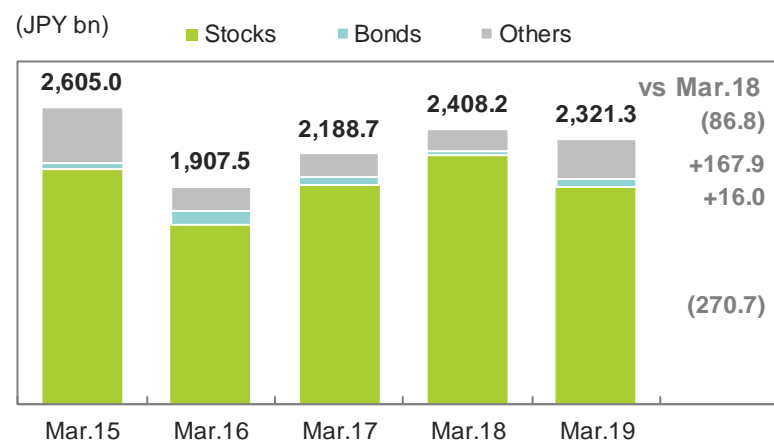
### Bond portfolio

	(JPY tn)	Mar.18		Mar.19	
		Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)
Consolidated	<b>Yen-dominated</b>	12.2	0.05	9.3	0.06
	o/w JGB	9.6	0.01	6.5	0.02
	Held-to-maturity	0.4	0.00	0.3	0.00
	Others	9.2	0.01	6.2	0.02
	<b>Foreign bonds</b>	7.2	(0.16)	9.0	(0.03)
Non-consolidated	<b>Yen-denominated (duration*1)</b>	11.9 (2.3 yrs)	0.05	9.0 (3.2 yrs)	0.06
	o/w JGB	9.3	0.01	6.3	0.02
	Held-to-maturity	0.1	0.00	0.0	0.00
	Others	9.2	0.01	6.2	0.02
	<b>Foreign bonds (duration*1)</b>	5.3 (5.5 yrs)	(0.14)	7.1 (5.3 yrs)	(0.03)

### Strategic shareholdings

(JPY bn)	Results
<b>Total reduction</b>	<b>360</b>
- FY3/17	115
FY3/18	115
FY3/19	130
<b>Consent of sales from clients outstanding</b>	<b>88</b>

### Unrealized gains (losses) on other securities\*2

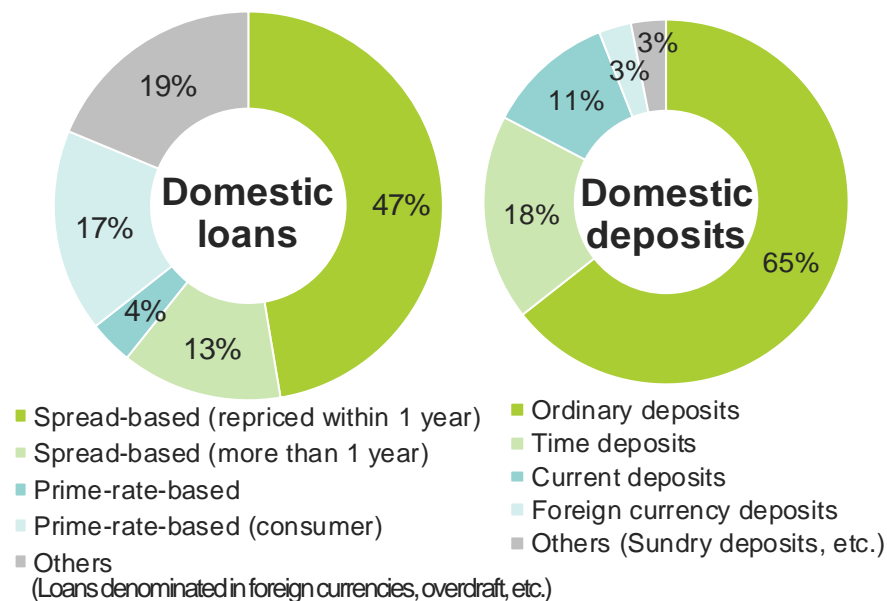


## 9. Balance sheet

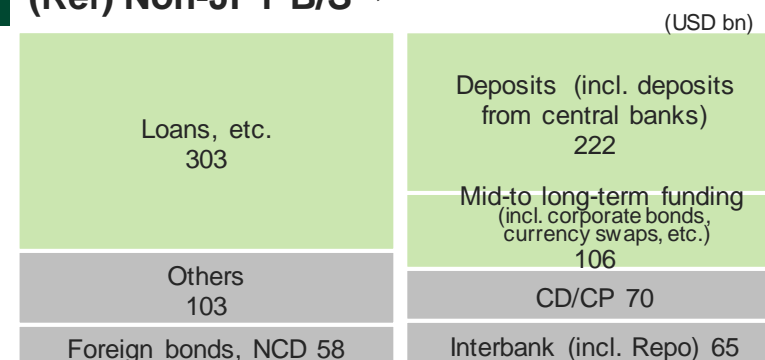
### Consolidated

	(JPY tn)	Mar.19	vs Mar.18
<b>Total assets</b>		<b>203.7</b>	<b>+4.6</b>
o/w Cash and due from banks		57.4	+3.7
o/w BOJ's current account balance <sup>*1</sup>		47.4	+5.9
o/w Loans		78.0	+5.0
o/w Domestic loans		54.0	+0.8
o/w Large corporations <sup>*1</sup>		16.0	+1.1
Mid-sized corporations & SMEs <sup>*1</sup>		18.2	+0.2
Individuals <sup>*1</sup>		13.1	(0.3) <sup>*2</sup>
o/w Securities		24.3	(1.4)
o/w Other securities		23.8	(1.6)
o/w Stocks		3.5	(0.4)
JGBs		6.2	(3.0)
Foreign bonds		9.0	+1.8
<b>Total liabilities</b>		<b>192.2</b>	<b>+4.8</b>
o/w Deposits		122.3	+5.8
o/w Domestic deposits		97.3	+4.4
Individuals		47.1	+1.8
Corporates		50.2	+2.6
o/w NCD		11.2	(0.1)
<b>Total net assets</b>		<b>11.5</b>	<b>(0.2)</b>
<b>Loan to deposit ratio</b>		<b>58.4%</b>	

### Composition of loans and deposits<sup>\*1</sup>



### (Ref) Non-JPY B/S<sup>\*1,3</sup>



Assets / Liabilities 464

## ■ 10. Capital / RWA<sup>\*1</sup>

### Capital ratio

Post-Basel III reforms basis

CET1 ratio **10.3%**

Regulatory basis

CET1 ratio **16.37%**

excluding Net unrealized gains  
on other securities **13.5%**

Total capital ratio **20.76%**

### External TLAC ratio

RWA basis<sup>\*2</sup> **26.90%**

Leverage exposure basis **8.19%**

### Leverage ratio

**4.88%**

### LCR (Average 19/4Q)

**131.4%**

	(JPY bn)	Mar.18	Mar.19
<b>CET1</b>		<b>9,217.4</b>	<b>9,654.5</b>
o/w Total stockholders' equity related to common stock		8,510.1	8,921.9
Accumulated other comprehensive income		1,753.4	1,713.9
Regulatory adjustments related to CET1		(1,049.3)	(985.9)
<b>Tier 1 capital</b>		<b>10,610.2</b>	<b>10,727.2</b>
o/w Additional Tier 1 capital instruments		599.8	599.0
Eligible Tier 1 capital instruments (grandfathered) <sup>*3</sup>		650.3	436.5
Regulatory adjustments		(81.6)	(25.5)
<b>Tier 2 capital</b>		<b>1,693.9</b>	<b>1,513.3</b>
o/w Tier 2 capital instruments		993.4	997.7
Eligible Tier 2 capital instruments (grandfathered) <sup>*3</sup>		625.4	488.1
Regulatory adjustments		(50.0)	(50.0)
<b>Total capital</b>		<b>12,304.1</b>	<b>12,240.5</b>
<b>Risk-weighted assets</b>		<b>63,540.3</b>	<b>58,942.8</b>
<b>Leverage exposure</b>		<b>211,718.1</b>	<b>219,538.8</b>
<b>External TLAC</b>		<b>-</b>	<b>17,983.4</b>



## **II. Message as the new Group CEO**

# 1. Our business environment

- Financial institutions continue to face a severe earnings environment.
- Customer needs and actions are altering in response to changes in the social environment.

## Earnings environment

### Ultra-low interest rates / excess funds

Japan	1m LIBOR (0.10)% <sup>*1</sup>
U.S.	Policy rate to be unchanged

## Change in customer needs

### Cashless

#### Cashless payment amount<sup>\*3</sup>

JPY  
35 tn



JPY  
65 tn

2002

2017

### Globalization

#### M&A by Japanese companies<sup>\*5</sup>

JPY  
3 tn



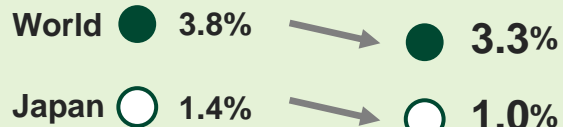
JPY  
19 tn

2009

2018

### Slowdown of world economy

#### GDP growth rate<sup>\*2</sup>



2010-18

2019E

### Digitalization

#### Smartphone ownership ratio<sup>\*4</sup>

10%



75%

2010

2018

### Growth of emerging countries

#### Middle income class in Indonesia<sup>\*6</sup>

21%



58%

2017

2030E

## ■ 2. Management strategy adapting to changes

- Our strength is that we respond swiftly to the challenging environment and the changing society.

### Expand business and regional coverage

(Contribution to consolidated net business profit)

Group companies excl. SMBC



FY3/04

FY3/19

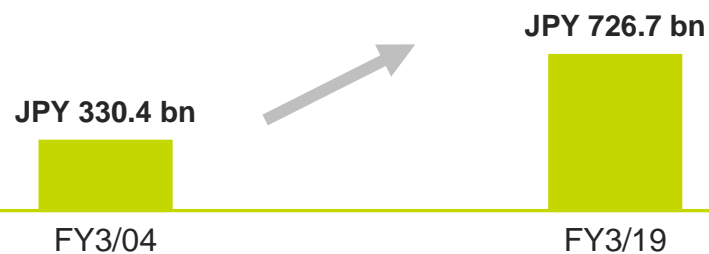
International business\*1



FY3/04

FY3/19

### Bottom-line profit



Policy interest rate 0.15%

NIRP

### Improve efficiency

Prioritize  
bottom-line profit

Cost control

Reorganization of  
group companies

### ROE

7.8%

8.2%

FY3/17

FY3/19

### OHR

62.1%

60.3%

FY3/17

FY3/19

### RWA

JPY 70.6 tn

JPY 58.9 tn

Mar.17

Mar.19

### ■ 3. Key priorities

---

**Customer First** meet the true needs of our customers

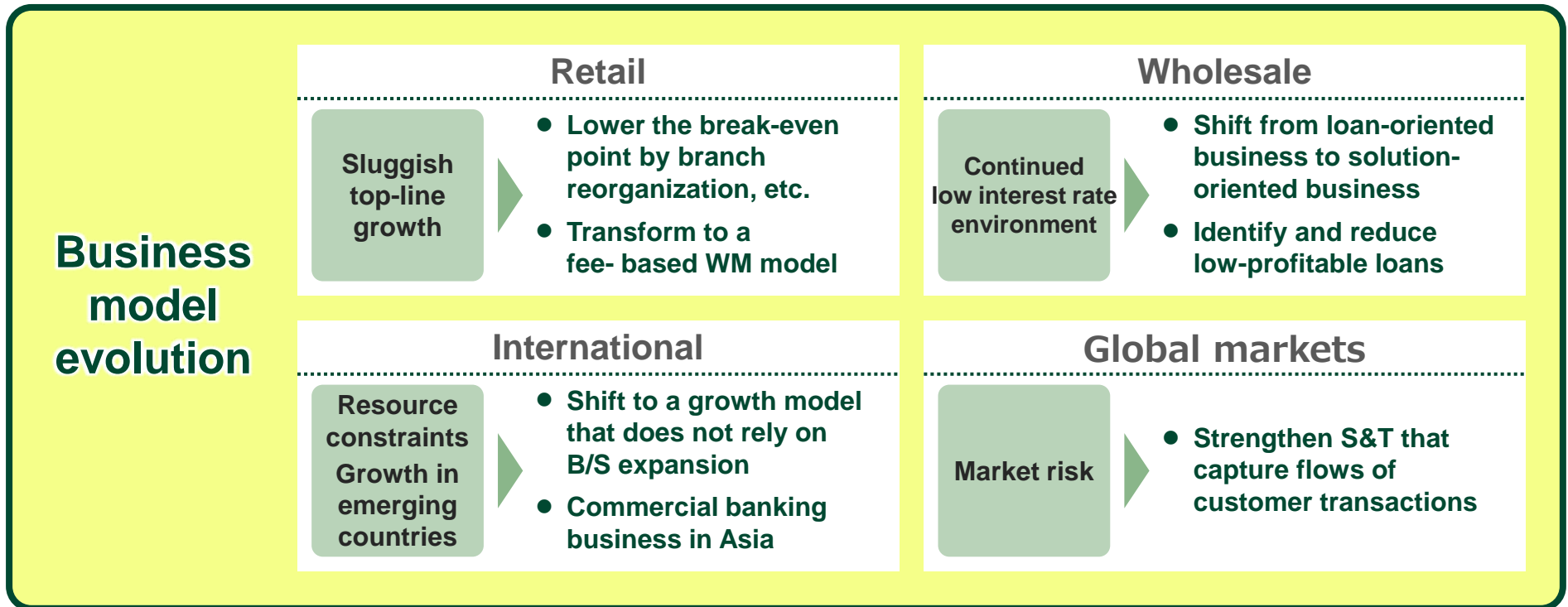


**Bold  
transformation**

**Continuous  
innovation**

**Maximize  
group strengths**

### ■ 3. Key priorities (1) Bold transformation



### ■ 3. Key priorities (2) Continuous innovation

#### Our strengths

**Strong  
financial platform**

**“Trust” gained  
from customers**

**Enormous  
information**

 攻めのIT経営銘柄2019  
Competitive IT Strategy Company

#### Always provide new “values” to our customers

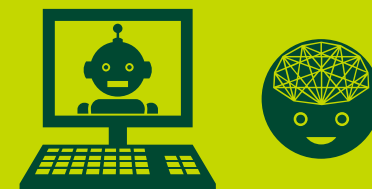
##### Generating new businesses



##### Utilizing data



##### Process automation



### ■ 3. Key priorities (3) Maximize group strengths

#### Established a Group-wide management system

- Introduced business unit system and CxO system
- Started formulating and planning business strategies on a group basis, optimized resource allocation

#### Leverage group synergies

##### Joint branches



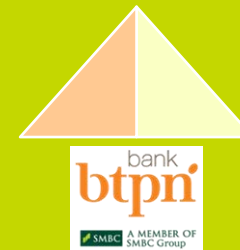
##### Cashless



##### Various solutions



##### Multi-franchise



##### Aircraft business



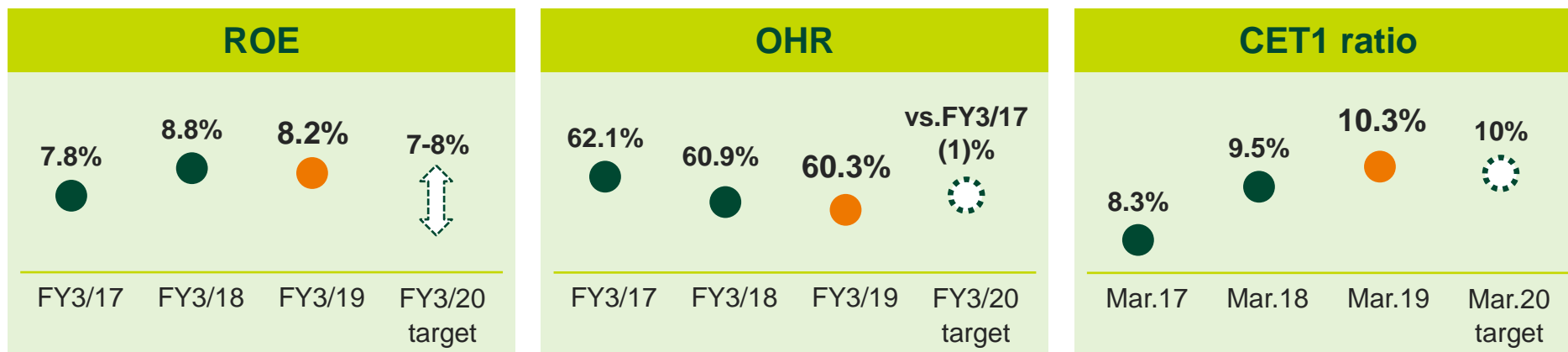
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### **III. Progress of Medium-Term Management Plan and strategic initiatives**



# ■ 1. Progress of Medium-Term Management Plan

## ■ Financial targets



## ■ Key initiatives

Discipline	<ul style="list-style-type: none"> <li>Executed group reorganization measures in a speedy manner to improve capital and asset efficiency</li> <li>Already reduced cost by JPY 36 bn out of the JPY 50 bn target</li> </ul>
Focus	<ul style="list-style-type: none"> <li>Each business unit made good progress in key strategic initiatives of the Medium-Term Management Plan</li> <li>Completed M&amp;A in strategic business areas (credit cards, Indonesia, asset management)</li> </ul>
Integration	<ul style="list-style-type: none"> <li>Sophisticated group management by transforming to a Company with Three-Committees and implemented the business unit system and the CxO system</li> <li>Capital policy entering into a new stage as the CET1 ratio reached the target one year ahead of schedule</li> </ul>

## ■ 2. Transformation of business and asset portfolio

- Executed group reorganization measures in a speedy manner to improve capital and asset efficiency.

### Group reorganization

	Bottom-line profit	RWA
Merger of SMBC Nikko and SMBC Friend	↑ Realize synergies	→
Deconsolidation of the Kansai regional banks	↓ (1)%	↓ (5)% <sup>*2</sup>
Deconsolidation of SMFL	↑ Strengthen core business areas	↓ (4)% <sup>*2</sup>
Consolidation of BTPN	↑ + JPY10bn <sup>*1</sup>	↑ Negligible impact
Merger of SMAM and Daiwa SB	↑ Realize synergies	→
Making SMCC a wholly owned subsidiary	↑ + JPY10bn <sup>*1</sup>	→

- Cost synergies from the merger of SMBC Nikko and SMBC Friend

System cost	Head office staff	Branch closures
JPY 5 bn	250 people	44 branches

- Expansion of business areas at SMFL (through the deconsolidation)

- Expand leased assets (real estate)
- Entered into new businesses including environmental related and infrastructure management

### 3. Cost control

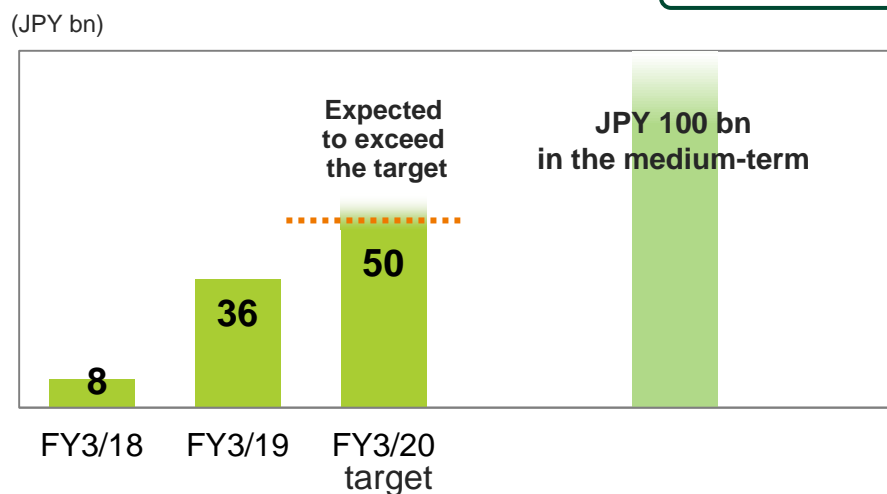
- Reduced cost by JPY 36 bn out of the JPY 50 bn target. Expected to exceed the target during FY3/20.
- Enhance cost control on a group-wide basis to achieve the OHR target.

#### Cost reduction

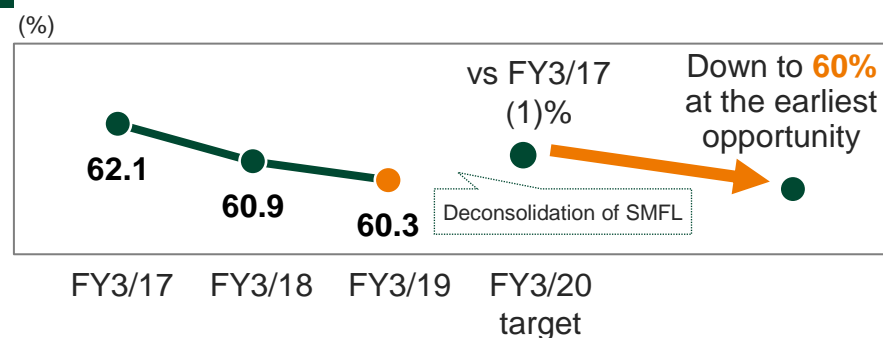
	FY3/19 results	FY3/20 target
Business reforms to improve efficiency	JPY 14.5 bn	JPY 20 bn
Retail branch reorganization	JPY 12.0 bn	JPY 20 bn
Reorganization of group companies	JPY 9.5 bn	JPY 10 bn

Expected in FY3/20

JPY 50 bn +  $\alpha$



#### OHR



#### Personnel (FY3/18-3/20)

Workload  
reduction

Planned

4 thousand people

Expected

5 thousand people

Headcount  
(attrition)

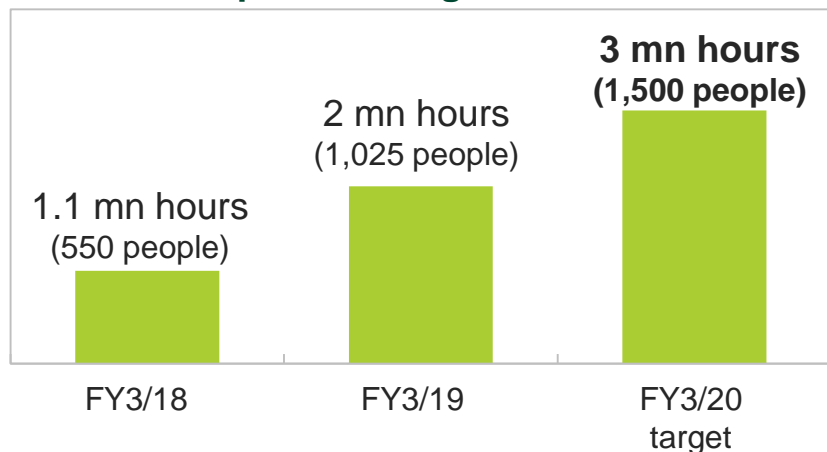
Reduce 4 thousand people  
domestically

### 3. Cost control

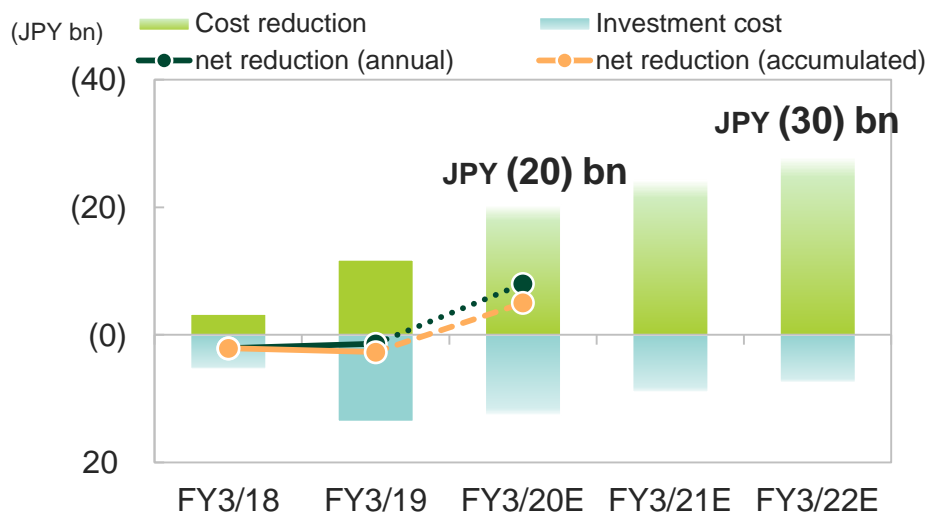
## (Ref.) Progress of key initiatives

#### Business reforms with RPA

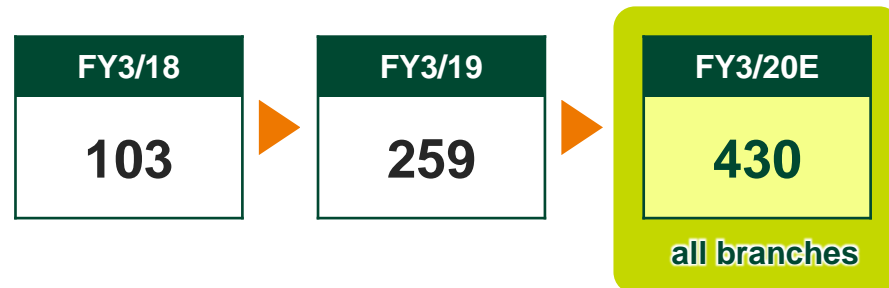
##### World's top-class usage



#### Cost reduction from retail branch reorganization

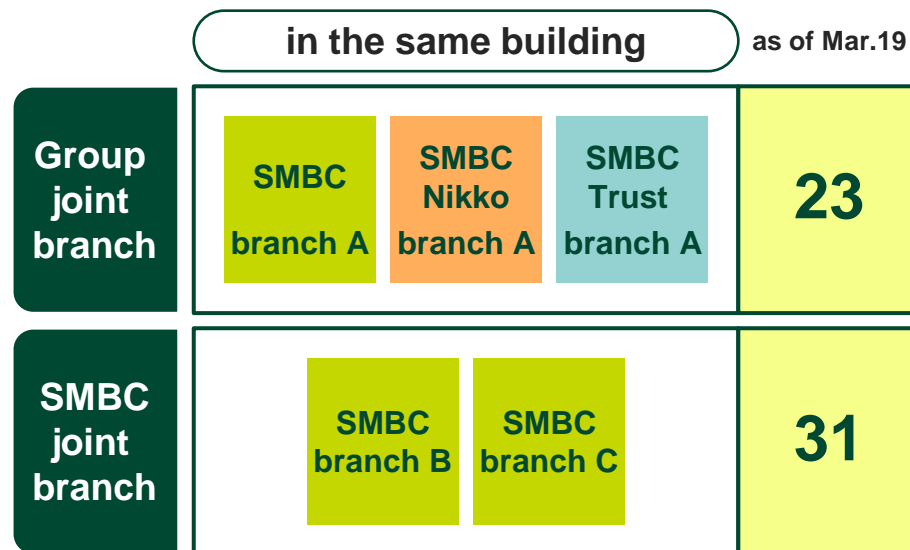


#### # of branches transformed to smart branches



#### Joint branches

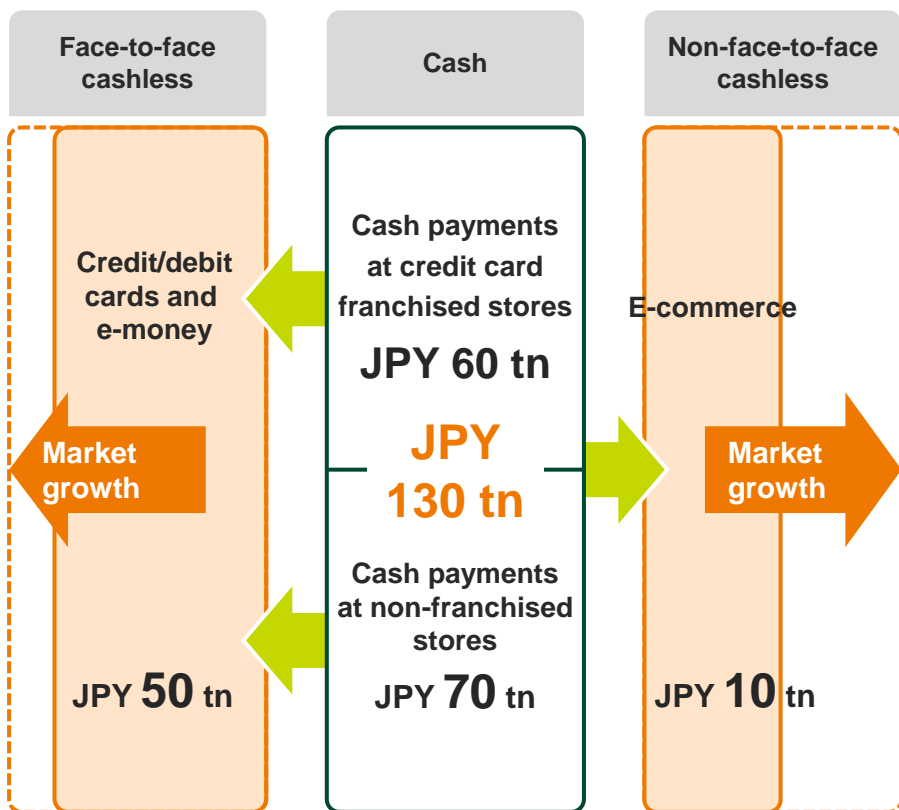
##### Enhance branch network efficiency by integrating branches



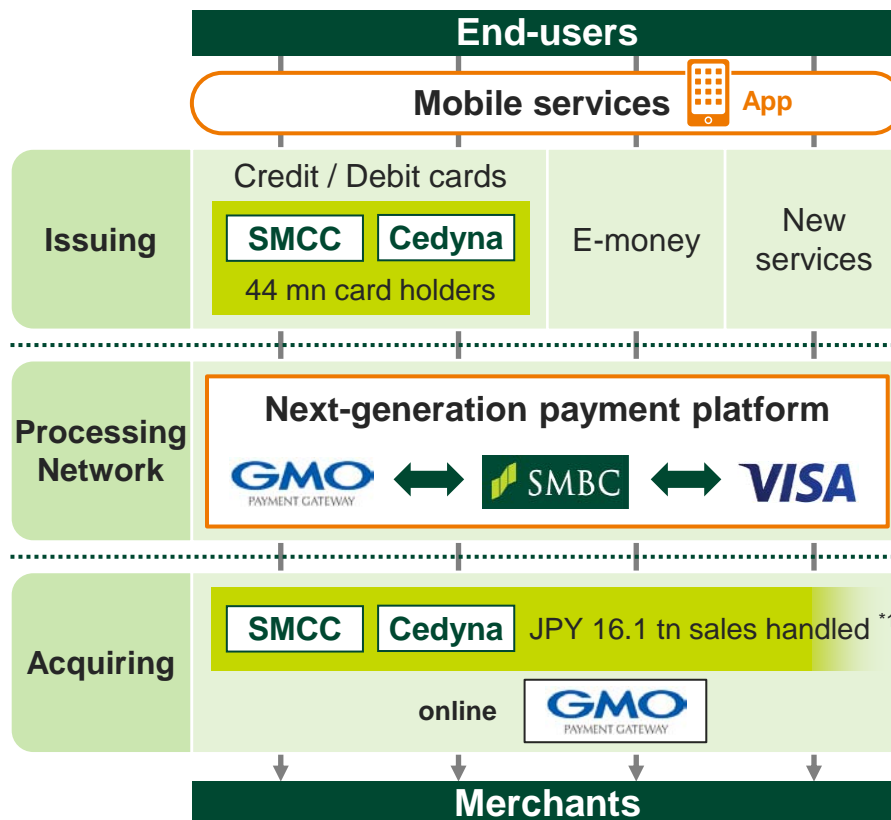
## 4. Cashless payment strategy

- Evolve the cashless payment market in Japan through initiatives that benefit both the merchants and end-users.

### Japanese retail payment market



### Enhance services to both merchants and end-users



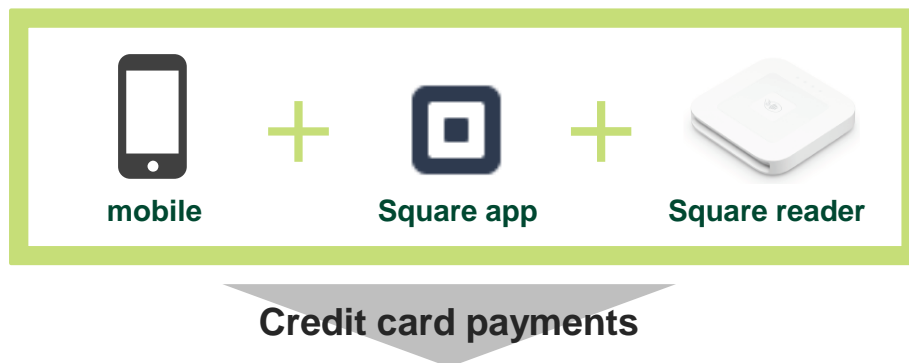
## 4. Cashless payment strategy

# Enhance services to merchants and end-users

- Teamed up with Square to tap the small-middle merchant market.
- Added new features in the mobile app to improve customer convenience.

### Tap the small-middle business market

- Leverage SMBC's customer base and retail channels



### Upgraded the SMBC and SMCC apps

#### Debit card issuance



#### Control spending limits



#### Account management



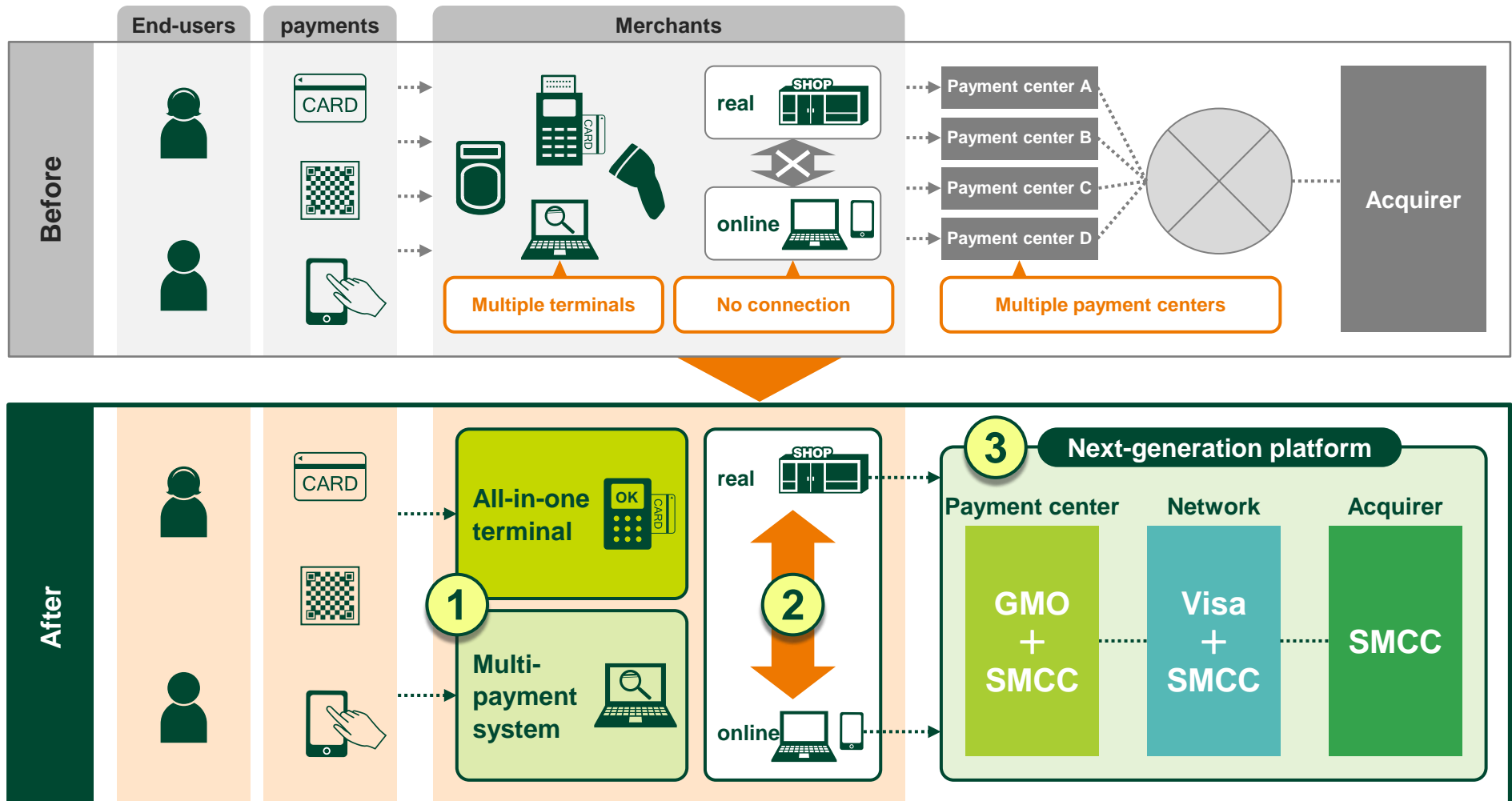
#### Managing financial assets



#### 4. Cashless payment strategy

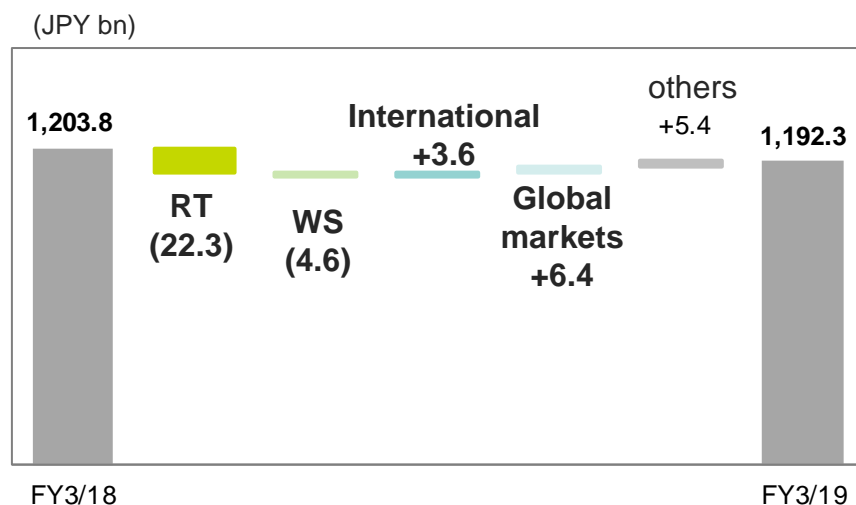
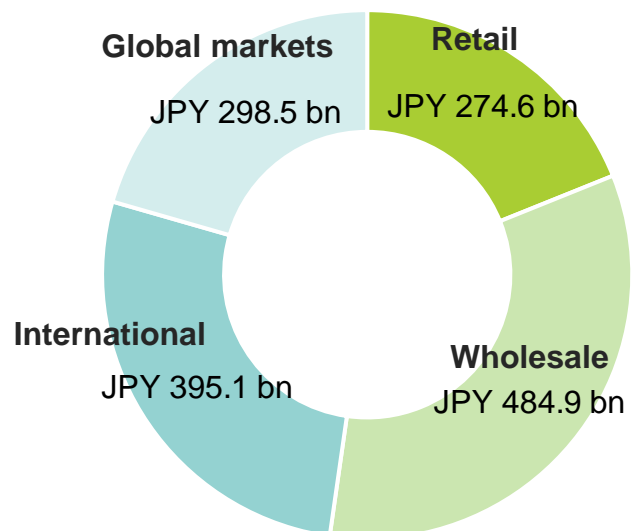
### ■ (Ref) Next-generation platform

- 1 Payments through a single terminal
- 2 Omni channel
- 3 World class security and stability



## ■ 5. Initiatives by business unit

### Consolidated net business profit\*1



### ROE\*2

	FY3/18	FY3/19	FY3/20 target*3
Retail	7.5%	7.3%	7%
Wholesale	11.4%	12.1%	10%
International	10.6%	9.3%	9%
Global markets	33.5%	31.8%	39%



## 5. Initiatives by business unit:

### Retail

- Made good progress in KPIs while profits decreased YoY due to the deterioration of the market in the second half of FY3/19.

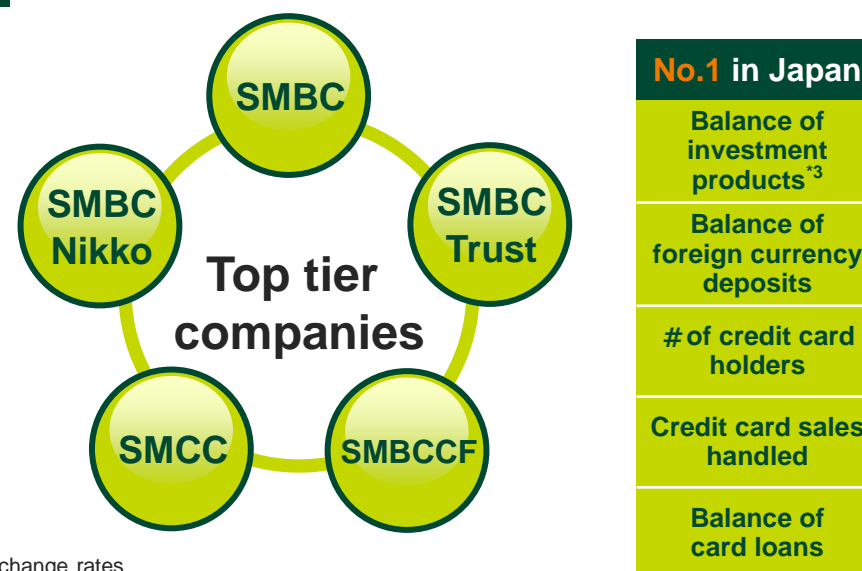
#### Financial results

(JPY bn)	FY3/19	YoY <sup>*2</sup>
Gross profit	1,281.6	(25.7)
Income on loans and deposits <sup>*1</sup>	160.4	(10.3)
Wealth management	316.1	(50.5)
Credit card	411.0	+25.7
Consumer finance	305.4	+3.3
Expenses	1,021.4	(4.5)
(Overhead ratio)	79.7%	+1.2%
Net business profit	274.6	(22.3)
ROE	7.3%	+0.1%
RWA (JPY tn)	12.8	(0.1)

#### KPI

	FY3/18	FY3/19
Balance of fee-based AUM (JPY tn)	11.9	12.7
Credit card sales handled (JPY tn)	16.1	17.9
Utilization rate for digital channels (%)	22.7	31.2
Balance of card loans (JPY tn)	1.8	1.8

#### The number one retail banking franchise in Japan



## 5. Initiatives by business unit:

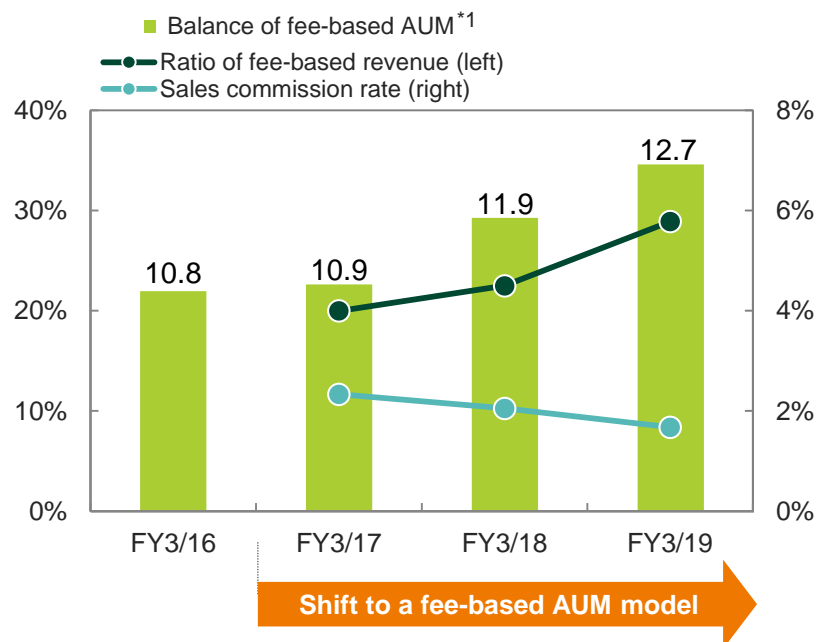
### Retail

- Change the profit structure by shifting to a fee-based AUM business model.
- Capture long-term investment and inheritance / succession needs from customers in anticipation of the coming “100-Year life” era.

#### Wealth management business

- Shift to a fee-based AUM business model amid the ongoing decrease in sales commissions
- Steadily increasing fee-based AUM through the collaboration of SMBC and SMBC Nikko

- Strengthen consulting capability as we enter the “100-Year life” era



#### Long-term investment needs

- Consult customers using various simulations



#### Inheritance and succession needs

- High-net-worth clients aged 60 or older with accounts at SMBC\*2

Total financial assets	o/w at SMBC	New potential for SMBC
JPY 34 tn	JPY 8 tn	JPY 26 tn

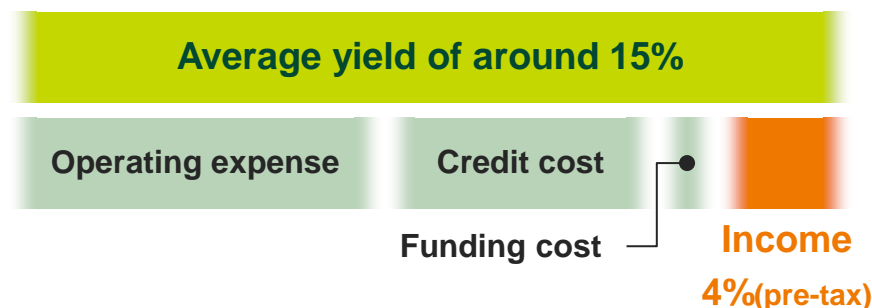
## 5. Initiatives by business unit:

### Retail

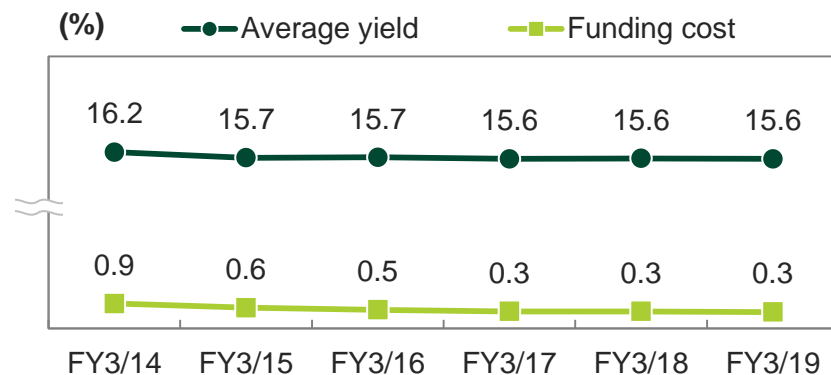
- Consumer finance business maintains a highly profitable business model amid the extremely low interest rate environment.
- Group-wide card loan balance is increasing.

#### Consumer finance

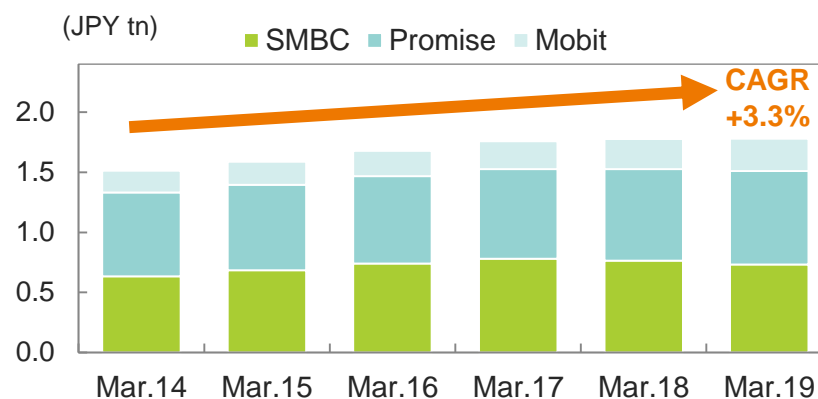
- Highly profitable business model\*1



- Spreads remain at a high level (SMBCCF)



- Card loan balance is increasing on a group basis



- Increase in loans to female and young people with the rise of employments

	FY3/14	FY3/19
Female	29%	34%
20s&30s	64%	73%

(% of new loan customers at Promise)

\*1 Estimated figures for domestic loans of Promise (excluding the guarantee business)

## 5. Initiatives by business unit:

### Wholesale

- Maintained high ROE with competitive advantage. Good progress in KPI.

#### Financial results

	(JPY bn)	FY3/19	YoY <sup>*1</sup>
Gross profit		784.9	+0.6
Income on loans and deposits		192.9	(2.1)
S FX and money transfer fees		107.7	+1.5
M Loan syndication		38.0	(13.7)
B Structured finance		34.4	+2.8
C Real estate finance		11.3	+0.4
Security business		91.2	+9.3
Leasing business <sup>*2</sup>		120.4	(2.3)
Expenses		345.1	+0.9
(Overhead ratio)		44.0%	+0.1%
Net business profit		484.9	(4.6)
ROE		12.1%	(0.1)%
RWA (JPY tn)		19.5	(0.4)

#### KPI

	FY3/18	FY3/19
Japanese corporate bonds (%)	17.0	16.8
IPO deals	#3	#1
M&A advisory deals	#1	#1

#### Competitive advantage

Strong relationship  
with customers

Offering multi-solutions  
on a group wide basis

Marketing officers with  
high capabilities,  
expertise, and motivation

ROE (FY3/19)

12.1%

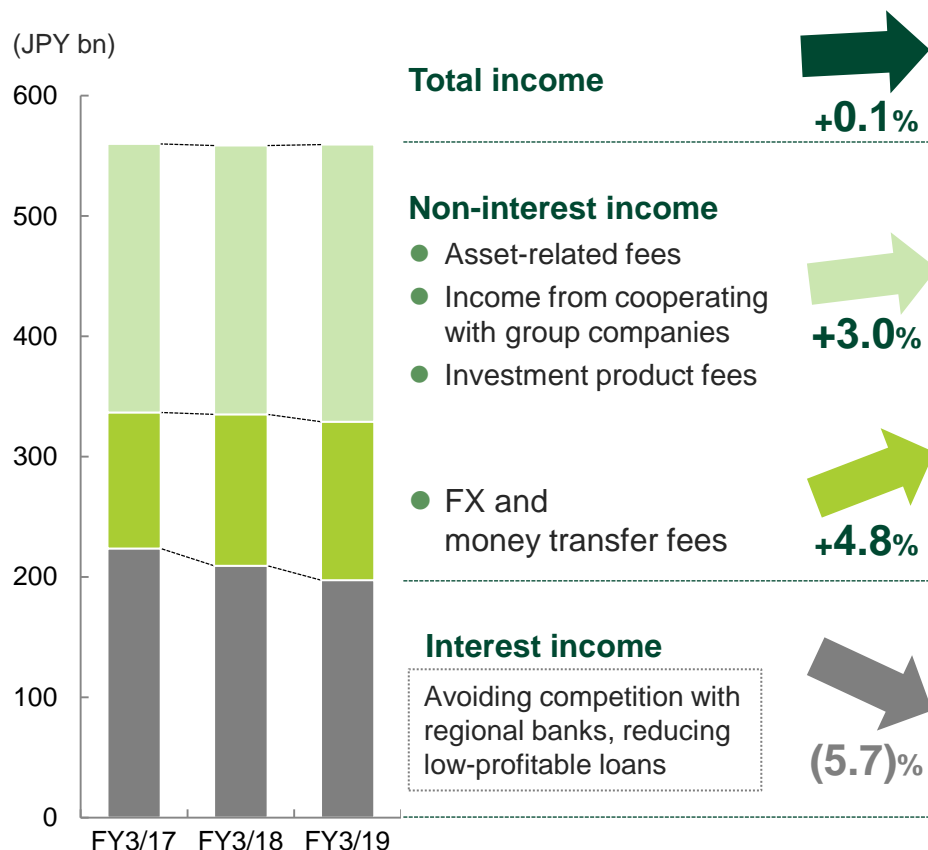
## 5. Initiatives by business unit:

### Wholesale

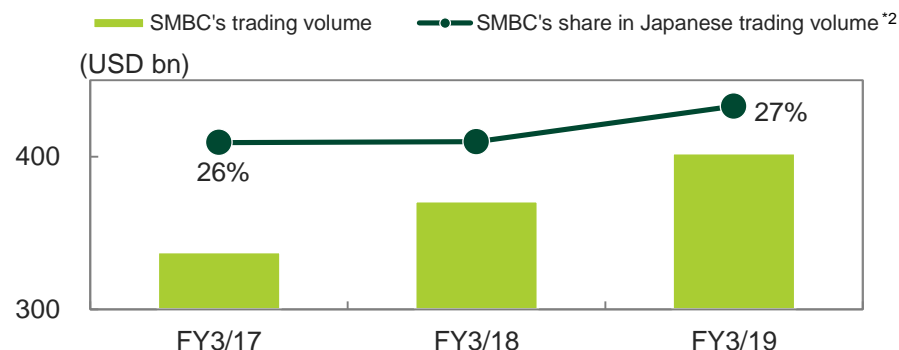
- Total income increased under the negative interest rate policy by strengthening non-interest income. In particular, stable fee income including FX and money transfer fees increased steadily.
- Aim to have the decline of the loan spread to bottom out this fiscal year.

#### Transformation of the profit structure<sup>\*1</sup>

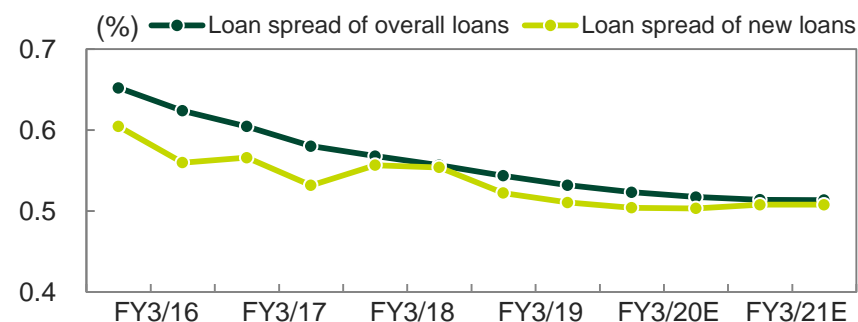
(vs FY3/18)



#### Steady increase in FX fees



#### Loan spread decline for mid-sized and SMEs is expected to bottom out in FY3/20



## 5. Initiatives by business unit:

### Wholesale

- Improve asset efficiency through comprehensive profit-focused management, including cross-selling among group companies.
- Provide solutions using new digital services to upgrade marketing activities.

#### Improve asset efficiency

- Expand profitability management for each client

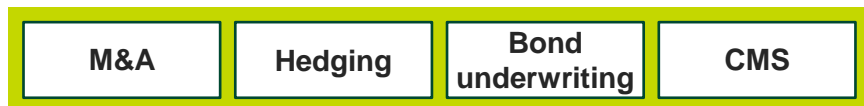


#### Provide solutions for a variety of customer needs

- Medium-sized corporate clients :  
Multifaceted approach on a group basis

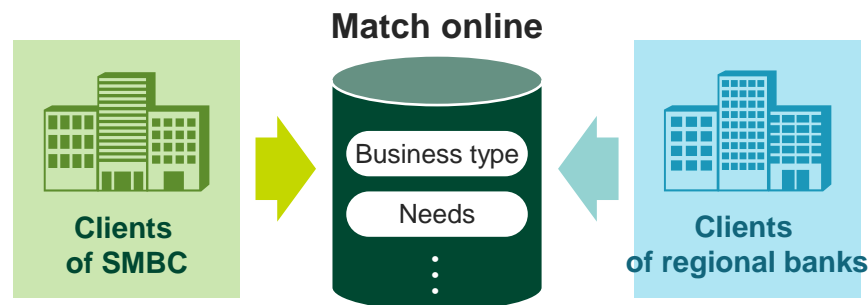


- Large global clients :  
Deepening the CIB Model on a global basis



#### Digital solutions

- Started online business matching service



- Upgrade sales activities by using digital technology, such as global business flow analysis



## 5. Initiatives by business unit:

# International

- Both gross profit and net business profit increased by growing business on a sustainable basis under the risk appetite framework.

## Financial results

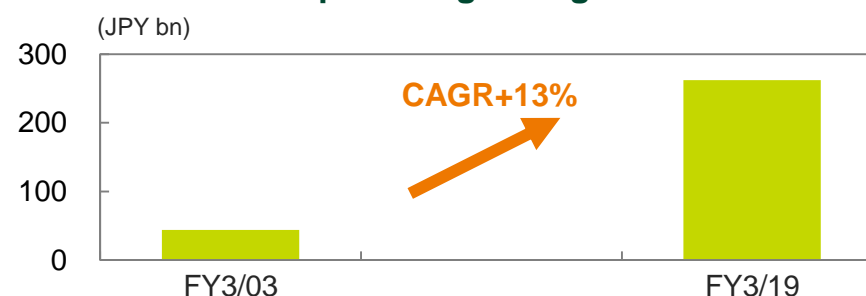
(JPY bn)	FY3/19	YoY <sup>*1</sup>
Gross profit	689.6	+31.2
Income on loans and deposits	297.6	+24.7
Loan related fees	111.2	+9.3
Securities business	41.8	+0.5
Aircraft leasing	46.6	(0.7)
Expenses	333.4	+22.2
(Overhead ratio)	48.3%	+1.1%
Net business profit	395.1	+3.6
ROE	9.3%	(1.1)%
RWA (JPY tn)	22.3	+1.1

## KPI

	FY3/18	FY3/19
Non-asset based profit in Asia (USD mn)	634	756
# of active book runner transactions	64	97
Distribution amount (JPY tn)	2.5	3.0

## Growth driver of SMBC group

- Net business profit is growing



- Strong global businesses

### Project finance

#2 global



### Aircraft leasing

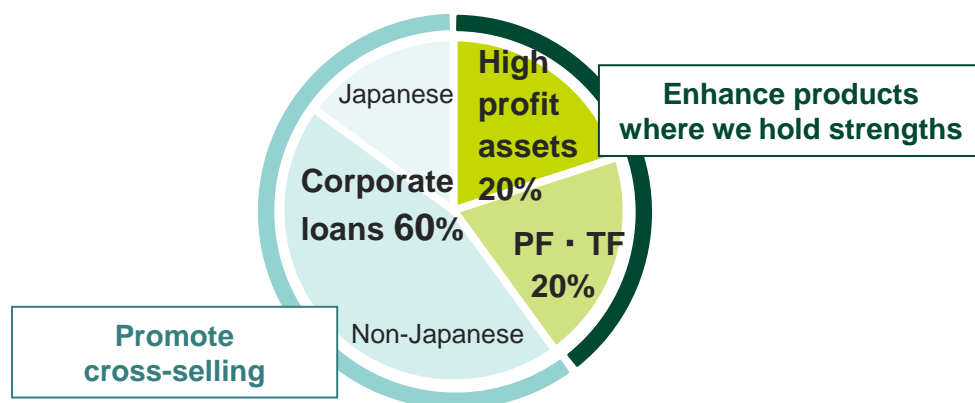
#5 global

## 5. Initiatives by business unit:

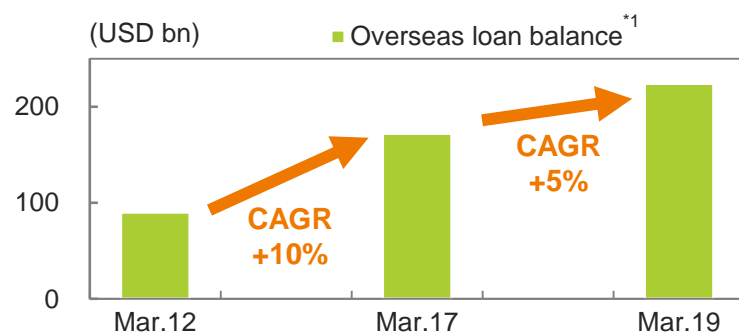
### International

- Improve asset efficiency by promoting cross-selling and enhancing products where we hold strengths.

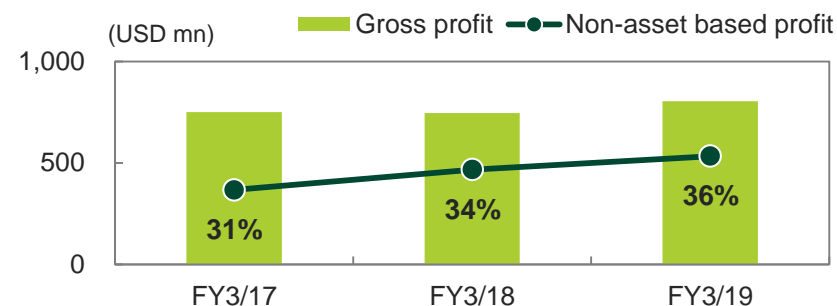
#### Overseas asset portfolio



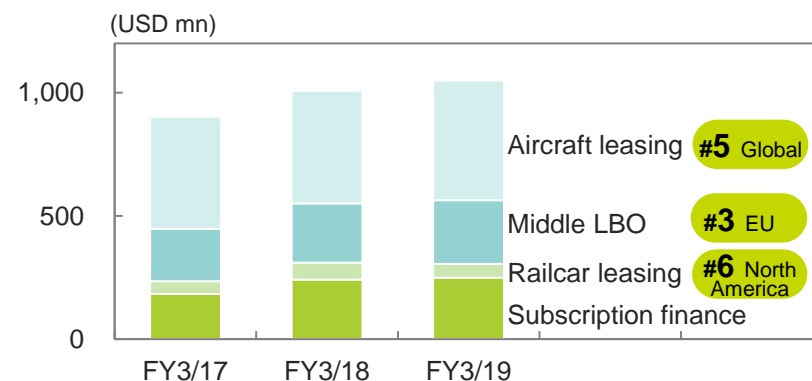
- Controlling the growth rate of assets



- Increased cross-selling among non-Japanese companies in Europe and the U.S.



- Increased profits from products with strengths





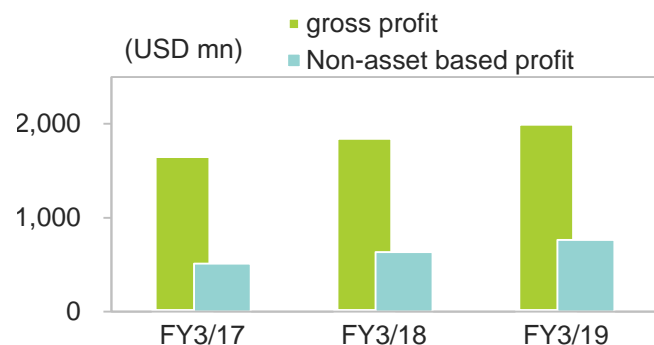
## 5. Initiatives by business unit:

### International

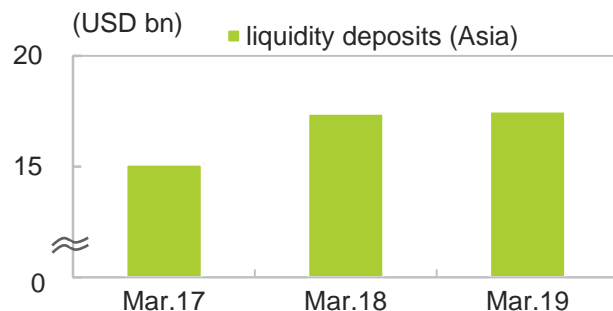
- Increase profit by deepening relationship with core clients in Asia.
- Merged BTPN and SMBC Indonesia. Accelerate the Multi-franchise strategy.

#### Asia core client strategy

- Expand transactions with core clients



- Steady increase in liquidity deposits by strengthening transaction banking



#### Multi-franchise strategy

- Merger of BTPN and SMBC Indonesia

Feb. 2019

#### Full-banking service

Establish a commercial bank covering both corporate and individual customers



#### Top-tier bank in Indonesia

Build the second SMBC

- Consider expansion to new targeted countries

## 5. Initiatives by business unit:

### Global markets

- Both gross profit and net business profit increased by nimble portfolio management despite the severe market conditions.

#### Financial results

(JPY bn)	FY3/19	YoY <sup>*1</sup>
Gross profit	333.6	+4.8
SMBC's Treasury Unit	253.5	+7.5
Expenses	54.2	(0.4)
(Overhead ratio)	16.2%	(0.4)%
Net business profit	298.5	+6.4
ROE	31.8%	+1.4%
RWA (JPY tn)	4.9	(1.2)

#### KPI

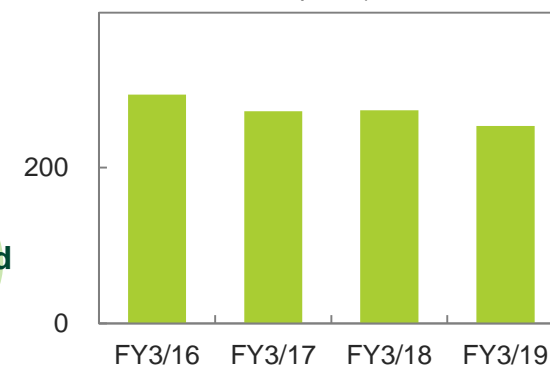
	FY3/18	FY3/19
S&T profits (JPY bn)	271.4	261.0

#### Stable earnings

##### Source of earnings



(JPY bn) ■ Gross profit(Non-consolidated)

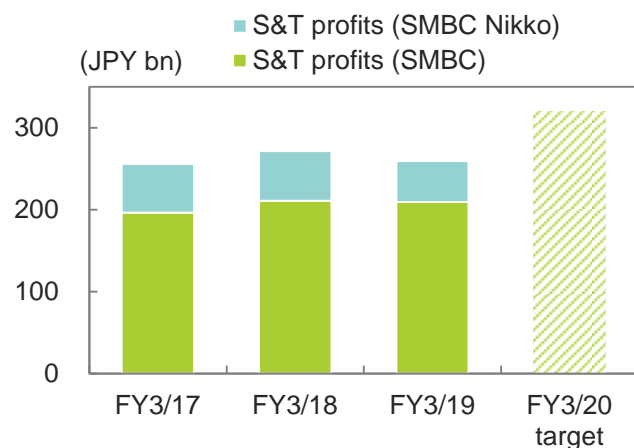


## 5. Initiatives by business unit:

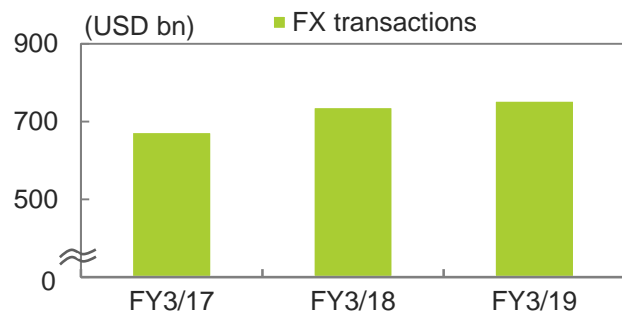
### Global markets

- Further enhance S&T to improve and stabilize profitability.
- Focus both on stability and cost for foreign currency funding.

#### S&T (Sales & Trading)

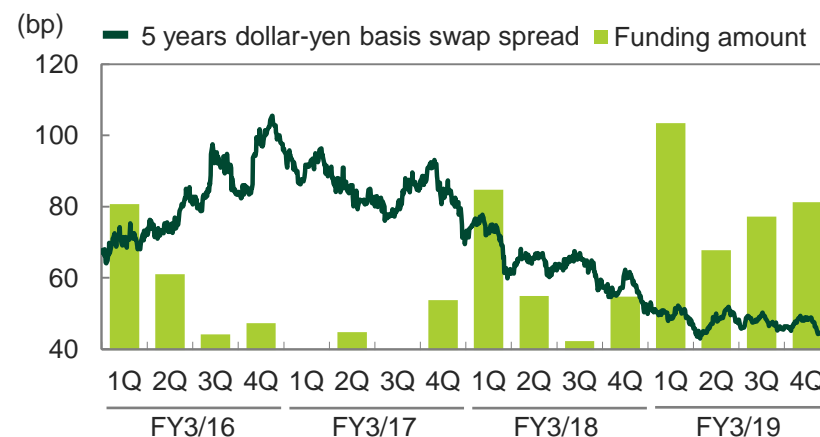


#### ● Focus on FX-related transactions



#### Foreign currency funding

- Diversify funding methods and expand investors base
  - Covered bonds **First in Japan** (Nov. 2018)
  - Foreign currency green bond for individual investors **First as a Japanese bank** (Dec. 2018)
- Utilize medium- to long-term currency swaps looking at the swap spread to lower funding costs

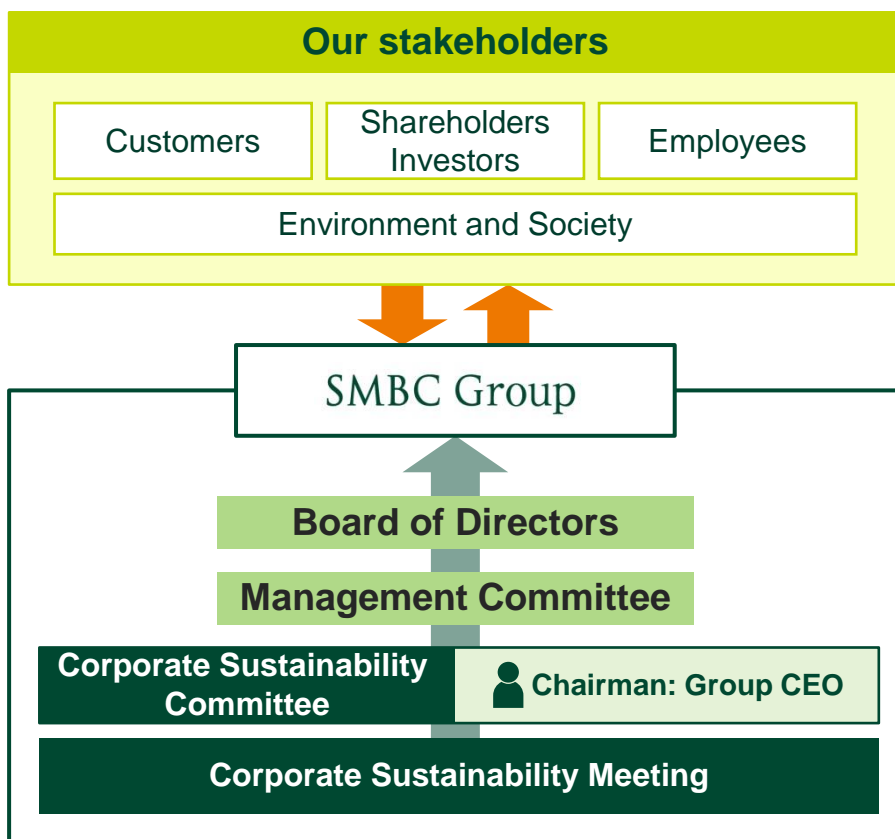


## IV. ESG

# ■ 1. Sustainability management

- Promote initiatives to resolve social issues and achieve the SDGs under direct leadership from the Group CEO.

## Sustainability management



## Selected ESG indices










## External awards



## 2. Environment, Social

- Work on initiatives to solve social issues.

Social Issues		Our initiatives	Achievements
<b>Realize a sustainable society</b> 		<ul style="list-style-type: none"> <li>Enhance Corporate Sustainability Management</li> <li>Promote ESG/SDGs related financial services</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed the Principle for Responsible Banking</li> <li>ESG/SDGs assessment loan, social loan</li> </ul>
<b>Envir.</b>	<b>Low carbon society</b> 	<ul style="list-style-type: none"> <li>Promote climate related finance</li> <li>Manage climate change risk</li> </ul>	<ul style="list-style-type: none"> <li>No.1 (globally) in syndicating renewable energy project</li> <li>Established lending policies for specific sectors (incl. coal-fired power plants)</li> <li>Disclosed the result of scenario analyses as response to TCFD</li> </ul>
<b>Next Generation</b>	<b>Changes in Demography</b> 	<ul style="list-style-type: none"> <li>Succession and management of individual financial assets</li> <li>Provide solution for aging society</li> </ul>	<ul style="list-style-type: none"> <li>Launched a multi-life-stage typed domestic investment trust "Life Journey"</li> </ul>
	<b>Working environment with job satisfaction</b> 	<ul style="list-style-type: none"> <li>Diversity and Inclusion</li> <li>Work-style Reform</li> </ul>	<ul style="list-style-type: none"> <li>Unconscious bias training for managers</li> <li>Promote teleworking</li> </ul>
<b>Community</b>	<b>Financial Inclusion</b> 	<ul style="list-style-type: none"> <li>Promote Digitalization</li> <li>Develop commercial banking business in Asia</li> </ul>	<ul style="list-style-type: none"> <li>Update mobile apps</li> <li>Provide digital banking by BTPN</li> </ul>
	<b>Support growing industries Regional Revitalization</b> 	<ul style="list-style-type: none"> <li>Provide risk money and support through consultation</li> </ul>	<ul style="list-style-type: none"> <li>No.1 in IPO underwriting</li> </ul>
	<b>Measures against Poverty</b> 	<ul style="list-style-type: none"> <li>Raise financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Financial education to 130K people (domestic)</li> </ul>

### 3. Initiatives toward TCFD<sup>\*1</sup> recommendations

- Conducted analysis and calculated the impact of climate-related risks.  
The impact is considered to be limited : approx. JPY 1 bn of credit costs on an annual basis.
- Strengthening the risk management system when financing coal-fired power plants and coal mining.






Released in April 2019

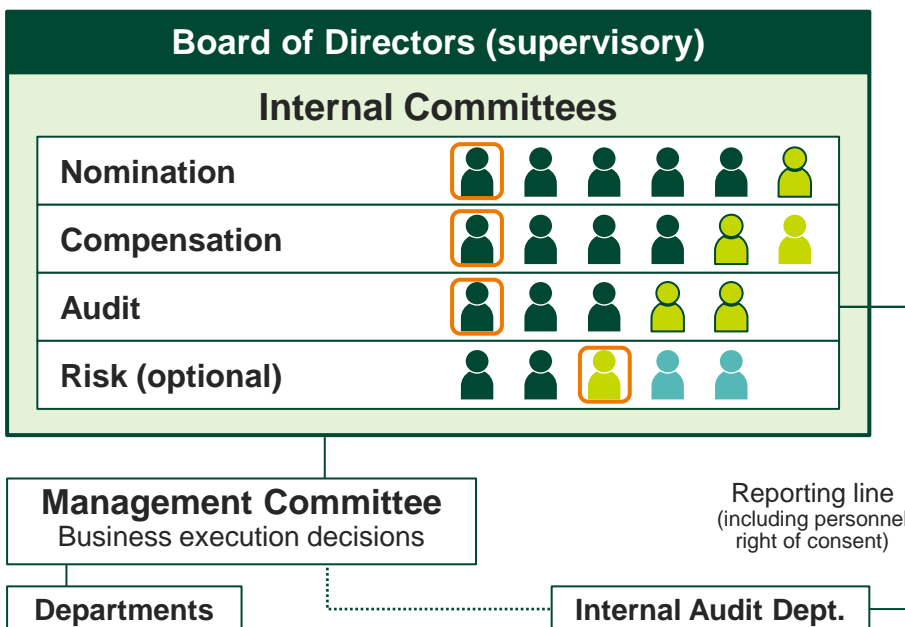
Governance	<ul style="list-style-type: none"> <li>● Enactment of the "Group Environmental Policy"</li> <li>● Establishment of the "Corporate Sustainability Committee" chaired by the Group CEO to reflect climate change responses in management strategies</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>● <b>Conducted scenario analysis of climate change in physical risks</b> <ul style="list-style-type: none"> <li>● Targeting SMBC's domestic corporate customers, we estimate <b>credit costs in the event of a water disaster to be approximately JPY 30 to 40 bn between 2019 and 2050 (JPY 1 bn annual) based on the scenarios of RCP*2.6 (2 ° C scenario) and RCP 8.5 (4 ° C scenario)</b></li> </ul> </li> <li>● Analysis of the future impact of stranded assets is under discussion</li> <li>● Financing renewable energy projects and issuing green bonds</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>● Implementation of environmental and social risk assessments based on the Equator Principles</li> <li>● <b>Manage finance for coal-fired power plants and coal mining</b> <ul style="list-style-type: none"> <li>● Introduce business specific policies for coal-fired power plants in SMBC Group companies</li> <li>● <b>SMBC expanded the scope of its environmental and social risk assessments to include loans for coal mining</b></li> </ul> </li> </ul>
Metrics and Targets	<ul style="list-style-type: none"> <li>● Disclosure of greenhouse gas emissions</li> </ul>

## 4. Governance

- Enhanced governance framework.
- Reduced the total number of the board of directors to 15. % of outside directors was raised to 47%.

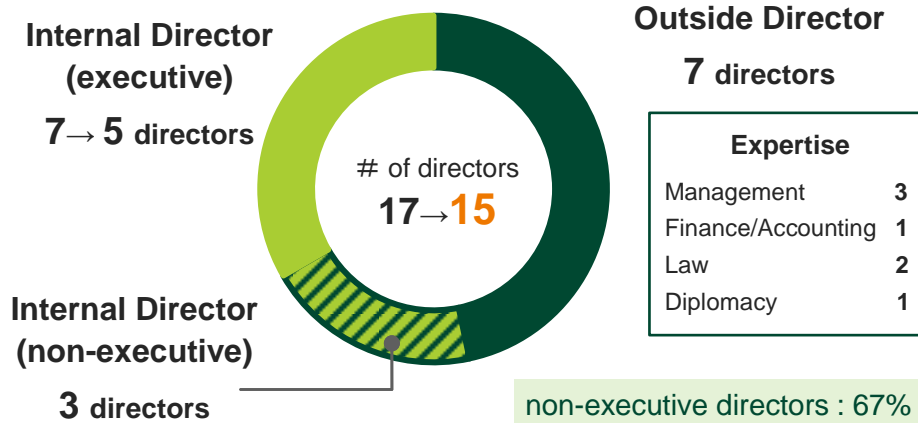
### Governance framework

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

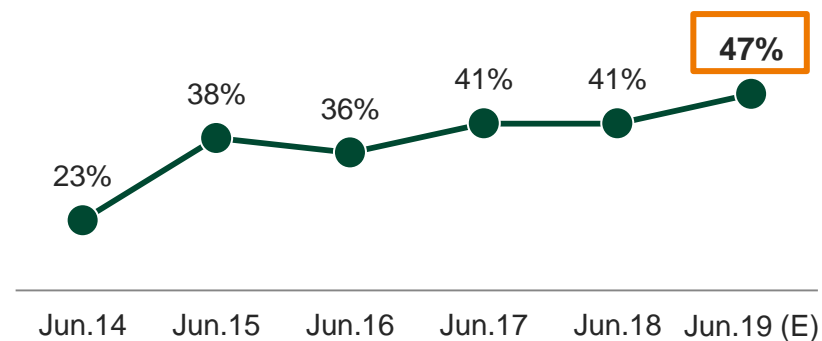


- SMBC and SMBC Nikko to transform to a company with an Audit and Supervisory committee<sup>\*1</sup>

### Board of directors<sup>\*1</sup>



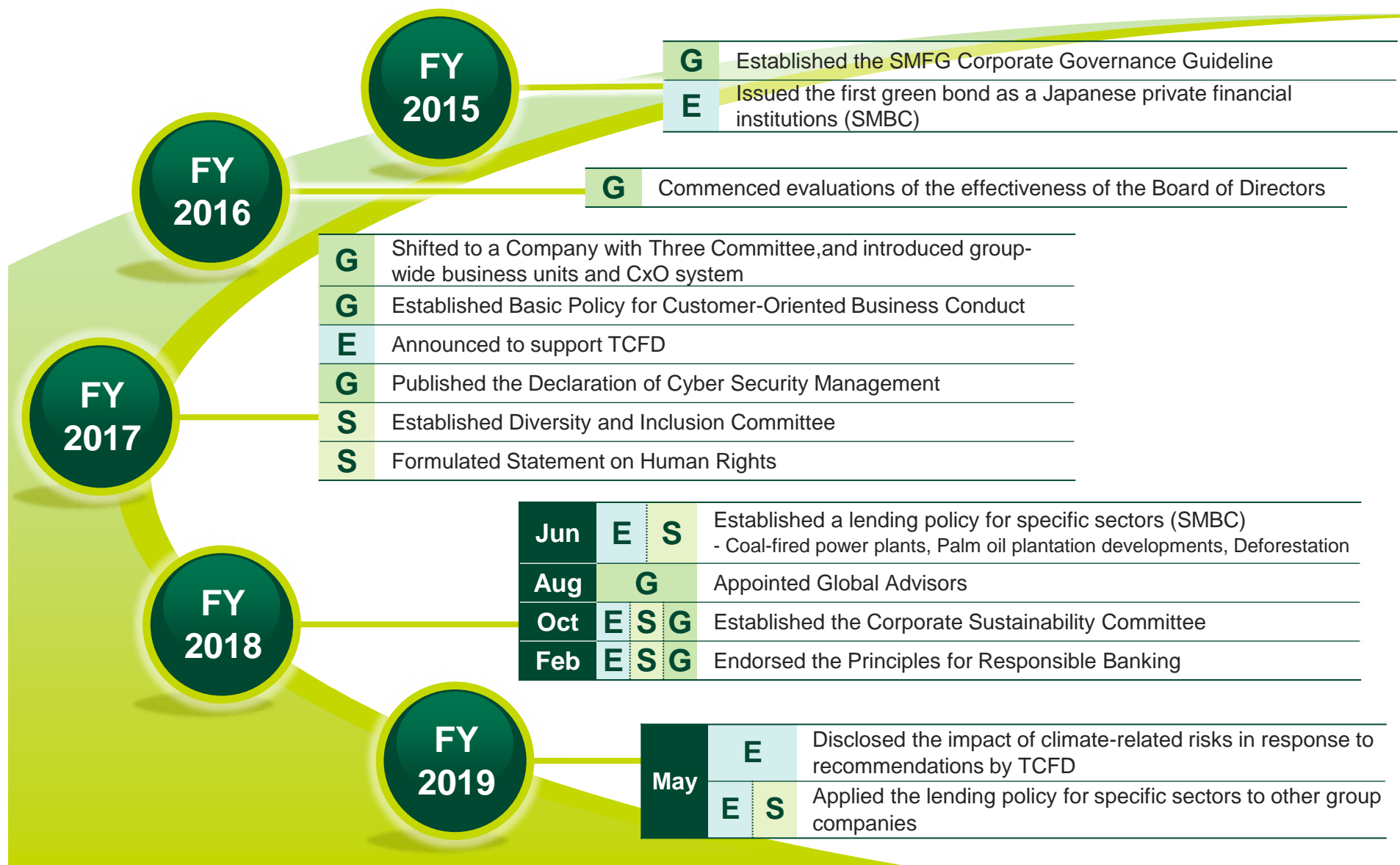
### % of Outside Directors



Board of corporate auditors → Company with three committees



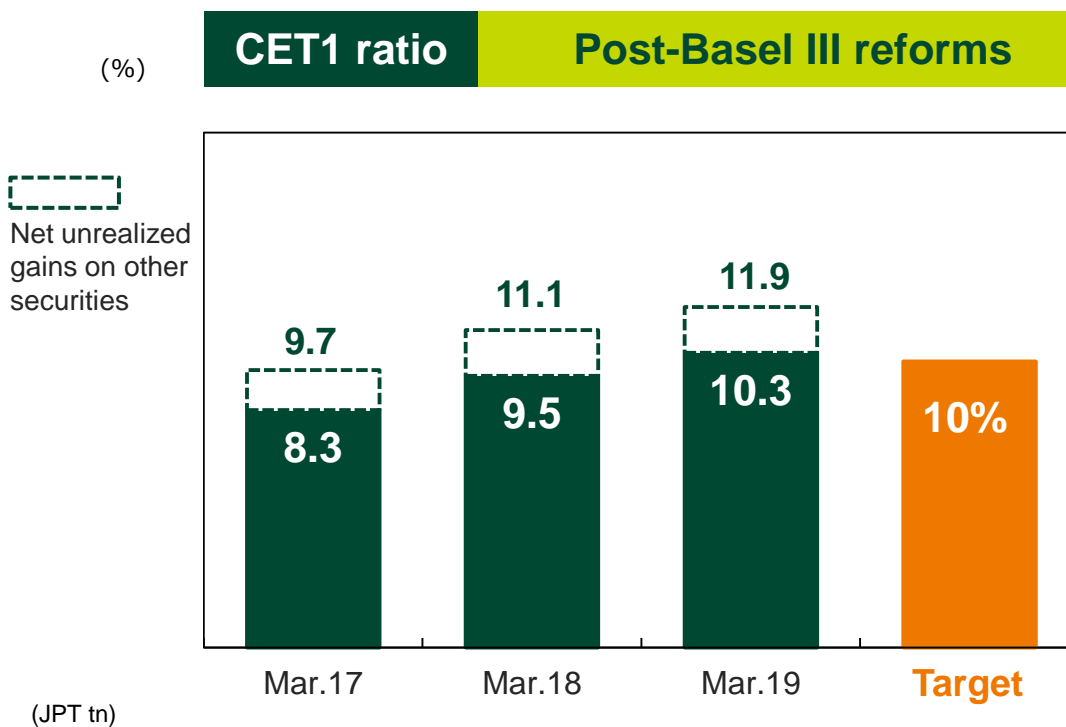
## ■ (Ref.) Our ESG history



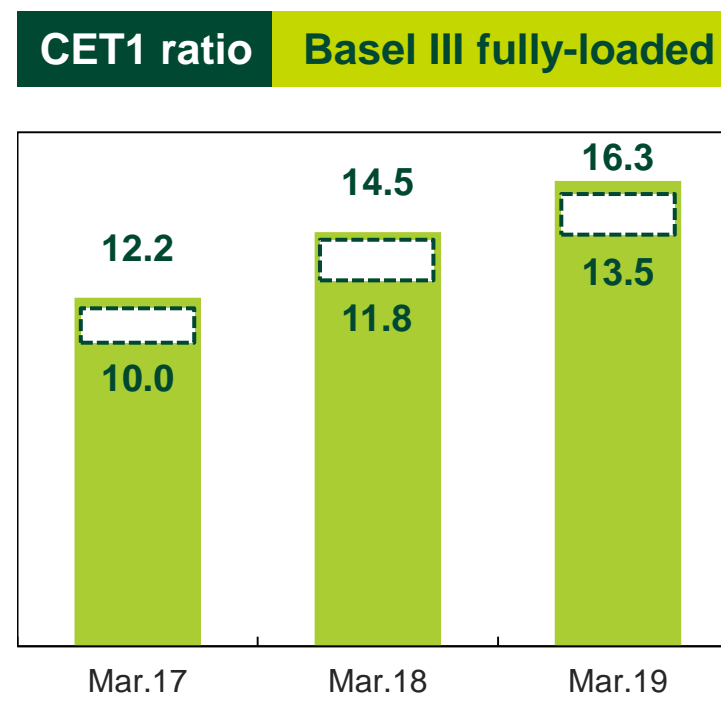
## **V. Capital policy**

# 1. Capital position

- Reached our CET1 ratio target one year ahead of schedule.



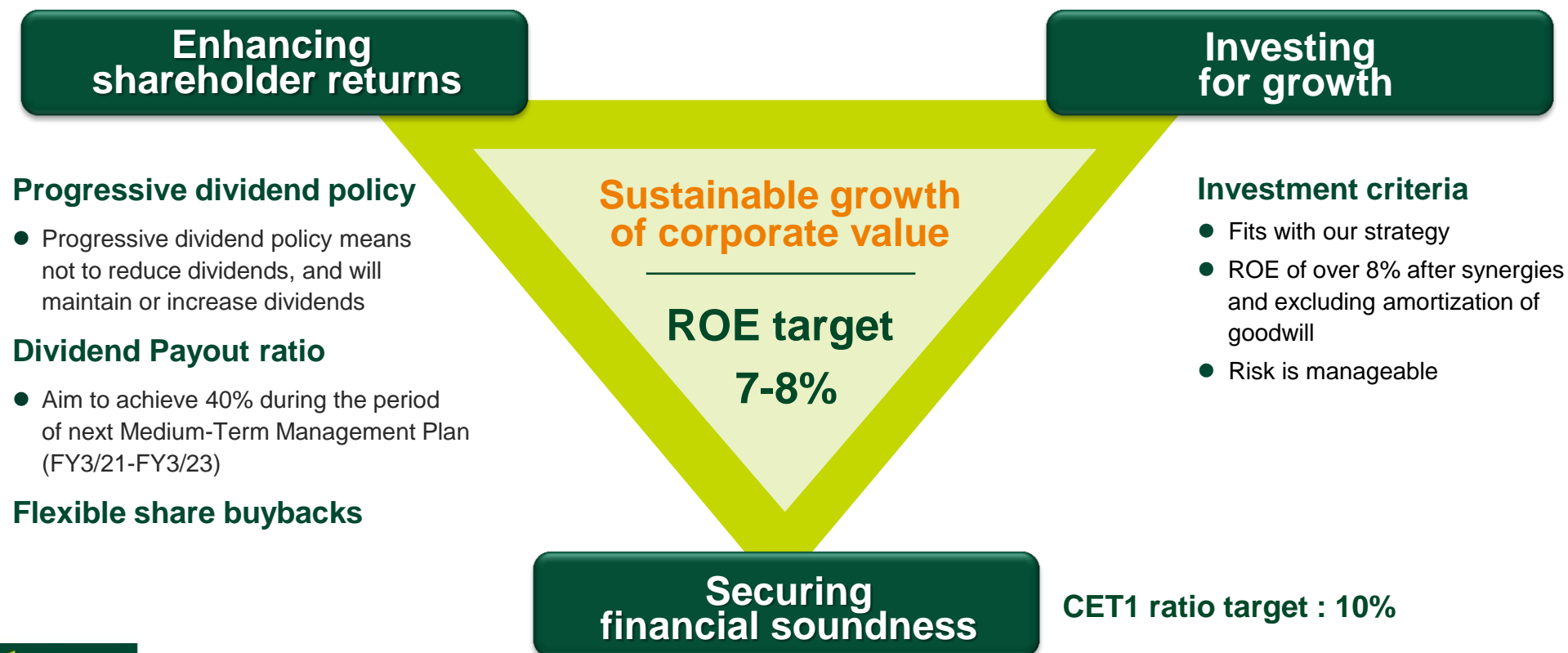
RWA	85.6	78.7	76.8
CET1	7.1	7.5	8.0



70.6	63.5	58.9
8.7	9.2	9.7

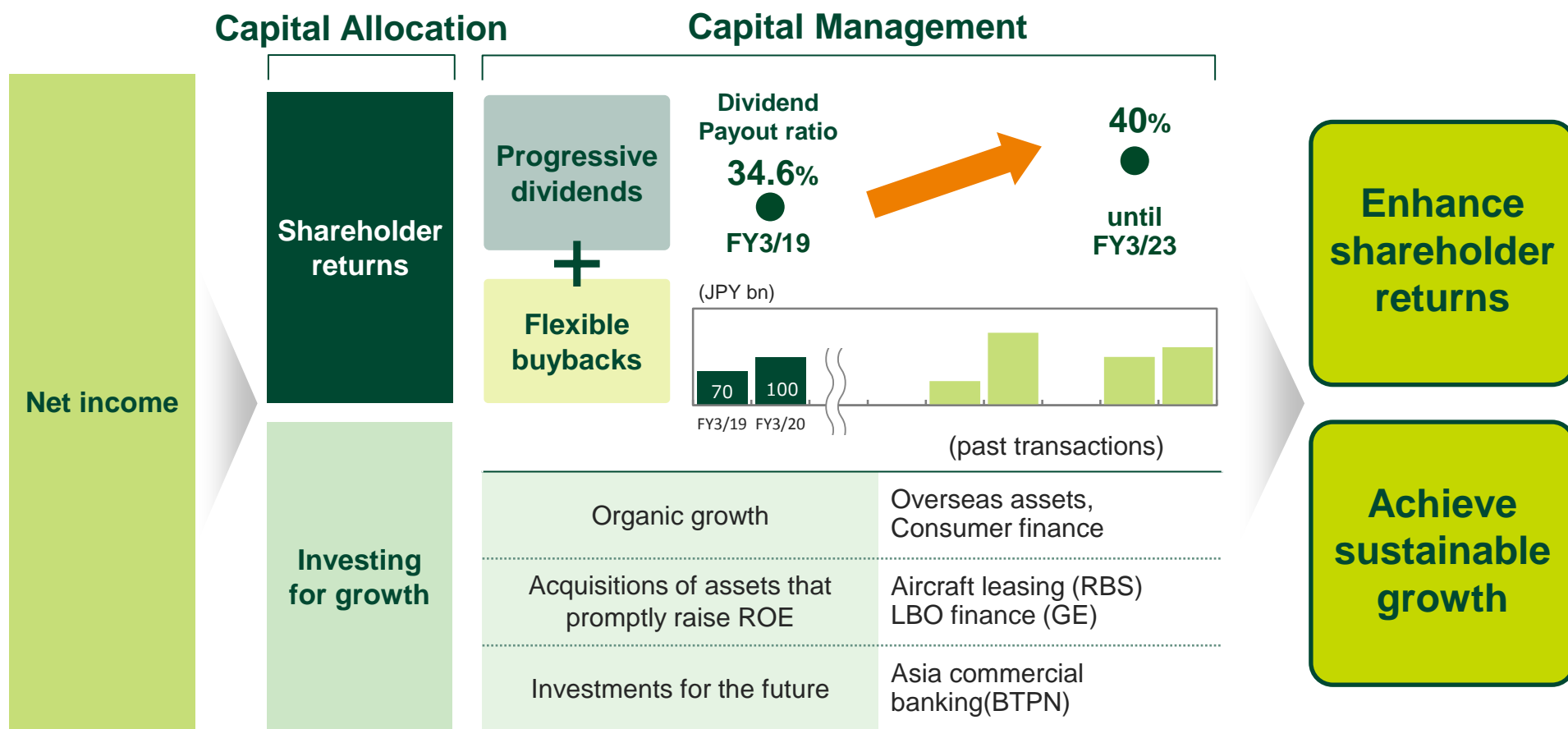
## ■ 2. Basic capital policy

- **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.



### ■ 3. Medium-to long-term capital management

- Entered into a new stage to focus on shareholder returns and investing for growth, after reaching our CET1 ratio target.
- Enhance shareholder returns through progressive dividends and flexible share buybacks, and achieve sustainable growth with disciplined growth investments.



## 4. Shareholder returns

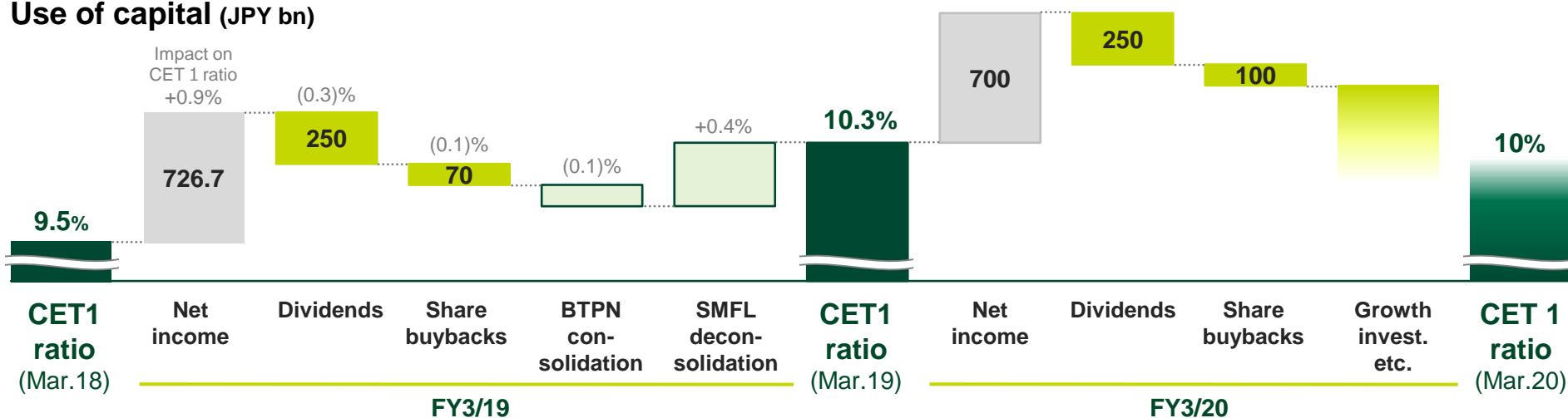
- Dividends : FY3/19 JPY 180 (+ JPY 10 YoY and vs target), FY3/20 target JPY 180.
- Share buybacks : up to JPY 100 bn (all of the repurchased shares will be cancelled.)

	FY3/19 (actual)	YoY	vs target	FY3/20 (target)
DPS	180	+10	+10	180
Dividend payout ratio	34.6%	+1.9%	—	35.9%
Share buybacks	70 bn (18/5)	—	—	100 bn (19/5)
Total payout ratio	44.2%	—	—	50.2%
Net income	726.7 bn	(7.7) bn	+26.7 bn	700 bn

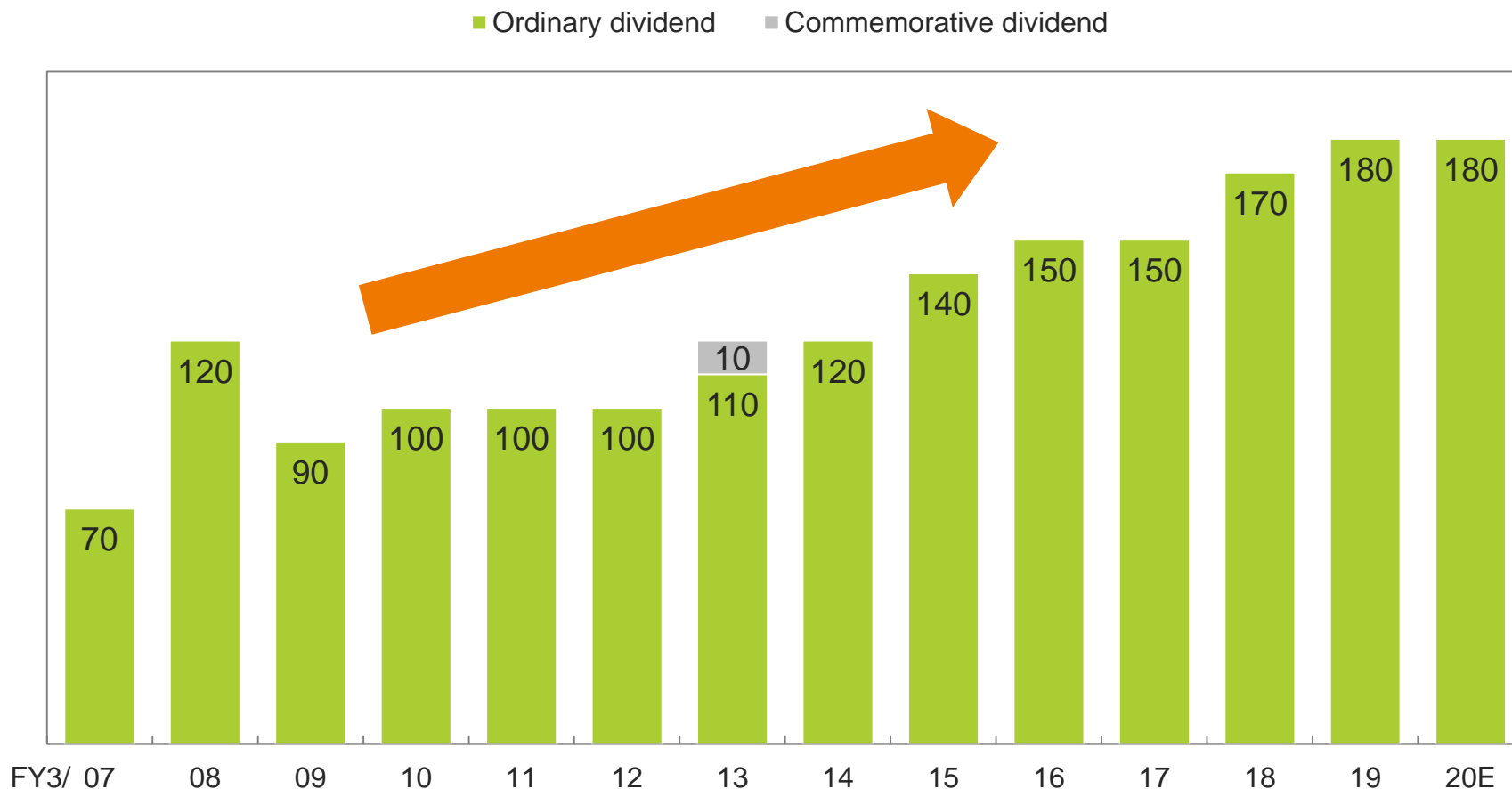
### Outline of share buybacks

Purchase amount	up to JPY 100 bn
Purchase # of shares	up to 32 mn shares
Purchase period	May.16 – Aug.30, 2019
Scheduled cancellation	Sep.20, 2019

### Use of capital (JPY bn)



## (Ref) Dividends per share

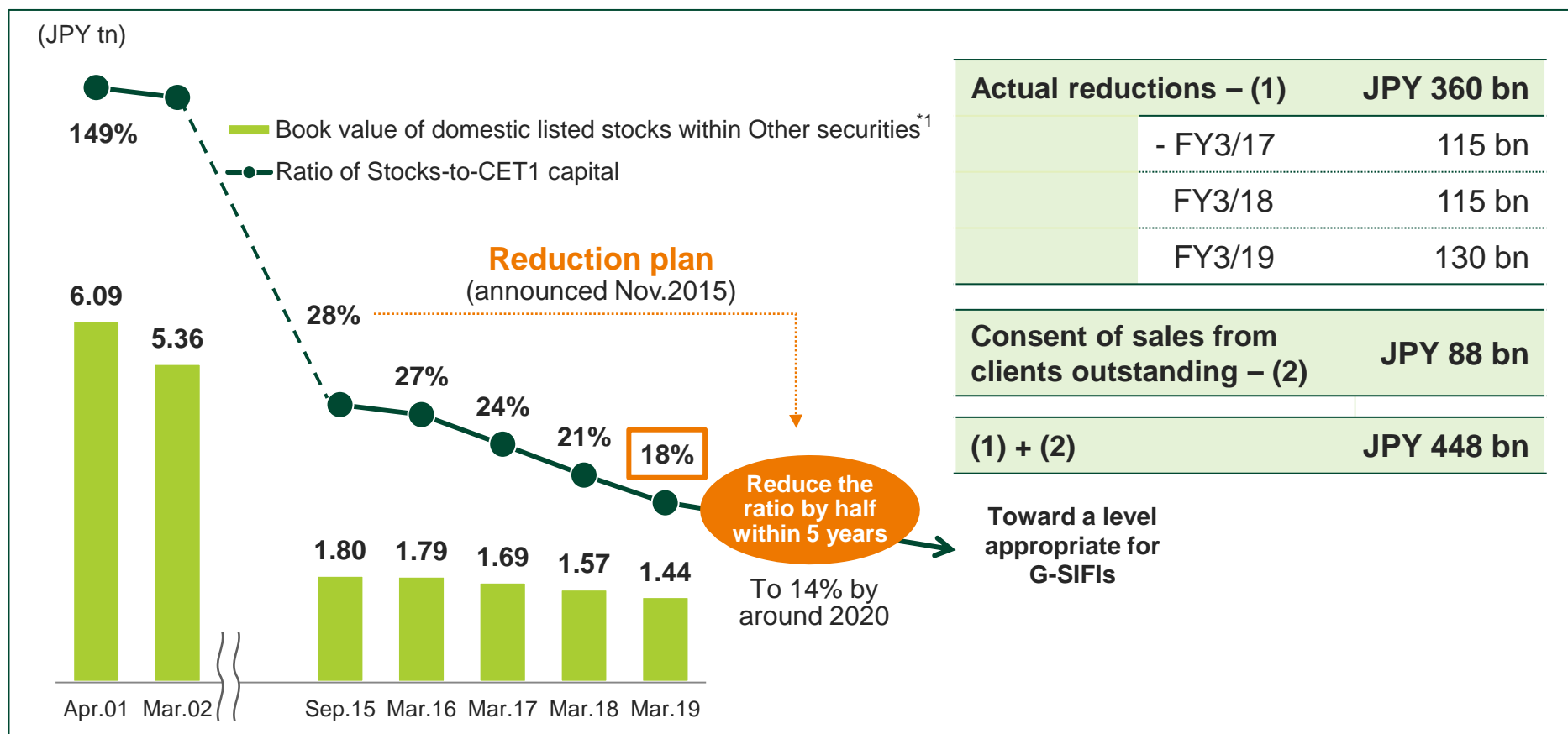


Dividend payout ratio (%)	12.5	20.5	-	46.8	30.0	26.8	21.3	20.3	26.2	32.7	29.9	32.7	34.6	35.9
ROE (%)	13.8	15.8	-	7.5	9.9	10.4	14.8	13.8	11.2	8.9	9.1	8.8	8.2	

## 5. 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. Aim for having prospect to achieve the target during FY3/20.

### Reduction plan






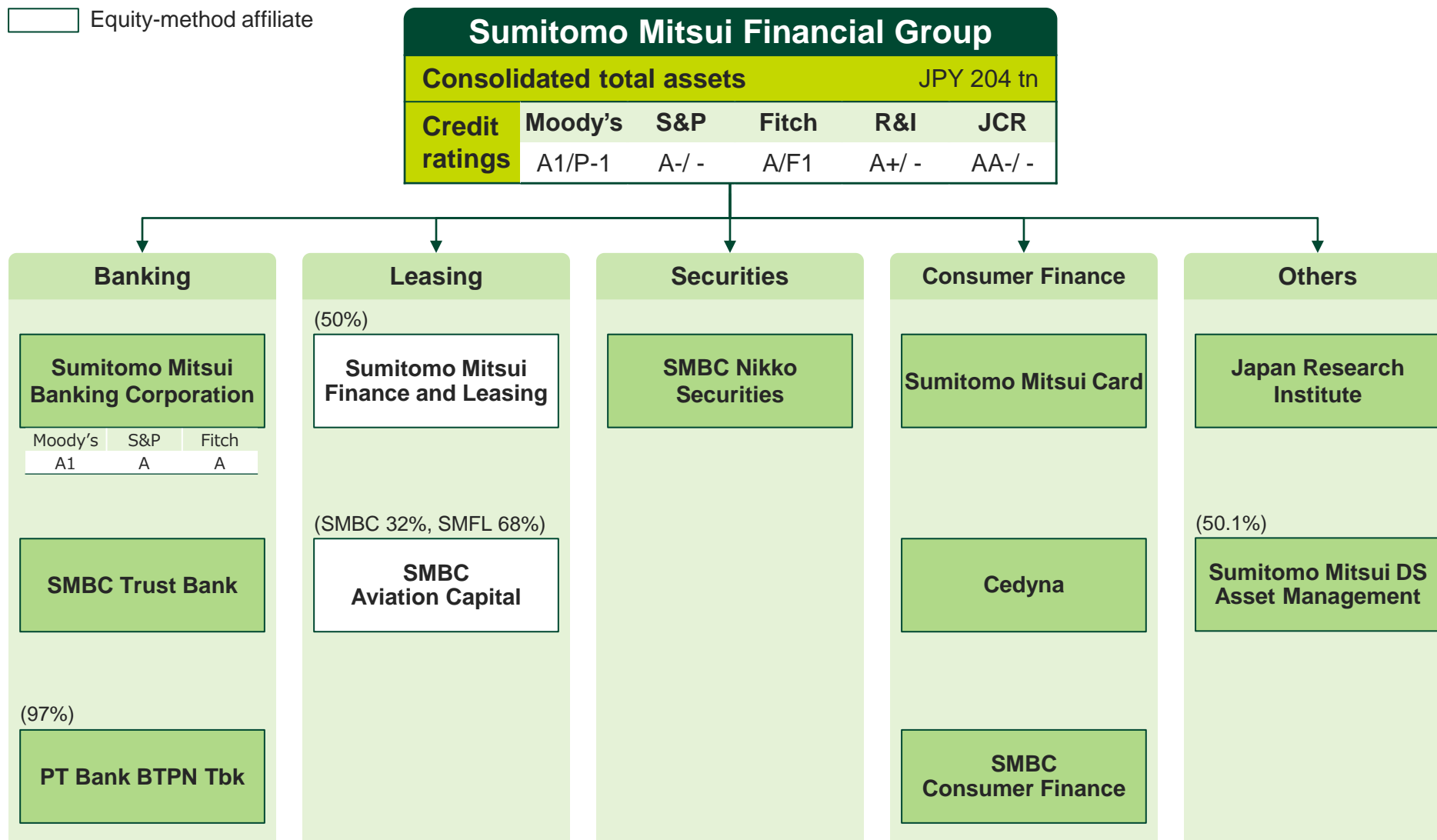
# Appendix

# Company overview

## (1) Group structure

 Consolidated subsidiary

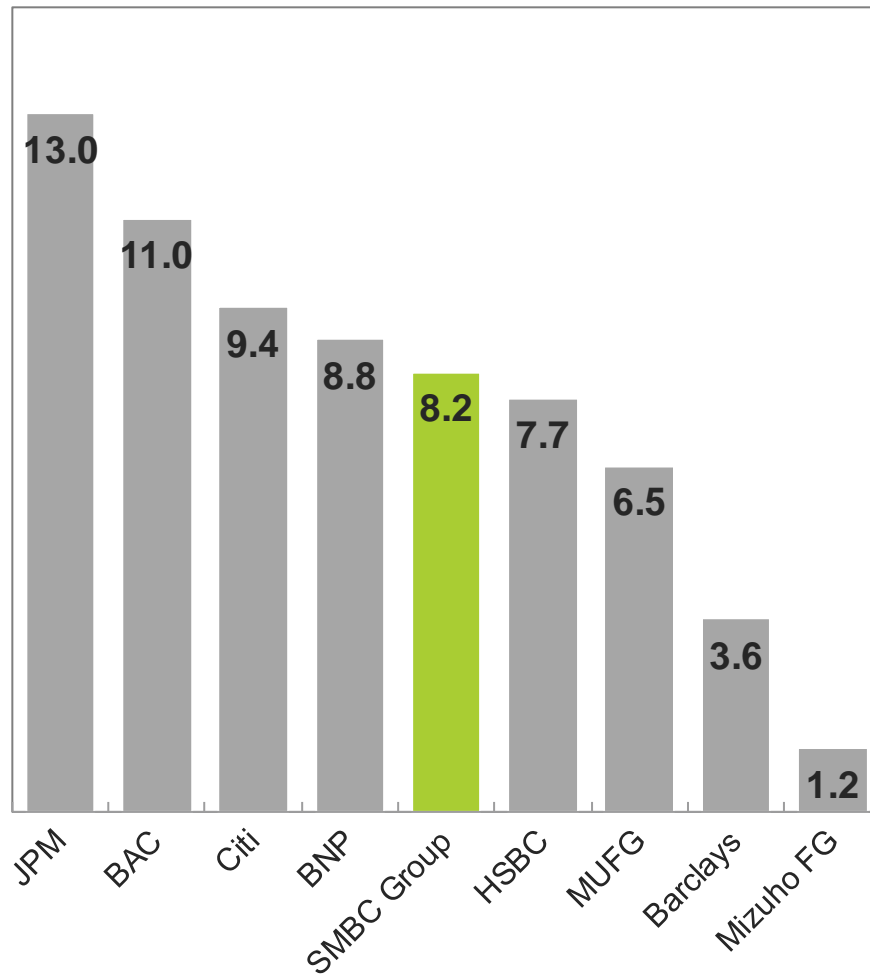
 Equity-method affiliate



## (2) Peer comparison

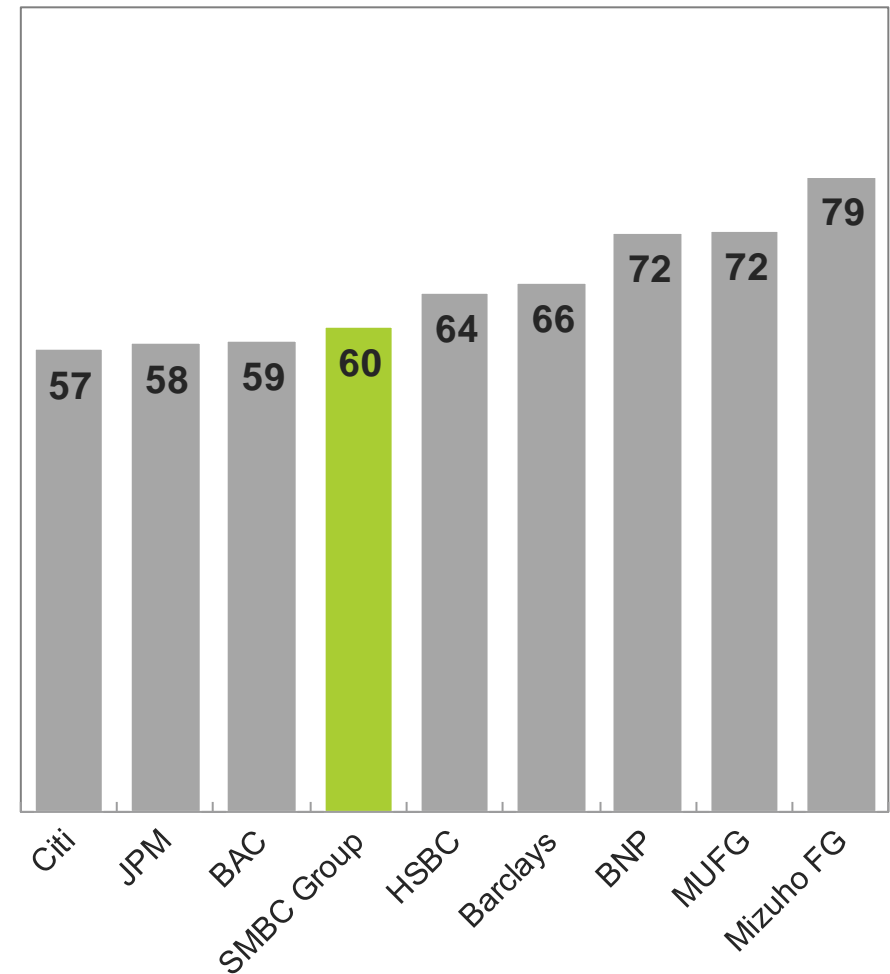
### ROE\*1

(%)



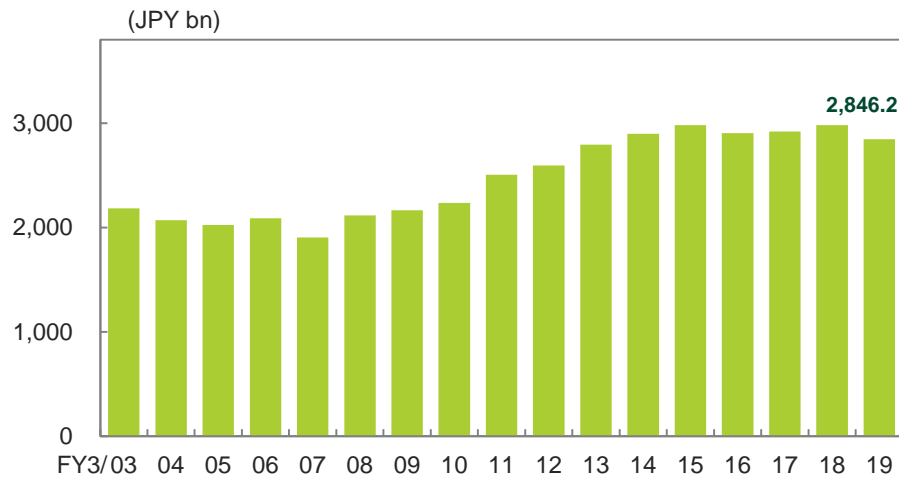
### Overhead ratio\*1

(%)



## (3) Long-term results

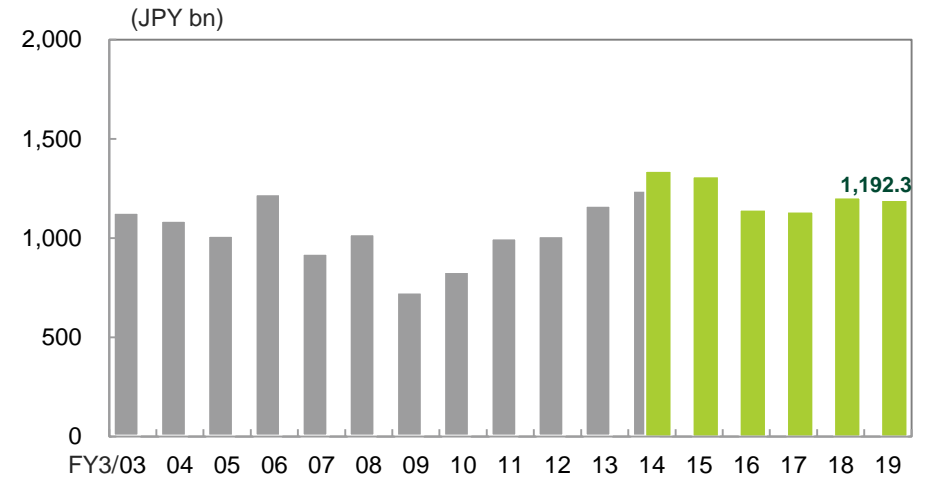
### Consolidated gross profit



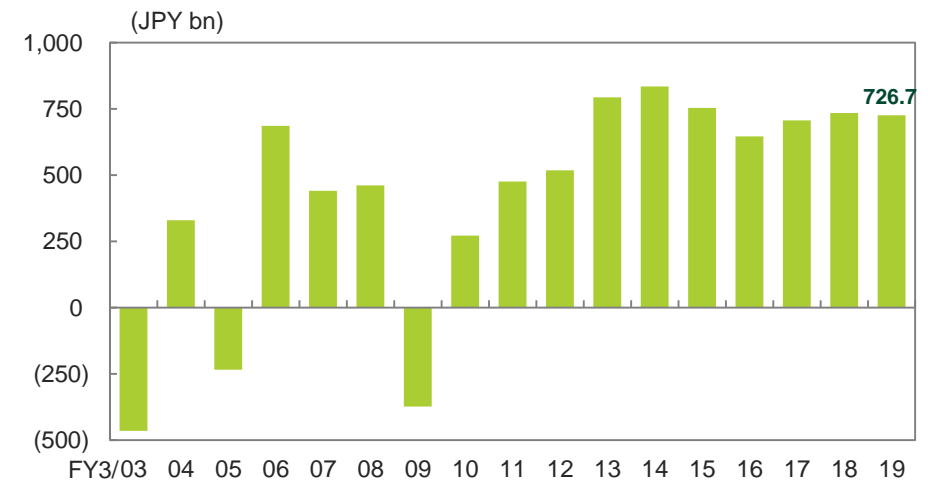
### Breakdown of consolidated gross profit

	FY3/03		FY3/19
SMBC's Domestic loan / deposit related	35%	➡	15%
International business (banking)	5%	➡	19%
Group companies excluding SMBC	18%	➡	44%

### Consolidated net business profit\*1



### Profit attributable to owners of parent



## Group companies

### (1) SMBC Nikko

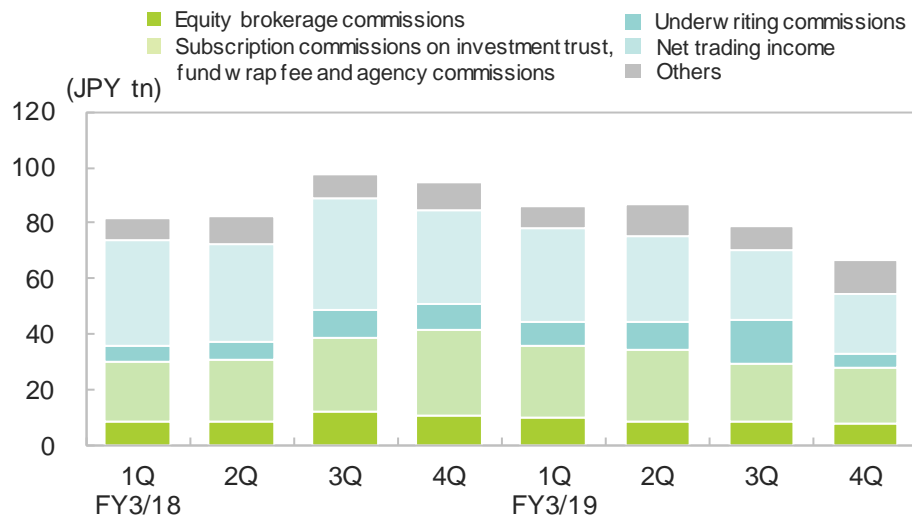
#### Financial results

(JPY bn)	FY3/18	FY3/19	YoY	vs sum of two companies*1
<b>Net operating revenue</b>	357.3	319.2	(38.1)	(61.5)
<b>SG&amp;A expenses</b>	267.6	276.5	+8.9	(15.3)
<b>Ordinary income</b>	94.9	48.4	(46.5)	(47.0)
<b>Net income</b>	63.7	33.3	(30.4)	(26.9)

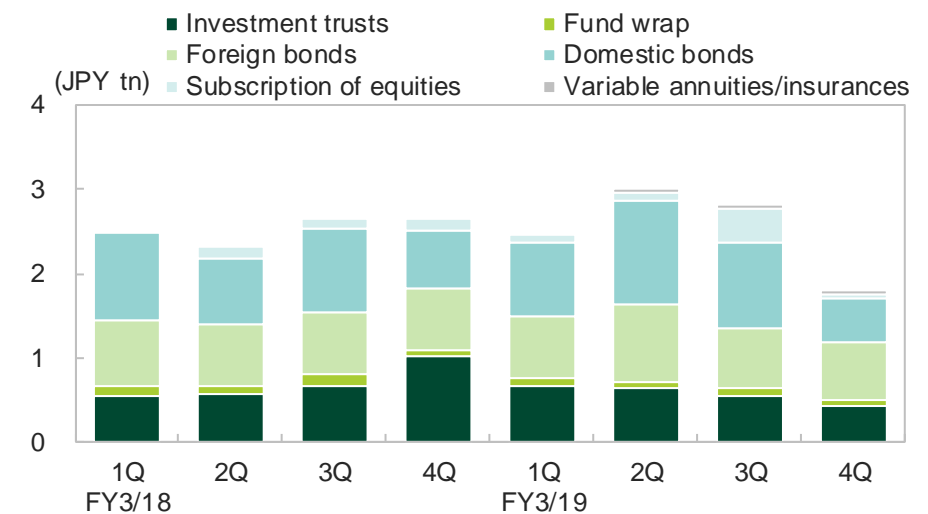
#### League tables (Apr.2018-Mar.2019)\*2

	Rank	Mkt share
<b>SMBC Nikko</b>		
Global equity & equity-related (book runner, underwriting amount)*3	#2	15.4%
JPY denominated bonds (lead manager, underwriting amount)*3	#4	17.3%
Japanese corporate bonds (lead manager, underwriting amount)	#5	16.8%
<b>SMBC Group</b>		
IPO (lead manager, No. of deals)*5	#1	25.8%
Financial advisor (M&A, No. of deals)*6	#1	5.7%
Financial advisor (M&A, transaction volume)*6	#9	23.5%

#### Net operating revenue



#### Product sales



# Group companies

## (2) SMCC

### Financial results

#### ● SMCC (non-consolidated)

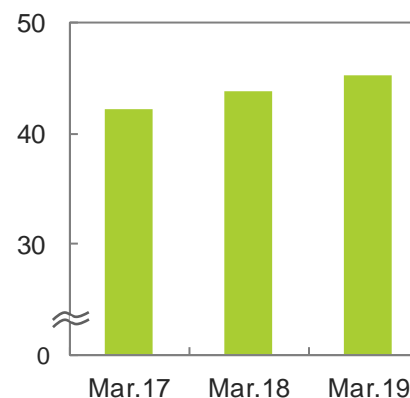
(JPY bn)	FY3/18	FY3/19	YoY
Operating revenue	247.8	279.3	+31.5
Operating expense	206.3	231.3	+25.0
Ordinary profit (loss)	41.0	47.8	+6.8
Net income	28.3	(58.5) <sup>*1</sup>	(86.8)

#### ● Cedyne

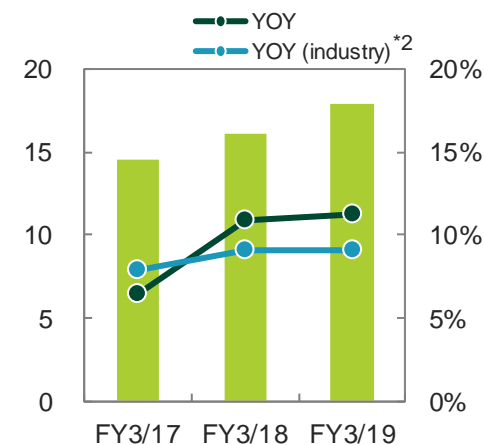
(JPY bn)	FY3/18	FY3/19	YoY
Operating revenue	188.9	186.5	(2.4)
Operating expense	175.8	172.1	(3.7)
Ordinary profit (loss)	13.4	14.8	+1.4
Net income	2.4	11.8	+9.4

### Key figures (SMCC + Cedyne)

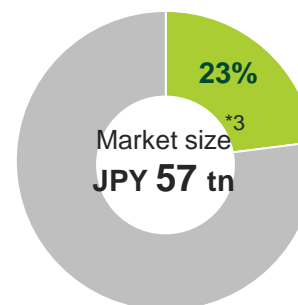
#### # of card holders



#### Sales handled



#### Market share of the acquiring business



\*1 Impact of JPY (90) bn by becoming a wholly owned subsidiary of SMFG.

\*2 The Japan Consumer Credit Association "Credit card behavior investigation" Shopping credit amount. Growth rate in FY3/19 compared by the 1H figure

\*3 METI "Indices of Tertiary Industry Activity" Sales credit business handled (2018)

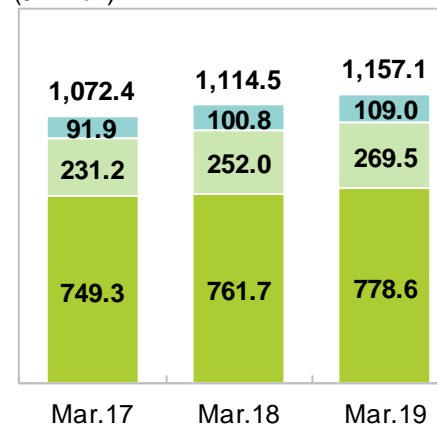
### Financial results

(JPY bn)	FY3/18	FY3/19	YoY
<b>Operating income</b>	273.8	281.8	+8.0
<b>Operating expenses</b>	238.3	236.0	(2.3)
Expense for loan losses	58.1	57.5	(0.6)
Expense for loan guarantees	31.7	28.0	(3.7)
Expense for interest repayments	36.0	36.0	-
<b>Ordinary profit</b>	35.9	46.3	+10.3
<b>Net income</b>	24.6	45.1	+20.5
<b>NPLs</b>	64.8	71.3	+6.4
<b>(NPL ratio)</b>	5.81%	6.16%	+0.35%
<b>Allowance on interest repayments</b>	109.4	112.1	
<b>(provision)</b>	2.3 yrs	3.4 yrs	

### Consumer loans outstanding

(JPY bn)

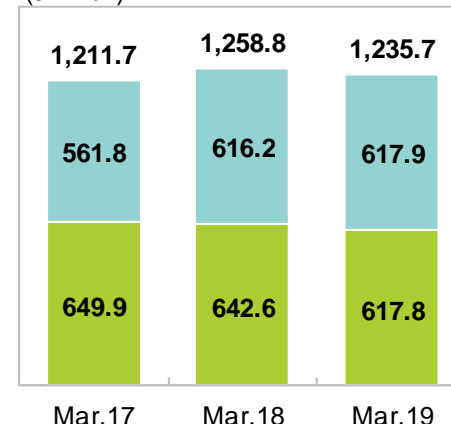
■ Promise ■ Mobit ■ Promise (overseas)



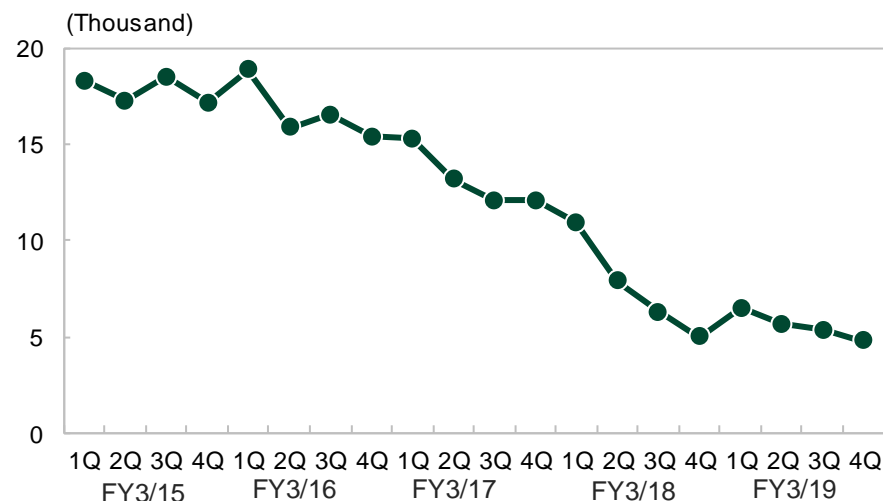
### Loan guarantee amount

(JPY bn)

■ SMBC ■ Others



### # of interest refund claims



## Group companies

### (4) SMBCAC

#### Financial results

	(USD mn)	FY3/18	FY3/19
Total revenue		1,114	1,188
o/w Lease revenue		1,015	1,100
Net income		295	316
Aircraft asset <sup>*1</sup>		11,109	12,379
Net asset		2,274	3,117
ROE		13.9%	11.7%

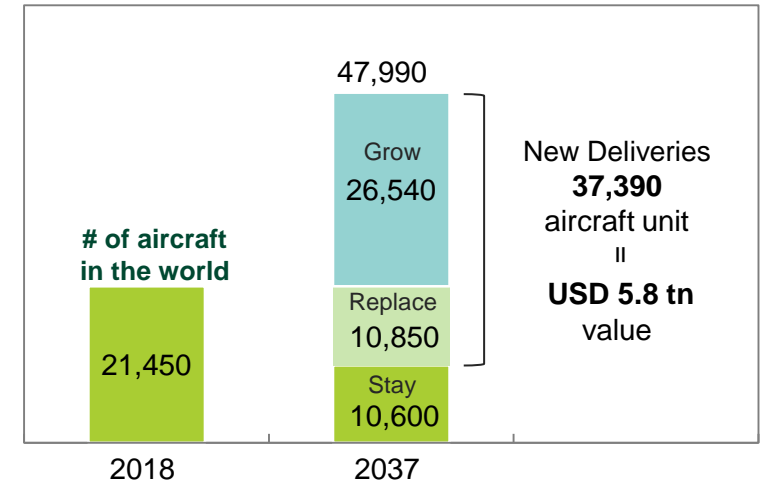
#### # of owned and managed aircrafts<sup>\*2</sup>

	Company	Country	#
1	GECAS	USA	1,232
2	AerCap	Ireland	1,059
3	Avolon	Ireland	569
4	BBAM	USA	498
5	SMBC AC	Ireland	421

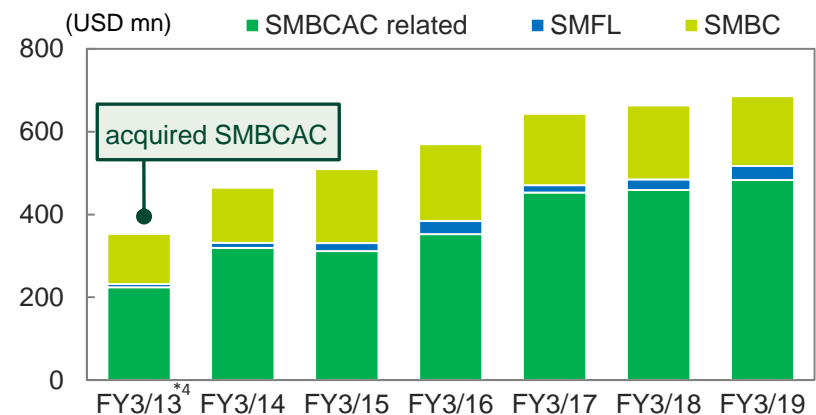
#### Average age of aircrafts

**4.2 (as of Mar.19)**

#### Aircraft Demand Forecast<sup>\*3</sup>



#### Aircraft business of SMBC Group





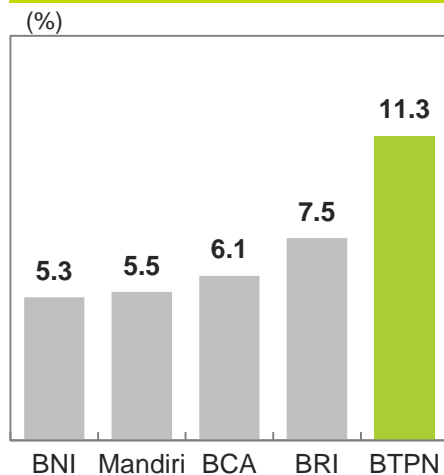
# Group companies

## (5) BTPN

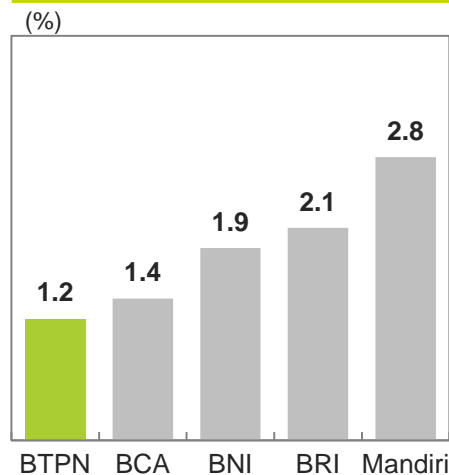
### Financial results\*1

(IDR billion)	2016	2017	2018	2019 1Q
Gross banking profit	9,464	9,991	10,201	2,780
Operating expenses	5,984	6,934	5,748	1,610
Net profits	1,752	1,221	1,968	507
ROE	12.6%	8.2%	12.4%	9.0%
Loans	63,168	65,352	68,137	139,844
Deposits	66,202	67,918	70,845	104,149
Total assets	91,371	95,490	101,919	192,151

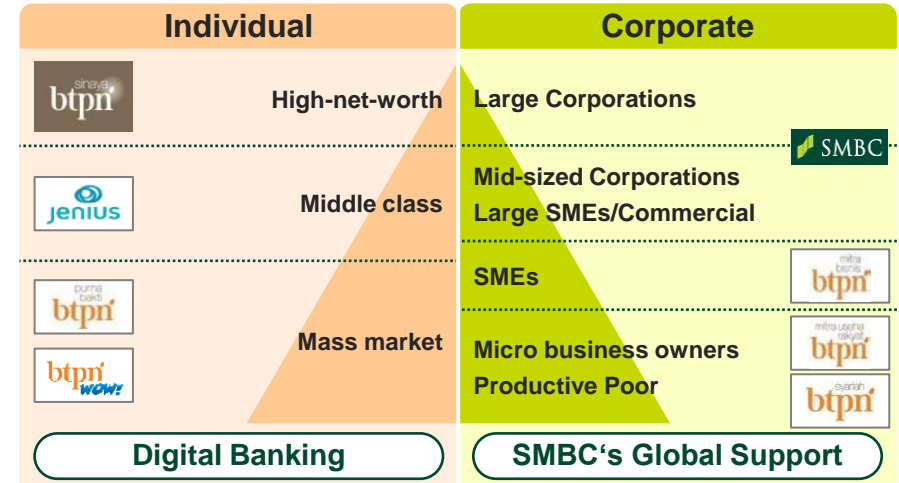
### Net Interest Margin\*2



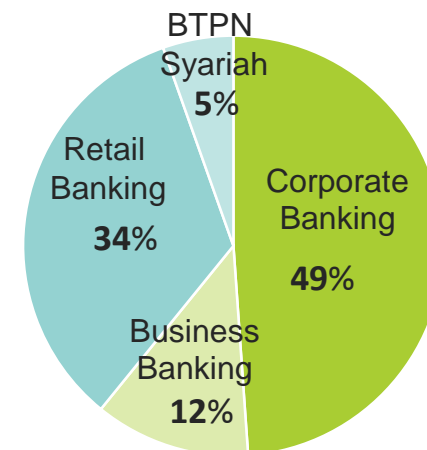
### NPL ratio\*2



### Coverage

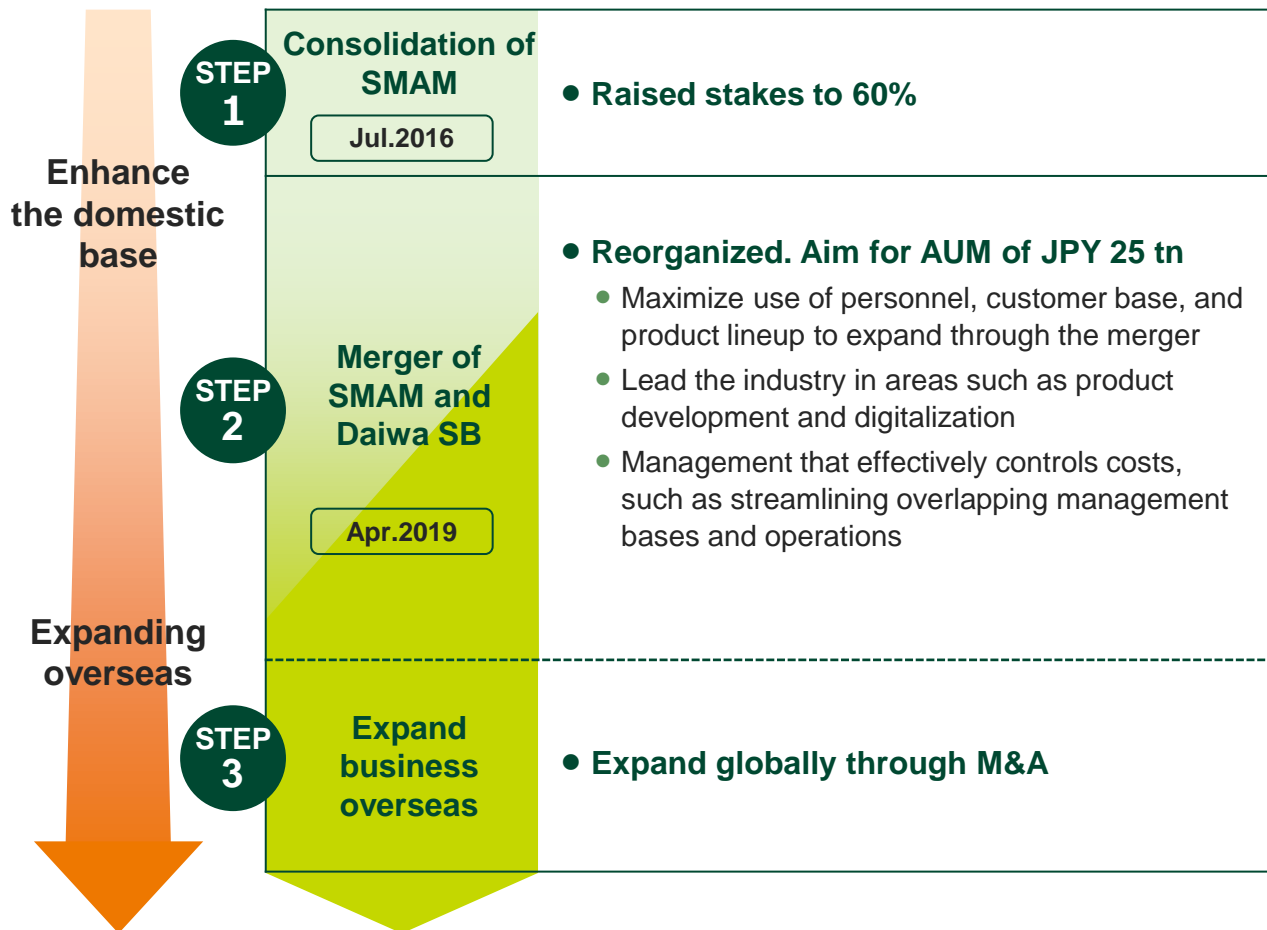


### Loan breakdown\*3



## (6) Asset management

- SMAM merged with Daiwa SB (Sumitomo Mitsui DS Asset Management, stake:50.1%)
- Expand globally through organic and in-organic strategies



### Domestic Ranking

**AUM<sup>\*1</sup>** (End of Sep.18) (JPY tn)

	Company	Balance
1	Asset Management One	59.6
2	Nomura Asset Management	49.2
3	Sumitomo Mitsui Trust Asset Management	46.9
4	Blackrock Japan	33.4
8	<b>Sumitomo Mitsui DS Asset Management<sup>*2</sup></b>	<b>20.7</b>

**Operating income<sup>\*3</sup>** (FY3/18) (JPY bn)

	Company	Profit
1	Nomura Asset Management	311
2	Asset Management One	207
3	Daiwa Asset management	184
4	Mitsubishi UFJ International Investment Trust	158
5	<b>Sumitomo Mitsui DS Asset Management<sup>*2</sup></b>	<b>157</b>

## (1) Overview

# SMBC Group Next Stage

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

### Core Policy

1

### Discipline

*Disciplined business management*

2

### Focus

*Focus on our strengths to generate growth*

3

### Integration

*Integration across the Group and globally to achieve sustainable growth*

### FY3/20 Financial Targets

<b>Business Environment</b> <ul style="list-style-type: none"> <li>➤ Challenging earnings environment</li> <li>➤ Tighter international regulations</li> <li>➤ New opportunities from technology and social trends</li> </ul>	<b>Key considerations</b> <ul style="list-style-type: none"> <li>➤ Improve capital, asset, and cost efficiencies</li> <li>➤ Healthy risk-taking versus credit cost control</li> <li>➤ Balance among financial soundness, enhancing shareholder returns, and growth investments</li> </ul>	<b>Capital Efficiency</b>	ROE	7~8%	Maintain at least 7% notwithstanding accumulation of capital
		<b>Cost Efficiency</b>	OHR	1% reduction compared with FY3/17	Reduce to around 60% at the earliest opportunity (FY3/17: 62.1%)
		<b>Financial Soundness</b>	CET1 ratio*1	10%	Maintain capital in line with likely raised requirement (FY3/17 8.3%)

## (2) Focus on Seven Core Business Areas

Concept		Strategic Focus	
<b>Enhance</b> 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	
<b>Grow</b> 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	
<b>Build</b> Build our new strengths for future growth	6	Strengthen sales & trading capability	
	7	Develop asset-light businesses: trust banking and asset management	

## (3) Digitalization

- Proactively introduce new technologies and promote digitalization

Enhancing  
the customer convenience



Cashless payments

Generating  
new businesses



Platform

Improving  
productivity and efficiency



RPA

Upgrading  
management  
infrastructure



MIS



Smartphone  
applications



B2B



Workstyle reform  
(public cloud)



Cyber security



Smartphones



SNS



Biometric  
authentication



AI



API



IoT



Big data



Blockchain

# Medium-term Management Plan

## (4) IT investment

- 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

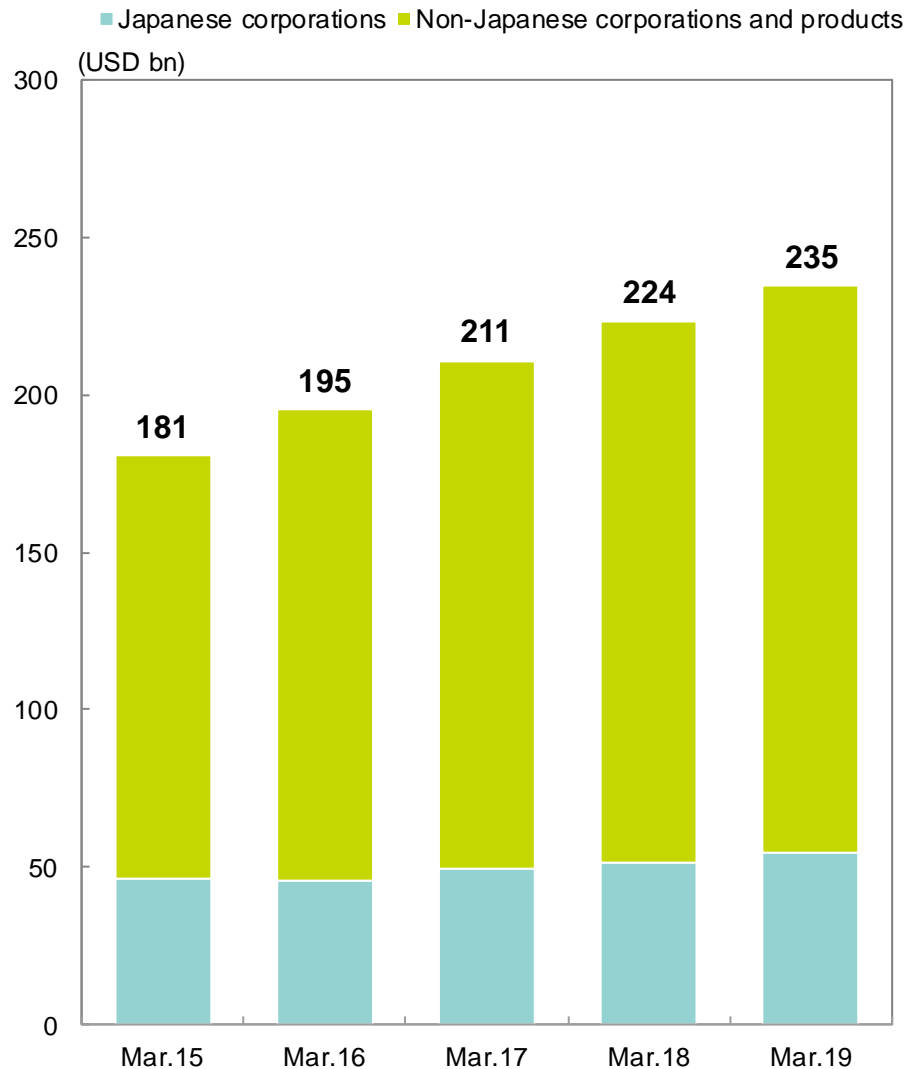
	Previous Medium-term Management Plan
Main subject	<ul style="list-style-type: none"> <li>● Large renewal of systems                             <ul style="list-style-type: none"> <li>● Bank accounting system</li> <li>● Core systems in group companies</li> </ul> </li> <li>● Up front investment to strategic areas                             <ul style="list-style-type: none"> <li>● Asia, retail, settlement, etc.</li> </ul> </li> </ul>
Annual IT investment	JPY 170 bn
Allocation to strategic investments	<div>Strategic investment</div> <div> <div>30%</div> <div>JPY 50 bn</div> <div>JPY 120 bn</div> </div>
Review of budget	Once / year

Current Medium-term Management Plan
<ul style="list-style-type: none"> <li>● Selected investments to strategic areas                             <ul style="list-style-type: none"> <li>● Select strategic and growing areas to invest in, such as investments for business innovation through digitalization and the creation of new businesses</li> </ul> </li> <li>● Adoption of efficient development method and utilization of new technology</li> </ul>
JPY 150 bn
<div> <div>40%</div> <div>JPY 50-60 bn</div> <div>JPY 90 bn</div> </div> <div>+α</div>
Review the budget flexibly based on the dynamic changes in IT environment

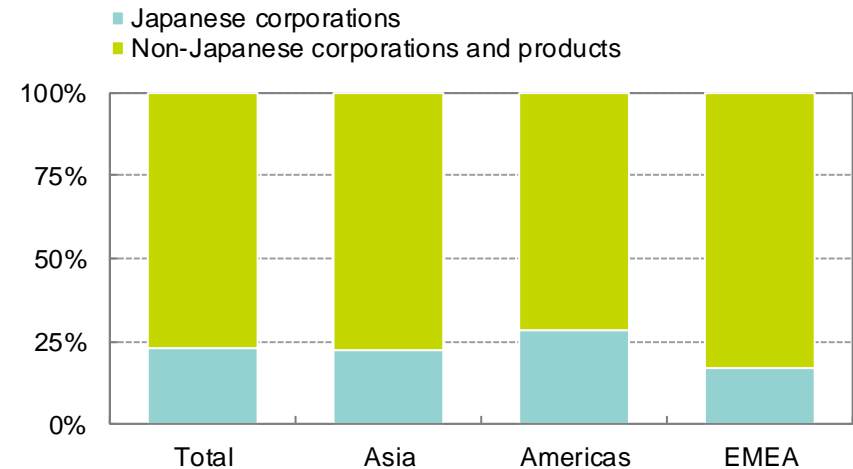
# Loans and exposures

## (1) Overseas loans classified by borrower type

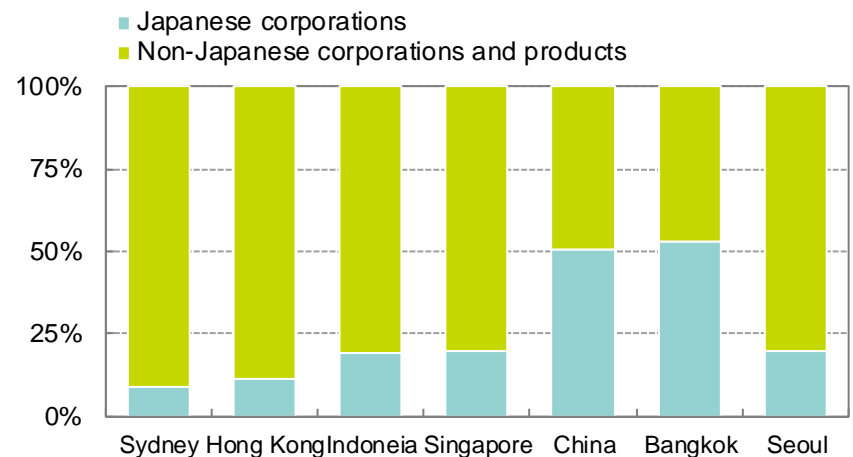
### Total\*1



### By region (Mar.19)



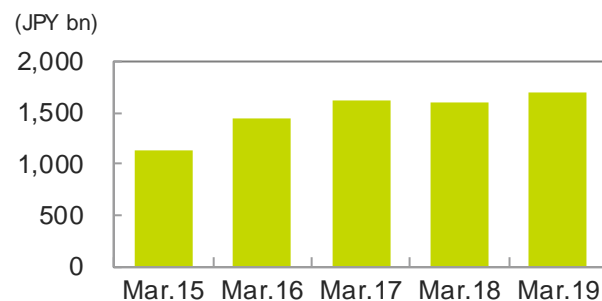
### Major countries in Asia (Mar.19)\*2



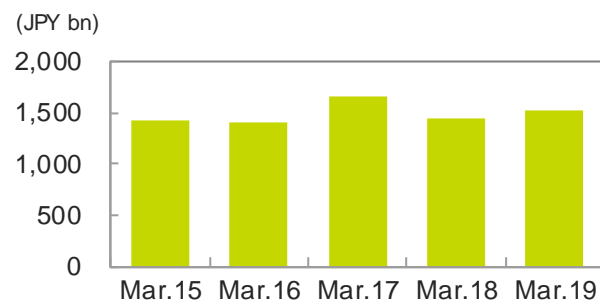
# Loans and exposures

## (2) Loan balance in Asia\*1

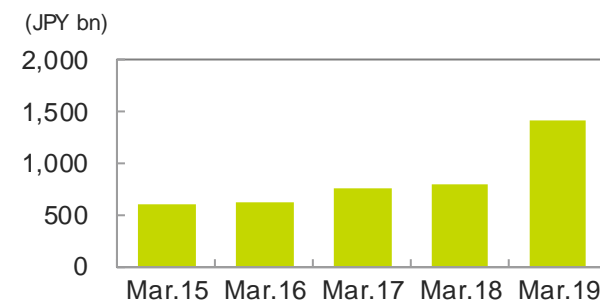
### Australia



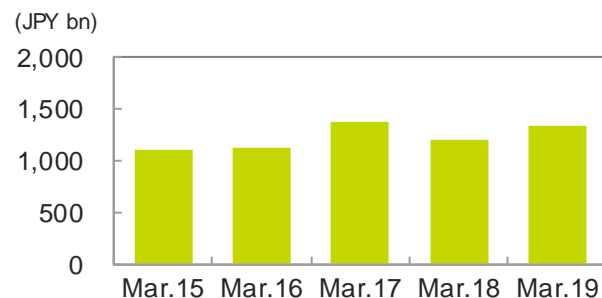
### Hong Kong



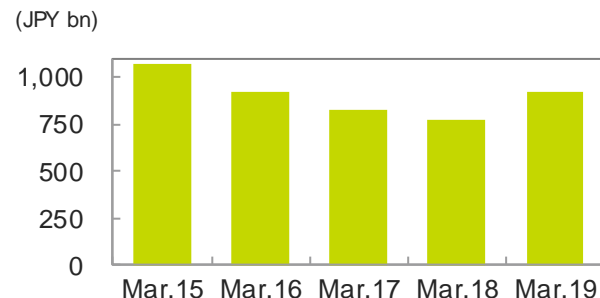
### Indonesia



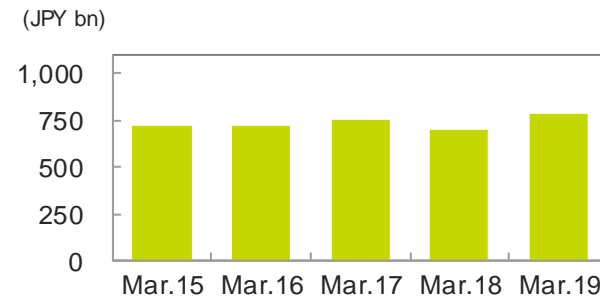
### Singapore



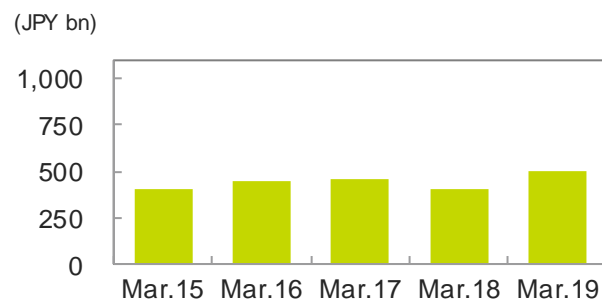
### China



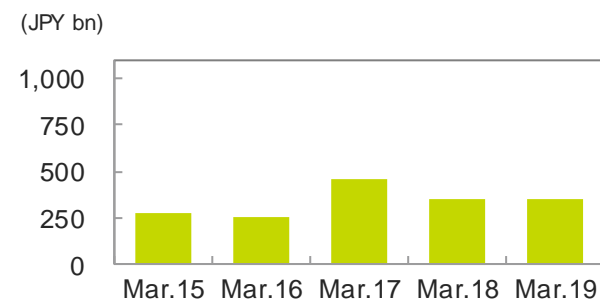
### Thailand



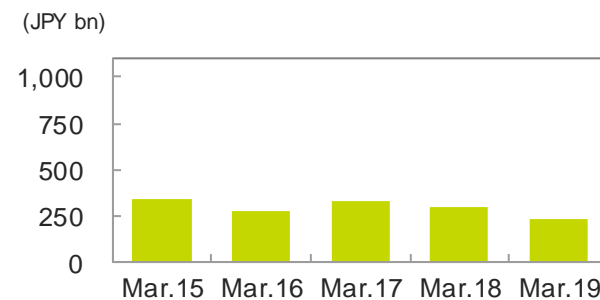
### India



### Taiwan



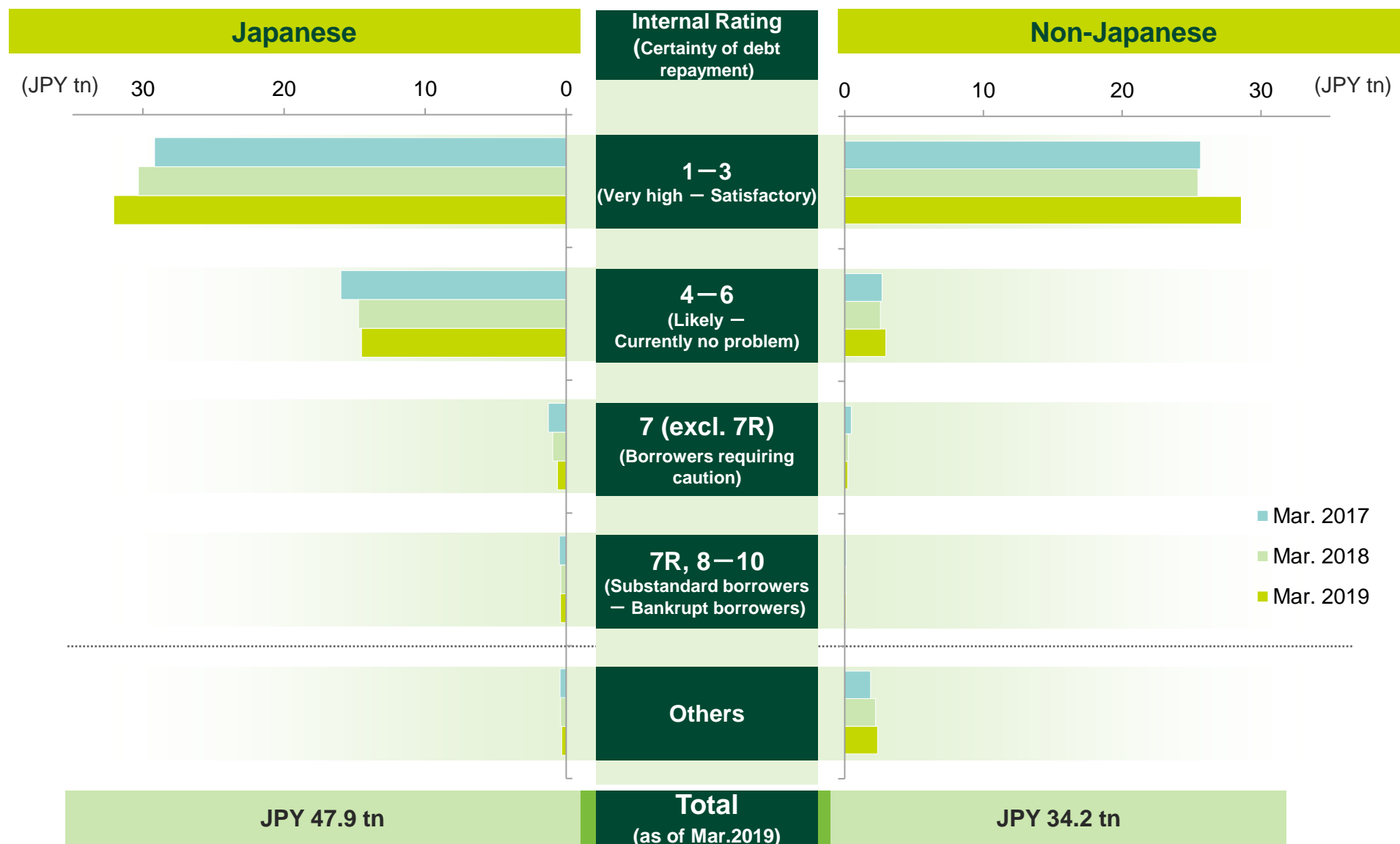
### Korea




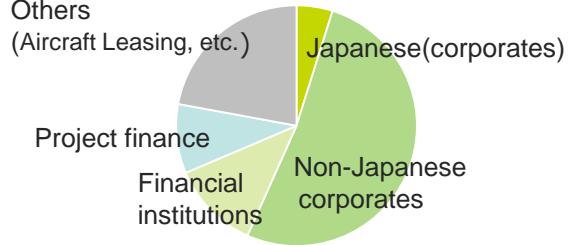

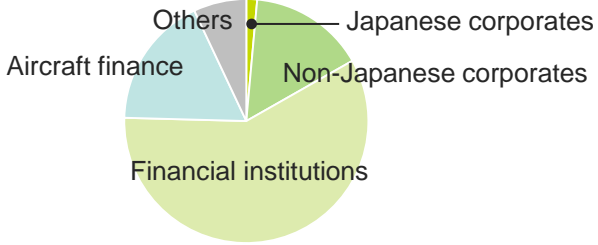

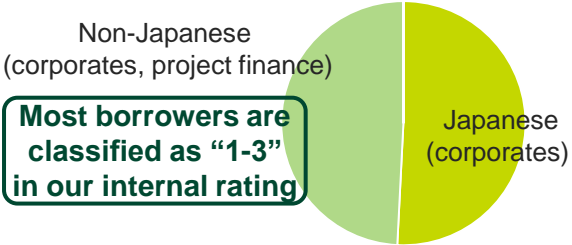


# Loans and exposures

## (3) Breakdown by internal ratings\*1



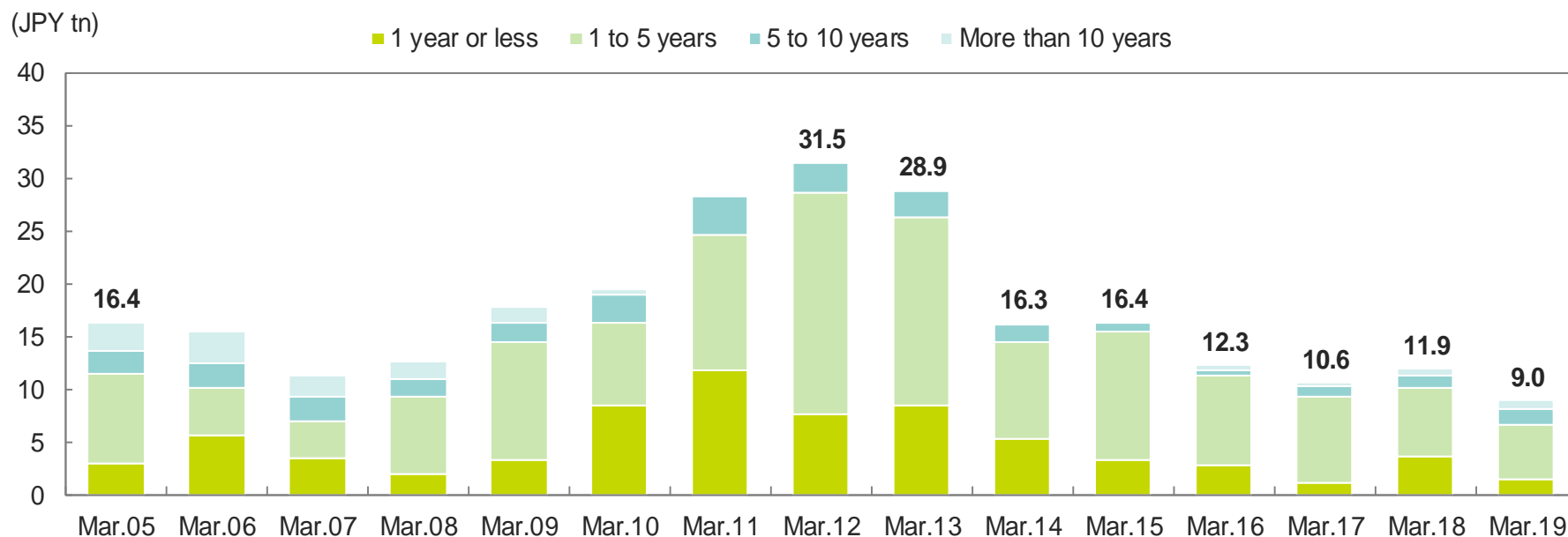
## (4) Specific areas

	FY3/19	FY3/20	Breakdown
<b>Russia (exposure)</b> 	USD 3.5 bn	USD 3.4 bn	
<b>Turkey (exposure)</b> 	USD 3.4 bn	USD 3.0 bn	
<b>China (loans)</b> 	JPY 0.8 tn	JPY 0.9 tn	

# Yen bond portfolio

## Non-consolidated

(Total balance of Other securities with maturities and bonds classified as held-to-maturity – total of JGBs, local government and corporate bonds)



of which JGBs  
(JPY tn)

26.2 13.8 14.0 9.8 8.0 9.3 6.3

Average duration (years) <sup>1)</sup>	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	3.2
Unrealized gains (losses) (JPY bn) <sup>2)</sup>	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	60.5

<sup>1</sup> Excludes bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds. Duration of 15-year floating rate JGBs is regarded as zero

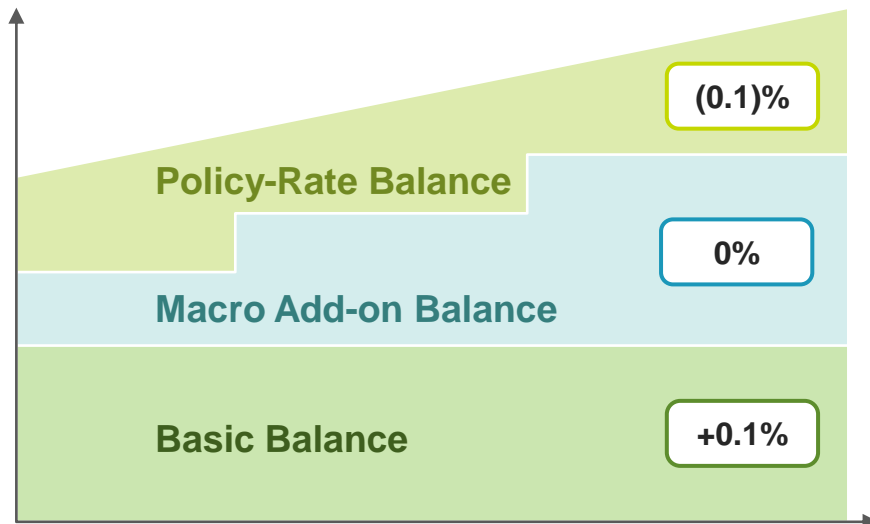
<sup>2</sup> 15-year floating-rate JGBs have been evaluated at their reasonably estimated price from Mar. 09

## (1) BOJ's monetary policy

### Timeline

<b>Apr. 2013</b>	Introduction of the Quantitative and Qualitative Monetary Easing (QQE)
<b>Jan. 2016</b>	Introduction of Negative Interest Rate Policy
<b>Sep. 2016</b>	Introduction of QQE with yield curve control
<b>Jul. 2018</b>	Introduction of forward guidance for policy rates
<b>Apr. 2019</b>	Clarification of forward guidance for policy rates

### Three-tier system in current accounts at BOJ



### Recent announcements

#### Jul. 2018

- **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**
- **Flexible operation of asset purchases**
- **Reduce the Policy-Rate Balance**
  - about JPY 10 tn on average to about JPY 5 tn

#### Apr. 2019

- **Clarification of forward guidance for policy rates**
  - Maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020
- **Implementation of measures contributing to the continuation of powerful monetary easing**
  - Expand eligible collateral for BOJ's provision of credit

## (2) TLAC requirements

- Japanese TLAC standards, which are applied to Japanese G-SIBs, started in Mar.19
- The TLAC ratio as of Mar.19 meets the required level

### TLAC and capital buffer requirements for SMFG

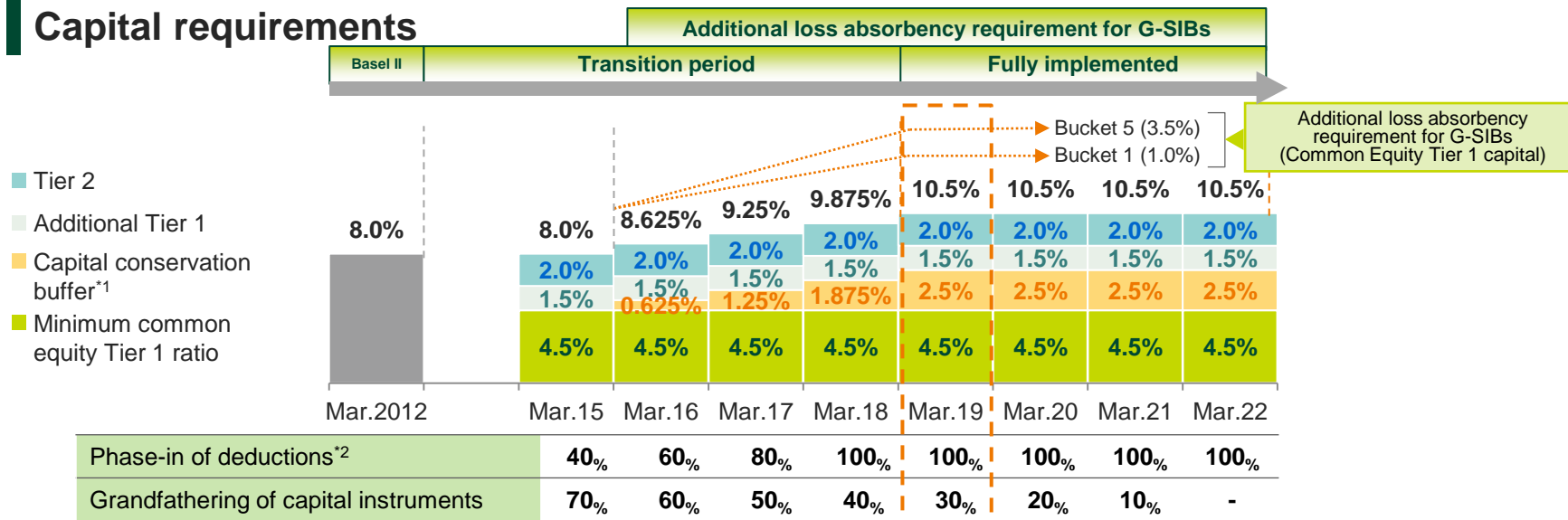
	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
+) capital buffers* <sup>1</sup>	+3.5%	+3.5%
<b>Effective required level of minimum external TLAC (RWA basis)</b>	<b>19.5%</b>	<b>21.5%</b>
<b>Minimum external TLAC requirements (Leverage Exposure basis)</b>	<b>6%</b>	<b>6.75%</b>
Plus leverage ratio buffer* <sup>1</sup>	n.a.	7.25%

### TLAC ratio (transitional basis)

	(JPY bn)	Mar.19
External TLAC (before deduction of capital buffers)	A	17,983.4
Risk-weighted assets (RWA)	B	58,942.8
<b>TLAC ratio of RWA</b>	(A/B) C	<b>30.50%</b>
Capital buffers (including CCyB)	D	(3.60%)
Ref: TLAC ratio of RWA (after deduction basis)	(C-D) E	26.90%
Leverage exposure (LE)	F	219,538.8
<b>TLAC ratio of LE</b>	(A/F) G	<b>8.19%</b>

## (3) Application of Basel III

### Capital requirements



		2022	2023	2024	2025	2026	2027
RWA*3	Revised standardized approach and internal ratings-based framework for credit risk	Implementation					
	Revised credit valuation adjustment (CVA) and 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 (implementation in Japan TBD) \*4 Revised exposure definition and G-SIB buffer

# Credit ratings of G-SIBs (Operating banks)\*1

(As of Apr. 30, 2019)

Moody's	Moody's		S&P		Fitch		S&P Fitch
Aaa							AAA
Aa1							AA+
Aa2	<ul style="list-style-type: none"> <li>Bank of America</li> <li>Bank of New York Mellon</li> </ul>	<ul style="list-style-type: none"> <li>JPMorgan Chase Bank</li> <li>Wells Fargo Bank</li> </ul>			<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>JPMorgan Chase Bank</li> </ul>	<ul style="list-style-type: none"> <li>Royal Bank of Canada</li> <li>State Street Bank &amp; Trust</li> </ul>	AA
Aa3	<ul style="list-style-type: none"> <li>BNP Paribas</li> <li>Citibank</li> <li>HSBC Bank</li> </ul>	<ul style="list-style-type: none"> <li>ING Bank</li> <li>State Street Bank &amp; Trust</li> <li>UBS</li> </ul>	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC Bank</li> </ul>	<ul style="list-style-type: none"> <li>Royal Bank of Canada</li> <li>State Street Bank &amp; Trust</li> </ul>	<ul style="list-style-type: none"> <li>Bank of America</li> <li>HSBC Bank</li> <li>ING Bank</li> </ul>	<ul style="list-style-type: none"> <li>UBS</li> <li>Wells Fargo Bank</li> </ul>	AA-
A1	<b>SMBC</b> <ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> <li>BPCE</li> <li>China Construction Bank</li> <li>Crédit Agricole</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> <li>Goldman Sachs Bank</li> <li>ICBC</li> <li><b>Mizuho Bank</b></li> <li>Morgan Stanley Bank</li> <li><b>MUFG Bank</b></li> <li>Société Générale</li> <li>Standard Chartered</li> </ul>	<ul style="list-style-type: none"> <li>Bank of America</li> <li>BNP Paribas</li> <li>BPCE</li> <li>Citibank</li> <li>Crédit Agricole</li> <li>Goldman Sachs Bank</li> </ul>	<ul style="list-style-type: none"> <li>ING Bank</li> <li>JPMorgan Chase Bank</li> <li>Morgan Stanley Bank</li> <li>UBS</li> <li>Wells Fargo Bank</li> </ul>	<ul style="list-style-type: none"> <li>Barclays Bank</li> <li>BNP Paribas</li> <li>BPCE</li> <li>Citibank</li> <li>Crédit Agricole</li> </ul>	<ul style="list-style-type: none"> <li>Goldman Sachs Bank</li> <li>Morgan Stanley Bank</li> <li>Standard Chartered</li> </ul>	A+
A2	<ul style="list-style-type: none"> <li>Banco Santander</li> <li>Barclays Bank</li> </ul>	<ul style="list-style-type: none"> <li>Royal Bank of Canada</li> </ul>	<b>SMBC</b> <ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Banco Santander</li> <li>Bank of China</li> <li>Barclays Bank</li> <li>China Construction Bank</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> <li>ICBC</li> <li><b>Mizuho Bank</b></li> <li><b>MUFG Bank</b></li> <li>Société Générale</li> <li>Standard Chartered</li> </ul>	<b>SMBC</b> <ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> <li>China Construction Bank</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> <li>ICBC</li> <li><b>MUFG Bank</b></li> <li>Société Générale</li> </ul>	A
A3	<ul style="list-style-type: none"> <li>Deutsche Bank</li> </ul>				<ul style="list-style-type: none"> <li>Banco Santander</li> <li><b>Mizuho Bank</b></li> </ul>		A-
Baa1	<ul style="list-style-type: none"> <li>UniCredit</li> </ul>		<ul style="list-style-type: none"> <li>Deutsche Bank</li> </ul>		<ul style="list-style-type: none"> <li>Deutsche Bank</li> </ul>		BBB+
Baa2			<ul style="list-style-type: none"> <li>UniCredit</li> </ul>		<ul style="list-style-type: none"> <li>UniCredit</li> </ul>		BBB
Baa3							BBB-

# Credit ratings of G-SIBs (Holding companies)\*<sup>1</sup>

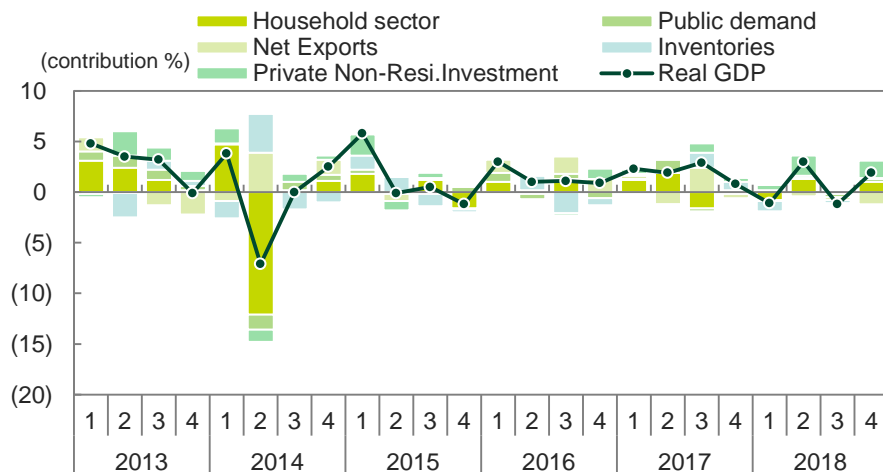
(As of Apr. 30, 2019)

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Aa2							AA
Aa3					<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC</li> </ul>	<ul style="list-style-type: none"> <li>JPMorgan</li> <li>State Street</li> </ul>	AA-
A1	<b>SMFG</b> <ul style="list-style-type: none"> <li>Bank of New York Mellon</li> </ul>	<ul style="list-style-type: none"> <li>Mizuho</li> <li>MUFG</li> <li>State Street</li> </ul>			<ul style="list-style-type: none"> <li>Bank of America</li> <li>Groupe BPCE</li> <li>ING</li> </ul>	<ul style="list-style-type: none"> <li>UBS</li> <li>Wells Fargo</li> </ul>	A+
A2	<ul style="list-style-type: none"> <li>Bank of America</li> <li>HSBC</li> <li>JPMorgan</li> </ul>	<ul style="list-style-type: none"> <li>Standard Chartered</li> <li>Wells Fargo</li> </ul>	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> </ul>	<ul style="list-style-type: none"> <li>HSBC</li> <li>State Street</li> </ul>	<b>SMFG</b> <ul style="list-style-type: none"> <li>Barclays</li> <li>Citigroup</li> <li>Goldman Sachs</li> </ul>	<ul style="list-style-type: none"> <li>MUFG</li> <li>Morgan Stanley</li> <li>Standard Chartered</li> </ul>	A
A3	<ul style="list-style-type: none"> <li>Citigroup</li> <li>Goldman Sachs</li> </ul>	<ul style="list-style-type: none"> <li>Morgan Stanley</li> <li>UBS</li> </ul>	<b>SMFG</b> <ul style="list-style-type: none"> <li>Bank of America</li> <li>ING</li> <li>JPMorgan</li> </ul>	<ul style="list-style-type: none"> <li>Mizuho</li> <li>MUFG</li> <li>UBS</li> <li>Wells Fargo</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> <li>Mizuho</li> </ul>		A-
Baa1	<ul style="list-style-type: none"> <li>ING</li> </ul>		<ul style="list-style-type: none"> <li>Citigroup</li> <li>Credit Suisse</li> <li>Goldman Sachs</li> </ul>	<ul style="list-style-type: none"> <li>Morgan Stanley</li> <li>Standard Chartered</li> </ul>			BBB+
Baa2	<ul style="list-style-type: none"> <li>Credit Suisse</li> </ul>		<ul style="list-style-type: none"> <li>Barclays</li> </ul>				BBB
Baa3	<ul style="list-style-type: none"> <li>Barclays</li> </ul>						BBB-
Ba1							BB+
Ba2							BB

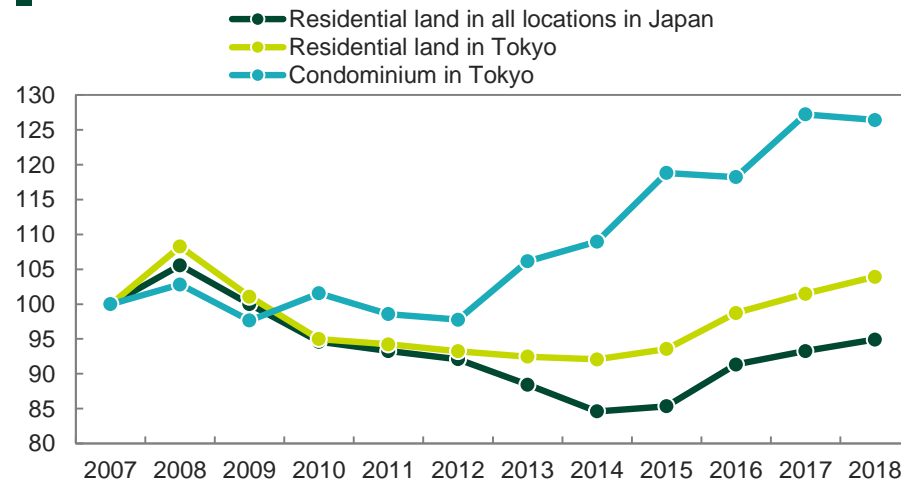


# Japanese economy

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



## Price index for residential land and condominiums\*2



## Indicators to measure progress out of deflation\*3

