

# Investors Meeting FY3/2019

May 17, 2019



Hello everyone. My name is Jun Ohta, appointed as Group CEO this April. Thank you very much for your interest in us and your ongoing support.

This is the last year of the three-year Medium-Term Management Plan “SMBC Group Next Stage.”

I was involved in creating this plan as CSO and CFO. Now, as CEO, I will complete the final year of the plan and set out initiatives to achieve sustainable growth eyeing the next Medium-Term Management Plan.

Today, I would first like to make a presentation for about 40 minutes before answering any questions you may have.

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



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# ■ Agenda

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This is today's agenda.

First, I will summarize our financial results of FY3/19 and our earnings target for FY3/20.

Next, I will talk about three key priorities that I would like to work on as CEO, followed by the progress of the Medium-Term Management Plan and strategic initiatives, ESG, and capital policy.

# 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		



<sup>1</sup> Deconsolidation of the regional banks and SMFL, the consolidation of BTPN, and SMCC becoming a wholly-owned subsidiary  
<sup>2</sup> The negative impact on profit attributable to owners of parent was JPY 60 bn (based on 66% of ownership ratio)

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This is the income statement summary for FY3/19.

First, consolidated net business profit was ¥1,192.3 billion, ¥12.3 billion higher than the target. This was mainly because G&A expenses decreased due to cost control initiatives taken on a group-wide basis.

Year-on-year decline of consolidated net business profit was ¥11.6 billion. However it reached the same level as last year's strong performance excluding the negative impact of ¥12 billion from group reorganization shown in the bottom right. This was because overseas business remained strong and cost control initiatives reduced G&A expenses, while the wealth management business was sluggish due to the deterioration of market conditions.

Profit attributable to owners of parent was ¥726.7 billion yen, ¥26.7 billion higher than the target, mainly due to the higher consolidated net business profit and lower credit cost than the target.

It decreased by ¥7.7 billion year on year, mainly due to an increase in credit cost.

## (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



<sup>\*1</sup> Excludes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG). YoY includes figures of SMBC Friend.

<sup>\*2</sup> Includes tax impact of JPY (90) bn by becoming a wholly owned subsidiary of SMFG. <sup>\*3</sup> Changed the ownership ratio of SMFL in Nov.18. Consolidated subsidiary with 60% ownership until the end of Dec. 18 and equity method affiliate with 50% ownership after that.

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## ■ 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.

Here is the financial target for FY3/20.

Our target for consolidated net business profit is ¥1,180 billion, a ¥12.3 billion decrease from FY3/19. As we expect a negative impact of ¥60 billion from group reorganization (e.g. deconsolidation of SMFL), consolidated net business profit is expected to increase excluding this negative impact.

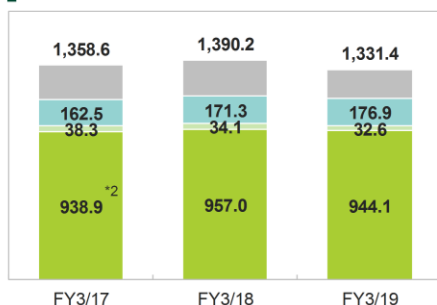
This is because we expect to expand the overseas business and strengthen the wealth management business.

Our target for profit attributable to owners of parent is ¥700 billion, the same as the target of FY3/19. It is expected to decrease by ¥26.7 billion year on year mainly due to higher credit cost.

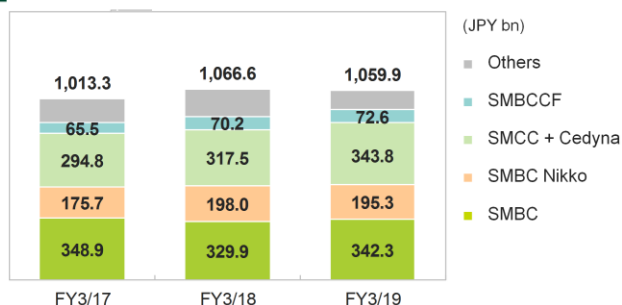
### 3. Consolidated gross profit

	FY3/19			YoY <sup>*1</sup>			
	(JPY'bn)	Consolidated	SMBC	Variance	Consolidated	SMBC	Variance
Consolidated gross profit		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

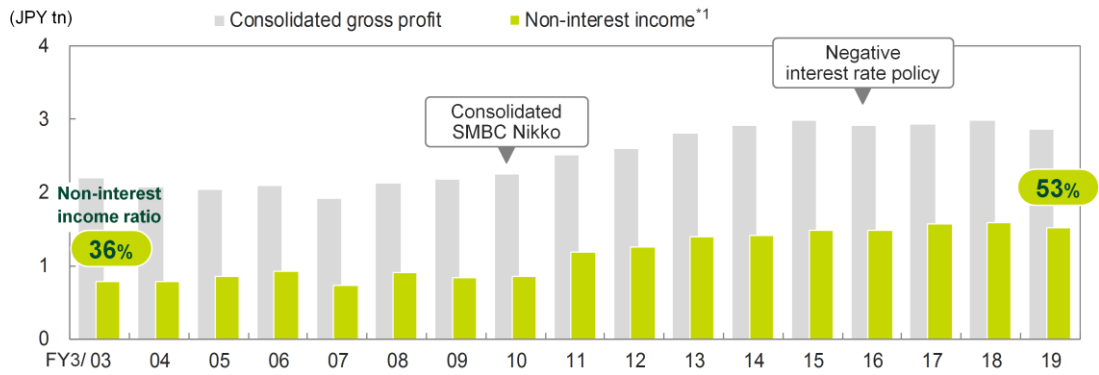


<sup>\*1</sup> Includes the decrease coming from group reorganization

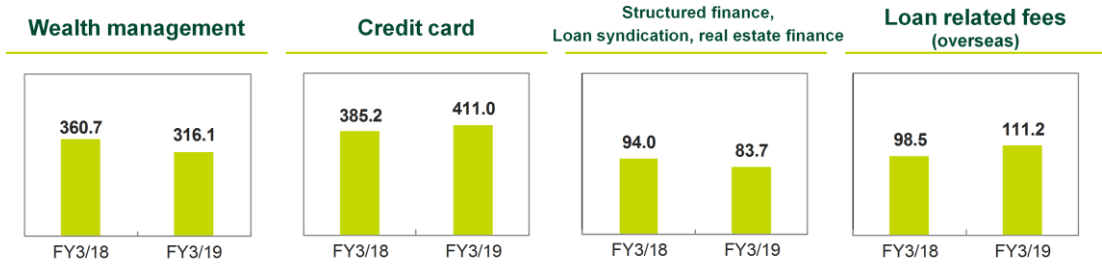
<sup>\*2</sup> Excludes the impact of receiving JPY 200 bn of dividends from SMBC Nikko (eliminated in consolidated figures)

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## ■ (Ref.) Non-interest income



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



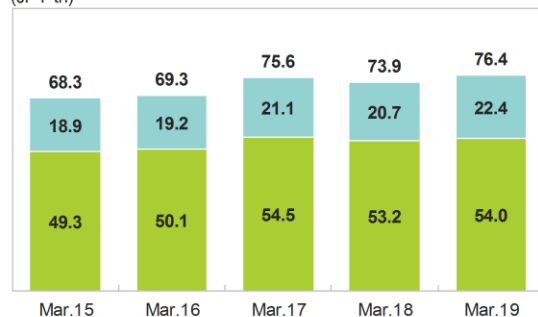
\*1 "Consolidated gross profit" minus "Net interest income"

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## 4. Loans\*1

### 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\*2

	Balance (JPY tn)		Spread (%)	
	FY3/19	YoY*4	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*3	295.1	+19.1	1.12	(0.02)
	USD bn	USD bn		

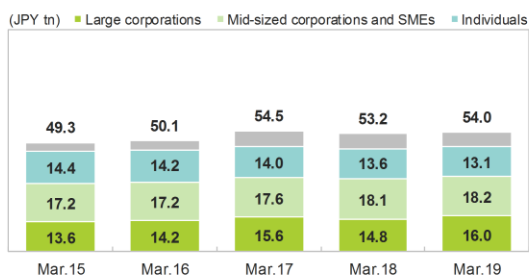


\*1 Non-consolidated \*2 Managerial accounting basis \*3 Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Trust, etc. Sum of loans, trade bills, and securities  
\*4 After adjustments for exchange rates, etc.

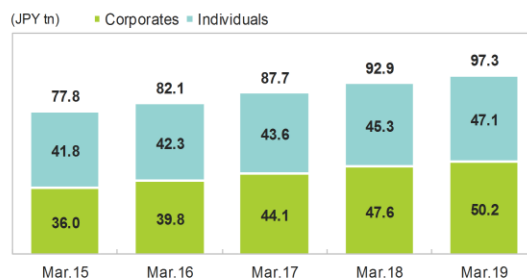
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## 5. Domestic loans and deposits\*1

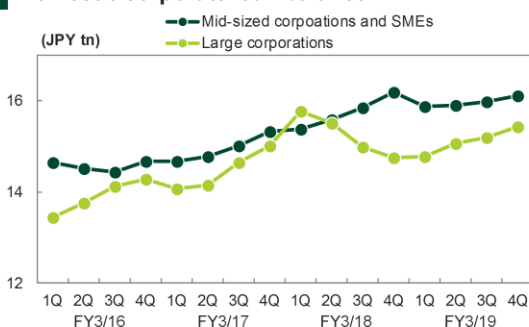
### Domestic loan balance\*2



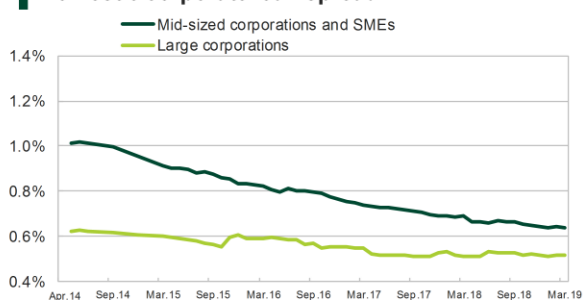
### Domestic deposit balance



### Domestic corporate loan balance\*2,3



### Domestic corporate loan spread\*2,4



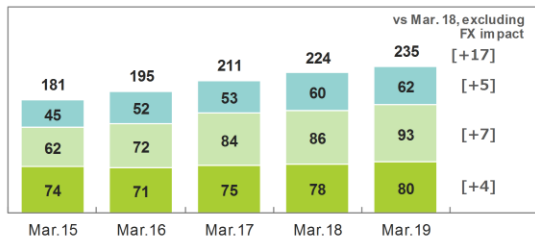
\*1 Non-consolidated \*2 Managerial accounting basis \*3 Quarterly average, excludes loans to the Japanese government. Figures for SMEs are the outstanding balance of CBD  
\*4 Monthly average loan spread of existing loans, excludes loans to the Japanese government

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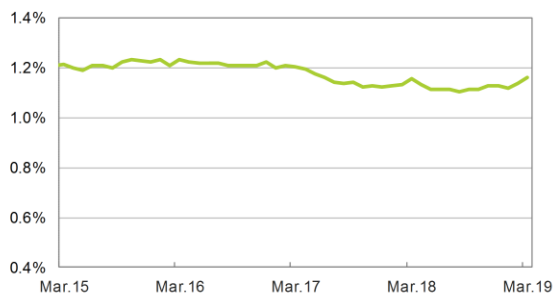
## 6. Overseas loans and deposits\*1

### Overseas loan balance

(USD bn) ■ Asia ■ Americas ■ EMEA



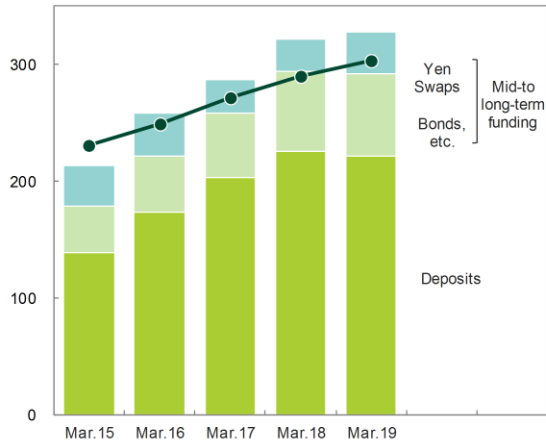
### Overseas loan spread\*2



### 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

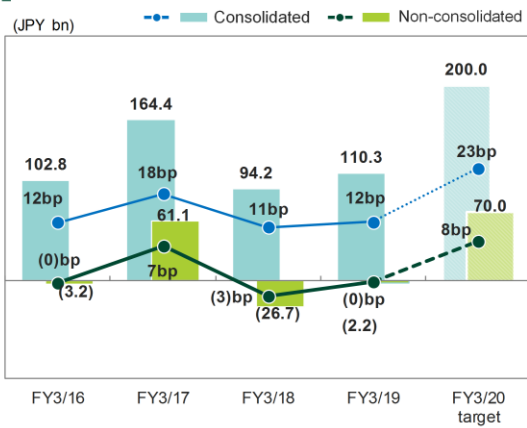


\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)  
\*2 Monthly average loan spread of existing loans

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## 7. Asset quality

### Credit costs<sup>\*1</sup>

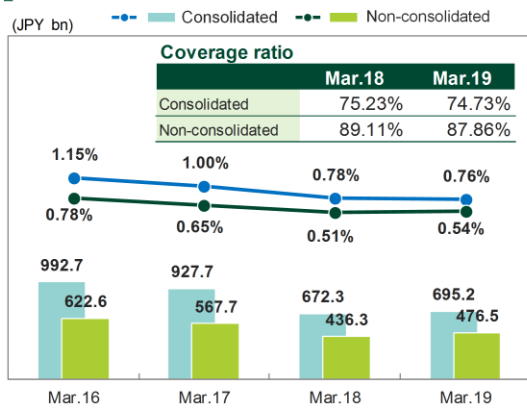


### Major Group Companies

(JPY bn)

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

### Non-performing loan balance and ratio<sup>\*2</sup>



#### Coverage ratio

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

### Total claims

(JPY tn)

	93	86	91
Consolidated			
Non-consolidated	87	86	89

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

	1.6	1.3	0.8
Non-consolidated			



<sup>\*1</sup> Total credit cost ratio = Total credit cost / Total claims

<sup>\*2</sup> NPL ratio = NPLs based on the Financial Reconstruction Act (excludes normal assets) / Total claims

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## 8. Securities

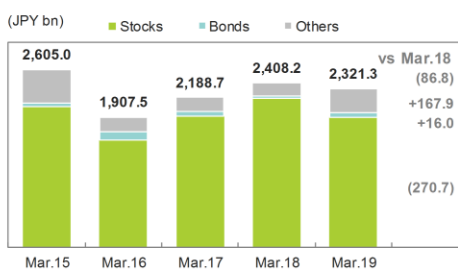
### Bond portfolio

	(JPY tn)	Mar.18		Mar.19	
		Balance sheet amount	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)
Consolidated	Yen-dominated	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
	Foreign bonds	7.2	(0.16)	9.0	(0.03)
Non-consolidated	Yen-denominated (duration <sup>*1</sup> )	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
	Foreign bonds (duration <sup>*1</sup> )	5.3 (5.5 yrs)	(0.14)	7.1 (5.3 yrs)	(0.03)

### Strategic shareholdings

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

### Unrealized gains (losses) on other securities<sup>\*2</sup>



<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> Consolidated

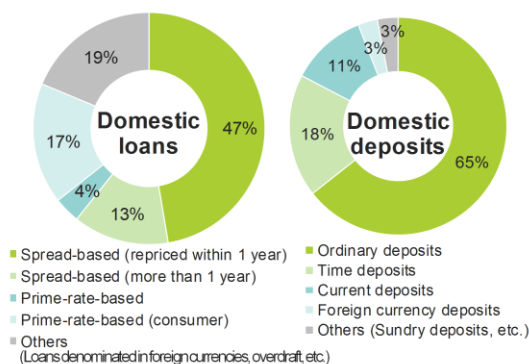
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## 9. Balance sheet

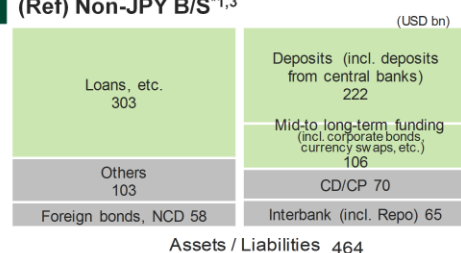
### Consolidated

	(JPY bn)	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>



<sup>\*1</sup> Managerial accounting basis <sup>\*2</sup> After adding back the portion of housing loans securitized in FY3/19 of JPY 175.4 bn  
<sup>\*3</sup> Sum of SMBC, SMBCE and SMBC (China)

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## 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>



<sup>\*1</sup> Preliminary <sup>\*2</sup> Excludes capital buffer 2.5%, G-SIB buffer 1.0% and Counter-cyclical buffer 0.10%  
<sup>\*3</sup> Cap is 40% for Mar.18 and 30% for Mar.19, subject to transitional arrangements

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

I have had opportunities to talk with investors and analysts as CFO, but this is my first presentation as CEO.

Therefore, I would like to discuss my key priorities as CEO before explaining our strategic initiatives.

# 1. Our business environment

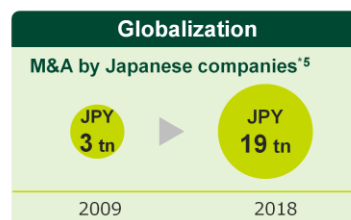
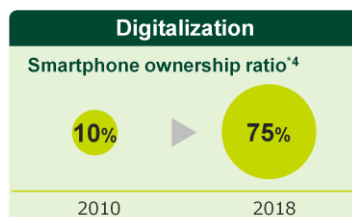
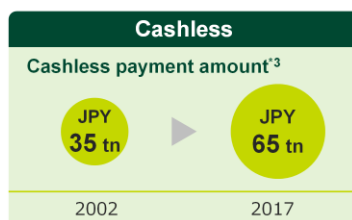
- Financial institutions continue to face a severe earnings environment.
- Customer needs and actions are altering in response to changes in the social environment.

## Earnings environment

Ultra-low interest rates / excess funds	
Japan	1m LIBOR (0.10)% <sup>*1</sup>
U.S.	Policy rate to be unchanged

Slowdown of world economy	
GDP growth rate <sup>*2</sup>	
World	3.8% → 3.3%
Japan	1.4% → 1.0%
2010-18	2019E

## Change in customer needs



<sup>\*1</sup> as of Mar.19 <sup>\*2</sup> IMF "Economic Outlook" <sup>\*3</sup> Sum of the settlement with credit, debit, and e-money. Source: BOJ "Payment and Settlement Systems Report"  
<sup>\*4</sup> per household. Source: MIC "WHITE PAPER Information and Communications in Japan" <sup>\*5</sup> RECOF (In-Out)  
<sup>\*6</sup> 5,000-40,000 USD of annual income. Source: Euromonitor International

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This is my view toward our business environment.

As shown on the left, the financial and economic environment is expected to remain challenging due to the prolonged low interest rate environment in Japan and the slowdown of the world economy.

On the other hand, customer needs are becoming increasingly sophisticated and diversified in response to the social changes.

For example, cashless payment and digital technology have been developing remarkably. Although it has been pointed out that cashless payment is less developed in Japan than in other countries, the domestic cashless payment market continues to grow. Customer behavior patterns are changing dramatically due to smartphones, even among elder people.

In addition, Japanese companies have been rapidly expanding their overseas business as shown in the increase of cross-border M&A transactions.

Emerging countries continue to grow symbolized by the rapid expansion of the middle class in Indonesia.

## ■ 2. Management strategy adapting to changes

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

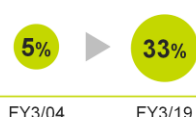
### Expand business and regional coverage

(Contribution to consolidated net business profit)

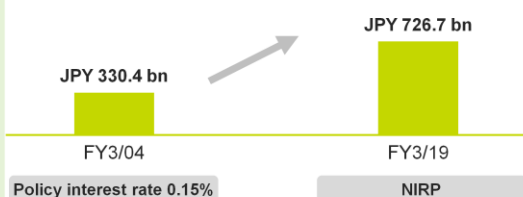
Group companies excl. SMBC



International business<sup>\*1</sup>



### Bottom-line profit



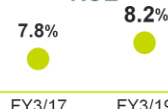
### Improve efficiency

Prioritize  
bottom-line profit

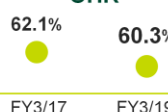
Cost control

Reorganization of  
group companies

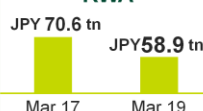
### ROE



### OHR



### RWA



<sup>\*1</sup> Ratio of FY3/04 is the international unit of SMBC and one of FY3/19 is the international business unit of SMFG

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These changes are nothing new.

In Japan, the business environment for commercial banks has been challenging for a long time due to the low economic growth rate and low interest rate.

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

SMBC Nikko, SMBCCF, and SMBC Aviation Capital.

All of these companies joined us after SMBC Group was established in 2002 and they are top-tier companies within their industries. As a result, contribution of group companies other than SMBC to the consolidated net business profit increased significantly from 8% in FY3/04 to 51% in FY3/19. In addition, the contribution of the international business rose from 5% to 33%.

We managed to increase bottom-line profit despite the challenging environment as shown on the bottom-left, by diversifying revenue sources through the expansion of our business and regional coverage.

Even recently, there have been major changes in the business environment, such as the slowdown in the Asian economy and the introduction of BOJ's negative interest rate policy.

In response to these changes, we started shifting in the middle of the previous Medium-Term Management Plan from focusing on top-line growth to enhancing efficiency, which is our strength.

As shown on the right, we have improved efficiency by focusing on bottom-line profit, controlling cost, and reorganizing group structure.

### ■ 3. Key priorities

---

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



**Bold  
transformation**

**Continuous  
innovation**

**Maximize  
group strengths**

“We grow and prosper together with our customers, by providing services of greater value to them.” This is the first sentence of our group mission.

Therefore, I believe that my biggest mission as CEO is to provide customers with greater added value and achieve sustainable growth for the group.

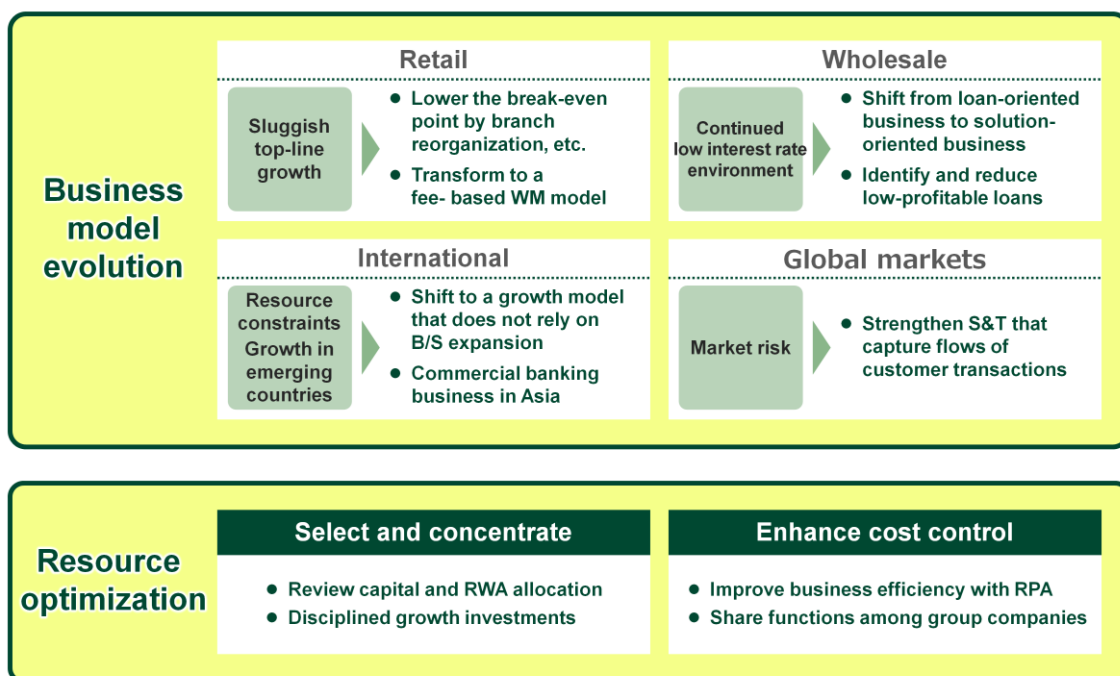
In order to meet the true needs of our customers, I will put priorities on

- 1) bold transformation,
- 2) continuous innovation, and
- 3) maximize group strengths

by leveraging our competitive strengths, which are that we rapidly evolve ourselves in response to the change of time.

Next, I will explain each of the points from the next page.

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



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First is bold transformation.

In response to the challenging environment, we will evolve our business model and optimize management resources.

For example, in the retail business unit, we will lower our break-even point by reducing cost through branch reorganization in order to realize sustainable profit growth even while the top-line profit is sluggish.

At the same time, we will further work on shifting the business model of the wealth management business from one that relies on sales commissions of investment products to one that relies on management fees of customers' AUM.

In the international business unit, given the constraints of RWA and foreign currency funding, we will shift to a growth model that does not rely on expanding our balance sheet and increase profits by promoting cross-selling and enhancing strength in global products.

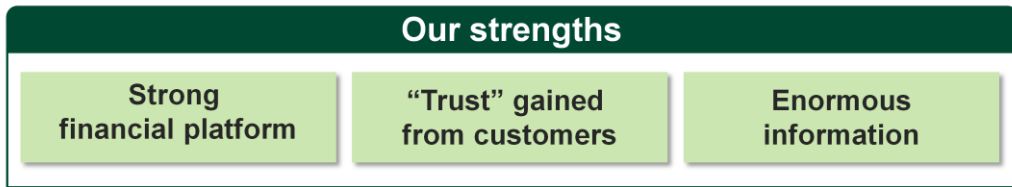
In Asia, like we are doing in Indonesia, we will develop a commercial banking business to support the growth of the country with a full lineup of services, which will lead to the growth of ourselves.

In addition, we will optimize our management resources.

Through "select and concentrate", we will strengthen our strategic business areas by reviewing the allocation of capital and RWA. At the same time, we will make disciplined investment for growth with the profits we generate going forward.

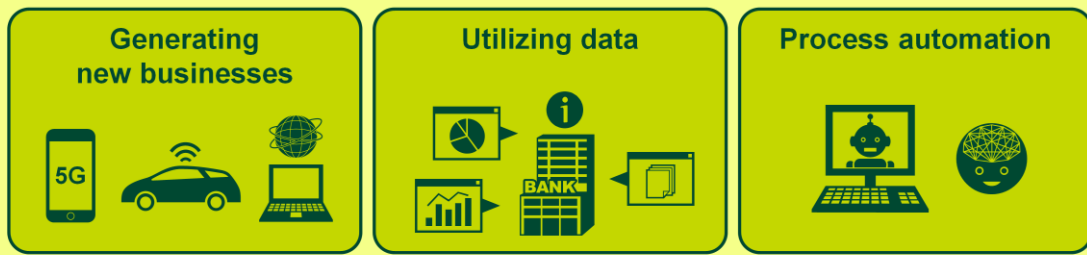
We will further strengthen cost control by improving business efficiency with RPA and by consolidating and sharing functions on a group basis.

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



攻めのIT経営銘柄2019  
Competitive IT Strategy Company

#### Always provide new "values" to our customers



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Second is continuous innovation.

As digitalization progresses and the financial industry deregulates, I believe our roles will expand.

Recently, some argue that banks are no longer needed and I have been asked my thoughts against that. I believe that if banks are not really needed, we do not have to continue to be a bank. We can stop being a bank.

We will implement continuous innovation and promote progressive and proactive initiatives in order to overcome the changing environment.

As shown in the bottom, generating new business through collaboration with other industries, utilizing data, and process automation will be the themes.

We were selected last month as "Competitive IT Strategy Company 2019" by METI and Tokyo Stock Exchange, as the only company in the banking industry.

I believe that our efforts to provide new values by using AI and data were highly evaluated.

We will always provide new "values" to our customers by leveraging our strong financial platform, "trust" gained from customers, and enormous information and by thinking out-of-the box.

### ■ 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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Third is maximizing group strengths.

Our biggest strength is that we hold top-tier companies in industries such as banking, leasing, securities, credit cards, and consumer finance.

I feel that the group management system centered on the holding company has steadily taken root over the past two years through the group-wide business unit system and CxO system.

Going forward, I will lead to produce more results by taking further steps to maximize group synergies.

We will maximize group strength by further collaborating among the group companies and optimizing resource allocation. Examples include joint branches among the group companies, collaboration among SMBC, SMCC, and Cedyna in cashless payment, providing various solutions on a group basis in the wholesale business, and the multi-franchise strategy in Indonesia.

I will implement these concepts into the discussions we are currently having for the next Medium-Term Management Plan.

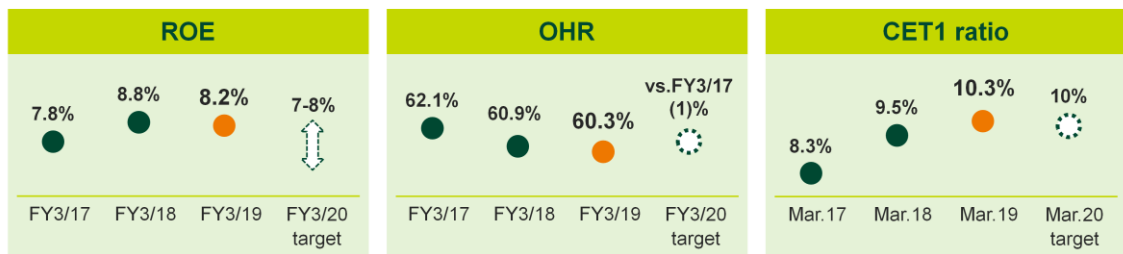
We cannot be optimistic about the outlook for our business environment. However, even under these circumstances, we will make ourselves a financial group that will strongly win the competition by challenging new initiatives in a speedy manner.

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

Next, I would like to talk about the progress of the 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>

As shown in the top, ROE, OHR, and CET1 ratio are all on track to meet the target of the Medium-Term Management Plan.

In addition, we are making steady progress on the key initiatives as well.

From the next page and on, I will talk about these in more detail.

## 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



<sup>\*1</sup> Estimated impact from the change of ownership ratio based on FY3/19 results (excl. one time impact) <sup>\*2</sup> Post-Basel III reforms basis

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Let me talk about our business/asset portfolio.

The left shows a list of the major deals done for group reorganization.

As indicated by the arrows, each deal has contributed to improving capital efficiency through an increase in bottom-line profit and/or a reduction in RWA.

Examples of synergies are shown on the right.

Since merging SMBC Nikko and SMBC Friend in January 2018, cost synergies have been realized in system cost, head office staff, and through branch closures.

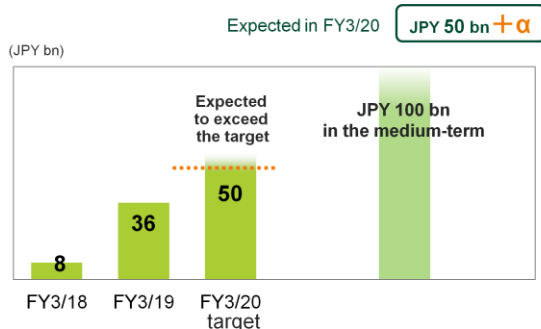
SMFL is strengthening its business by expanding the scope of leasing assets and entering into new businesses including the environmental and infrastructure management businesses.

### 3. Cost control

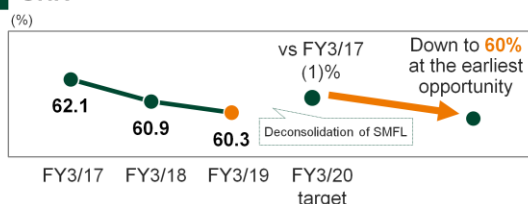
- Reduced cost by JPY 36 bn out of the JPY 50 bn target. Expected to exceed the target during FY3/20.
- Enhance cost control on a group-wide basis to achieve the OHR target.

#### 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



#### OHR



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

Workload reduction	Planned	4 thousand people
	Expected	5 thousand people
Headcount (attrition)	Reduce 4 thousand people domestically	



Here is a summary of our cost control measures.

We have been making good progress in the three key initiatives outlined in the Medium-Term Management Plan. As shown in the bottom-left, we already achieved a reduction of ¥36 billion in FY3/19 and expect to exceed the three-year target of ¥50 billion in FY3/20.

We will continue to increase the amount of cost reductions and aim for ¥100 billion in the medium-term.

The top right shows the transition of OHR.

OHR in FY3/19 was 60.3% as a result of the deconsolidation of the Kansai regional banks.

OHR in FY3/20 is expected to rise because of the effect of the deconsolidation of SMFL, which closed in 2H FY3/19.

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 rise.

In terms of personnel, we expect to reduce the workload by slightly less than 5,000 people from FY3/18 to FY3/20, exceeding the original target of 4,000, mainly due to the effects of business reforms to improve efficiency among the group companies.

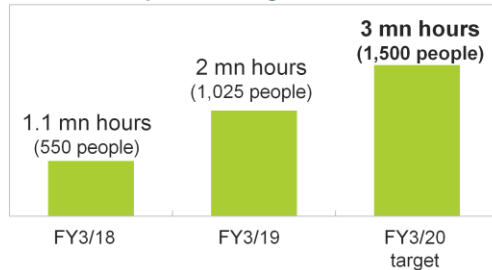
We also expect to reduce about 4,000 of headcount domestically, almost the same number as the initial target of workload reduction, due to natural attrition and fewer hiring of new graduates.

### 3. Cost control

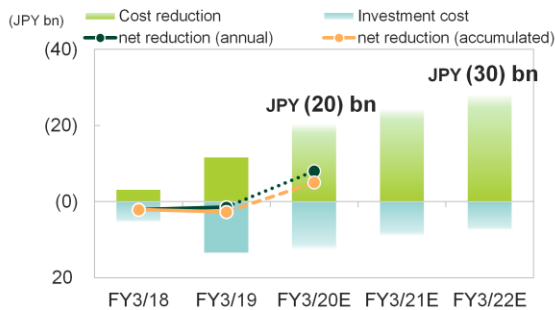
## (Ref.) Progress of key initiatives

#### Business reforms with RPA

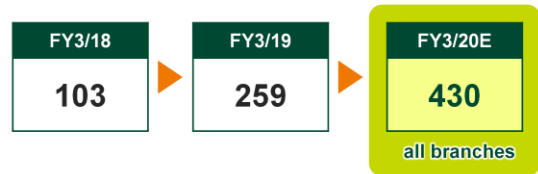
##### World's top-class usage



#### Cost reduction from retail branch reorganization

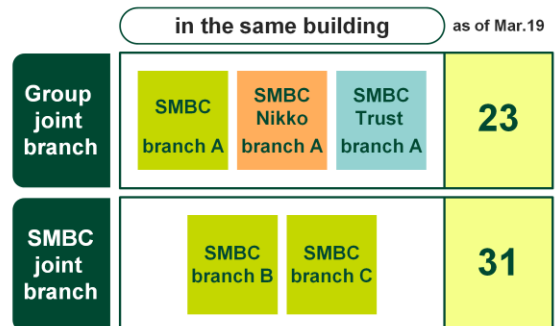


#### # of branches transformed to smart branches



#### Joint branches

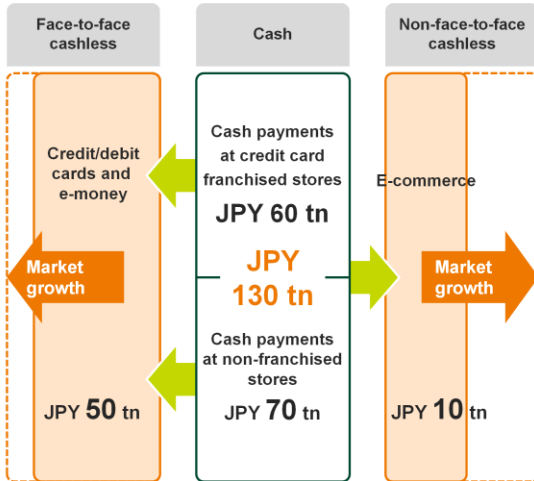
##### Enhance branch network efficiency by integrating branches



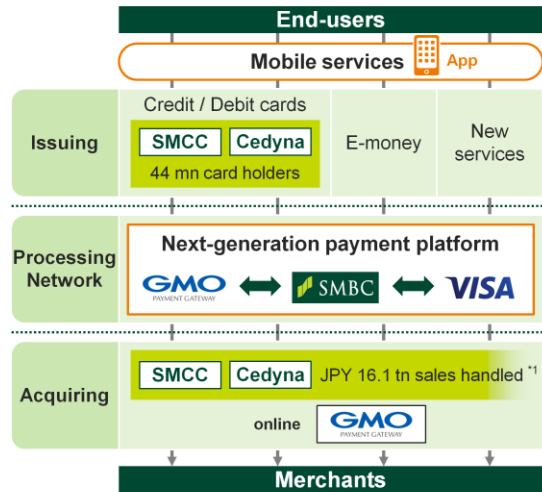
## 4. Cashless payment strategy

- 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



\*1 Includes sales handled from the issuing business

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This slide explains our cashless payment strategy.

Our strategy is to enter in the huge cash payment market of ¥130 trillion and shift these cash payments to cashless payments by providing comprehensive solutions that benefit both the merchants and end-users at a competitive cost.

In order to further expand our competitive advantage, we have reached an agreement with GMO Payment Gateway and Visa to collaborate in building our own processing and network functions that we had previously outsourced.

We will combine our strengths to build a powerful payment platform which will allow us to build a vertical business model.

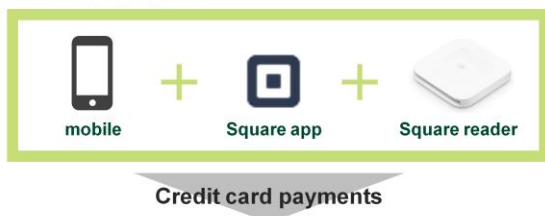
#### 4. Cashless payment strategy

### 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



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This slide shows our initiatives to enhance services for businesses operators and end-users.

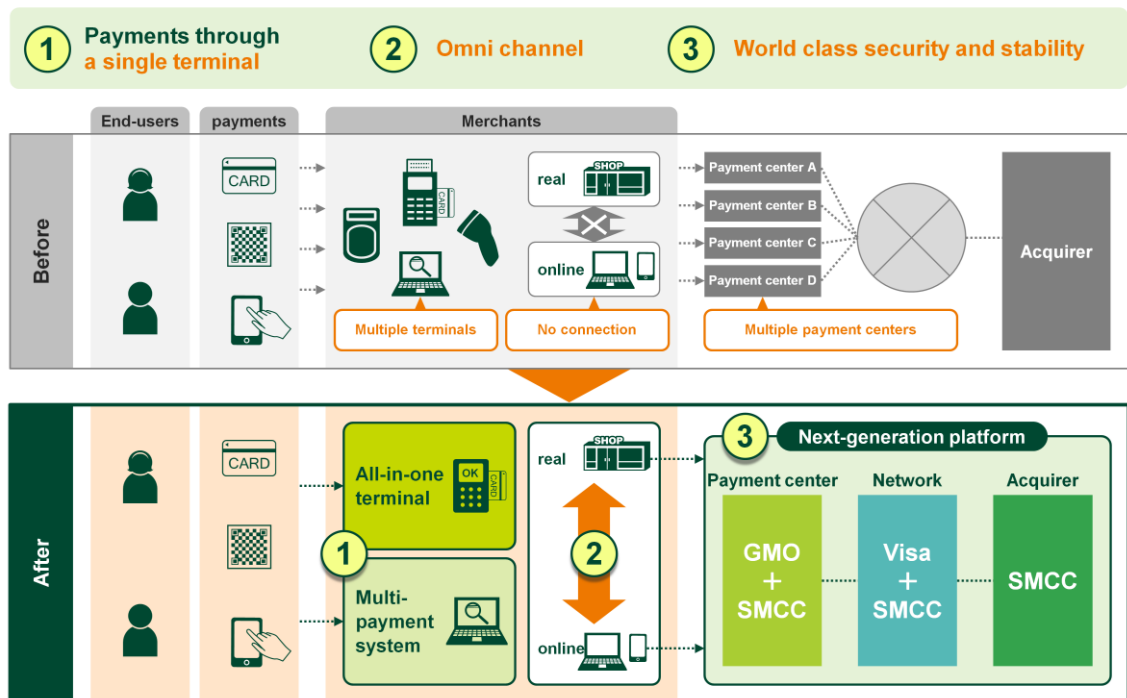
For small and middle merchants, we have teamed up with Square, which we have a capital and business alliance partnership. Since April, we started using SMBC branches to help our customers learn more about Square. We will leverage SMBC's customer base and branch network to expand our cashless payment business.

For end-users, we updated mobile apps of SMBC and SMCC. We will continue to improve our products to offer convenient, safe and secure, and beneficial cashless payment services.

We will evolve the cashless payment market as a front-runner through the comprehensive and advanced initiatives for both businesses operators and end-users.

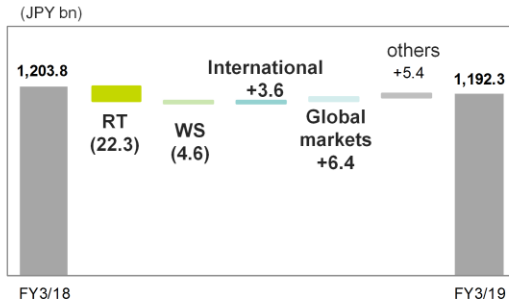
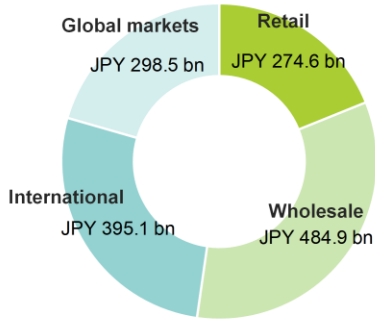
#### 4. Cashless payment strategy

### ■ (Ref) Next-generation platform



## 5. Initiatives by business unit

### Consolidated net business profit<sup>\*1</sup>



### ROE<sup>\*2</sup>

	FY3/18	FY3/19	FY3/20 target <sup>*3</sup>
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%



<sup>\*1</sup> YoY figures are after adjustments for interest rate and exchange rate impacts <sup>\*2</sup> 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)  
<sup>\*3</sup> Target for the Medium-Term Management Plan

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Next, I would like to talk about each business unit.

## 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.

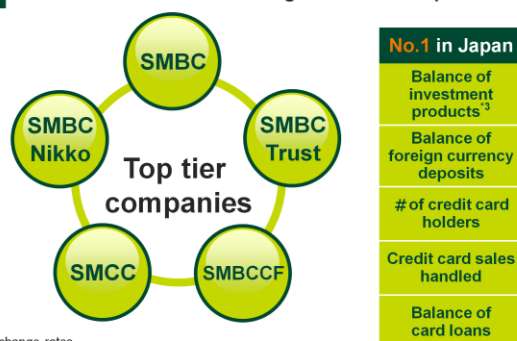
#### Financial results

(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



<sup>\*1</sup> Excl. consumer finance <sup>\*2</sup> After adjustments of the changes of interest rates and exchange rates  
<sup>\*3</sup> Ranking within domestic bank group

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First is the retail business unit.

Consolidated net business profit in FY3/19 decreased year on year due to the deteriorating market conditions in the second half.

On the other hand, KPIs including the balance of fee-based AUM are making good progress.

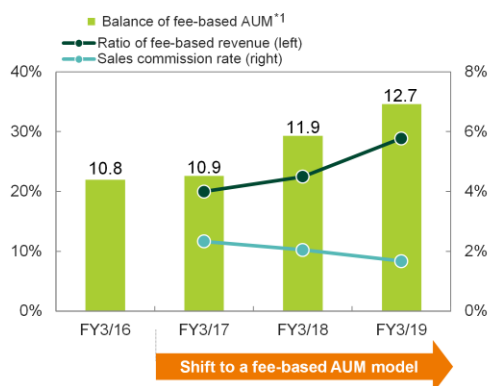
## 5. Initiatives by business unit:

### 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



\*1 All figures are for SMBC+SMBC Nikko \*2 Total financial assets of 100 million yen or more

#### 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

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In the wealth management business, we are a pioneer in Japan in shifting the business model from one that relies on sales commissions to one that relies on management fees of customers' AUM.

As shown on the left, the balance of fee-based AUM is steadily increasing and the ratio of fee-based revenue to total revenue is on an upward trend.

As shown on the right, we are developing new products and services to meet the diverse needs of our customers in respond to the coming “100-year-life” era. For example, we have introduced a money plan simulation to visualize the balance of income and expenditures of each customer to fulfill their long-term investment needs. We are also strengthening consulting services for inheritance needs of high-net-worth clients, which we did not fully reached out to in the past.

We have revised the performance evaluation system and the operation rules at branches to further promote these initiatives.

The focus on the evaluation system is now built more on whether the performance is customer-oriented or not. For the wealth management business, for example, each branch is now evaluated based on the balance of the customers' AUM on a group-wide basis.

We have also clarified that each branch manager should not allocate numerical targets to individual officers but work on as a team in order to have every sales officer work on a positive motivation for our customers.

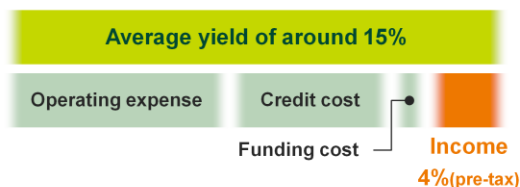
## 5. Initiatives by business unit:

### Retail

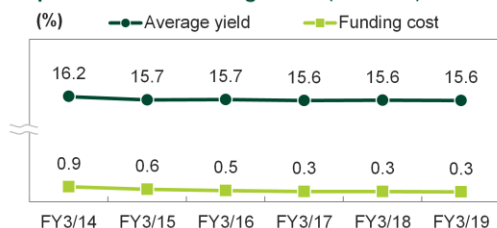
- Consumer finance business maintains a highly profitable business model amid the extremely low interest rate environment.
- Group-wide card loan balance is increasing.

#### Consumer finance

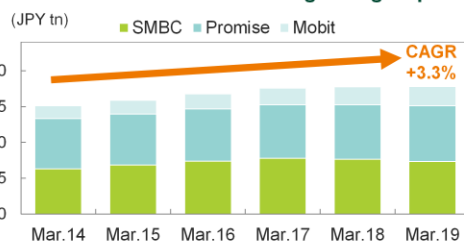
- Highly profitable business model<sup>\*1</sup>



- 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)



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

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Next is the consumer finance business.

As we have a top class market-share and expertise in this business, we maintain a highly profitable business model even under the low interest rate environment.

Card loan balance on a group-wide basis has been increasing, in response to the healthy demand of individual customers.

We consider the consumer finance business as one of the growth drivers of our retail business because the demand for loans is anticipated to increase. This is due to the rise of employments through women's increased participation in the workforce and improved convenience of products and services.

## 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%



<sup>\*1</sup> After adjustments of the changes of interest rates and exchange rates <sup>\*2</sup> Includes SMFL until Dec.18  
<sup>\*3</sup> For mid-sized and small companies. Based on each company's disclosure

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Next, I would like to talk about the wholesale business unit.

ROE in FY3/19 was 12.1%, which was maintained at a high level.

Most of the KPIs also showed good progress. We were ranked No.1 in lead arranger of IPOs and M&A advisory by strengthening collaboration between SMBC and SMBC Nikko.

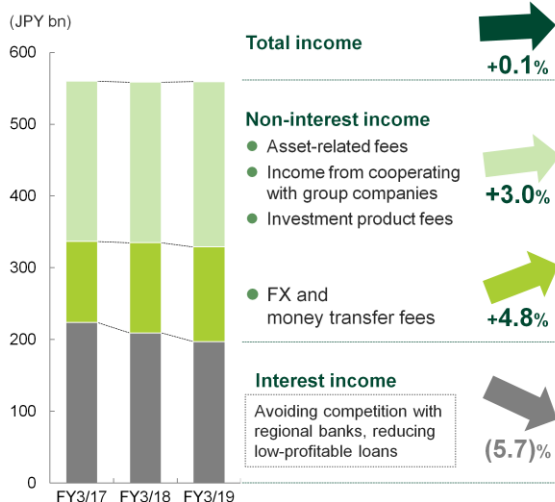
## 5. Initiatives by business unit:

### Wholesale

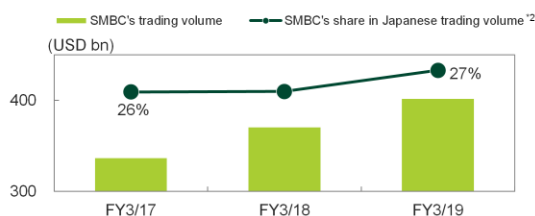
- Total income increased under the negative interest rate policy by strengthening non-interest income. In particular, stable fee income including FX and money transfer fees increased steadily.
- Aim to have the decline of the loan spread to bottom out this fiscal year.

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

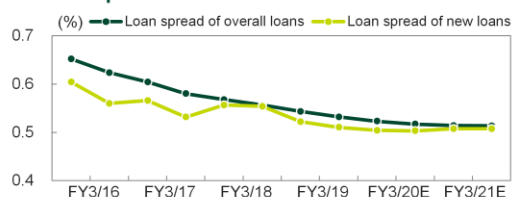
(vs FY3/18)



#### Steady increase in FX fees



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



<sup>\*1</sup> Wholesale unit (SMBC) <sup>\*2</sup> Managerial accounting basis. SMBC's share in Japanese trading volume = SMBC's trading volume/Japanese trading volume (Customs basis)

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In the wholesale business, we are also working to transform our profit structure in order to achieve sustainable growth even under the low interest rate environment.

The breakdown of gross profit is shown on the left. The total income increased slightly year on year, offsetting a decrease in interest income by increasing non-interest income.

Among non-interest income, FX and money transfer fees, which generate stable earnings, especially showed steady growth.

As shown on the top right, SMBC's trading volume is steadily increasing by responding carefully to customers' needs.

The trend of loan spread is shown on the bottom right.

As the low interest rate environment continues, the loan spread has been declining 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 will aim to have the loan spread to stop contracting by the end of 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



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As shown on the left, we are making efforts to improve asset efficiency.

We have been running the wholesale business with focus on profitability.

For example, we started profitability management based on RWA and profitability in FY3/19 for large corporate clients.

We also changed the performance evaluation system for branches to reflect improvement of profitability.

In addition, we will further improve asset efficiency by providing multi-aspect solutions for a variety of customer needs on a group basis.

We are also providing digital solutions as shown on the right.

We will further strengthen our ability to provide solutions by developing new digital products and services, and by upgrading sales activities with digital technology.

## 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

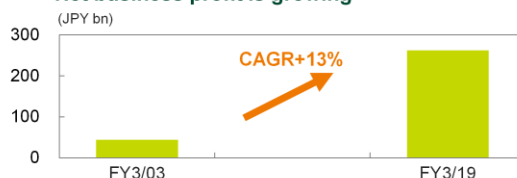
(JPY bn)	FY3/19	YoY <sup>1</sup>
Gross profit	689.6	+31.2
Income on loans and deposits	297.6	+24.7
Loan related fees	111.2	+9.3
Securities business	41.8	+0.5
Aircraft leasing	46.6	(0.7)
Expenses	333.4	+22.2
(Overhead ratio)	48.3%	+1.1%
Net business profit	395.1	+3.6
ROE	9.3%	(1.1)%
RWA (JPY tn)	22.3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



<sup>1</sup> After adjustments of the changes of interest rates and exchange rates  
<sup>2</sup> Sum of SMBC and overseas subsidiaries

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Let's move on to the international business unit.

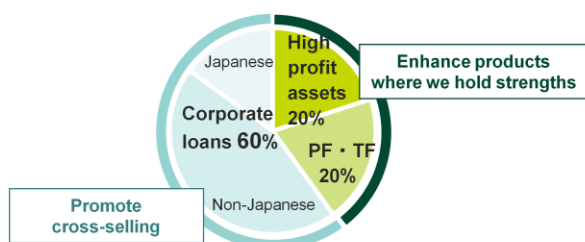
Both gross profit and net business profit increased year on year because good progress was made in key initiatives of the Medium-Term Management Plan, such as promoting cross-selling, enhancing products where we hold strengths, and strengthening our Asia business.

## 5. Initiatives by business unit:

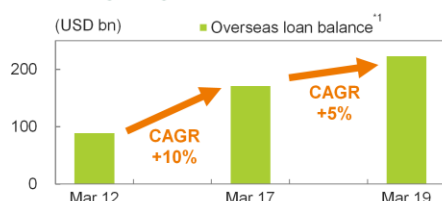
### International

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

#### Overseas asset portfolio

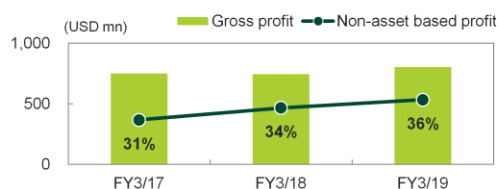


- Controlling the growth rate of assets

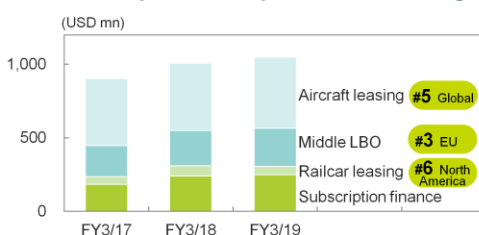


\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)

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



- Increased profits from products with strengths



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Our overseas asset portfolio is shown on the top left.

We have been increasing cross-selling (e.g. securities) and further enhancing products where we hold strengths in order to improve asset efficiency under disciplined operations.

As shown on the left bottom, in the past, overseas loan balance grew at double-digit rates annually as being the growth driver of the group.

Over the past few years, however, with constraints of RWA and foreign currency funding, we have been shifting into a business model where we can increase profit without expanding our balance sheet by carefully looking at credit risks and using O&D.

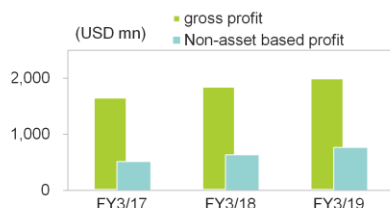
## 5. Initiatives by business unit:

### International

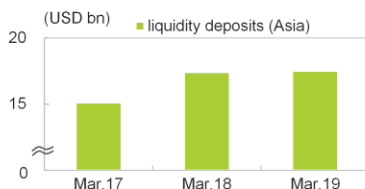
- Increase profit by deepening relationship with core clients in Asia.
- Merged BTPN and SMBC Indonesia. Accelerate the Multi-franchise strategy.

#### 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



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Next, I would like to talk about our strategies in Asia.

We are working on the Asian strategy as a decade long plan from a medium- to long-term perspective.

As shown on the left, we have been steadily expanding cross-selling and transactions with core clients since the previous Medium-Term Management Plan. Understanding growing companies and deepening relationship with them have been developed by hiring local staff who know very well about the business and culture in the country.

Now, we can sometimes obtain the owners' private wealth management business from the corporate business as we often do in Japan.

The right shows the Multi-franchise strategy.

We will firmly work to expand our business platform, which will become our growth driver for the next decade, while paying close attention to the volatile Asian economy.

In order to achieve sustainable growth, I believe that it is essential for us to establish a commercial bank which collects deposits and provides loans both to corporate and individual customers in a country with high growth potential such as Indonesia.

Therefore, we acquired 40% of shares in BTPN in 2013 and merged the bank with SMBC Indonesia in February 2019.

This is our first initiative outside of Japan to build a platform where we operate both the wholesale and retail business.

We will try to build the second SMBC by growing BTPN to one of the top-tier banks in Indonesia, as well as considering expansion of the Multi-franchise strategy 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

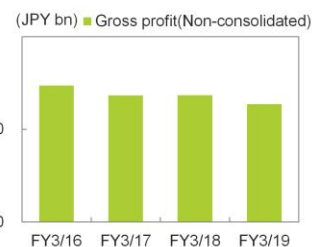
(JPY bn)	FY3/19	YoY <sup>1</sup>
Gross profit	333.6	+4.8
SMBC's Treasury Unit	253.5	+7.5
Expenses	54.2	(0.4)
(Overhead ratio)	16.2%	(0.4)%
Net business profit	298.5	+6.4
ROE	31.8%	+1.4%
RWA (JPY tn)	4.9	(1.2)

#### KPI

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

#### Stable earnings

##### Source of earnings



\*1 After adjustments of the changes of interest rates and exchange rates

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Last is the Global Markets business unit.

Both gross profit and net business profit increased year on year by nimble portfolio management of stocks and bonds under the severe market conditions.

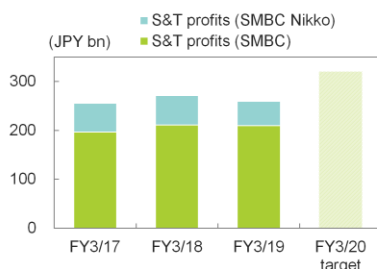
We will further try to make profits by flexibly rebalancing our portfolio, while the market condition is expected to be more difficult in FY3/20.

## 5. Initiatives by business unit:

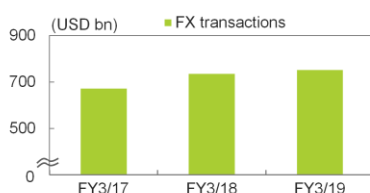
### Global markets

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

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

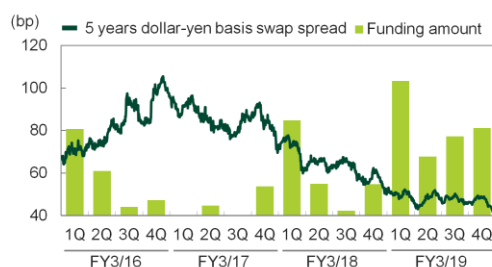


- Focus on FX-related transactions



#### 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



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As shown on the left, we are enhancing the S&T business.

SMBC made a good progress by focusing on FX-related transactions, while performance of SMBC Nikko was sluggish due to lower market volatility.

Our S&T business is on the way of growth and is expected to become a growth driver in the future. We will show you stronger results by improving our infrastructure and enhancing our functions in the business.

Foreign currency funding is shown on the right.

We are diversifying our funding methods and expanding our investor base through various initiatives such as issuing the first covered bonds in Japan.

We are also increasing medium- to long-term currency swaps to reduce total funding cost because the swap spread is at historically low levels.

We will further seek to optimize our foreign currency funding portfolio.

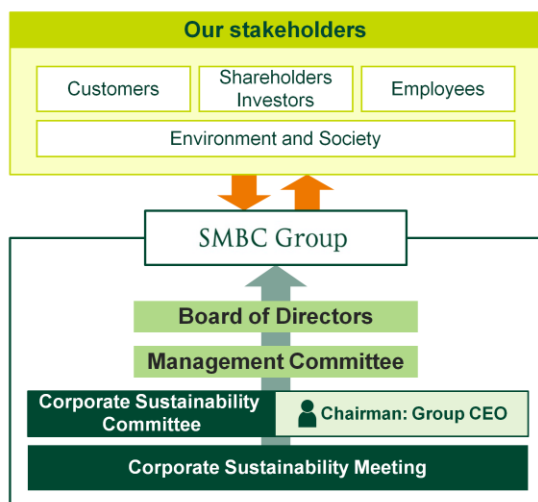
# IV. ESG

Next, I will talk about 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



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This slide shows our efforts toward sustainability management.

The Corporate Sustainability Committee, which I chair, is shown on the left.

We will promote initiatives to resolve social issues and achieve the SDG goals by managing our business with greater focus on expectations and demands of our stakeholders.

The right-hand side shows the ESG indices for which we have been selected. SMFG is the only mega bank that is included in all of the ESG indices selected by GPIF.

## 2. Environment, Social

- Work on initiatives to solve social issues.

Social Issues		Our initiatives	Achievements
Realize a sustainable society		<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>
Envir.	Low carbon society	<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>
	Changes in Demography	<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>
Next Generation	Working environment with job satisfaction	<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>
Community	Financial Inclusion	<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>
	Support growing industries Regional Revitalization	<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>
	Measures against Poverty	<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>



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Next is our initiatives for environment and social issues.

We are implementing and promoting initiatives for each of the three key materialities: environment, next generation, and community.

We will fulfill our corporate social responsibility as a global financial group by resolving social issues, such as establishing a low carbon society ("environment"), addressing changes in Demographic ("next generation"), and financial inclusion ("community".)

### ■ 3. Initiatives toward TCFD\*1 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>● Conducted scenario analysis of climate change in physical risks <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>



\*1 Task Force on Climate-related Financial Disclosures

\*2 Representative Concentration Pathways. e.g. "RCP 2.6" represents a radiative forcing (the amount of radiation that energy entering or leaving the surface of the Earth has relative to the Earth's climate) of 2.6 w/m<sup>2</sup> at the end of the century

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This slide is showing our initiatives toward TCFD recommendations.

We conducted analysis and calculated the financial impact of climate-related risks at SMBC, as a part of our efforts toward sustainability management.

The impact of physical risks on our credit cost is considered to be limited:

approx. ¥30-40 billion between 2019 and 2050 (¥1 billion annually.)

This is estimating the impact of water disasters caused by climate changes.

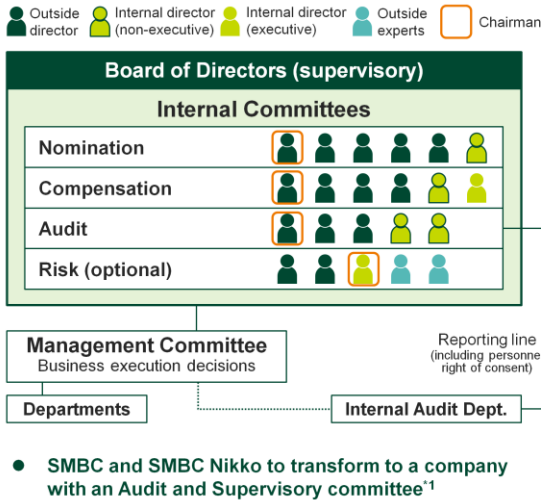
While this is the first step of our analysis, I believe the significance is that we were the first global financial group to disclose the impact of climate-related risks in "numbers."

Going forward, we will consider expanding the scope of our analysis, including estimating the impact of the transition to a low-carbon society.

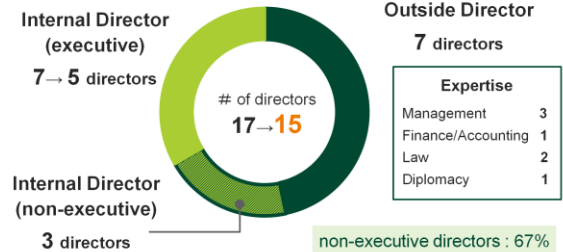
## 4. Governance

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

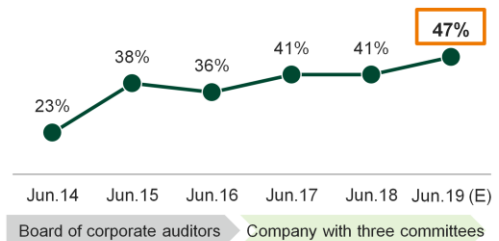
### Governance framework



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



### % of Outside Directors



<sup>\*1</sup> Subject to shareholder meeting approval in June 2019

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Next, I would like to talk about governance.

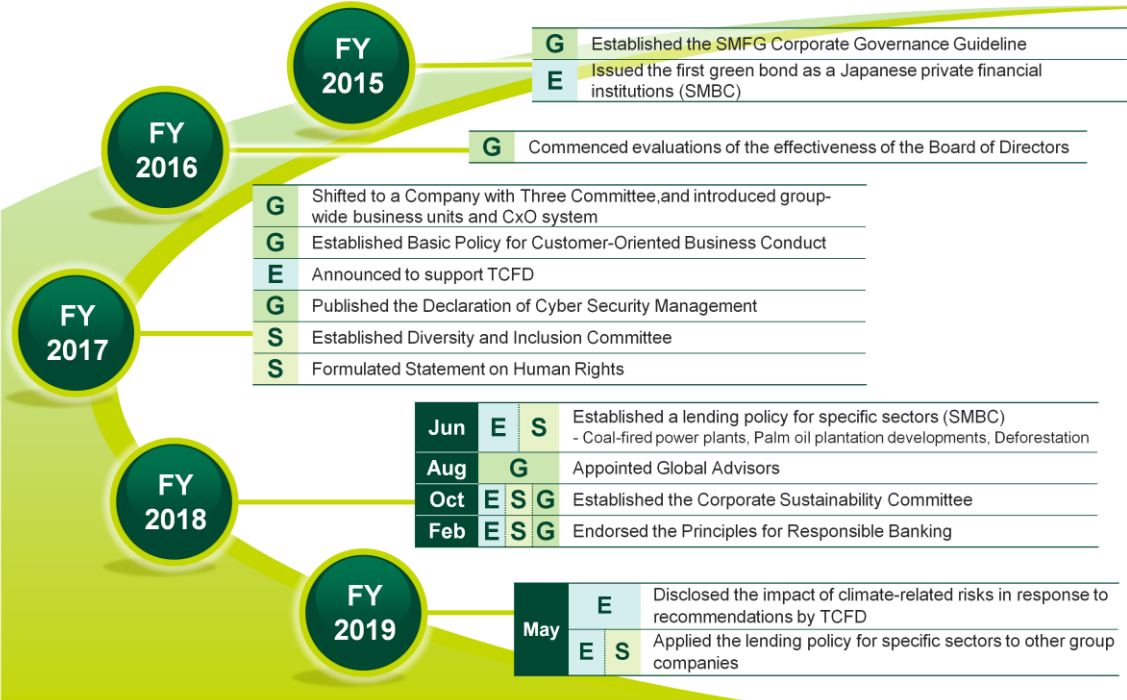
Our corporate governance framework is shown on the left.

SMBC and SMBC Nikko will transform to a company with an Audit and Supervisory Committee in June 2019.

As shown on the right, the number of directors will be reduced from 17 to 15.

As a result, the ratio of outside directors in the Board of Directors will rise to 47%.

# ■ (Ref.) Our ESG history

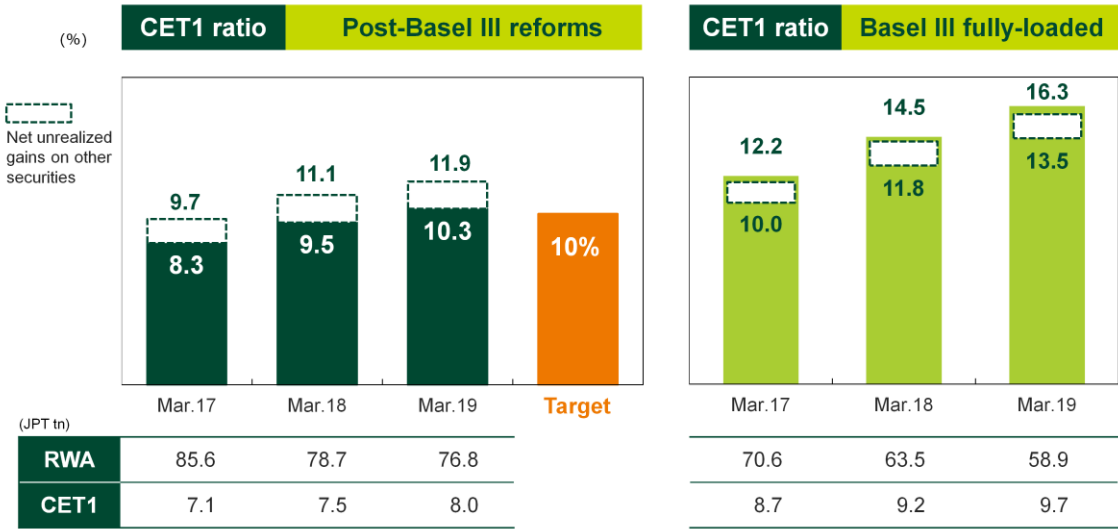


## **V. Capital policy**

Finally, I will talk about our capital policy.

# 1. Capital position

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



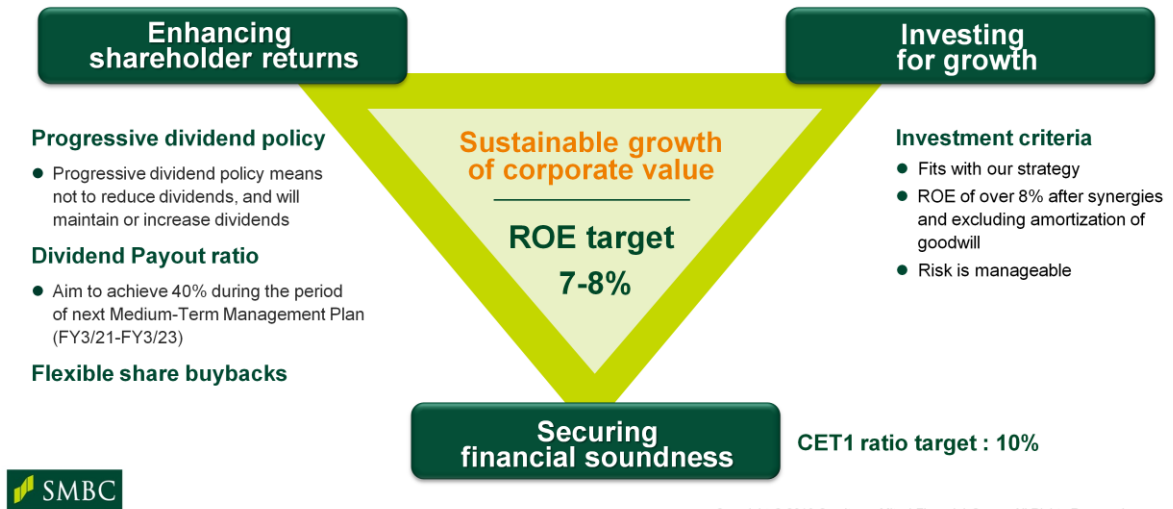
This slide shows our capital position.

The CET1 ratio on the Post-Basel III reforms basis which excludes unrealized gains on securities was 10.3% at the end of March 2019 reaching our target of 10% one year ahead of schedule.

This is due to the reduction of RWA through inorganic initiatives (e.g. the deconsolidation of SMFL) as well as the accumulation of earnings.

## ■ 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.



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Let's move on to our basic capital policy.

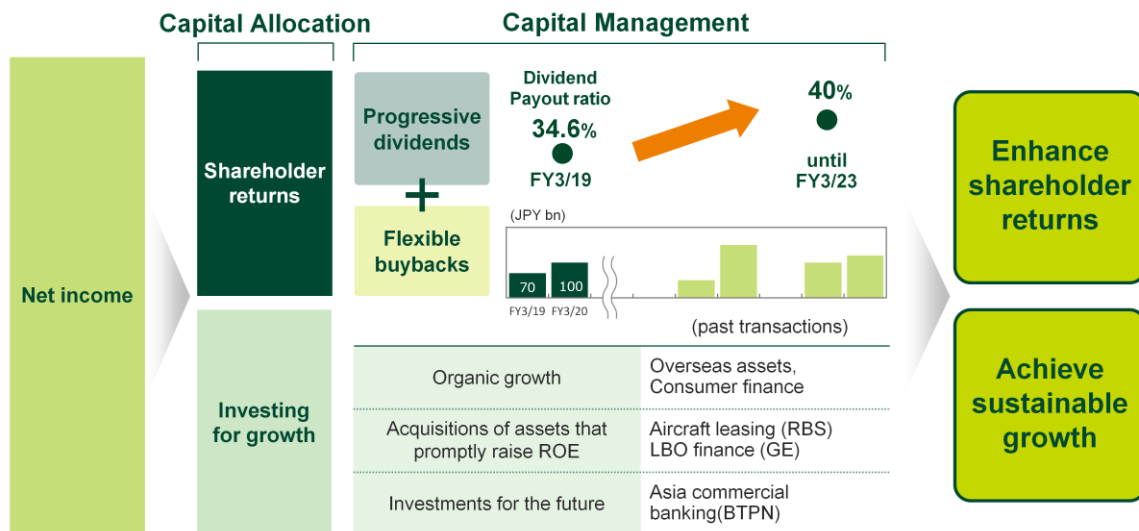
Our basic policy has not changed.

We will 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.

### ■ 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.



This slide shows our medium- to long-term capital management .

As mentioned, our basic capital policy remains the same.

However, we will shift from a phase where capital accumulation was the priority to a new stage where we can focus on shareholders returns and investing for growth, because the CET 1 ratio reached the 10% target.

We will maximize shareholder value by striking a right balance of allocating capital between shareholder returns and investing for growth.

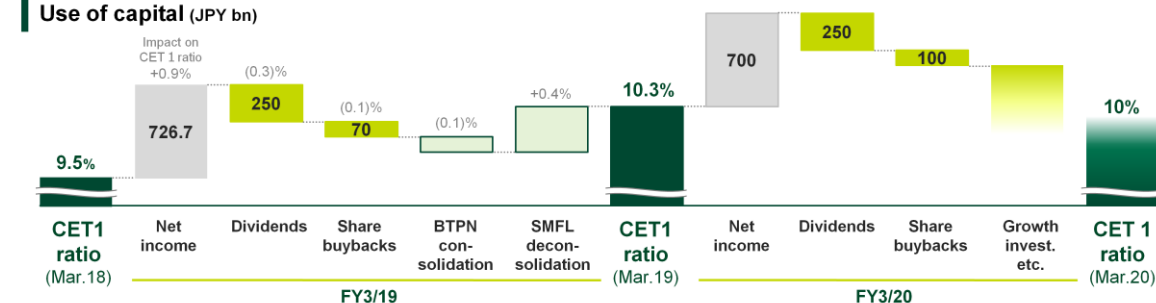
In other words, we will enhance shareholder returns through progressive dividends aiming at a payout ratio of 40% and flexible share buybacks, as well as invest for growth to achieve sustainable growth.

## 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)	Outline of share buybacks
DPS	180	+10	+10	180	Purchase amount up to JPY 100 bn
Dividend payout ratio	34.6%	+1.9%	—	35.9%	Purchase # of shares up to 32 mn shares
Share buybacks	70 bn (18/5)	—	—	100 bn (19/5)	Purchase period May.16 – Aug.30, 2019
Total payout ratio	44.2%	—	—	50.2%	Scheduled cancellation Sep.20, 2019
Net income	726.7 bn	(7.7) bn	+26.7 bn	700 bn	

### Use of capital (JPY bn)



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I would like to explain the shareholder returns we recently announced.

For dividends, we have increased our dividend for FY3/19 to ¥180 per share, which is ¥10 higher year on year and than our initial forecast. This is because key initiatives of the Medium-Term Management Plan made good progress and profit attributable to owners of parent exceeded our target.

For FY3/20, we will maintain the FY3/19 level of ¥180 per share despite a decline forecasted in profit attributable to owners of parent.

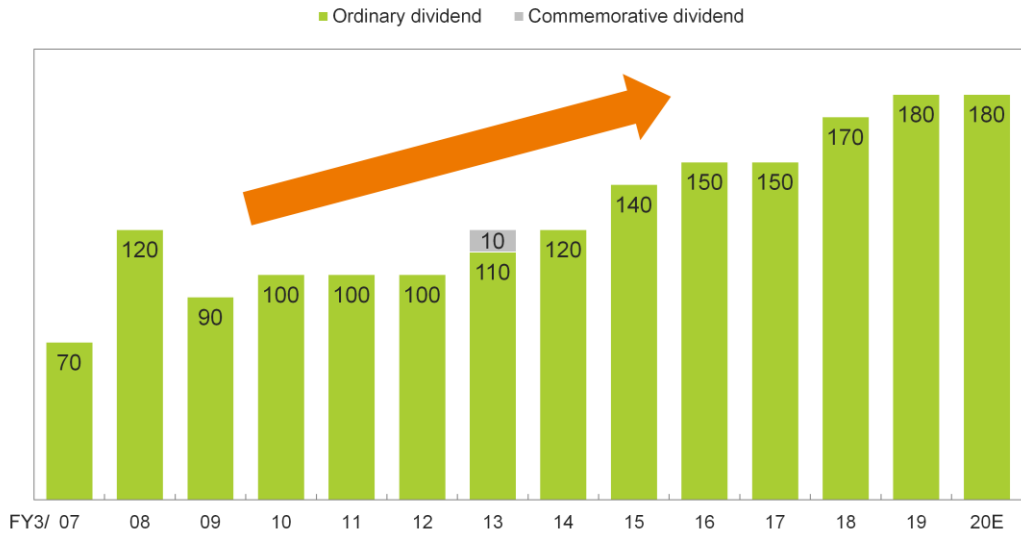
Further, we will conduct share buyback of up to ¥100 billion, a ¥30 billion increase from last year.

We decided to do the share buyback by taking into account the factors such as our stock price, growth investment opportunities, and improvement of ROE as well as the expectation that we will be able to accumulate profits this fiscal year.

All shares repurchased will be cancelled.

The total payout ratio is expected to be 50%, which means that we will return half of the profit to our shareholders.

## ■ (Ref) Dividends per share

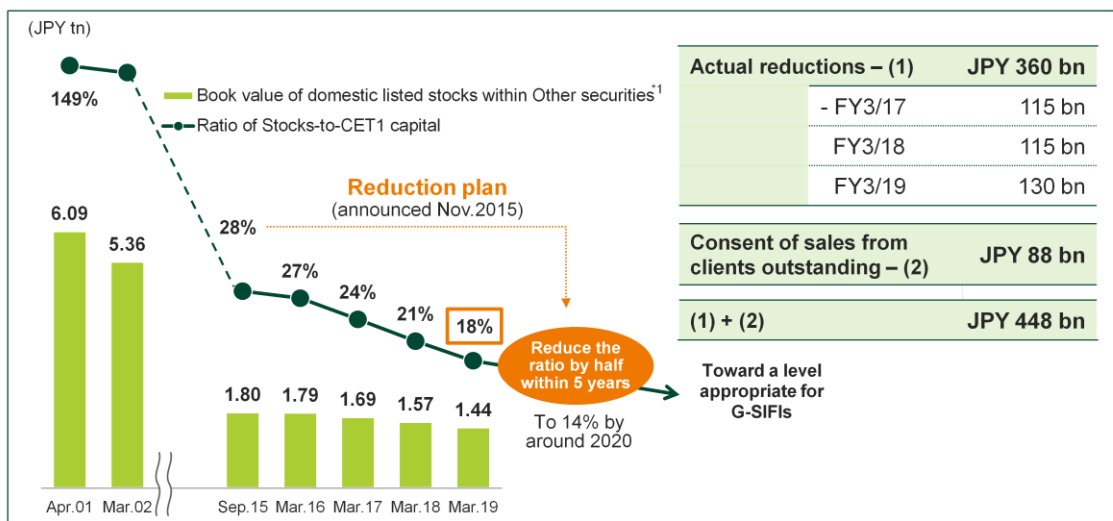


Dividend payout ratio (%)	12.5	20.5	-	46.8	30.0	26.8	21.3	20.3	26.2	32.7	29.9	32.7	34.6	35.9
ROE (%)	13.8	15.8	-	7.5	9.9	10.4	14.8	13.8	11.2	8.9	9.1	8.8	8.2	

## 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



\*1 Apr.01 and Mar.02 are ratio against SMBC consolidated Tier 1 capital

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This slide shows our 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 reduce by ¥500 billion on a value basis.

Reduction is progressing as planned. The reduction amount was ¥130 billion in FY3/19 and totaled ¥360 billion in three and a half years since the end of September 2015.

I believe this is a good progress compared with the target of ¥500 billion reduction in five years.

On top of that, we have ¥88 billion worth of consent gained from clients to sell bringing the total to ¥448 billion.

In order to control the impact of share price fluctuations on capital and in order to response to the revised Corporate Governance Code, we will continue to reduce our strategic shareholdings and aim for having prospect to achieve the target during FY3/20.

We will work on finishing the final year of the Medium-Term Management Plan and set out new initiatives to achieve sustainable growth eyeing the next Medium-Term Management Plan.

We will also work on enhancing shareholders returns and achieve sustainable growth since our capital policy has entered into a new stage.

I sincerely ask for your continued support and understanding. Thank you.