

# Overview of FY3/2023

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May 15, 2023



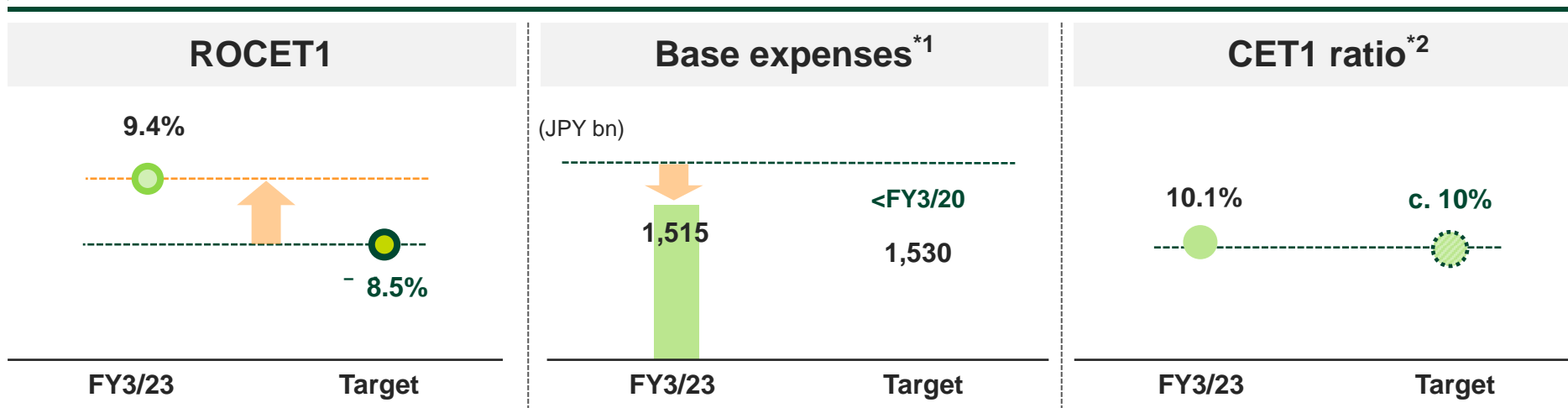
SUMITOMO MITSUI  
FINANCIAL GROUP



# Highlights

	Net business profit	Bottom-line profit	Dividends
FY3/23 Results	<p><b>JPY 1,276.4 bn</b></p> <p>JPY +123.6 bn vs FY3/22</p>	<p><b>JPY 805.8 bn</b></p> <p>JPY +99.2 bn vs FY3/22</p>	<p><b>JPY 240 / Share</b></p> <p>JPY +30 vs FY3/22</p>
FY3/24 Target	<p><b>JPY 1,340 bn</b></p>	<p><b>JPY 820 bn</b></p>	<p><b>JPY 250 / Share</b></p> <p>Payout ratio 40%</p>

## Financial Targets of the previous Medium-Term Management Plan



\*1 G&A expenses excluding cost related to investment for future growth, revenue-linked variable cost and others.  
Exchanged at 1USD = JPY105

\*2 Post-Basel reforms basis, excludes net unrealized gains on other securities

# Income statement

Both consolidated net business profit and profit attributable to owners of parent increased YoY and exceeded full year target.

	(JPY bn)	FY3/23	YoY	vs. target
1	<b>Consolidated gross profit</b>	3,170.2	+224.7	
	<b>G&amp;A expenses</b>	1,949.2	+128.1	
2	<b>Overhead ratio</b>	61.5%	(0.3)%	
3	<b>Equity in gains (losses) of affiliates</b>	55.5	+27.0	
4	<b>Consolidated net business profit</b>	1,276.4	+123.6	+11.4
5	<b>Total credit cost</b>	210.2	(64.2)	+0.2
6	<b>Gains (losses) on stocks</b>	155.9	(53.2)	
7	<b>Other income (expenses)</b>	(61.2)	(14.3)	
8	<b>Ordinary profit</b>	1,160.9	+120.3	+40.9
9	<b>Extraordinary gains (losses)</b>	(62.5)	+48.6	
10	<b>Income taxes</b>	282.1	+67.6	
11	<b>Profit attributable to owners of parent</b>	805.8	+99.2	+35.8
12	<b>ROE<sup>*1</sup></b>	8.0%	+0.7%	

**Consolidated gross profit<sup>\*2</sup>:** increased YoY due to  
1) loan growth and related transactions in WS and GB, and  
2) strong performance of payment business.  
Impact of FX: +89

**G&A expenses:** increased YoY mainly due to consolidation of Fullerton India, as well as higher variable marketing cost of SMCC, which is successfully increasing new customers.  
Impact of FX: +51

**Equity in gains of affiliates:** increased YoY mainly due to gains on change in equity of Bank of East Asia.  
Impact of FX: +4  
Impairment of aircraft in SMBCAC: (34), 79% of NBV in total

**Total credit cost:** decreased YoY due to the absence of large reserves recorded in FY3/22, while recorded forward-looking provisions (48).

**Gains on stocks:** decreased due to lower gains on sales of strategic shareholdings (132, YoY (30)).

**Extraordinary losses:** decreased YoY despite recording impairment of branches in SMBC (30) due to the absence of larger impairment of branches and software in SMBC and SMBC Trust recorded last year.

\*1 Based on • @æ! ^ @equity\*2 Impact from SMBC Nikko incident: JPY (37) bn

# (Ref.) Group companies

## SMBC

	(JPY bn)	FY3/23	YoY	vs. target
1 <b>Gross banking profit</b>		1,699.5	+120.3	
2 o/w Net interest income		1,164.2	+73.1	
3 o/w Gains (losses) on cancellation of investment trusts		39.3	(2.2)	
4 Domestic		634.7	(4.1)	
5 Overseas		529.5	+77.2	
6 o/w Net fees and commissions		456.1	+57.6	
7 Domestic		217.3	+19.1	
8 Overseas		238.7	+38.5	
9 o/w Net trading income+ Net other operating income		76.9	(10.5)	
10 o/w Gains (losses) on bonds		(86.7)	(44.4)	
11 <b>Expenses</b>		883.6	+26.4	
12 <b>Banking profit</b>		815.9	+93.9	(24.1)
13 <b>Total credit cost</b>		115.5	(45.7)	+35.5
14 <b>Gains (losses) on stocks</b>		141.7	(15.6)	
15 <b>Extraordinary gains (losses)</b>		23.7	(4.1)	
16 <b>Net income</b>		634.2	+87.9	+44.2

\*1 YoY includes the impact of group reorganization

\*2 Including profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

\*3 Managerial accounting basis

## Other major group companies

	(left : results of FY3/23 / right : YoY)					
(JPY bn)	SMCC		SMBCCF <sup>*1</sup>		SMBC Nikko <sup>*2</sup>	
<b>Gross profit</b>	449.4	+43.4	278.4	+7.4	263.4	(125.4)
<b>Expenses</b>	375.5	+35.6	126.7	+5.7	325.3	+0.6
<b>Net business profit</b>	74.3	+8.4	133.6	(16.5)	(61.9)	(126.0)
<b>Net income</b>	21.8	+2.0	44.1	(22.6)	(45.7)	(93.8)

	(Equity method affiliate)					
	SMBC Trust		SMDAM		50% SMFL <sup>*3</sup> 50%	
<b>Gross profit</b>	58.2	+9.7	36.1	(3.1)	271.0	+37.6
<b>Expenses</b>	36.8	(7.3)	30.3	+0.1	122.4	+19.2
<b>Net business profit</b>	21.4	+17.0	5.8	(3.2)	158.4	+20.2
<b>Net income</b>	17.1	+33.0	3.3	(2.1)	51.8	+16.4

# Target for FY3/24

## Consolidated

	Results FY3/23	Target	
		FY3/24	1H
(JPY bn)			
Consolidated net business profit	1,276.4	① 1,340	670
Total credit cost	210.2	② 230	110
Ordinary profit	1,160.9	1,160	590
Profit attributable to owners of parent	805.8	820	420

①	YoY: JPY+63.6bn Due to the profit increase in RT, WS, and GB through proceeding initiatives of the Medium-Term Management Plan.
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②	YoY: JPY+19.8bn Due to increasing consumer finance.
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## Non-Consolidated

	Results FY3/23	Target	
		FY3/24	1H
(JPY bn)			
Banking profit	815.9	765	380
Total credit cost	115.5	85	40
Ordinary profit	865.8	745	385
Net income	634.2	520	270

## Assumptions

USD	JPY 120	EUR	JPY 130
Interest rate	Policy rate: (0.1)% JGB 10yr interest rate: 0.5%		





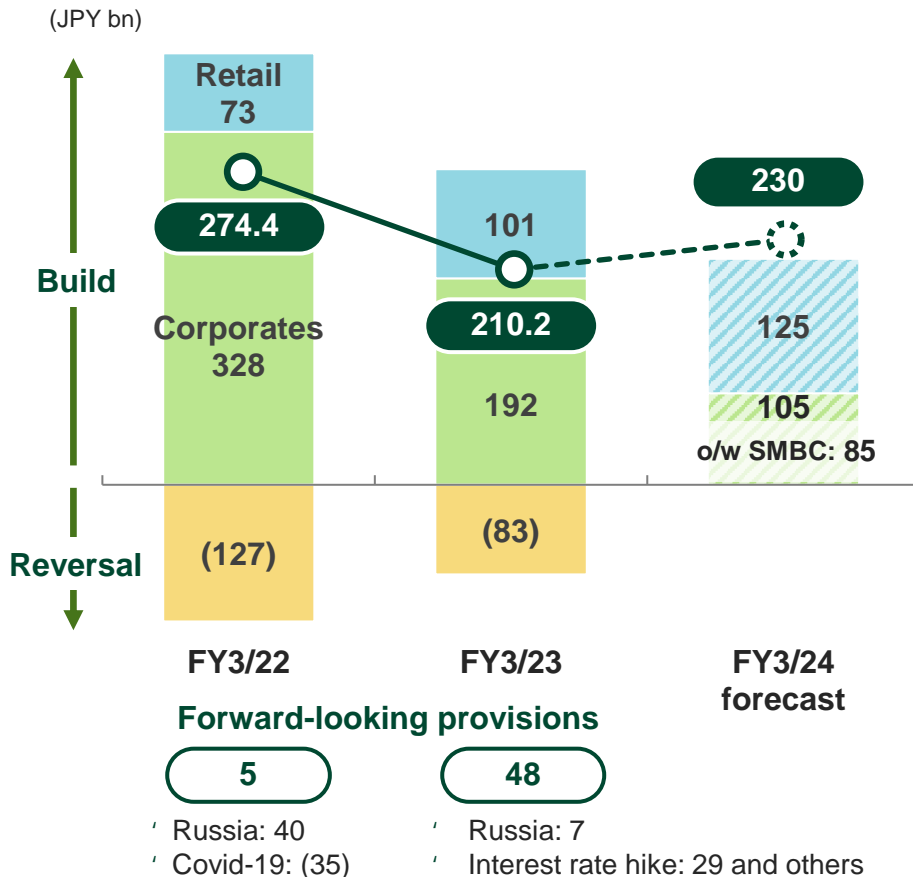


# Credit cost/ financial impact from Russia

Credit cost decreased YoY even after recording forward-looking provisions.

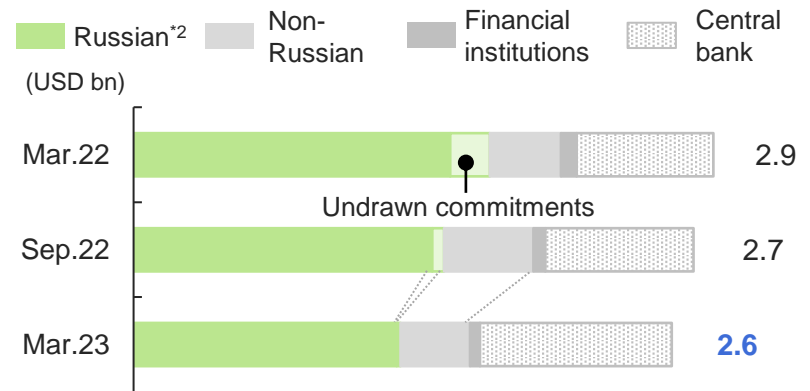
Booked additional impairment of aircraft leased to Russian airlines (JPY 59 bn, 27% of NBV.)

## Credit cost



## Impact from Russia

### Banking exposure to Russia\*1



### Aircraft leasing

- Additional impairment of aircraft: **JPY (59) bn** (27% of NBV, 79% in total)
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- Downside: Additional impairment (@USD 190 mn\*3)
- All aircraft are insured, insurance claims are submitted

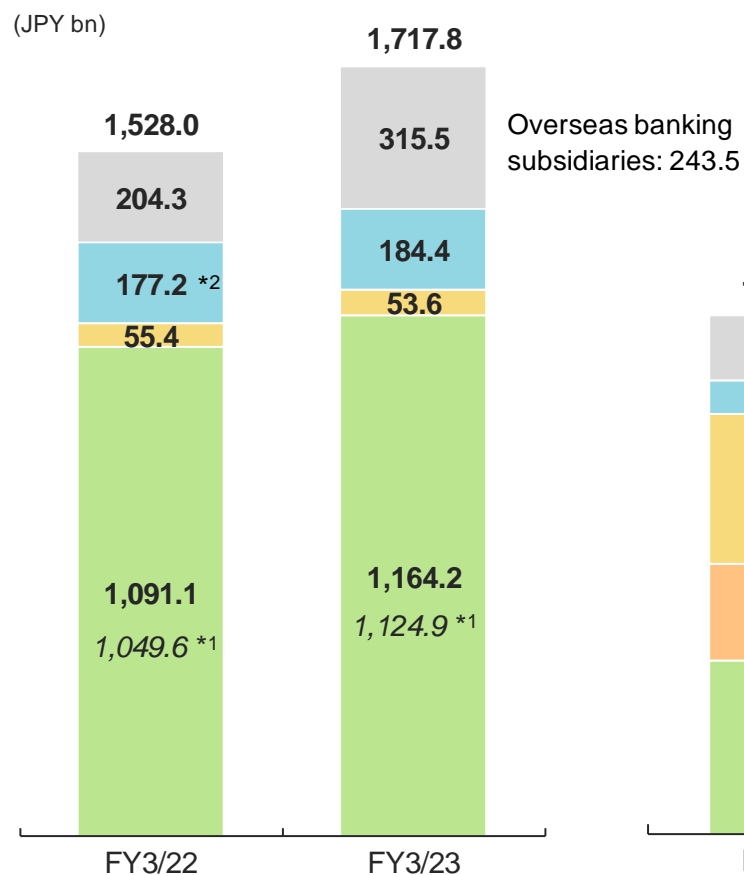
\*1 Managerial accounting basis. Loans, commitment lines, guarantee investments, etc. of SMBC and local subsidiary calculated based on ultimate risk countries

\*2 Incl. project finance and ship finance \*3 After considering tax and ownership ratio (66%)

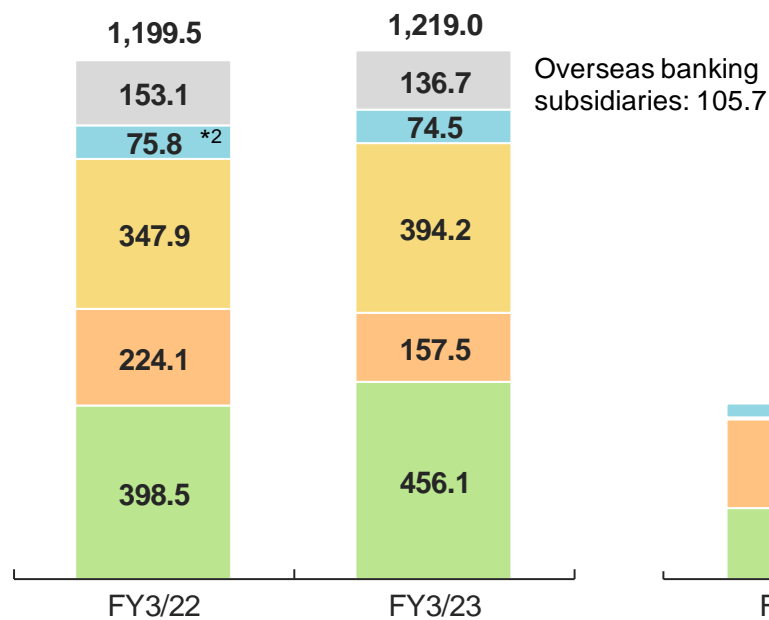
# Consolidated gross profit

■ SMBC ■ SMBC Nikko ■ SMCC ■ SMBCCF ■ Others

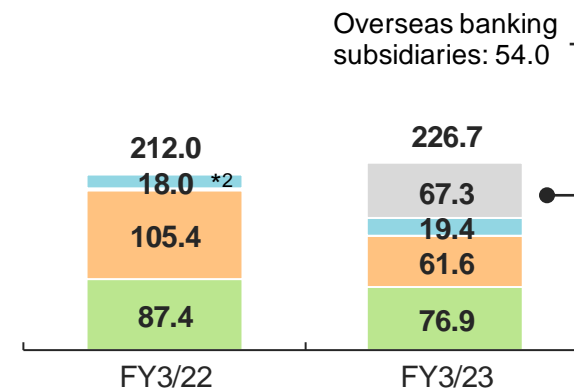
## Net interest income



## Net fees and commissions



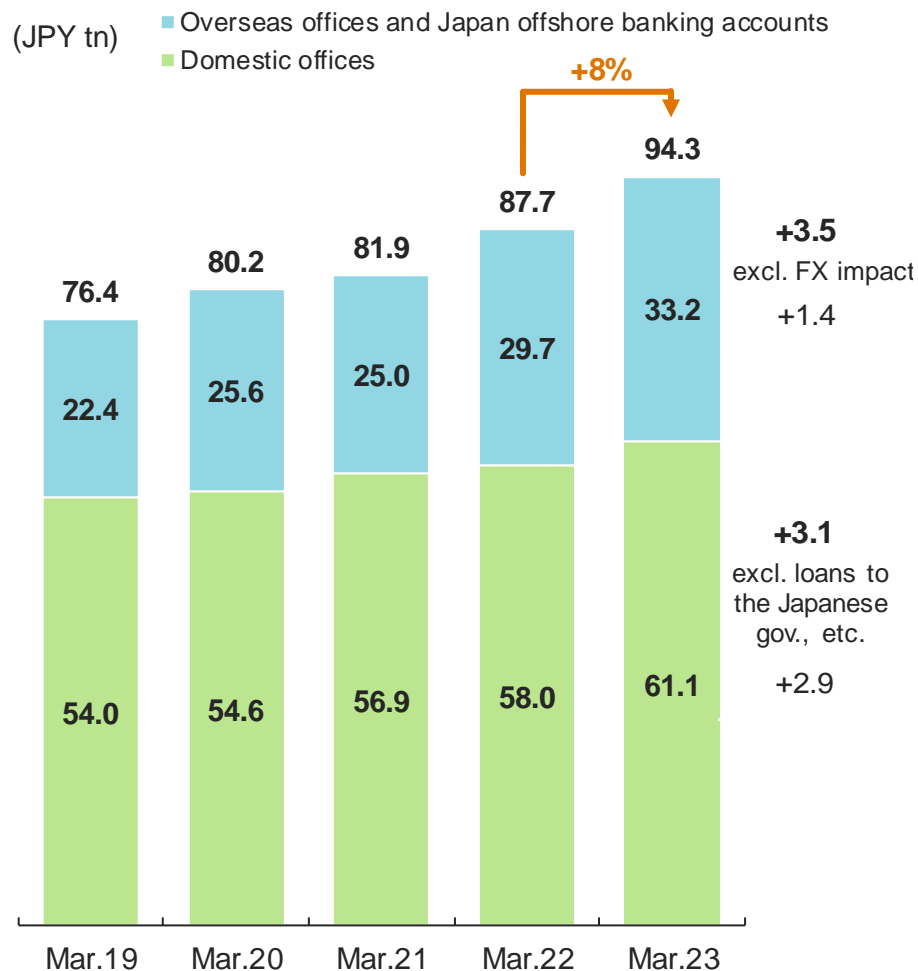
## Net trading income + Net other operating income



\*1 Excl. gains on cancellation of investment trusts \*2 Incl. impact of group reorganization

# Loans\*1

## Loan balance



## Domestic loan-to-deposit spread

	FY3/23	YoY	1H	2H
(%)				
Interest earned on loans and bills discounted	0.83	(0.01)	0.84	0.82
Interest paid on deposits, etc.	0.00	+0.00	0.00	0.00
Loan-to-deposit spread	0.83	(0.01)	0.84	0.82
(Ref.) Excludes loans to the Japanese government, etc.				
Interest earned on loans and bills discounted	0.84	(0.02)	0.85	0.83
Loan-to-deposit spread	0.84	(0.02)	0.85	0.83

## Average loan balance and spread\*2

	Balance (JPY tn)		Spread (%)	
	FY3/23	YoY*4	FY3/23	YoY
Domestic loans	57.5	+2.2	0.71	(0.01)
Excluding loans to the Japanese government, etc.	54.9	+2.0	0.73	(0.01)
o/w Large corporations	19.6	+1.1	0.53	(0.01)
o/w Mid-sized corporations & SMEs	20.0	+0.8	0.62	+0.01
o/w Individuals	11.8	(0.2)	1.36	(0.02)
GBU's interest earning assets*3	362.0	+32.9	1.26	+0.05
	USD bn	USD bn		

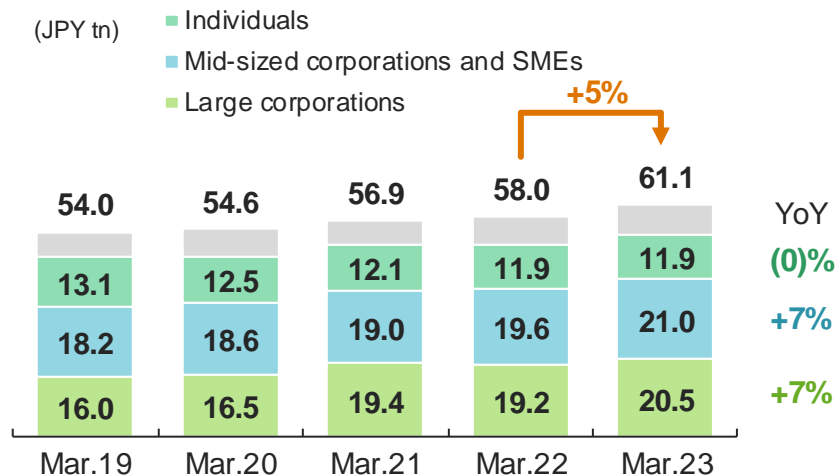
\*1 Non-consolidated \*2 Managerial accounting basis

\*3 Sum of SMBC, major local subsidiaries and SMBC Trust, etc. Sum of loans, trade bills, and securities

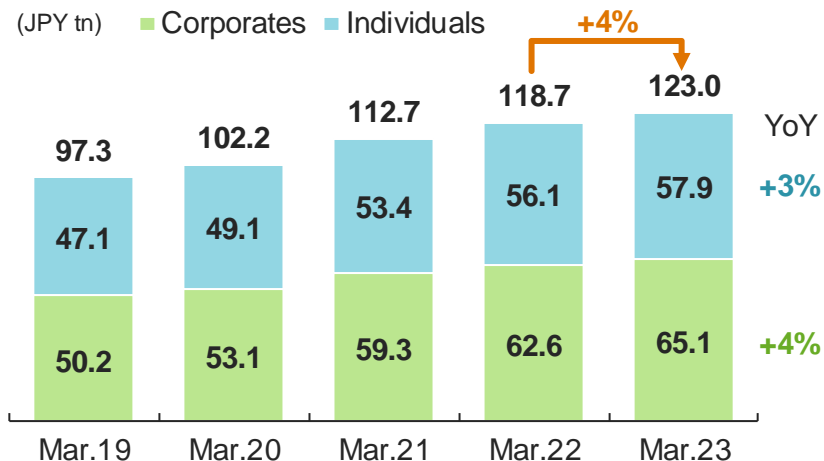
\*4 After adjustments for exchange rates, etc.

# Domestic loans and deposits\*1

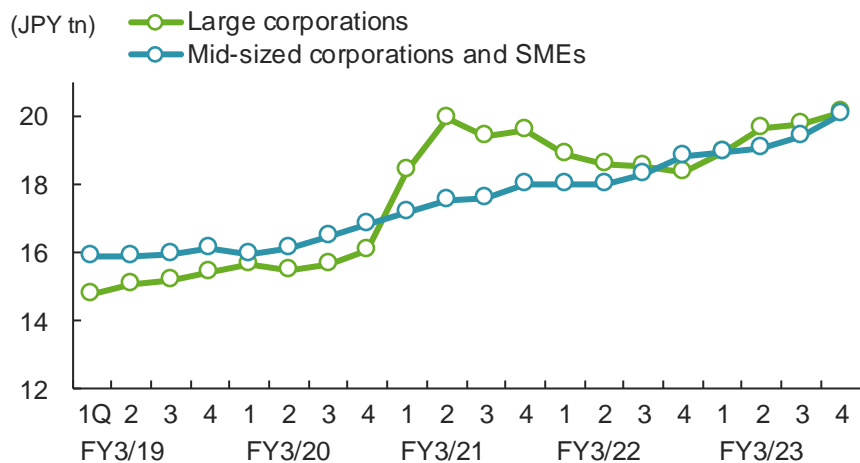
## Loan balance\*2



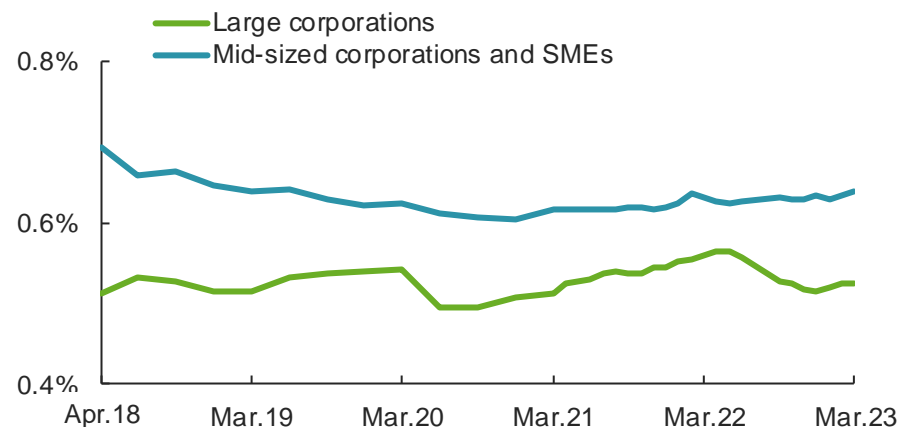
## Deposit balance



## Loan average balance for corporates\*2,3



## Loan spread for corporates\*2,4



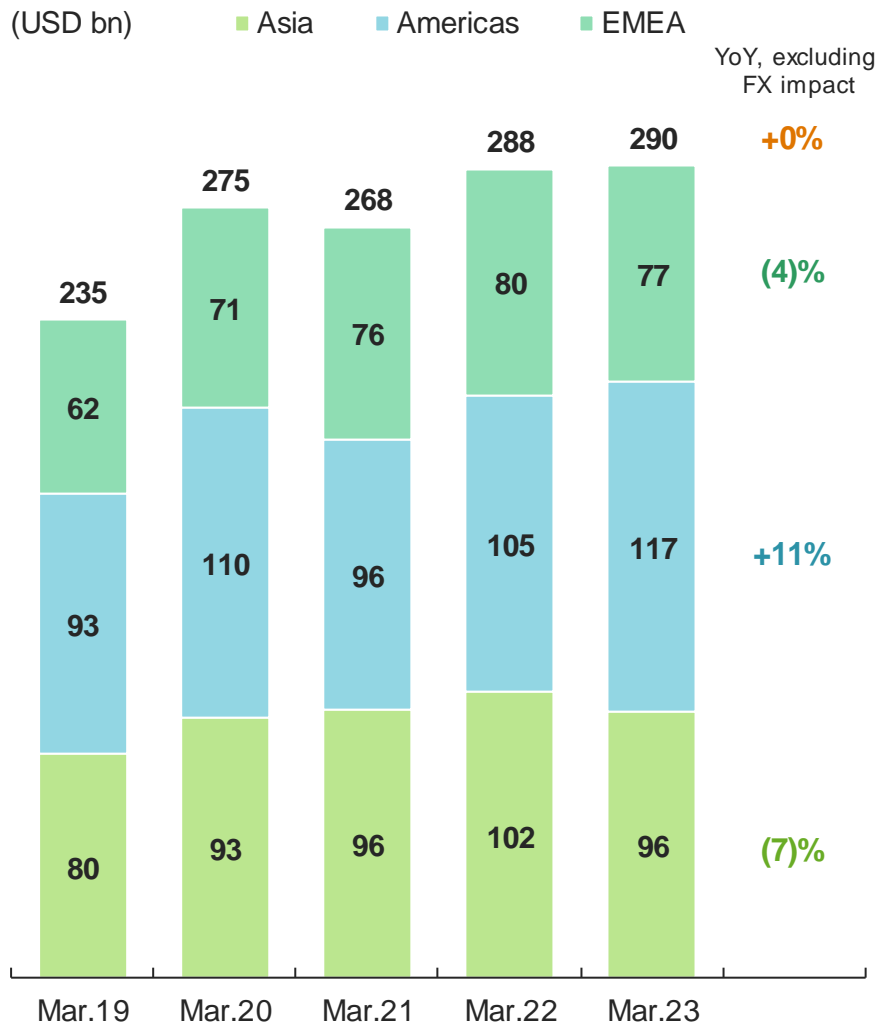
\*1 Non-consolidated \*2 Managerial accounting basis \*3 Quarterly average, excluding loans to the Japanese government.

Figures for SMEs are the outstanding balance of Corporate banking division

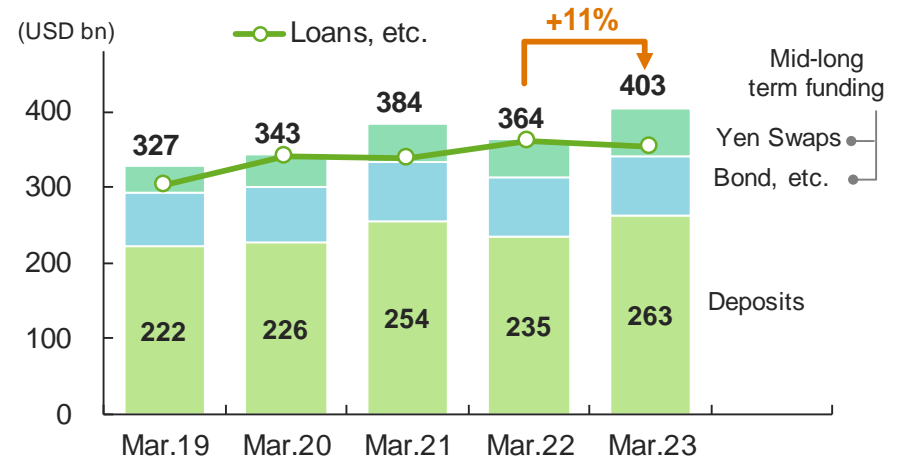
\*4 Loan spread of existing loans, excluding loans to the Japanese government

# Overseas loans and deposits\*1

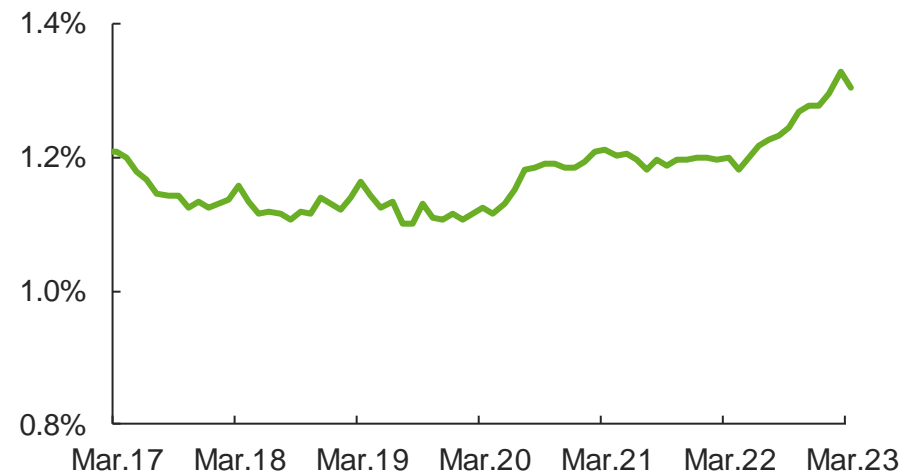
## Loan balance



## Foreign currency balance



## Loan spread\*2

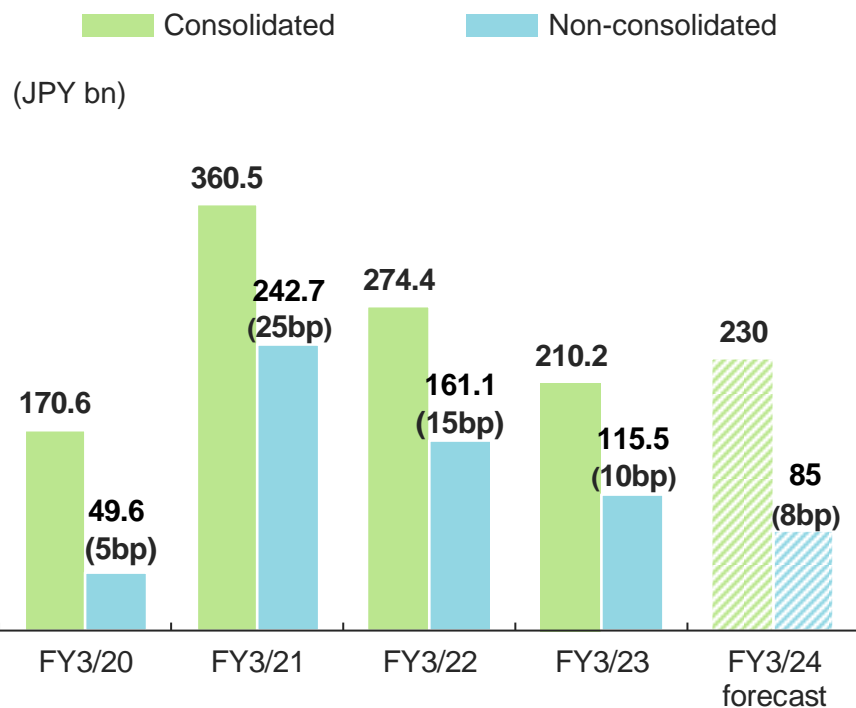


\*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries

\*2 Monthly average loan spread of existing loans

# Asset quality

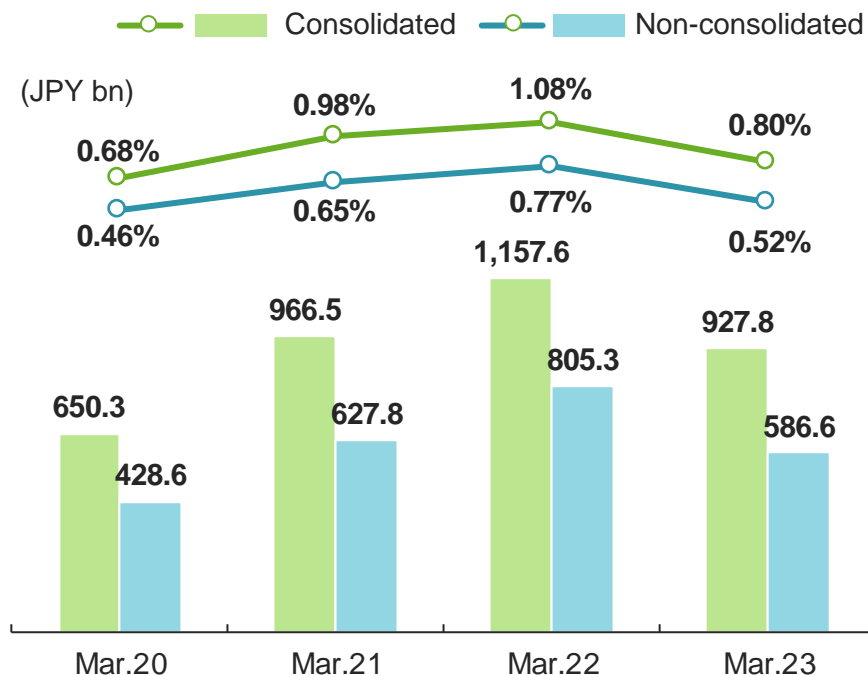
## Credit cost\*1



## Major group companies

	(JPY bn)	FY3/23	YoY
SMBCCF		57	+8*3
SMCC		34	+9
Overseas banking subsidiaries		11	(34)
Adjustments of FX		(12)	+1

## Non-performing loan balance\*2



## Total claims

	(JPY tn)		
Consolidated	99	107	116
Non-consolidated	96	104	113

## Claims on borrowers requiring caution (excluding claims to substandard borrowers)

Non-consolidated	1.9	1.9	1.8
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\*1 Total credit cost ratio = Total credit cost / Total claims

\*2 NPL ratio = NPLs based on the Banking and the Reconstruction Act (excluding normal assets) / Total claims

\*3 Incl. the impact of group reorganization

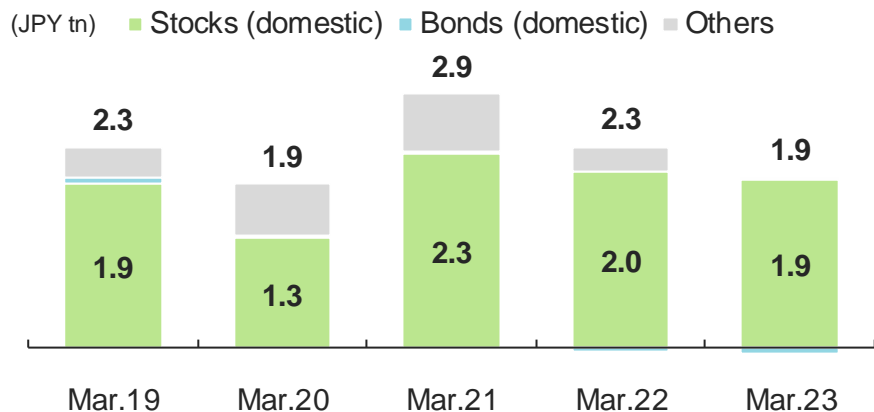
# Securities

## Breakdown of other securities (consolidated)

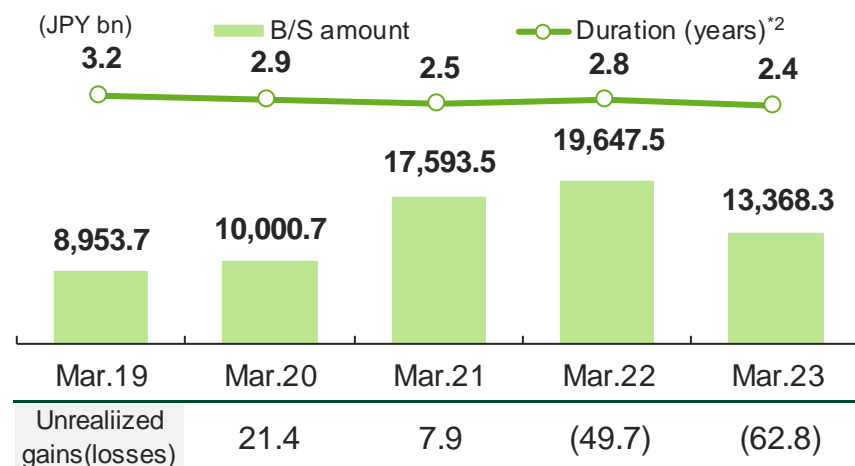
	B/S amount		Unrealized gains (losses)	
	(JPY bn) Mar.23	vs Mar.22	Mar.23	vs Mar.22
<b>Held-to-maturity</b>	165.6	+139.9	(0.4)	(0.2)
<b>Available for sales</b>	32,465.0	(5,650.0)	1,915.1	(362.1)
Stocks (domestic)	3,345.4	(58.0)	1,944.8	(88.9)
Bonds (domestic)	13,177.5	(6,382.8)	(64.2)	(14.1)
o/w JGBs	9,576.3	(6,197.9)	(36.4)	+10.7
Others	15,942.1	+790.9	34.6 <sup>*1</sup>	(259.0)
o/w Foreign bonds	13,081.5	+1,025.9	(697.3)	(248.5)

Risk volume is controlled by hedging and others

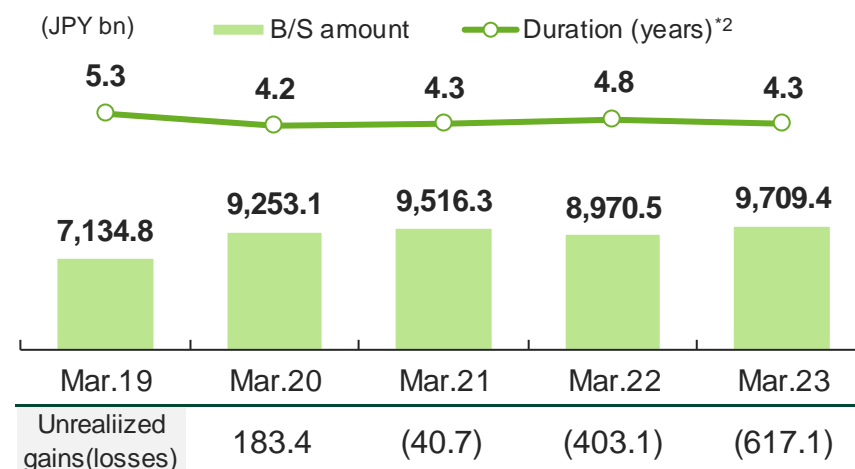
## Unrealized gains



## Yen-denominated bonds (Non-consolidated)



## Foreign bonds (Non-consolidated)



\*1 The difference between foreign bonds and others is unrealized gain on foreign stocks

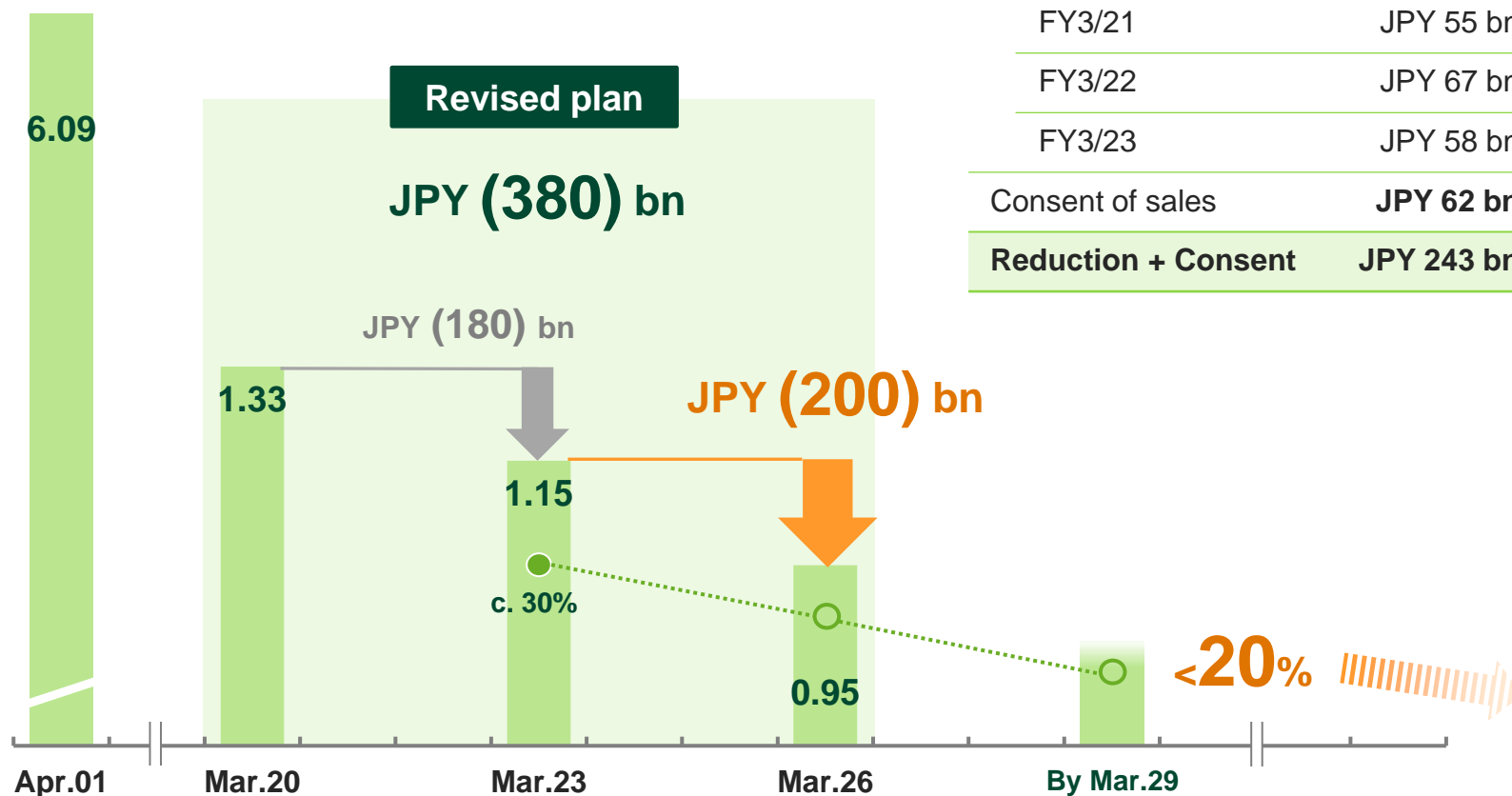
\*2 Managerial accounting basis. Excluding bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds

# Reduction of strategic shareholdings

Set a new reduction target of  $> \text{D}200 \text{ bn}$  by Mar.26.

Aim to earn a good prospect of achieving  $<20\%$  market value to consolidated net assets by Mar.29.

(JPY tn) ■ Book value of domestic listed stocks\*1  
● Market value of strategic shareholdings\*2 / consolidated net assets



## Reduction

Total reduction	<b>JPY 180 bn</b>
FY3/21	JPY 55 bn
FY3/22	JPY 67 bn
FY3/23	JPY 58 bn
Consent of sales	<b>JPY 62 bn</b>
<b>Reduction + Consent</b>	<b>JPY 243 bn</b>

\*1 Excl. investments after Mar.20 for the business alliance purpose

\*2 Incl. balance of deemed held shares

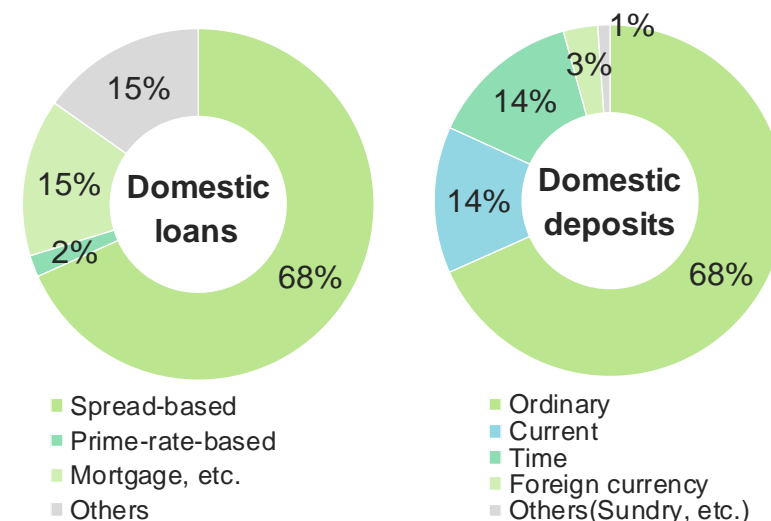


# Balance sheet

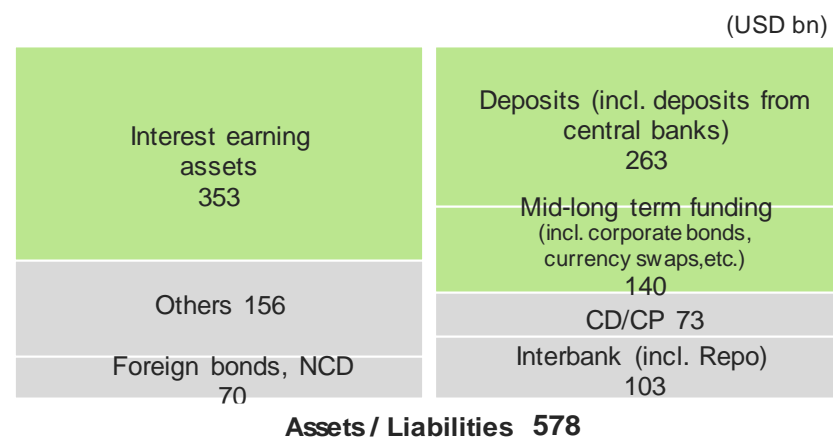
## Consolidated

	(JPY tn)	Mar.23	vs Mar.22
<b>Total assets</b>		<b>270.4</b>	<b>+12.7</b>
o/w Cash and due from banks		75.9	+1.1
o/w Loans		98.4	+7.6
o/w Domestic loans <sup>*1</sup>		61.1	+3.1
o/w Large corporations <sup>*2</sup>		20.5	+1.3
Mid-sized corporations & SMEs <sup>*2</sup>		21.0	+1.4
Individuals <sup>*2</sup>		11.9	+0.1 <sup>*3</sup>
o/w Securities		33.2	(5.3)
o/w Other securities		32.5	(5.7)
o/w Stocks		3.3	(0.1)
JGBs		9.6	(6.2)
Foreign bonds		13.1	+1.0
<b>Total liabilities</b>		<b>257.6</b>	<b>+12.1</b>
o/w Deposits		158.8	+10.2
o/w Domestic deposits <sup>*1</sup>		123.0	+4.3
Individuals		57.9	+1.8
Corporates		65.1	+2.5
o/w NCD		13.0	(0.0)
<b>Total net assets</b>		<b>12.8</b>	<b>+0.6</b>
<b>Loan to deposit ratio</b>		<b>57.3%</b>	

## Composition of loans and deposits<sup>\*1,2</sup>



## Non-JPY B/S<sup>\*2,4</sup>



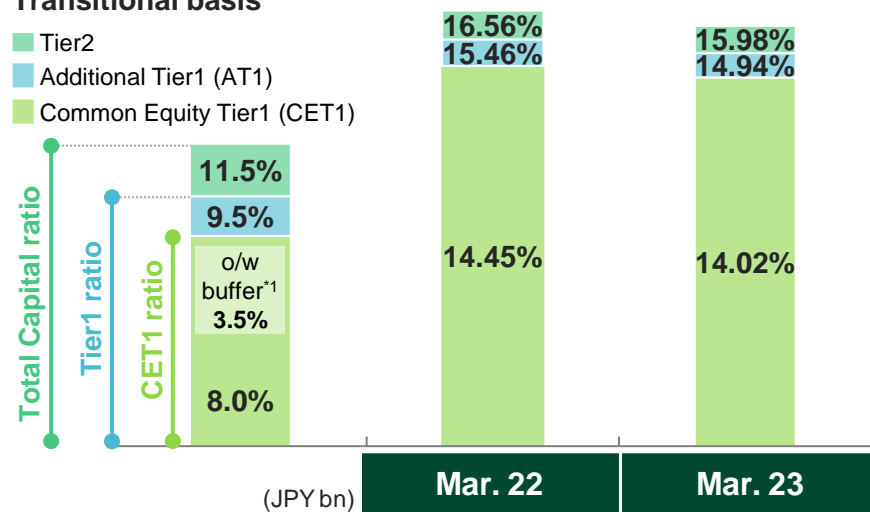
\*1 Non-consolidated \*2 Managerial accounting basis \*3 After adding back the portion of housing loans securitized in FY3/23 of JPY 145.3bn \*4 Sum of SMBC and major local subsidiaries

# Capital / RWA

## Capital ratio

### Transitional basis

- Tier2
- Additional Tier1 (AT1)
- Common Equity Tier1 (CET1)



	Mar. 22	Mar. 23
<b>Total capital</b>	<b>11,983.8</b>	<b>12,350.8</b>
Tier1 capital	11,186.2	11,548.9
o/w CET1 capital	10,458.4	10,839.0
Tier2 capital	797.5	801.9
<b>Risk-weighted assets</b>	<b>72,350.1</b>	<b>77,285.0</b>

### Finalized Basel III basis

CET1 ratio	11.2%	10.9%
excl. net unrealized gains on other securities	<b>10.0%</b>	<b>10.1%</b>

## Other requirement ratios

	(JPY bn)	Mar. 23	Requirement*1
<b>External TLAC ratio</b>			
RWA basis		<b>25.28%</b>	18.0%
Leverage exposure basis		<b>9.72%</b>	6.75%
<b>Leverage ratio</b>		<b>5.03%</b>	3.5%
<b>LCR (Average 4Q FY3/23)</b>		<b>130.5%</b>	100%

\*1 Capital conservation buffer: 2.5%, G-SIBs surcharge: 1.0%. Countercyclical buffer (CCyB) omitted

# Results by Business Unit

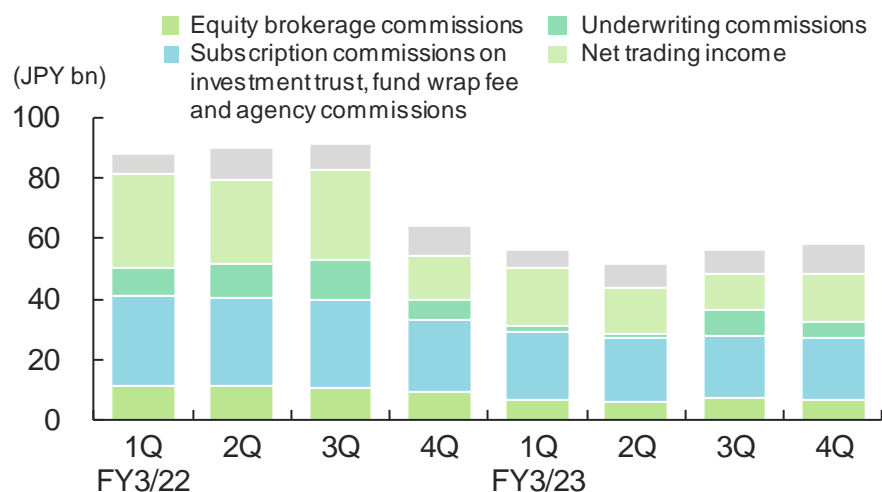
		(JPY bn)	FY3/22	FY3/23	YoY*1
<b>Retail</b>	Gross profit		1,146.9	1,150.2	(14.0)
	Expenses		935.5	933.3	+0.7
	<i>Overhead Ratio</i>		81.6%	81.1%	+1.0%
	<b>Net business profit</b>		214.9	221.6	(13.5)
<b>Wholesale</b>	Gross profit		707.5	773.7	+22.3
	Expenses		303.6	293.3	(9.3)
	<i>Overhead Ratio</i>		42.9%	37.9%	(2.4)%
	<b>Net business profit</b>		469.7	558.5	+43.6
<b>Global</b>	Gross profit		872.0	1,205.2	+144.4
	Expenses		461.3	637.9	+71.0
	<i>Overhead Ratio</i>		52.9%	52.9%	(0.5)%
	<b>Net business profit</b>		431.2	612.2	+114.9
<b>Global Markets</b>	Gross profit		390.6	457.8	+49.2
	Expenses		92.3	112.5	+7.0
	<i>Overhead Ratio</i>		23.6%	24.6%	(1.2)%
	<b>Net business profit</b>		338.1	374.2	+44.1

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

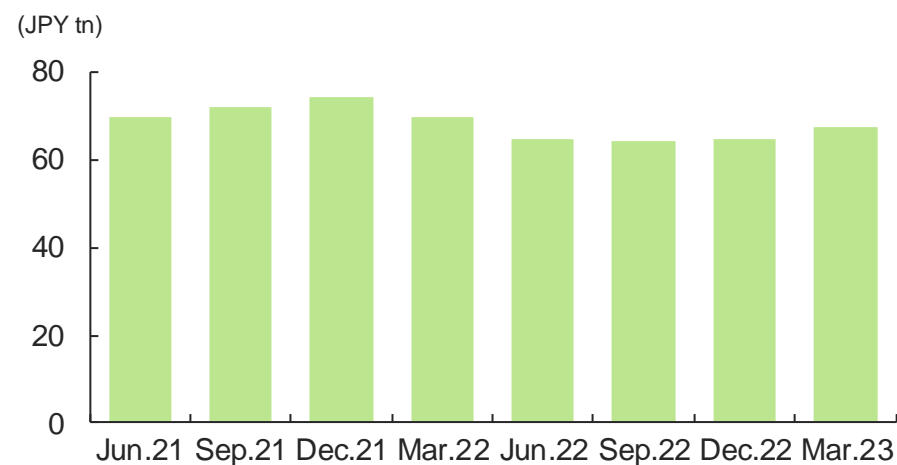
## Financial results

(JPY bn)	FY3/22	FY3/23	YoY
<b>Net operating revenue</b>	334.2	222.8	(111.4)
<b>SG&amp;A expenses</b>	275.4	267.3	(8.1)
<b>Ordinary income</b>	65.3	(42.1)	(107.4)
<b>Net income</b>	49.7	(39.8)	(89.5)

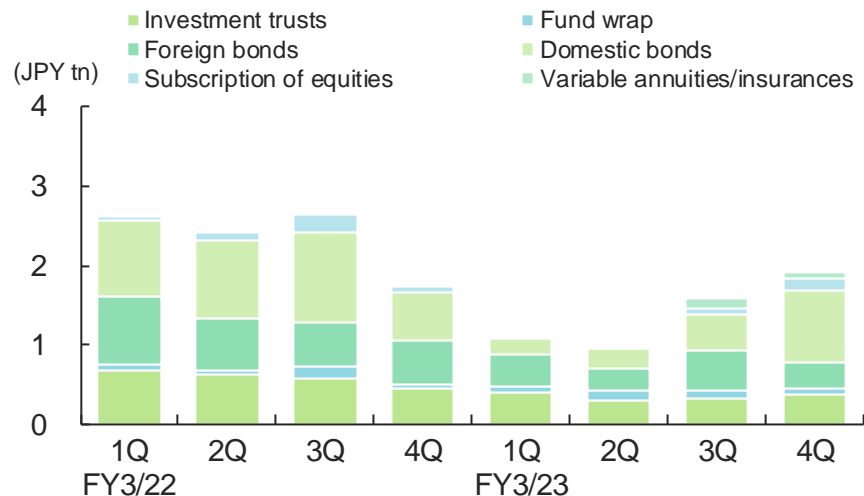
## Net operating revenue



## Client assets



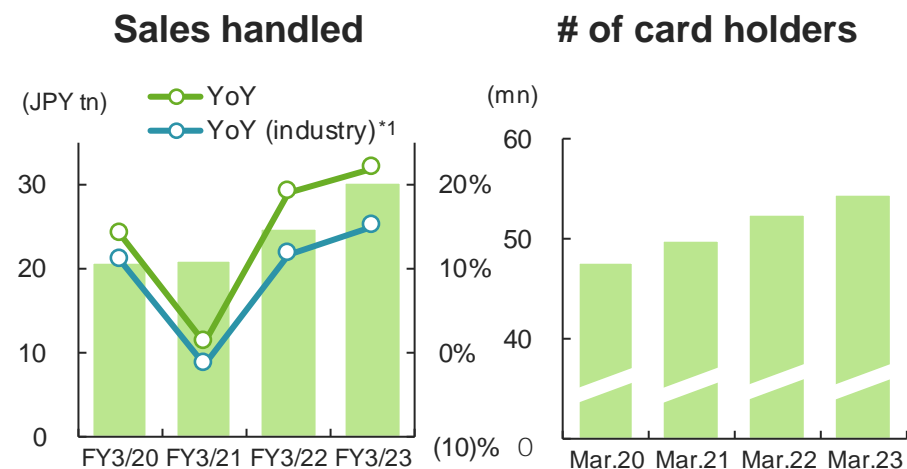
## Product sales



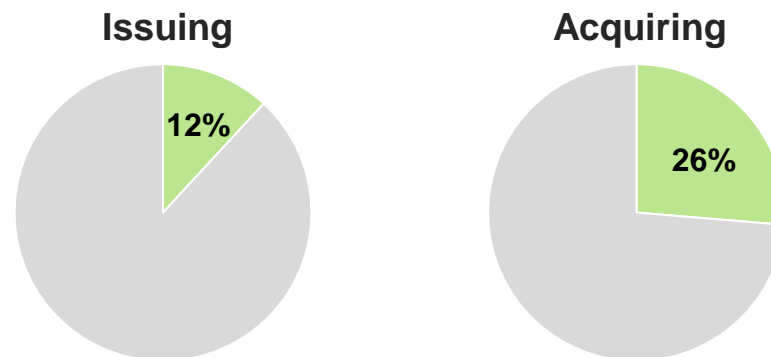
## Financial results

(JPY bn)	FY3/22	FY3/23	YoY
<b>Operating revenue</b>	470.5	523.5	+53.0
o/w Commission fee	164.0	193.8	+29.7
Finance	98.2	103.3	+5.0
Sales on credit	29.5	28.0	(1.5)
Receipt agency	50.1	52.7	+2.6
<b>Operating expense</b>	439.5	490.7	+51.1
o/w Expenses for loan losses	25.6	34.1	+8.6
Expense for interest repayments	10.0	10.0	0.0
<b>Ordinary profit (loss)</b>	34.1	33.1	(1.1)
<b>Net income</b>	19.8	21.8	+2.0
<b>Finance outstanding</b>	677.9	736.6	

## Key figures



## Market share\*2



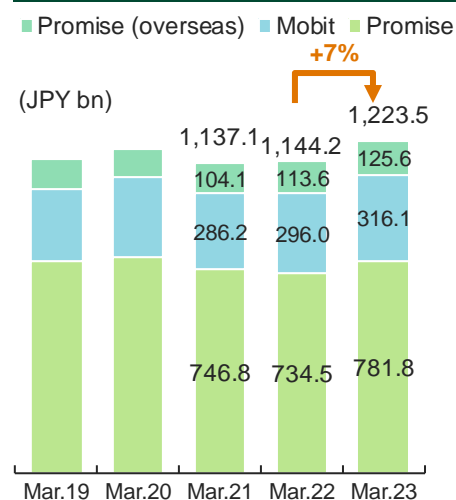
\*1 The Japan Consumer Credit Association's "Card Behavior" (Shopping credit amount)

\*2 METI "Indices of Tertiary Industry Activity" Sales credit business handled (2022 : JPY 79 tn)

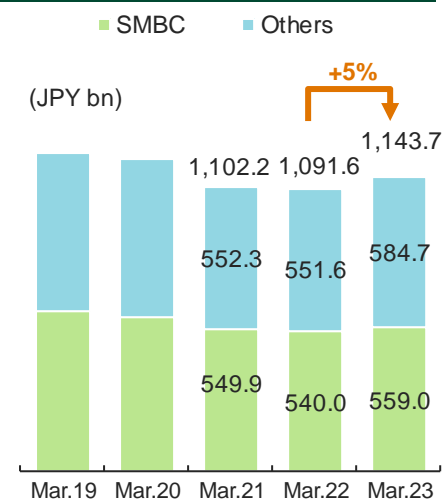
## Financial results

(JPY bn)	FY3/22	FY3/23	YoY *1
<b>Operating income</b>	268.9	294.1	+25.2
o/w Interest revenues	176.7	183.4	+6.7
Loan guarantee revenues	57.1	71.4	+14.3
<b>Operating expenses</b>	200.5	216.8	+16.3
o/w Expenses for loan losses	48.7	56.8	+8.1
Expense for loan guarantees	10.8	11.4	+0.6
Expenses for interest repayments	22.0	19.0	(3.0)
<b>Ordinary profit</b>	68.6	59.5	(9.1)
<b>Net income</b>	85.2	44.1	(41.1)
<b>NPLs</b>	96.1	107.0	
<b>NPL ratio</b>	8.40%	8.74%	
<b>Allowance on interest repayments (provision)</b>	95.9	89.5	
	3.5 yrs	3.5 yrs	

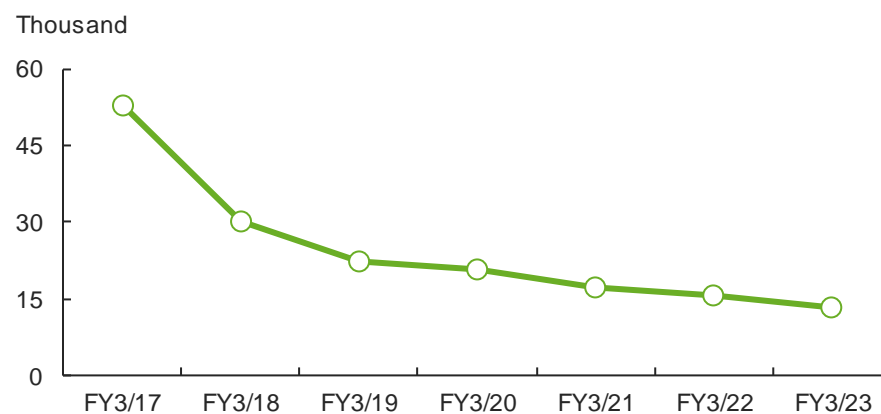
## Consumer loans



## Loan guarantee



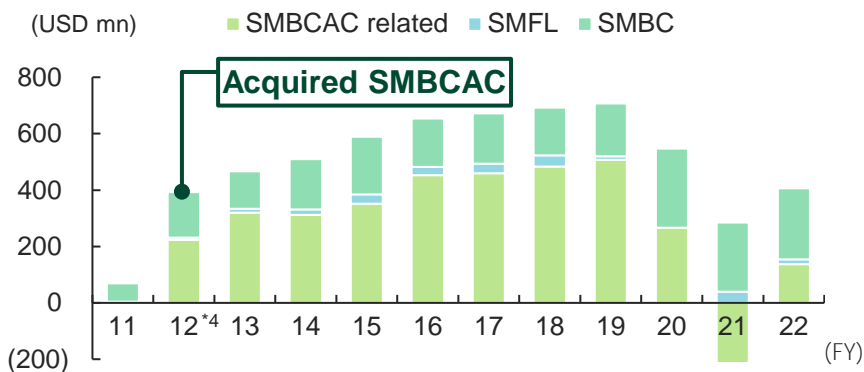
## No. of interest refund claims



## Financial results

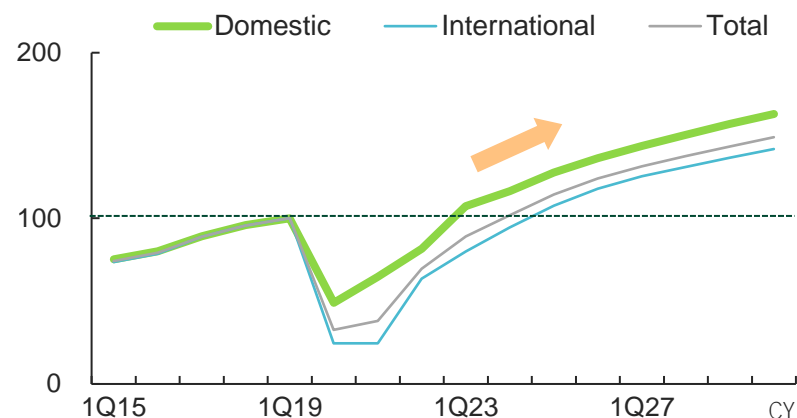
(USD mn)	FY3/22	FY3/23	YoY
<b>Total revenue</b>	1,479	1,488	+9
<b>o/w Lease revenue</b>	1,366	1,428	+62
<b>Credit / Asset impairment charges*1</b>	907	506	(401)
<b>Net income</b>	(283)	(77)	+206
<b>Aircraft asset*2</b>	16,210	22,770	+6,560
<b>Net asset</b>	3,322	3,245	(77)
<b>ROE</b>	(8.5)%	(2.4)%	+6.1%

## Aircraft business of SMBC Group

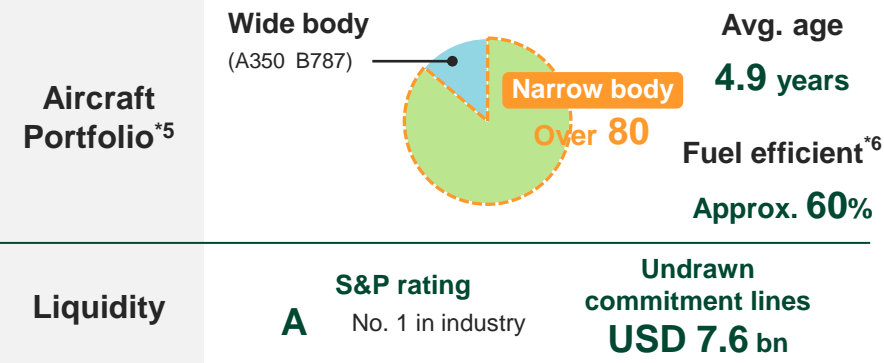


## Global passenger demand forecast\*3

Domestic demand is expected to recover in 1Q2023



## Our strengths



\*1 Gross before netting guarantee deposits etc.

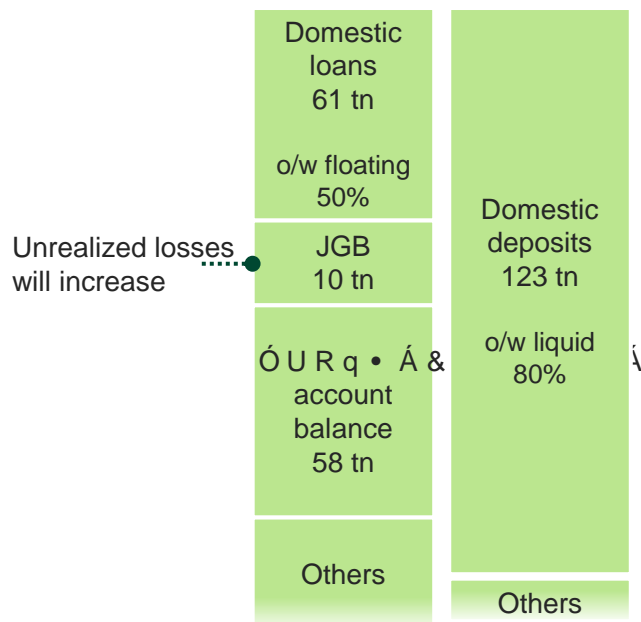
\*2 Include aircraft pre-delivery payments \*3 IATA / Tourism Economics. Represents changes from CY19.

\*4 SMBCAC related includes revenue after the acquisition in June \*5 As of Dec.22 \*6 Neo/MAX/A350/B787

# Appendix.

## JPY

### JPY B/S (Mar.23)



- ' Policy rate increase from (0.1)% to 0%  
: Net interest income JPY +30 bn
- ' Medium-to long-term rate increase  
: Expect further improvement  
incl. profit from market operation

## Foreign currency

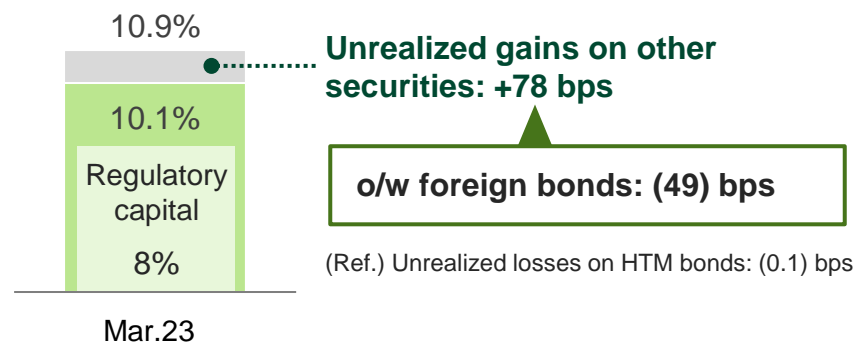
### Loan/deposit

- ' Most of the loans / deposits are based on market rate  
(A few deposits have low sensitivity to interest rate)

### Foreign bonds

- ' Unrealized losses will increase when government bond yields rise
- ' Interest earnings on roll-overs improve while funding cost increases

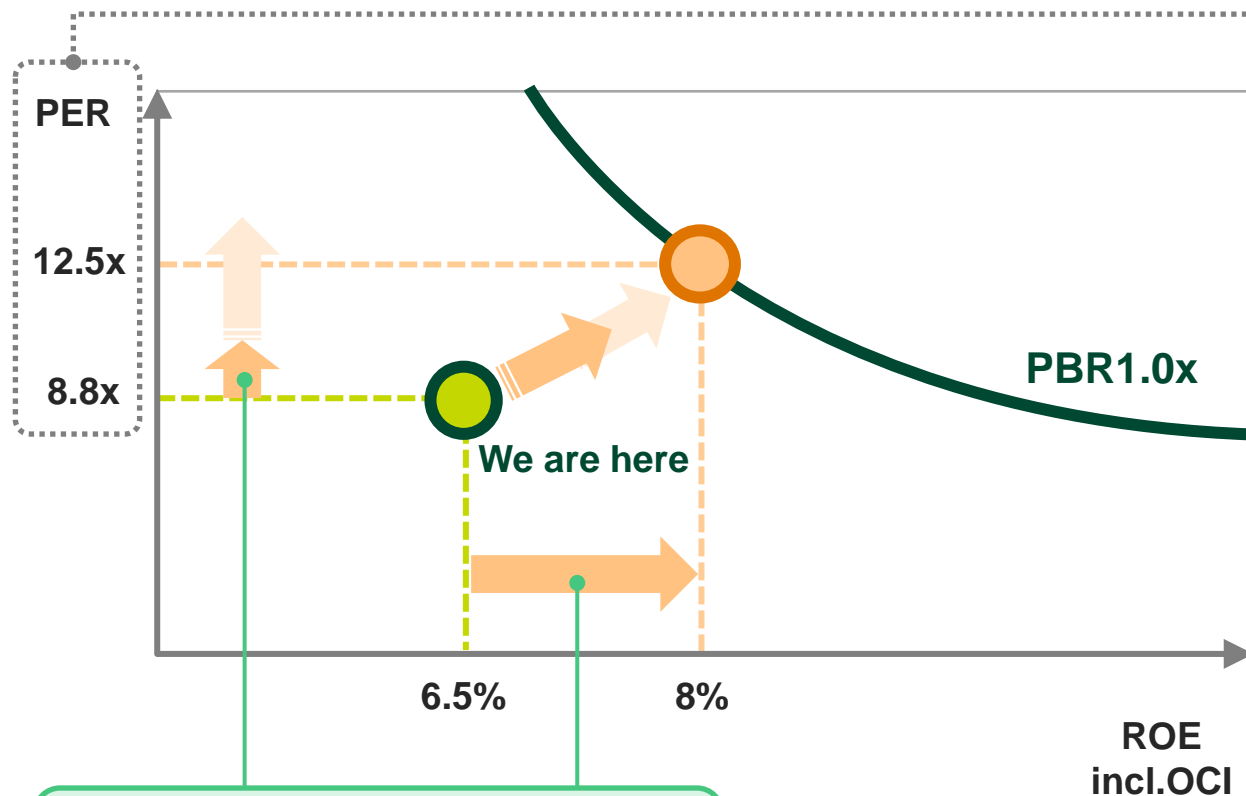
## Impact of unrealized losses on CET1 ratio



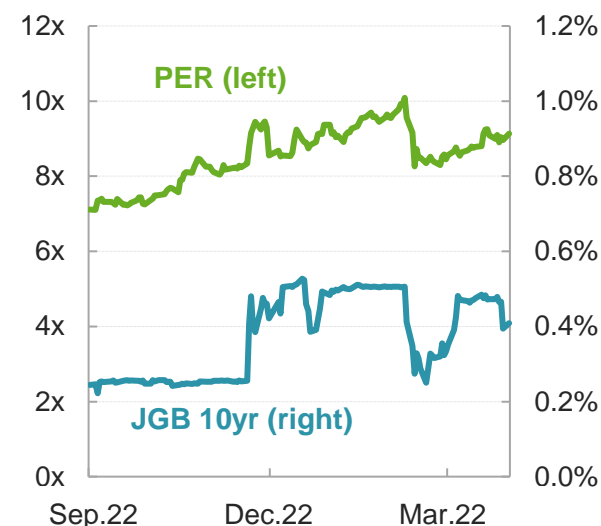


# To improve PBR

Optimize business portfolio and improve profitability to achieve ROE incl. OCI of 8% or higher. However, domestic interest rate hike is also necessary for our PBR to exceed 1x.



Our PER correlates with domestic interest rate



New Medium-Term Management Plan  
Plan for  
**Fulfilled Growth**



Next Medium-Term Management Plan

# Plan for **Fulfilled Growth**

# Core Policy

## VISION

A trusted global solution provider committed to the growth of our customers and advancement of society

# Growth with Quality

Create Social Value

Contribute to  
%00 | Growth+^ a

Pursue Economic Value

Transformation & Growth

Rebuild Corporate Infrastructure

Quality builds Trust



# Core policies (1)

## Create Social Value

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Environment	Support transition to achieve a decarbonized society	Sustainable finance Revised upward JPY 50 tn (FY3/21-30)	Establish more specific action plans
	Contribute to the conservation and restoration of natural capital		
DE&I/ Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score Maintain at least 70	
	Respect for human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers +0.8 mn	
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance JPY 18 tn	
	Build user-friendly infrastructure to support a society with a declining population		
> U d U b Đ g Regrowth	G i d d c f h ' W i g h c a Y f g Đ ' V i g ] b Y g g ' a c k r a h a c b s g e c f a U h ] c b	Investment and loans for startups JPY 135 bn	
	Create innovation and foster new industries		

