

# Overview of 3Q FY3/2024

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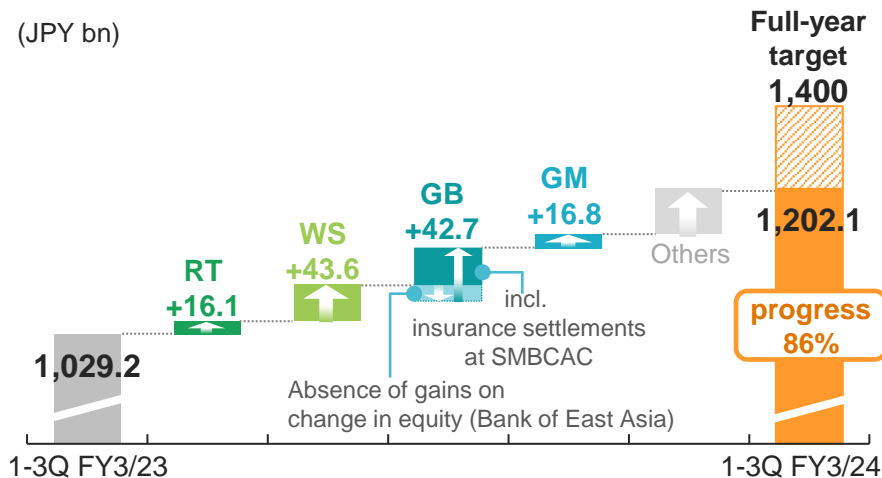
February 1, 2024



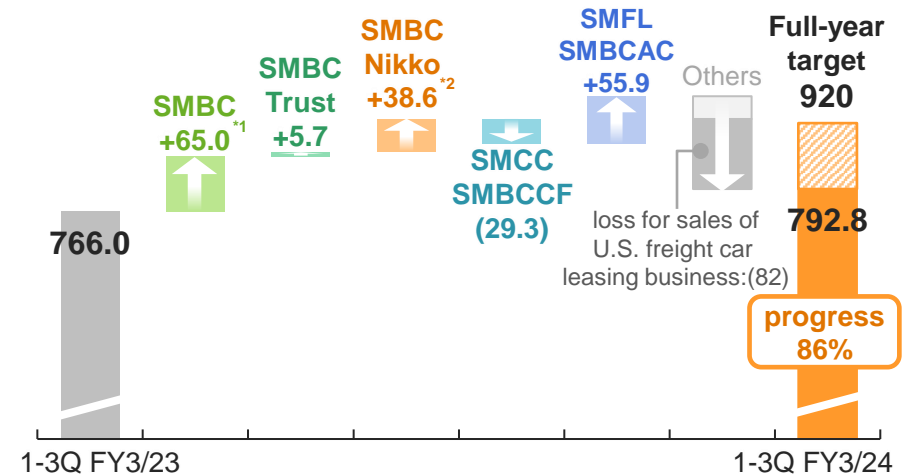
SUMITOMO MITSUI  
FINANCIAL GROUP

- ◆ Both consolidated net business profit and bottom-line profit have a high progress rate of **86%**
- ◆ Net business profit increased in every Business Unit as a result of the steady progress of the Medium-Term Management Plan ⇒ P16-17
- ◆ Bottom-line profit decreased at SMCC and SMBCCF due to an increase in credit costs, but successfully managed 3Q cost by controlling asset quality ⇒ P19-20

## Changes in net business profit by Business Unit



## Changes in bottom-line profit by entity



\*1 Managerial accounting basis: sum of SMBC and overseas banking subsidiaries.

Excl. absence of one-time dividend from a subsidiary recorded in FY3/23 (42, eliminated in the consolidated P/L)

\*2 Managerial accounting basis: incl. profits from SMBC Nikko America and SMBC Capital Markets

	(JPY bn)	1-3Q FY3/24	YoY	FY3/24 target
1 Consolidated gross profit		2,726.3	+348.9	
2 G&A expenses		1,631.0	+203.3	
Overhead ratio		59.8%	(0.3)%	
3 Equity in gains (losses) of affiliates	Progress	106.8	+27.4	
4 Consolidated net business profit	86%	1,202.1	+172.9	1,400
5 Total credit cost		134.7	+23.6	230
6 Gains (losses) on stocks		144.6	+6.3	
7 Other income (expenses)		(15.3)	+8.3	
8 Ordinary profit		1,196.7	+164.1	1,320
9 Extraordinary gains (losses)		(112.1)	(109.7)	
10 Income taxes		288.1	+31.6	
11 Profit attributable to owners of parent	86%	792.8	+26.8	920
12 ROE incl. OCI <sup>*1</sup>		8.0%	(0.3)%	
13 ROE <sup>*2</sup>		10.1%	+0.1%	

- **Consolidated gross profit** increased YoY due to
  - 1) recovery of SMBC Nikko,
  - 2) strong performance of payment business, and
  - 3) increase of income on loan in domestic and overseas.
 Impact of FX: +72
- **G&A expenses** increased YoY mainly due to
  - 1) inflation: +40
  - 2) higher variable marketing cost of SMCC: +26, which is successfully increasing new customers.
 Impact of FX: +36
- **Equity in gains of affiliates** increased YoY as profit of SMBCAC: (+55) including insurance settlement offset absence of gains on change in equity of BEA<sup>\*3</sup>: (20)  
Impact of FX: +2
- **Total credit cost:** increased due to domestic consumer finance business: +27 but managed 3Q cost at low level by controlling asset quality
- **Gains on stocks** increased due to gains on sales of equity holdings: 162 (YoY +54), while impairment of overseas investment was recorded: (32)
- **Extraordinary losses:** recorded loss for sales of U.S. freight car leasing business: (107)

\*1 Denominator: Shareholder's equity + total accumulated other comprehensive income

\*2 Based on shareholder's equity

\*3 Bank of East Asia

## SMBC

	(JPY bn)	1-3Q FY3/24	YoY	FY3/24 target
1 <b>Gross banking profit</b>		1,345.7	+57.9	
2 o/w Net interest income		817.6	(53.7)	
3 o/w Gains (losses) on cancellation of investment trusts		6.0	(25.8)	
4 Domestic		430.9	(42.4)	
5 Overseas		386.7	(11.3)	
6 o/w Net fees and commissions		369.9	+33.5	
7 Domestic		164.3	+17.8	
8 Overseas		205.6	+15.7	
9 o/w Net trading income+ Net other operating income		156.1	+77.7	
10 o/w Gains (losses) on bonds		21.2	+99.1	
11 <b>Expenses</b>		724.2	+70.7	
12 <b>Banking profit</b>		621.6	(12.9)	765
13 <b>Total credit cost</b>		1.9	(52.4)	85
14 <b>Gains (losses) on stocks</b>		138.5	+10.5	
15 <b>Extraordinary gains (losses)</b>		9.3	(10.5)	
16 <b>Net income</b>		554.9	(8.8)	640

Absence of one-time dividend from a subsidiary : (42)

\*eliminated in the consolidated P/L

## Other major group companies

(left : results of 1-3Q FY3/24 / right : YoY)

(JPY bn)	SMCC <sup>*1</sup>		SMBC Nikko <sup>*2</sup>		SMCCF <sup>*1</sup>	
<b>Gross profit</b>	405.8	+41.0	334.1	+67.0	186.8	+11.6
<b>Expenses</b>	330.3	+39.6	290.0	+26.4	77.5	+4.3
<b>Net business profit</b>	76.9	+2.5	44.1	+40.5	93.9	(1.0)
<b>Net income</b>	27.6	(5.4)	33.2	+38.6	24.9	(23.9)

(Equity method affiliate)

	SMBC Trust		SMDAM		SMFL <sup>*3</sup>	
			50%		50%	
<b>Gross profit</b>	52.4	+11.6	30.4	+3.3	216.6	+25.4
<b>Expenses</b>	30.3	+3.0	24.7	+1.8	91.7	+6.3
<b>Net business profit</b>	22.1	+8.7	5.7	+1.5	131.1	+17.7
<b>Net income</b>	16.9	+5.7	3.8	+1.3	119.9	+58.7

\*1 Incl. impact from reorganization of SMBC Mobit

\*2 Incl. profits from SMBC Nikko America and SMBC Capital Markets (managerial accounting basis)

\*3 Managerial accounting basis

## (Ref.) Major one-off items

### Insurance settlements of SMBCAC

34 aircraft lost in Russia (NBV USD 1.6 bn<sup>\*1</sup>)

Total impairment  
by Sep. 2023

Impact on bottom-line profit	JPY (81) bn <sup>*2</sup>
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**3Q in FY3/24:**  
**insurance settlements received for 19 aircraft  
previously leased to Aeroflot and S7**

Impact on bottom-line profit **+USD 317 mn<sup>\*3</sup>**

Insurance settlements: USD 756 mn



- Maximum impact of potential impairment on bottom-line profit : USD (70) mn

### Sales of U.S. freight car leasing business

**2013 : Entered into freight car leasing business**

- Acquired Flagship Rail Services and renamed to SMBC Rail Services (SMBCRS)

**2017 : Acquired American Railcar Leasing**

- Aimed to expand business size by acquiring more profitable railcars

Became a leading freight car leasing company in the U.S.

Changes in the business environment and industry reorganization have led SMBCRS to bear potential impairment risks

Strengthened regulation

Shrinking margin

**2023 : Sold to ITE**

- Improve capital efficiency by reallocating resources to growth areas

Impact on

(CET1 ratio)

RWA	USD (2,900) mn	+4 bp
Bottom line profit	USD (580) mn <sup>*4</sup>	(7)bp

\*1 Before write-down \*2 After netting security deposits

\*3 After netting impairment of NBV, recorded JPY 45 bn in 3Q (will be fixed at FX rate of Mar.24)

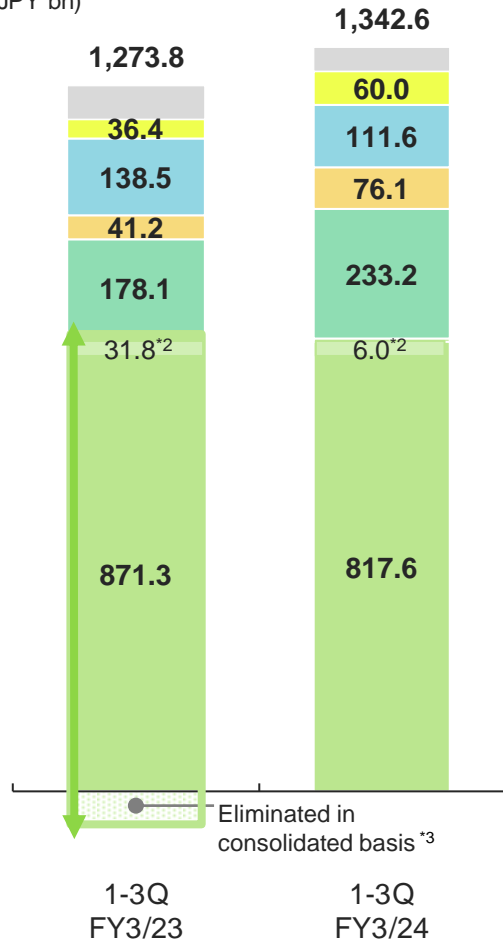
\*4 Fixed at JPY 82 bn

# Consolidated gross profit <sup>\*1</sup>

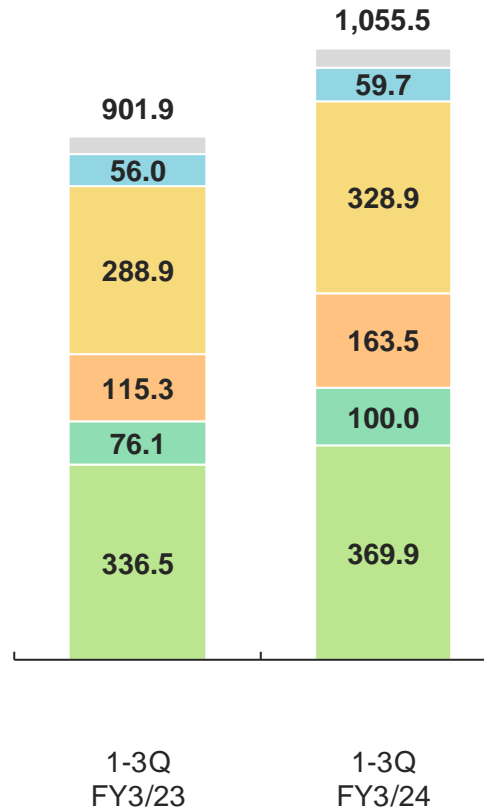


## Net interest income

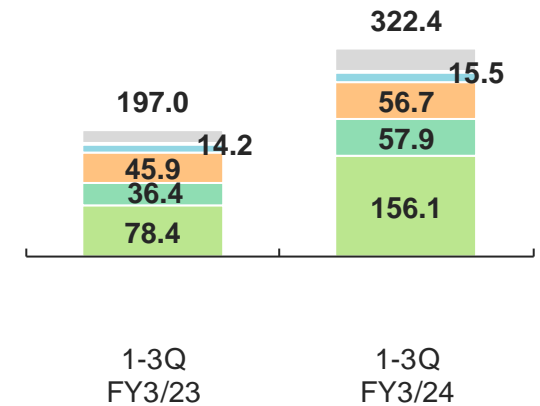
(JPY bn)



## Net fees and commissions



## Net trading income + Net other operating income



\*1 Figure for FY3/23 has not been adjusted to the reorganization of SMBC Mobit in Apr.23

\*2 Gains on cancellation of investment trusts

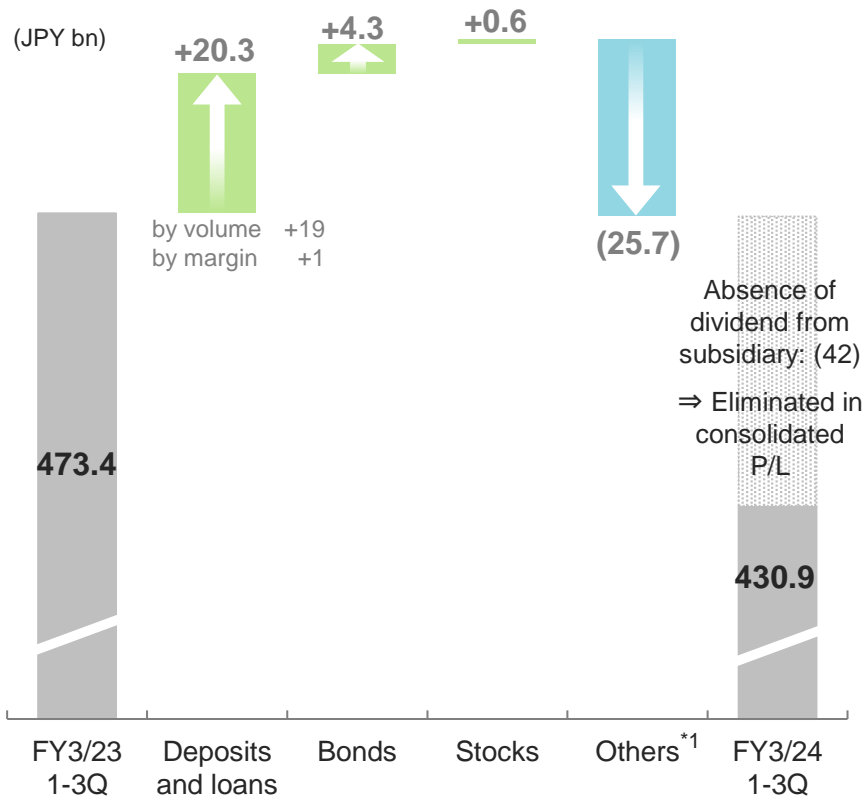
\*3 Incl. dividend from subsidiary of JPY 42bn

# (Ref.) Net interest income (SMBC)

## Domestic

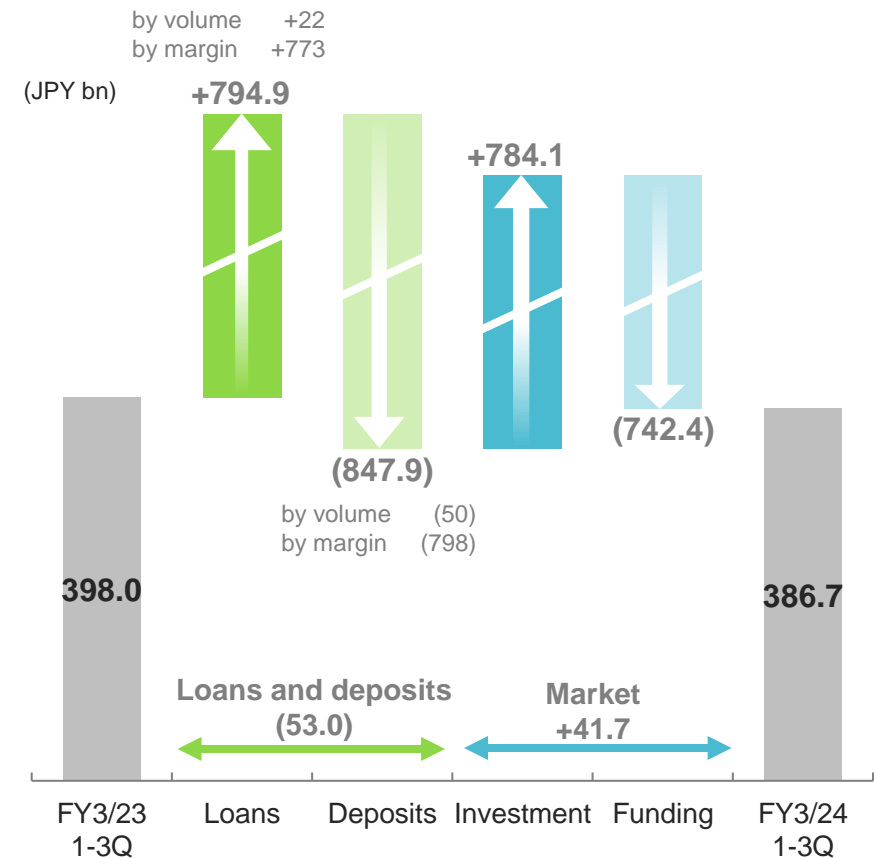
- Income from deposits and loans increased by both volume and margin, while gains on cancellation of investment trusts decreased.

\*Dividends from subsidiary recorded in the previous fiscal year had no impact in consolidated P/L.



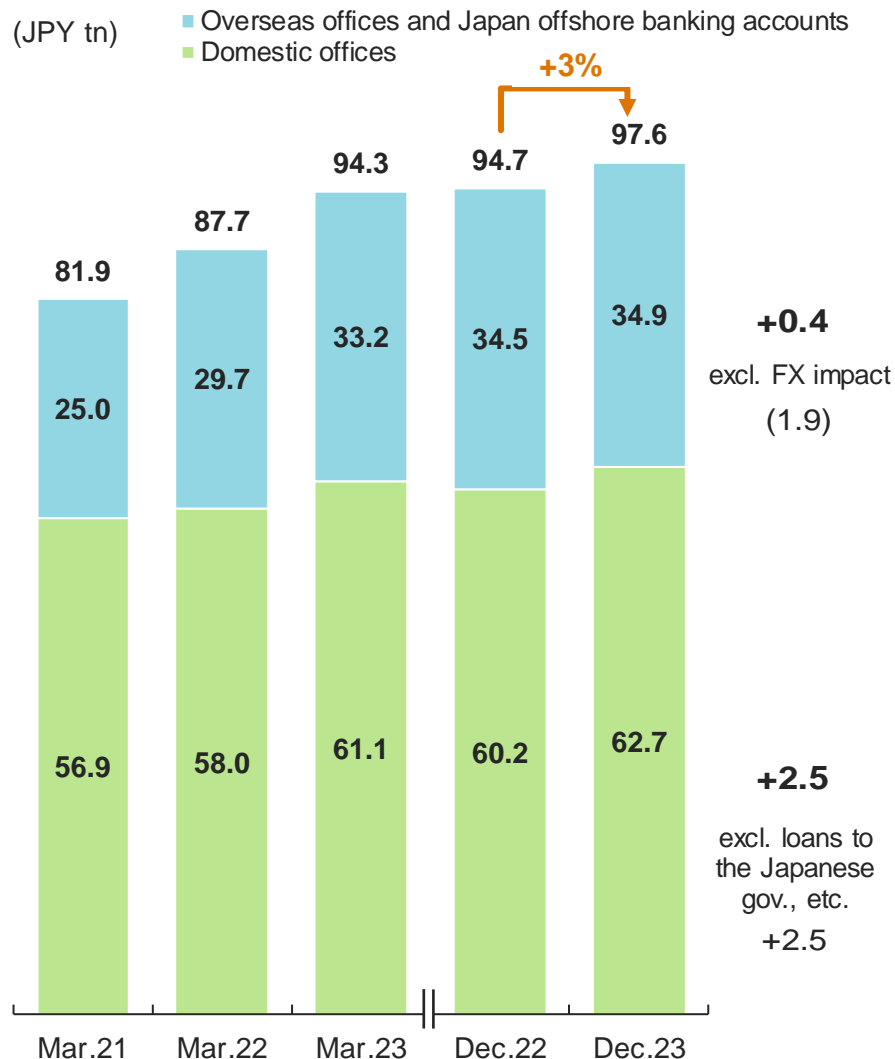
## Overseas

- Deposit funding cost increased with liquidity prioritization due to financial instability from March 2023, further pushed by rising interest rates.



\*1 Gains and losses on cancellation of investment trusts, etc.

## Loan balance



## Domestic loan-to-deposit spread

(%)	1-3Q FY3/24	YoY	1Q	2Q	3Q
Interest earned on loans and bills discounted	0.83	+0.00	0.82	0.83	0.85
Interest paid on deposits, etc.	0.00	+0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.83	+0.00	0.82	0.83	0.85

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

(%)	1-3Q FY3/24	YoY	1Q	2Q	3Q
Interest earned on loans and bills discounted	0.85	+0.00	0.84	0.84	0.86
Loan-to-deposit spread	0.85	+0.00	0.84	0.84	0.86

## Average loan balance and spread\*2

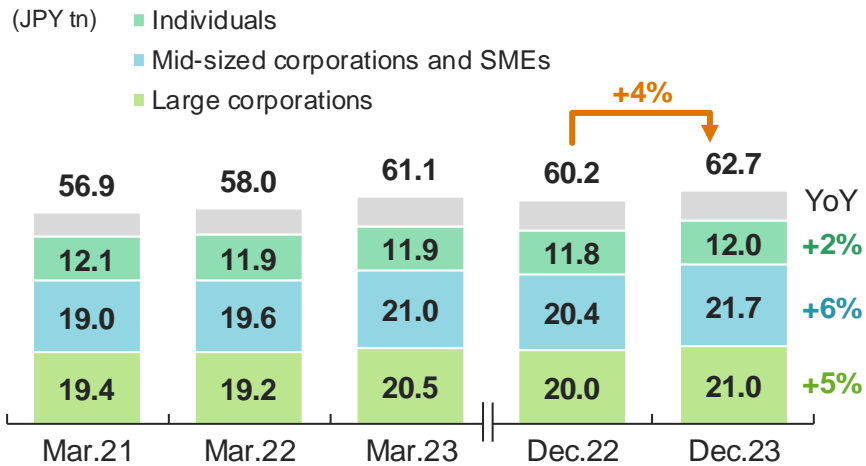
	Balance (JPY tn)		Spread (%)	
	1-3Q FY3/24	YoY <sup>4</sup>	1-3Q FY3/24	YoY
Domestic loans	59.6	+2.5	0.72	+0.00
Excl. loans to the Japanese government, etc.	57.1	+2.5	0.74	(0.00)
o/w Large corporations	20.6	+1.1	0.56	+0.02
o/w Mid-sized corporations & SMEs	21.1	+1.2	0.64	+0.02
o/w Individuals	11.9	+0.1	1.37	(0.03)
GBU's interest earning assets <sup>*3</sup>	345.7 USD bn	(25.4) USD bn	1.20	+0.04

\*1 SMBC \*2 Managerial accounting basis \*3 Sum of SMBC, Major local subsidiaries and SMBC Trust, etc. Sum of loans, trade bills, and securities. Change the definition of the spread due to cessation of USD Libor: from difference with the benchmark interest rate to with the cost of funds \*4 After adjustments for exchange rates, etc.

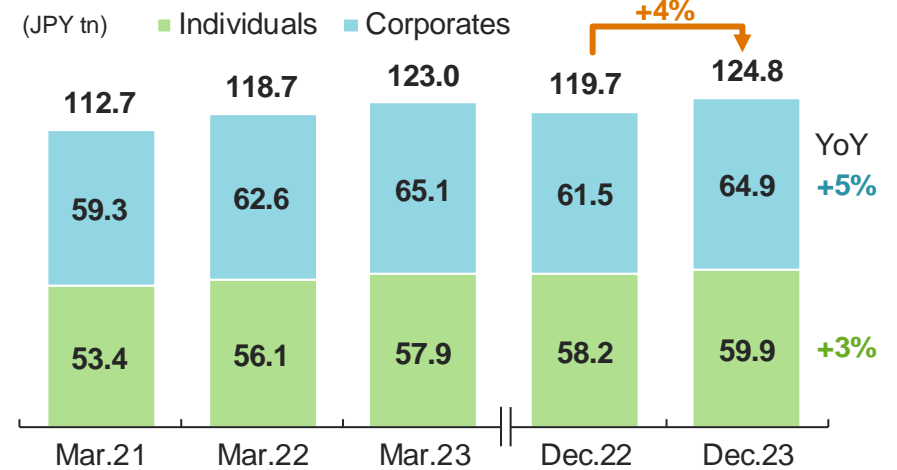


# Domestic loans and deposits\*1

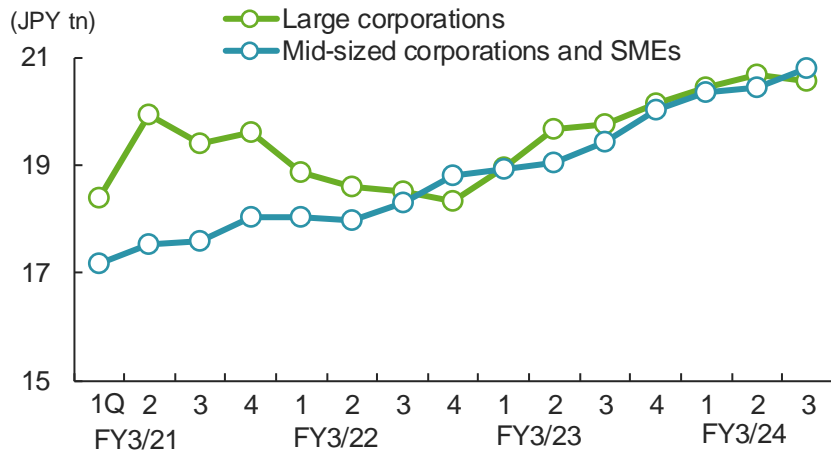
## Loan balance\*2



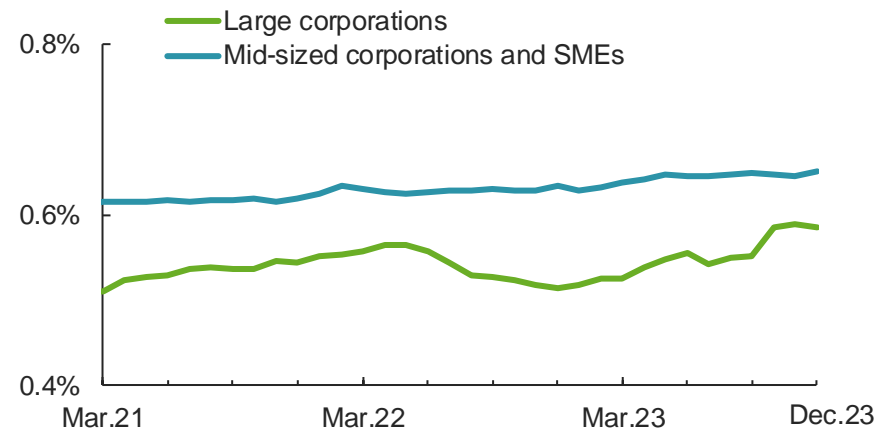
## Deposit balance



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



## Loan spread for corporates\*2,4



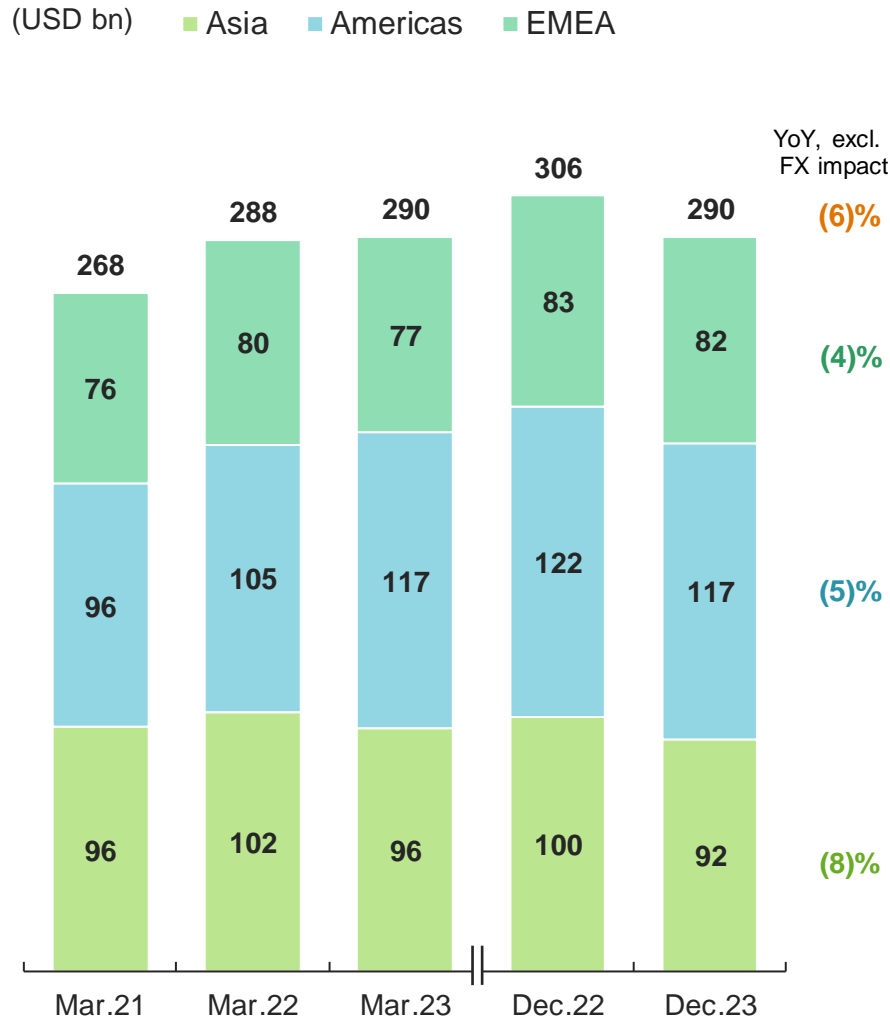
\*1 SMBC \*2 Managerial accounting basis \*3 Quarterly average (excl. loans to the Japanese government)

Figures for SMEs are the outstanding balance of Corporate banking division

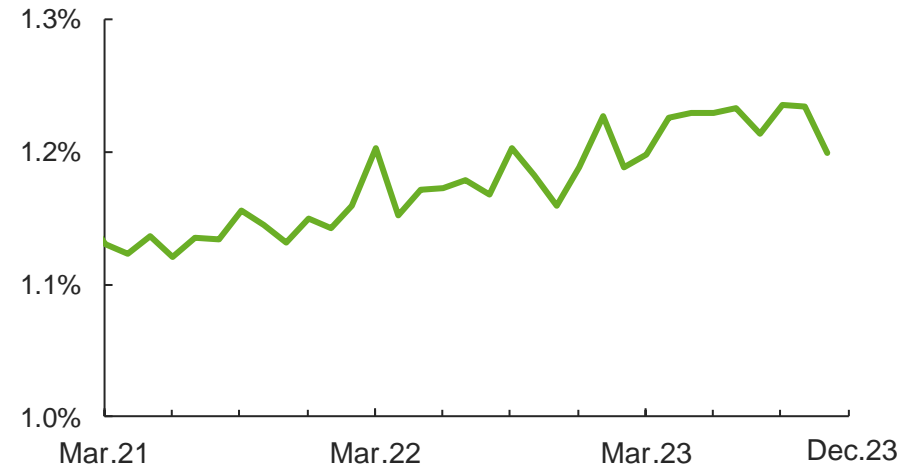
\*4 Loan spread of existing loans (excl. loans to the Japanese government)

# Overseas loans and deposits\*1

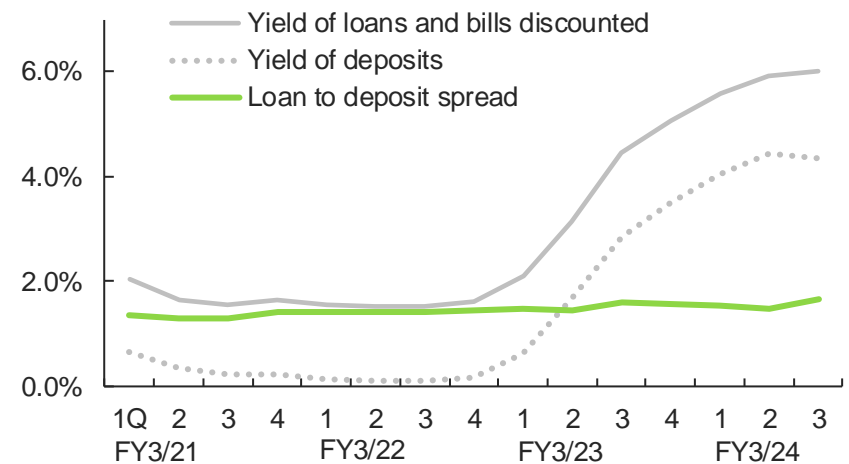
## Loan balance



## Loan spread\*2



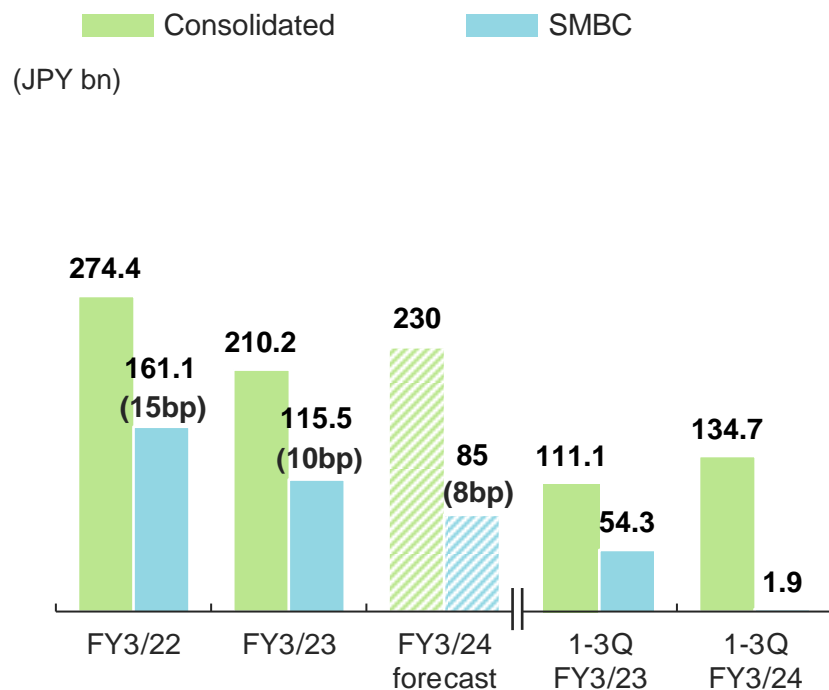
## Loan to deposit spread



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

\*2 Monthly average loan spread of existing loans

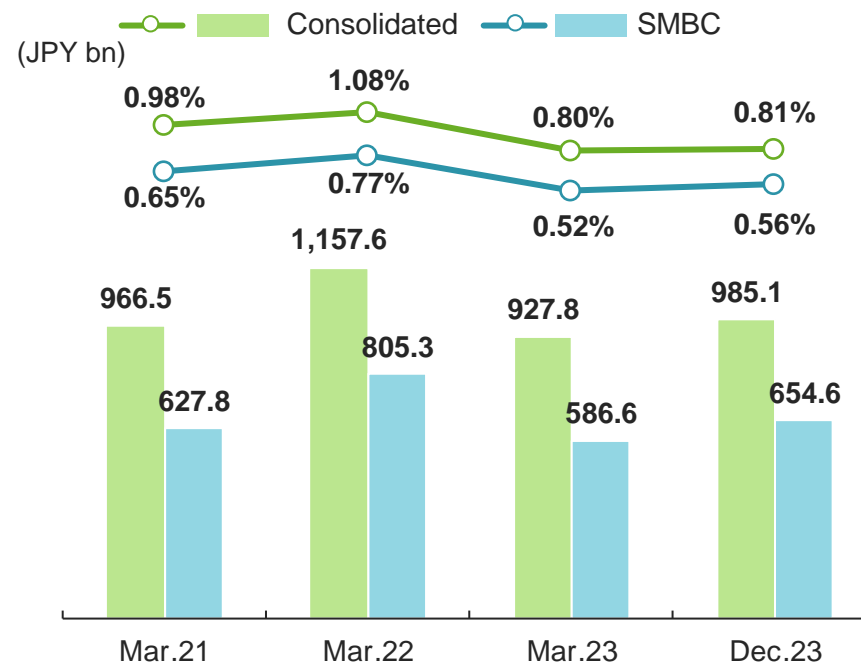
## Credit costs



## Major group companies

(JPY bn)	1-3QFY3/24	YoY
SMBCCF	54	+12*2
SMCC	38	+15*2
Overseas banking subsidiaries	23	+18
SMICC	17	+11
Adjustments of FX	-	+10*3

## Non-performing loan balance\*1



## Total claims

	(JPY tn)		
Consolidated	107	116	122
SMBC	104	113	116
<b>Claims on borrowers requiring caution (excl. claims to substandard borrowers)</b>			
SMBC	1.9	1.8	1.7

\*1 NPL ratio = NPLs based on the Banking Act and the Reconstruction Act (excl. normal assets) / Total claims

\*2 The figure for FY3/23 and YoY change has not been adjusted to the reorganization of SMBC Mobit in Apr.23

\*3 Adjustments of FX is recorded in the total credit cost, as the total credit cost is net reversal for SMBC.

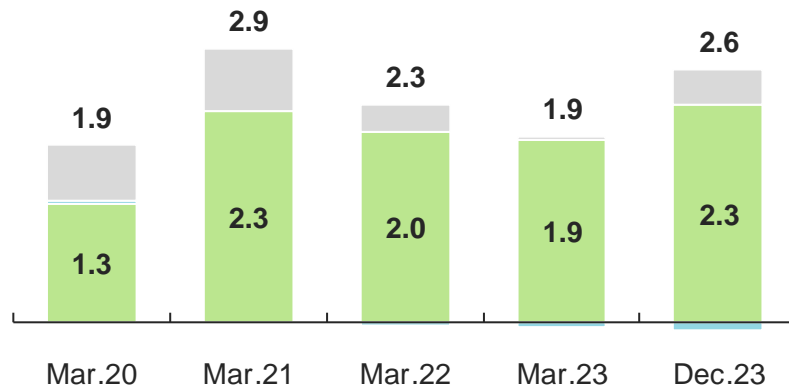
## Breakdown of other securities (consolidated)

	B/S amount		Unrealized gains (losses)	
	Dec.23	vs Mar.23	Dec.23	vs Mar.23
(JPY bn)				
<b>Held-to-maturity</b>	226.9	+61.3	(0.6)	(0.2)
<b>Available for sales</b>	35,639.2	+3,174.2	2,611.2	+696.0
Stocks (domestic)	3,657.1	+311.7	2,323.9	+379.2
Bonds (domestic)	12,209.0	(968.5)	(89.8)	(25.6)
o/w JGBs	8,879.6	(696.7)	(50.6)	(14.2)
Others	19,773.2	+3,831.1	377.0 <sup>*1</sup>	+342.4
o/w Foreign bonds	16,005.7	+2,924.2	(656.7)	+40.6

Risk volume is controlled by hedging and others

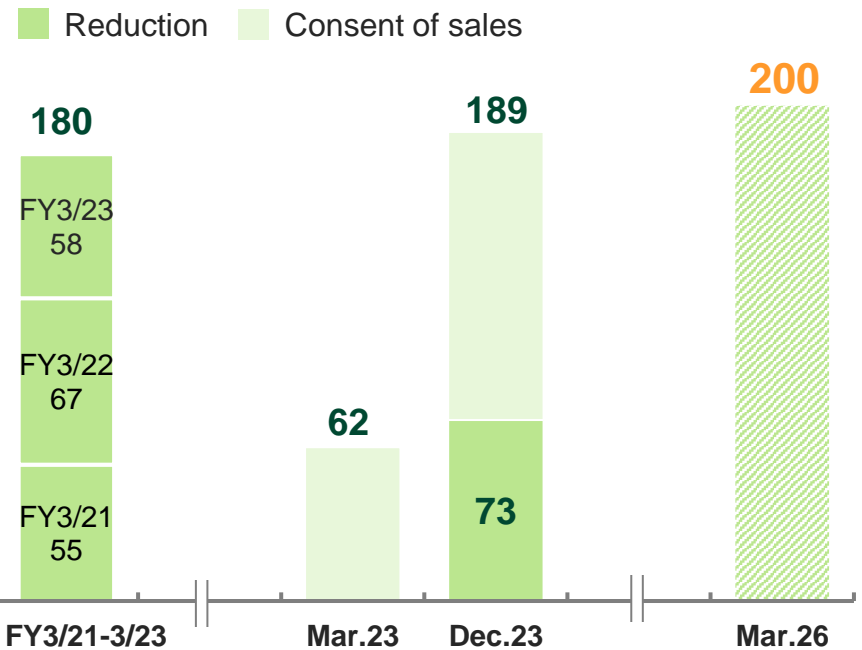
## Unrealized gains

(JPY tn) ■ Stocks (domestic) ■ Bonds (domestic) ■ Others



## Equity holdings (Dec.23)

- Achieved annual reduction target by 3Q
- Accumulated consent of sales steadily



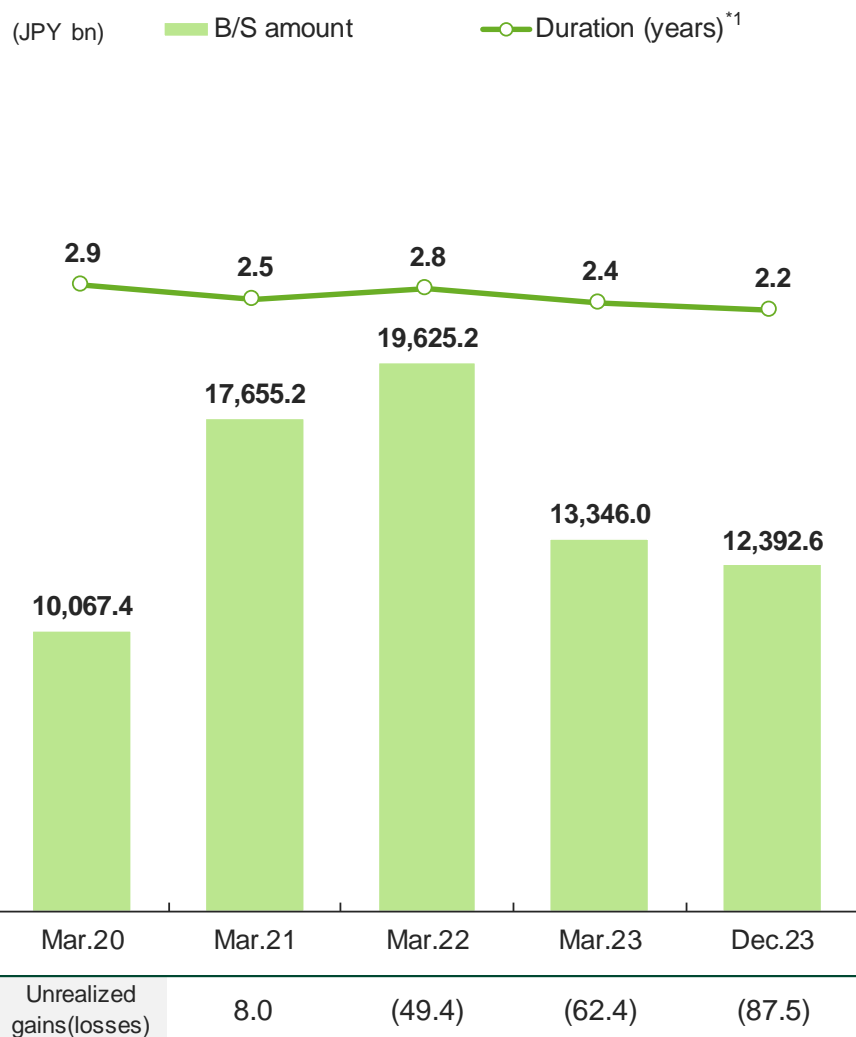
## Reduction plan

- Reduce **JPY 200 bn** in 3 years (FY3/24-26)
- Aim for **<20%** market value to consolidated net assets<sup>\*2</sup> during the period of next Medium-Term Management Plan<sup>\*3</sup>

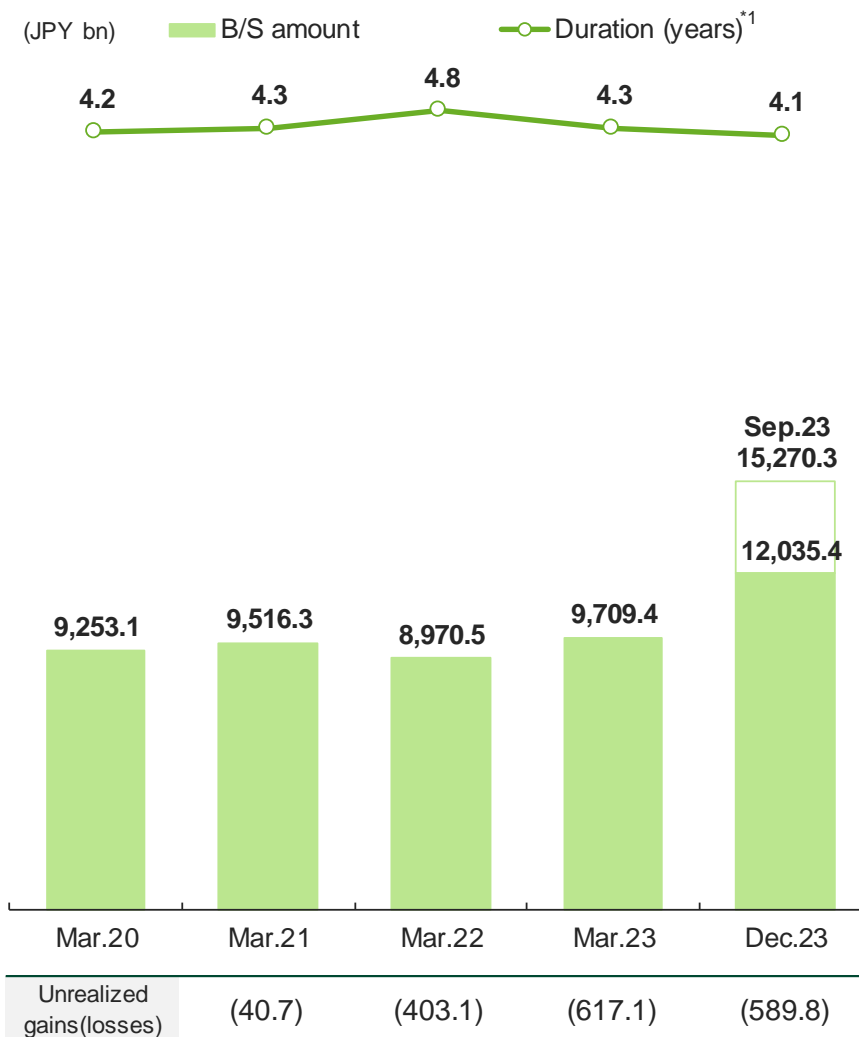
\*1 The difference between foreign bonds and others is unrealized gain on foreign stocks

\*2 Dec.23: 31.1%, incl. balance of deemed held shares in numerator \*3 FY3/27-29

## Yen-denominated bonds (SMBC)



## Foreign bonds (SMBC)



\*1 Managerial accounting basis  
(excl. bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds)

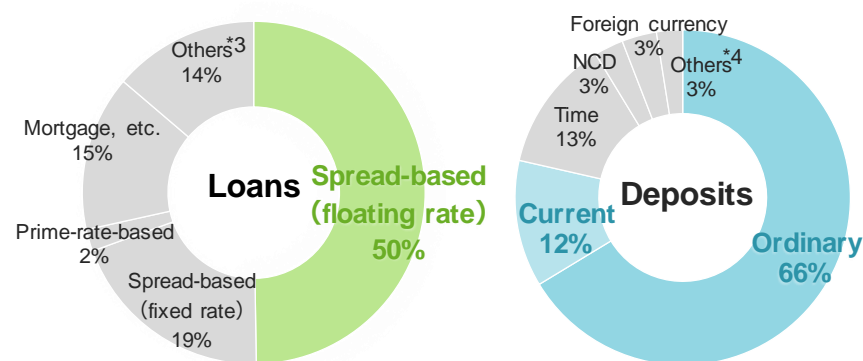
## Consolidated

(vs Mar.23)

Loans		Deposits	
<b>JPY 103.2 tn</b> (+JPY 4.8 tn)		<b>JPY 176.5tn</b> (+JPY 4.7 tn)	
<b>Domestic loans</b> <sup>*1,2</sup>	JPY 62.7 tn	<b>Loan to deposit ratio</b> <b>58.5%</b>	
<b>Securities</b>		<b>Domestic deposits</b> <sup>*2</sup>	JPY 124.8 tn
<b>JPY 36.8 tn (+JPY 3.6 tn)</b>		<b>NCD</b>	JPY 13.9 tn
JGBs	JPY 8.9 tn	<b>Others</b>	
Foreign bonds	JPY 16.0 tn	<b>JPY 95.3tn</b> (+JPY 9.5 tn)	
<b>Others</b>		<b>Total net assets</b>	
<b>JPY 145.7 tn</b> (+JPY 6.9 tn)		<b>JPY 13.9tn (+JPY 1.1tn)</b>	
<b>Cash and due from banks</b>	JPY 76.6 tn		
<b>BoJ's current account</b> <sup>*2</sup>	JPY 57.3tn		

**Total assets JPY 285.8 tn (+JPY 15.3 tn)**

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



## Impact to net interest income from possible interest hike<sup>\*5</sup>

	Policy rate 0%	Policy rate 0.1%
Shor-term rate	<b>JPY +30 bn</b>	<b>JPY +35 bn<sup>*7</sup></b>
Medium-to long term rate	<b>JPY +12 bn</b> (1 <sup>st</sup> year) <sup>*6</sup>	
Assumption (range of increase)		
Macro add-on balance rate	-	+0.1%
Basic balance rate	-	-
5 yrs rate / 10 yrs rate	+0.3%	+0.1%

- Profit from market operation is not included; cautious approach to additional JGB investment considering further rate hike

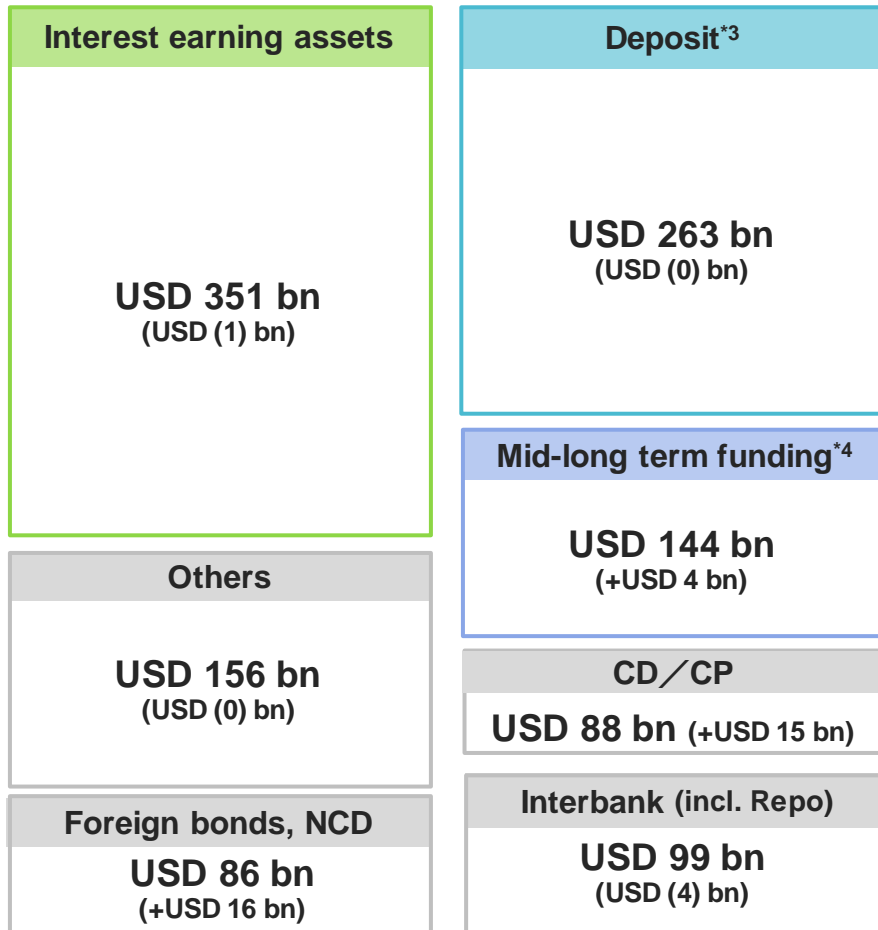
\*1 Managerial accounting basis \*2 SMBC \*3 Overdraft, foreign-currency-denominated, etc.

\*4 Sundry, etc. \*5 Based on assumption of no change in balance sheet

\*6 JPY +60 bn in 5th year by repricing of fixed rate loans \*7 Based on assumption and will change by market environment

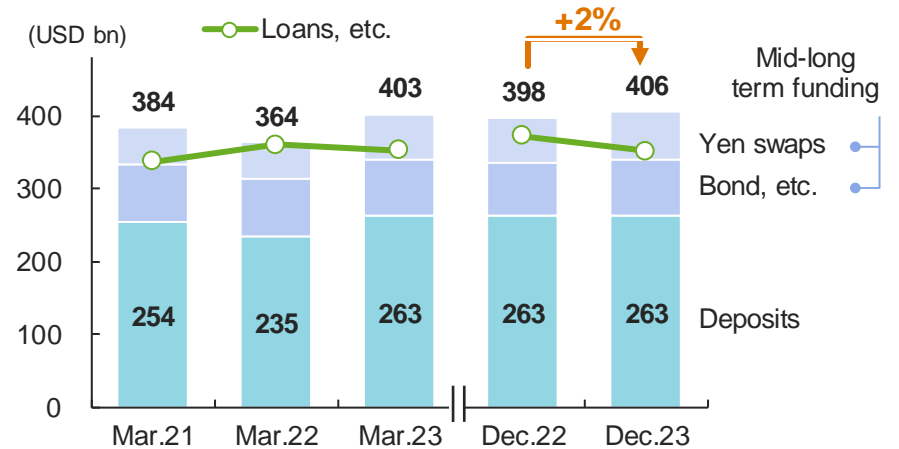
## Non-JPY B/S<sup>\*1,2</sup>

(vs Mar.23)



**Assets / Liabilities USD 593 bn (+USD 15 bn)**

## Foreign currency balance



## Impact of interest rise

### Loan/deposit

- Most of the loans / deposits are based on market rate (Benefit from deposits with low sensitivity to interest rate)

### Foreign bonds

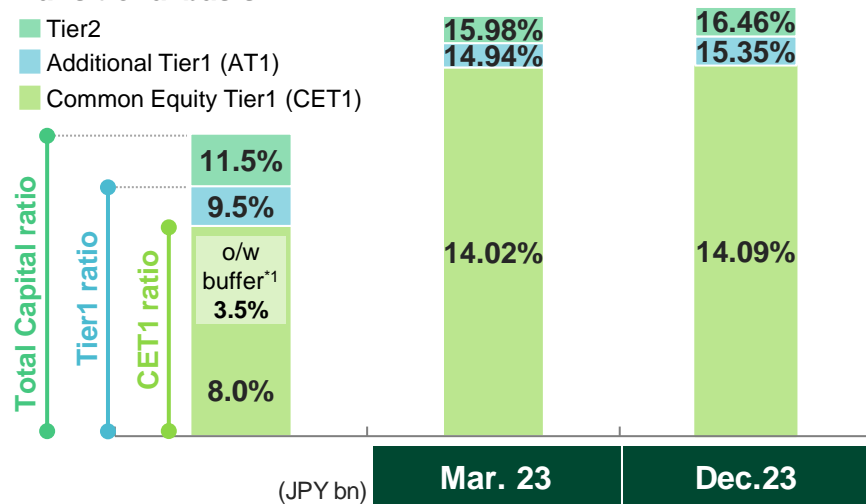
- Unrealized losses will increase when government bond yields rise
- Interest earnings on roll-overs improve while funding cost increases

\*1 Sum of SMBC and major local subsidiaries \*2 Managerial accounting basis  
 \*3 Incl. deposits from central banks \*4 Corporate bonds, currency swaps, etc

## Capital ratio

### Transitional basis

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



(JPY bn)	Mar. 23	Dec.23
<b>Total capital</b>	<b>12,350.8</b>	<b>13,438.9</b>
Tier1 capital	11,548.9	12,531.3
o/w CET1 capital	10,839.0	11,502.5
Tier2 capital	801.9	907.7
<b>Risk-weighted assets</b>	<b>77,285.0</b>	<b>81,613.0</b>
<b>Finalized Basel III basis</b>		
CET1 ratio	10.9%	10.8%
excl. net unrealized gains on other securities	<b>10.1%</b>	<b>10.0%</b>

## Other requirement ratios

	Dec. 23	Requirement <sup>*1</sup>
<b>External TLAC ratio</b>		
RWA basis	<b>25.92%</b>	18.0%
Leverage exposure basis	<b>9.72%</b>	6.75%
<b>Leverage ratio</b>	<b>5.04%</b>	3.5%
<b>LCR (Average 3Q FY3/24)</b>	<b>134.4%</b>	100%

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



## Results by Business Unit (1)

### Retail

- Both gross profit and net business profit increased due to  
1) recovery of wealth management business and  
2) growth of payment business and consumer finance.
- Credit cost is well managed in 3Q under initiatives to control asset quality. (1H FY3/24: 43 ⇒ 1-3Q: 54)

	(JPY bn)	1-3Q FY3/24	YoY*1
Gross profit		944.8	+78.2
Income on loans and deposits <sup>*2</sup>		85.5	(3.5)
Wealth management business		220.2	+31.1
Payment business		405.3	+37.6
Consumer finance business		216.9	+13.7
Expenses		798.9	+63.4
<i>Overhead Ratio</i>		84.6%	(0.3)%
Net business profit		150.2	+16.1

### Wholesale

- Loan income improved through enhancements in both balance and spread, while fee income also saw an increase.
- Both gross profit and net business profit improved YoY as group companies including SMBC Nikko also showed good performance.

	(JPY bn)	1-3Q FY3/24	YoY*1
Gross profit		590.6	+55.0
Income on loans and deposits		249.1	+24.8
FX and money transfer fees		101.4	(1.1)
SMBC Loan syndication		32.5	+1.4
Structured finance		26.0	+15.5
Real estate finance		10.8	+0.8
Securities business		48.2	+22.4
Expenses		+233.5	+18.9
<i>Overhead Ratio</i>		39.5%	(0.5)%
Net business profit		437.2	+43.6

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

\*2 Excl. consumer finance

## Results by Business Unit (2)

### Global

- Gross profit improved as income on loan and deposit increased due to a rise in interest rates, while loan related fees turned to positive trend in 3Q.
- Net business profit increased due to a rise in equity in gains of affiliates\*<sup>1</sup>, even though expenses escalated as a result of inflation.

	(JPY bn)	1-3Q FY3/24	YoY* <sup>2</sup>
Gross profit		952.7	+95.8
Income on loans and deposits		474.8	+65.6
Loan related fees		174.1	+14.4
Securities business		56.0	+7.8
Expenses		569.4	+77.1
<i>Overhead Ratio</i>		59.8%	+2.3%
Equity in gains(losses) of affiliates		69.8	+22.5
Net business profit		477.3	+42.7

### Global market

- Both gross profit and net business profit increased due to profit accumulation with portfolio management and steady performance in sales and trading business.

	(JPY bn)	1-3Q FY3/24	YoY* <sup>2</sup>
Gross profit		399.1	+29.9
SMBC		255.8	+5.7
SMBC Nikko		105.1	+17.4
Expenses		119.7	+11.9
<i>Overhead Ratio</i>		30.0%	+0.8%
Net business profit		301.1	+16.8

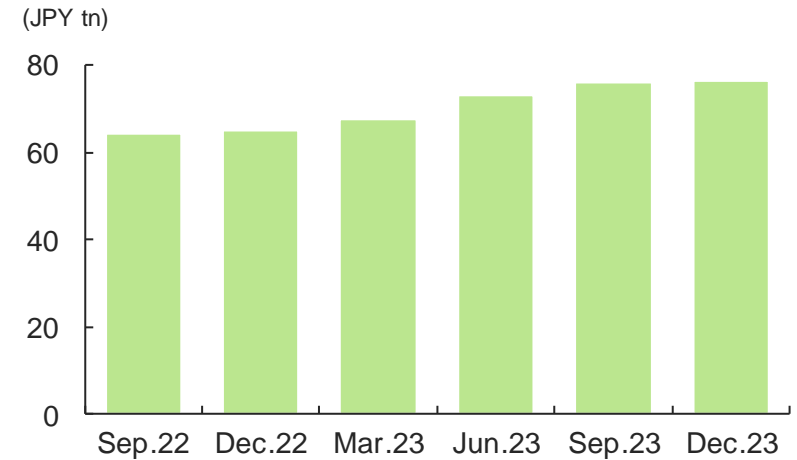
\*1 Incl. insurance settlement at SMBCAC and absence of gains on change in equity of Bank of East Asia in FY3/23

\*2 After adjustments of the changes of interest rates and exchange rates

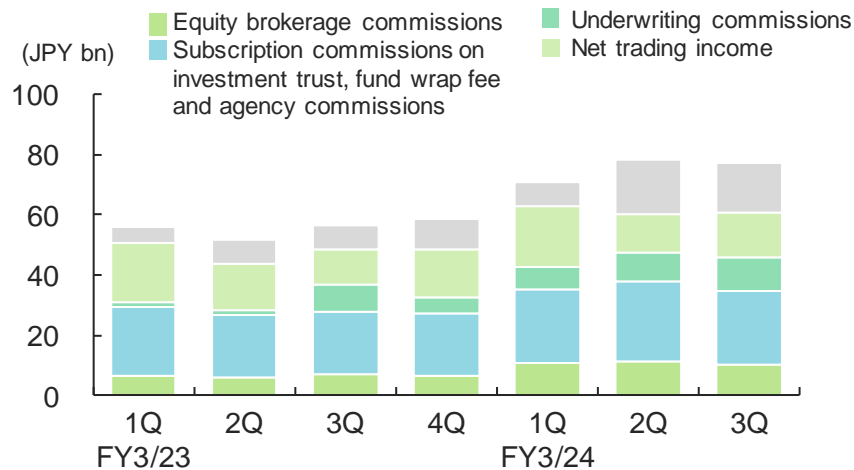
## Financial results

(JPY bn)	FY3/23	1-3Q FY3/24	YoY
<b>Net operating revenue</b>	222.8	226.7	+62.5
<b>SG&amp;A expenses</b>	267.3	208.9	+17.0
<b>Ordinary income</b>	(42.1)	19.7	+46.5
<b>Net income</b>	(39.8)	6.6 <sup>*1</sup>	+31.0

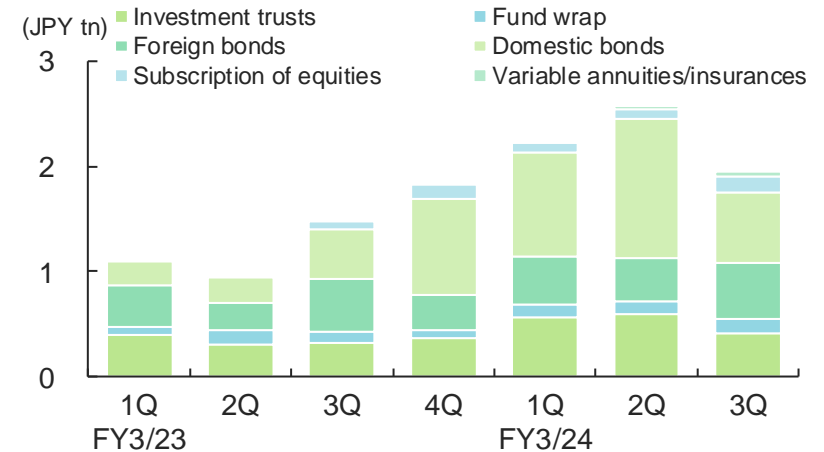
## Client assets



## Net operating revenue



## Product sales



\*1 Recorded JPY 7.9bn of loss on sale of shares of a subsidiary related to Intermediate Parent Undertaking (IPU) requirement (eliminated on consolidated basis)







