



Investors Meeting FY3/2020

May 19, 2020



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Hello everyone.

First of all, I would like to express my heartfelt condolence and deepest sympathy to those who have lost their lives from COVID-19.

COVID-19 has fundamentally changed the world and our lives.

Both public and private sectors of the world are fighting hard to overcome this unprecedented crisis.

SMBC Group is committed to fulfilling its social and economic responsibilities so that the society and the economy can return to normal as soon as possible.

Agenda

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This is today's agenda.

There are many topics to cover, so today I will narrow down the points that I will talk about.



I. Our response to COVID-19

Our response to COVID-19

We are committed to supporting our customers, employees, and communities to overcome COVID-19.

Customers



- All SMBC branches are open and ATMs remain accessible in Japan
- Enhanced digital capability and servicing (online-banking transactions in April: +36% YoY)
- Supporting urgent financial needs

Consumers

- Loan programs with special interest rates (SMBC, SMCC, SMBCCF)

Corporates

- Extending credit using special funds-supplying operations by BOJ
- Loans with government covered programs
- Offering customer relief
 - Waiving fees on SME loans ("Business select loan")
 - Flexibility in credit process and relaxing conditions
- Established investment fund to support medical ventures

Employees



- No COVID-19 related layoffs
- Continue to pay even if working hours are reduced
- 70% of employees at headquarters working from home
- Additional special paid time-off
- Prevent infection within offices and branches
- Providing medical and mental healthcare support

Communities



- JPY 1.5 bn donation to COVID-19 relief efforts including:
 - Center for iPS Cell Research and Application (JPY 0.5bn)
 - Japan Committee for UNICEF (JPY 0.1bn)
 - Association of Japanese Symphony Orchestras (JPY 0.1 bn)
- SMBC at Home
 - Donations through online-banking



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First is our response to COVID-19.

As I mentioned at the beginning, we will do our utmost to support all of our stakeholders in fulfilling our social mission as a global financial institution.

The left-hand side is our efforts for customers.

First, in order to continue providing financial services which are essential to our customers' lives, while taking adequate safety measures, we currently have all of SMBC branches open.

On the other hand, we are promoting transactions via the internet and smartphones, and in April, these transactions with individual customers increased by 36% YoY.

To support our customers' financial needs, we are lending at special rates to both consumers and corporates and responding flexibly to condition amendments including extension of repayment periods.

In order to continue providing such financial services, I have the responsibility to protect our 100K employees.

As shown on the top right, while maintaining our employees' jobs and salaries, we are having them work from home to the extent possible that it does not interfere with our business with customers.

We are also supporting them by providing special paid leave for pregnant employees and mental health care, so that they can continue their work safely and healthily.

Also, as shown on the bottom right, we are making donations to local communities and the society in order to fulfill our corporate social responsibilities.

The situation surrounding this infectious disease is constantly changing. We will respond swiftly to these changes and respond flexibly.



II. Financial Results

Income statement

Profit attributable to owners of parent reached our target.

	(JPY bn)	FY3/20	YoY	vs Nov. target
1 Consolidated gross profit		2,768.6	(77.6)	
2 G&A expenses		1,739.6	+24.6	
2 Overhead ratio		62.8%	+2.5%	
3 Equity in gains (losses) of affiliates		56.1	(5.1)	
4 Consolidated net business profit		1,085.0	(107.2)	(50.0)
5 Total credit cost		170.6	+60.4	(29.4)
6 Gains (losses) on stocks		80.5	(35.9)	
7 Other income (expenses)		(62.8)	+0.2	
8 Ordinary profit		932.1	(203.2)	(67.9)
9 Extraordinary gains (losses)		(43.4)	(31.7)	
10 Income taxes		167.7	(163.7)	
11 Non-controlling interests		17.1	(48.4)	
12 Profit attributable to owners of parent		703.9	(22.8)	+3.9
13 ROE		7.6%	(0.6)%	

Consolidated gross profit: decreased YoY due to the impact of group reorganization and COVID-19 despite an increase in gains on sales of bonds with the decline of overseas interest rates.

G&A expenses: increased YoY due to continued overseas expenditures including regulatory compliance costs.

Total credit cost: increased YoY due to the absence of reversals from large borrowers recorded last year and provisions for COVID-19.

Gains on stocks: posted gains on sales of strategic shareholdings (JPY 101 bn, YoY JPY +9 bn) and impairment loss of listed stocks due to stock price decline.

Extraordinary losses: recorded impairment loss of goodwill related to PRESTIA business at SMBC Trust (JPY (40) bn).

Income taxes: decreased mainly due to lower pre-tax income and the absence of tax costs at SMCC by becoming a wholly owned subsidiary of SMFG recorded last year.

Was almost flat without the impact of group reorganization JPY (61) bn and COVID-19 JPY (50) bn

Impact of group reorganization^{*1}(JPY bn)

Consolidated gross profit	(70)	Consolidated net business profit	(61)
G&A expenses	(16)	Non-controlling interests	+7
Equity in gains (losses) of affiliates	(7)	Profit attributable to owners of parent	+31

^{*1} YoY impact from the deconsolidation of the regional banks and SMFL (now an equity method affiliate), the consolidation of BTPN, SMCC becoming a wholly-owned subsidiary, the merger of SMAM and Daiwa SB Investments and the deconsolidation of SMM Auto Finance, Inc.

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The following is a brief summary of the FY3/20 results.

Consolidated net business profit was ¥1,085 billion. It decreased by approximately ¥100 billion from the previous fiscal year. However, excluding the impact of ¥ (61) billion from group reorganization shown on the bottom right and ¥ (50) billion from COVID-19, it was essentially flat.

In addition, COVID-19 has led to an increase in credit costs and a decrease in gains on stocks due to impairment losses. As a result, Ordinary profit posted a YoY decrease of approximately ¥200 billion.

Meanwhile, bottom-line profit was ¥703.9 billion, exceeding the target of ¥700 billion due to a reduction in tax burden.

I am very pleased to be able to show good results in the final year of the previous Medium-Term Management Plan.

(Ref.) Group companies

SMBC

	(JPY bn)	FY3/20	YoY	vs Nov. target
1 Gross banking profit		1,412.0	+16.4	
2 o/w Net interest income		878.1	(66.0)	
3 o/w Gains (losses) on cancellation of investment		24.0	(22.0)	
4 Domestic		561.7	(76.4)	
5 Overseas		316.4	+10.4	
6 o/w Net fees and commissions		323.3	(18.9)	
7 Domestic		182.4	(11.0)	
8 Overseas		140.9	(8.0)	
9 o/w Net trading income+ Net other operating income		208.5	+101.5	
10 o/w Gains (losses) on bonds		74.2	+71.3	
11 Expenses		808.1	(3.5)	
12 Banking profit		604.0	+19.9	+4.0
13 Total credit cost		49.6	+51.8	(20.4)
14 Gains (losses) on stocks		51.9	(16.1)	
15 Extraordinary gains (losses)		(122.2)	(117.7)	
16 Net income		317.4	(160.0)	(12.6)

Other major group companies

(left : results of FY3/20 / right : YoY)

(JPY bn)	SMCC	SMBC Nikko ^{*3}	SMBCCF
Gross profit	420.0 +11.8	320.1 (3.0)	274.4 +5.9
Expenses	328.1 +22.8	271.8 (4.3)	113.9 +3.0
Net business profit	92.4 (11.0)	48.3 +1.2	160.5 +2.9
Net income	38.2 +84.9 ^{*2}	35.2 +4.1	90.1 +45.1 ^{*4}

(Equity method affiliate)

	SMBC Trust	SMDAM ^{*5} 50%	SMFL ^{*6} 50%
Gross profit	49.5 (0.3)	35.1 +9.3	183.0 (2.5)
Expenses	48.6 (3.2)	32.0 +14.1	84.7 (3.6)
Net business profit	0.9 +2.8	3.1 (4.7)	101.1 +1.9
Net income	(32.8) (29.0)	0.9 (4.3)	61.2 (18.8)

Provision of investment loss
for The Bank of East Asia:
JPY (120) bn^{*1}

^{*1} Eliminated in consolidated figures ^{*2} Due to the absence of tax costs by becoming a wholly owned subsidiary recorded last year.

^{*3} Excluding profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

^{*4} Due to an increase in DTA ^{*5} YoY excluding figures of Daiwa SB Investments ^{*6} Managerial accounting basis

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FY3/2021 target

Expect lower net business profit and bottom-line profit due to the impact of COVID-19.

Consolidated

(JPY bn)	Results	Target	
	FY3/20	FY3/21	1H
Consolidated net business profit	1,085.0	970	420
Total credit cost	170.6	450	300
Ordinary profit	932.1	550	130
Profit attributable to owners of parent	703.9	400	100

Non-consolidated

(JPY bn)	Results	Target	
	FY3/20	FY3/21	1H
Banking profit	604.0	520	230
Total credit cost	49.6	290	210
Ordinary profit	483.9	240	25
Net income	317.4	170	20

Assumption of FX rates

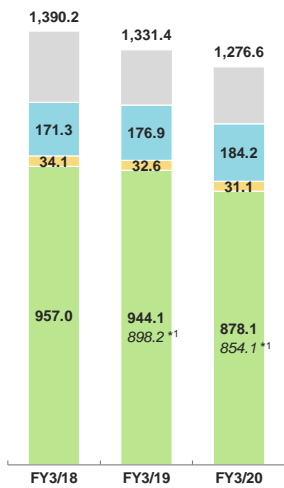
USD	JPY 105	EUR	JPY 120
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Consolidated gross profit

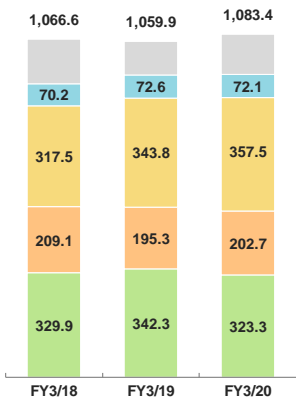
■ SMBC ■ SMBC Nikko ■ SMCC ■ SMBCCF ■ SMFL ■ Others

Net interest income

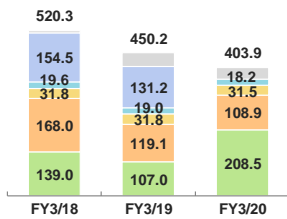
(JPY bn)



Net fees and commissions



Net trading income + Net other operating income

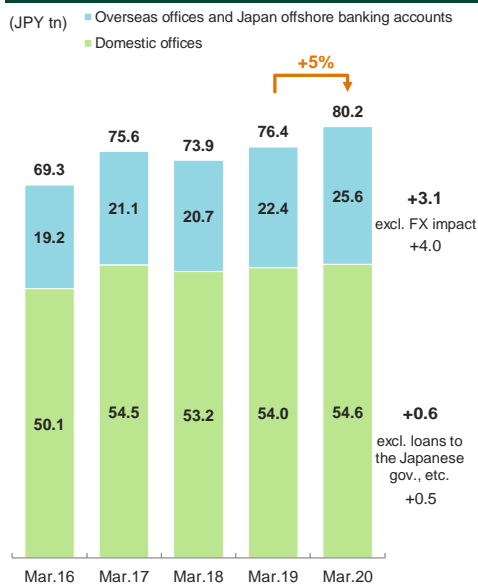


*1 Excluding gains on cancellation of investment trusts

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Loans*1

Loan balance



Domestic loan-to-deposit spread

	(%)	FY3/20	YoY	1H	2H
Interest earned on loans and bills discounted		0.91	(0.03)	0.91	0.90
Interest paid on deposits, etc.		0.00	(0.00)	0.00	0.00
Loan-to-deposit spread		0.91	(0.03)	0.91	0.90

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

	(%)	FY3/20	YoY	1H	2H
Interest earned on loans and bills discounted		0.93	(0.04)	0.94	0.92
Loan-to-deposit spread		0.93	(0.04)	0.94	0.92

Average loan balance and spread*2

	Balance (JPY tn)		Spread (%)	
	FY3/20	YoY*4	FY3/20	YoY
Domestic loans	52.4	+0.5	0.73	(0.02)
Excluding loans to the Japanese government, etc.	49.8	+0.7	0.76	(0.03)
o/w Large corporations	15.7	+0.6	0.53	+0.02
Mid-sized corporations & SMEs	17.9	+0.4	0.61	(0.03)
Individuals	12.9	(0.5)	1.40	(0.03)
IBU's interest earning assets*3	310.7 USD bn	+18.2 USD bn	1.10	(0.02)

*1 Non-consolidated *2 Managerial accounting basis

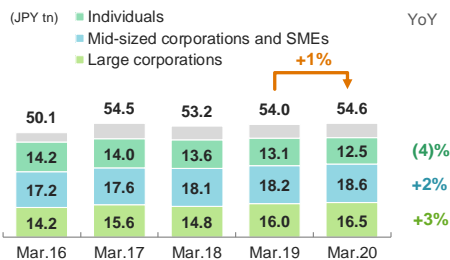
*3 Sum of SMBC, Major local subsidiaries and SMBC Trust, etc. Sum of loans, trade bills, and securities

*4 After adjustments for exchange rates, etc.

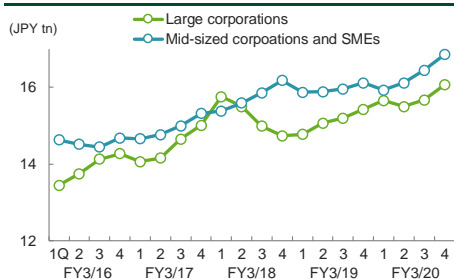
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Domestic loans and deposits*1

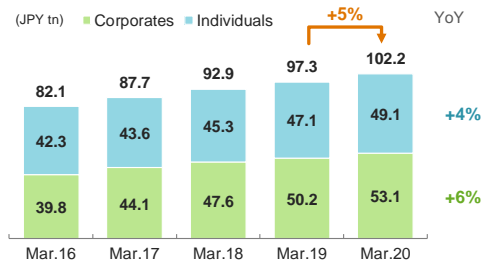
Loan balance*2



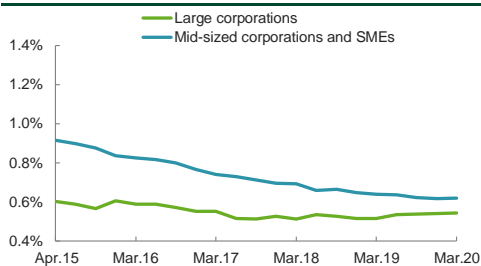
Loan average balance for corporates*2,3



Deposit balance



Loan spread for corporates*2,4



*1 Non-consolidated *2 Managerial accounting basis

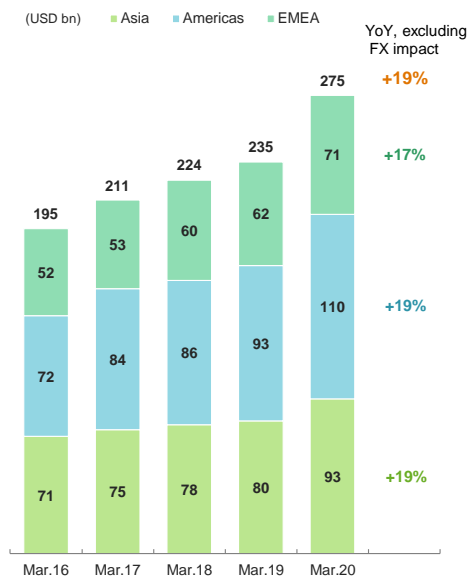
*3 Quarterly average, excluding loans to the Japanese government.

*4 Monthly average loan spread of existing loans, excluding loans to the Japanese government

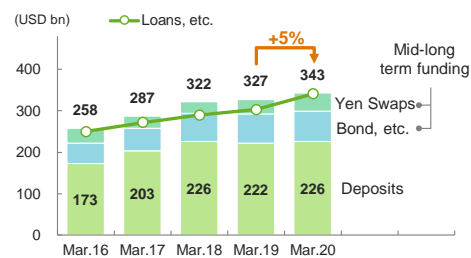
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Overseas loans and deposits*1

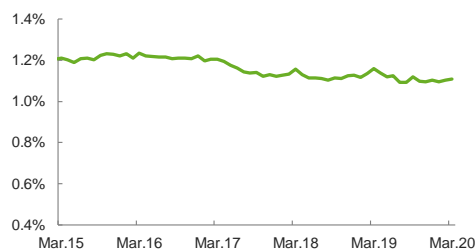
Loan balance



Foreign currency balance



Loan spread*2

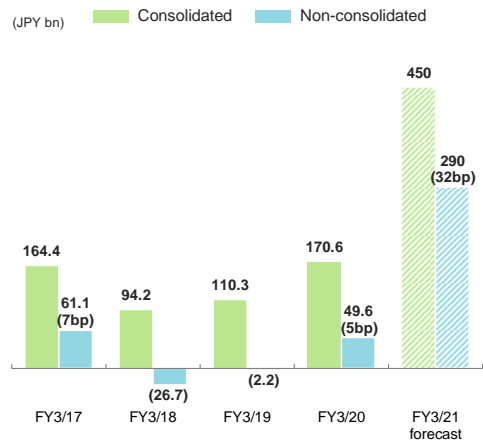


*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries
*2 Monthly average loan spread of existing loans

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Asset quality

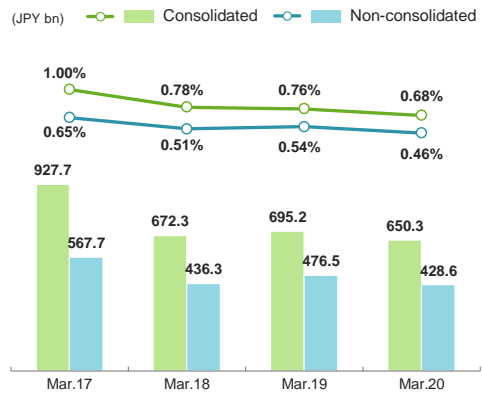
Credit costs^{*1}



Major group companies

(JPY bn)	FY3/20	YoY
SMBCCF	73	(2)
SMCC	32	(1)

Non-performing loan balance^{*2}



Total claims

(JPY tn)

Consolidated	86	91	96
Non-consolidated	86	89	93

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

Non-consolidated	1.3	0.8	0.9
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^{*1} Total credit cost ratio = Total credit cost / Total claims

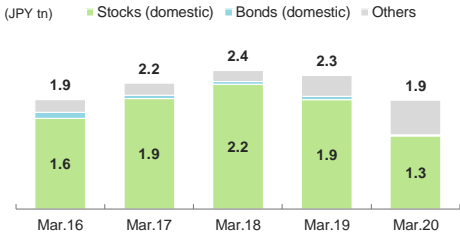
^{*2} NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

Securities (1)

Breakdown of other securities (consolidated)

	B/S amount		Unrealized gains (losses)		
	(JPY bn)	Mar.20	vs Mar.19	Mar.20	vs Mar.19
Total		26,649.2	+2,848.7	1,892.3	(429.0)
Stocks (domestic)		2,736.8	(749.8)	1,269.6	(633.4)
Bonds (domestic)		10,067.4	+1,083.7	21.5	(38.8)
o/w JGBs		7,087.9	+853.6	(7.1)	(30.4)
Others		13,845.0	+2,514.8	601.2	+243.2
o/w Foreign bonds		11,649.5	+2,659.4	255.7	+284.1

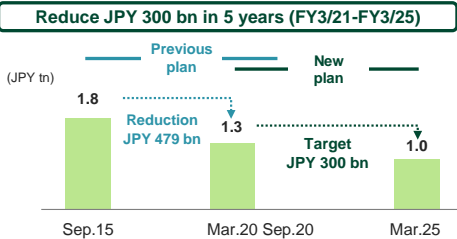
Unrealized gains



Strategic shareholdings

	(JPY bn)	Results
Actual reduction		479
- FY3/17		115
FY3/18		115
FY3/19		130
FY3/20		119
Consent of sales from clients outstanding		66
Total		545
Previous reduction plan(Sep.15 - Sep.20)		500

New reduction plan

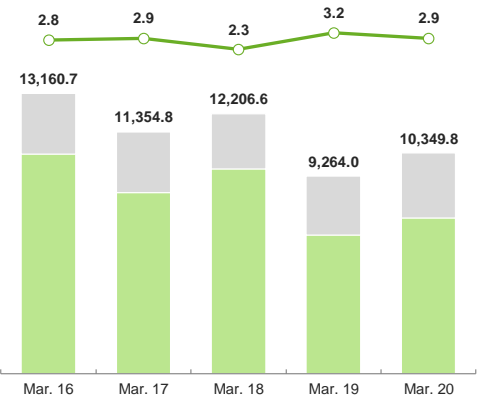


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Securities (2)

Yen-denominated bonds (consolidated)

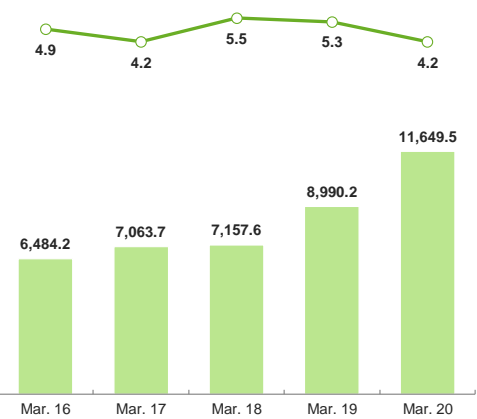
(JPY bn) ■ o/w JGBs ■ Others —○— Duration (years)^{*1}



Unrealized gains(losses)	67.3	46.5	61.3	21.7
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Foreign bonds (consolidated)

(JPY bn) ■ B/S amount —○— Duration (years)^{*1}



Unrealized gains(losses)	(110.6)	(159.4)	(28.4)	255.7
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^{*1} Non-consolidated. Excluding 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.

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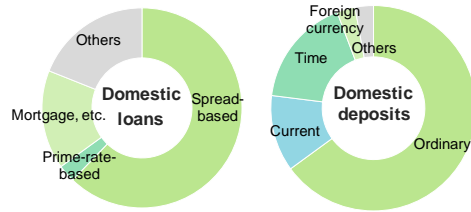
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Balance sheet

Consolidated

	(JPY tn)	Mar. 20	vs Mar.19
Total assets		219.9	+16.2
o/w Cash and due from banks		61.8	+4.4
o/w BOJ's current account balance ^{*1}		48.7	+6.4
o/w Loans		82.5	+4.5
o/w Domestic loans ^{*1}		54.6	+0.6
o/w Large corporations ^{*2}		16.5	+0.5
o/w Mid-sized corporations & SMEs ^{*2}		18.6	+0.6
o/w Individuals ^{*2}		12.5	(0.4) ^{*3}
o/w Securities		27.1	+2.8
o/w Other securities		26.6	+2.8
o/w Stocks		2.7	(0.7)
o/w JGBs		7.1	+0.9
o/w Foreign bonds		11.6	+2.7
Total liabilities		209.1	+16.9
o/w Deposits		127.0	+4.7
o/w Domestic deposits ^{*1}		102.2	+4.9
o/w Individuals		49.1	+1.9
o/w Corporates		53.1	+3.0
o/w NCD		10.2	(1.0)
Total net assets		10.8	(0.7)
Loan to deposit ratio		60.1%	

Composition of loans and deposits^{*2}



Non-JPY B/S^{*2,4}

	(USD bn)
Interest earning assets 341	Deposits (incl. deposits from central banks) 226
Others 116	Mid-long term funding (incl. corporate bonds, currency swaps, etc.) 117
Foreign bonds, NCD 71	CD/CP 62
	Interbank (incl. Repo) 121

Assets / Liabilities 528

^{*1} Non-consolidated ^{*2} Managerial accounting basis ^{*3} After adding back the portion of housing loans securitized in FY3/20 of JPY 188.7 bn ^{*4} Sum of SMBC and major local subsidiaries



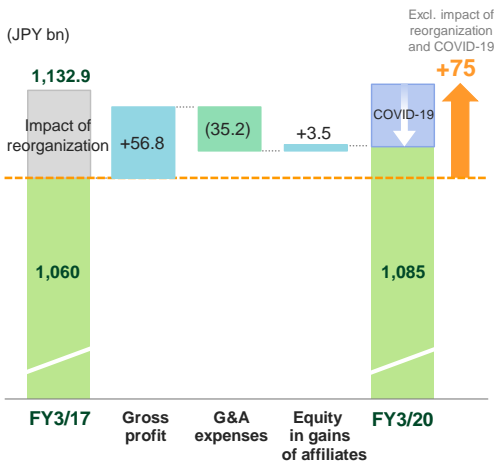
III. New Medium-Term Management Plan

Now, I will talk about the new Medium-Term Management Plan that began in April.
Please turn to page 21.

Review of previous plan (FY3/18-FY3/20)

Net business profit increased by JPY 75 bn over the three-year period.
Achieved financial targets of ROE and CET 1 ratio.

Consolidated net business profit



Financial targets

	FY3/17	FY3/18	FY3/19	FY3/20	Target
ROE	7.8%	8.8%	8.2%	7.6%	7-8%
OHR	62.1%	60.9%	60.3%	62.8% (excl. impact of reorganization)	vs. FY3/17 (1)%
CET1 ratio	8.3%	9.5%	10.3%	9.8%	10%

Review of previous plan (FY3/18-FY3/20)

Steadily executed key measures in line with the core policy (Discipline, Focus, and Integration).

Discipline

- Reorganized group structure to raise capital and asset efficiency
▶ P.20
- Achieved JPY 54 bn of cost reductions (target: JPY 50 bn)

Business reforms to improve efficiency	JPY 23.5 bn
Retail branch reorganization	JPY 20.5 bn
Reorganization of group companies	JPY 10.0 bn

Focus

Retail

- Balance of fee-based AUM JPY +1.1 tn
- Credit card sales handled JPY +5.8 tn

Wholesale

- #1 in M&A advisory deals
- #2 in IPO deals

Global

- # of active book runner transactions x2.6
- Multi-franchise strategy revenue in Indonesia JPY +34.6 bn

Global markets

- S&T profits JPY +37.6 bn
- Nimble portfolio management

▶ P.78-81

Integration

- Enhanced governance framework to sophisticate group management
 - Business unit, CxO system
 - Company with Three Committees
 - Raised % of outside directors to 47%
- Digitalization in all aspects

Cashless payment:
Next-generation payment platform

stera

Improved efficiency:
Reduced workload of 3.5 mn hours using RPA

Started new businesses:
Established 8 subsidiaries

SMBC

SMBC CLOUDSIGN

SMBCクラウド NCCore

LAND DATA BANK

PAYSLE

Environment

Core policies

Roadmap

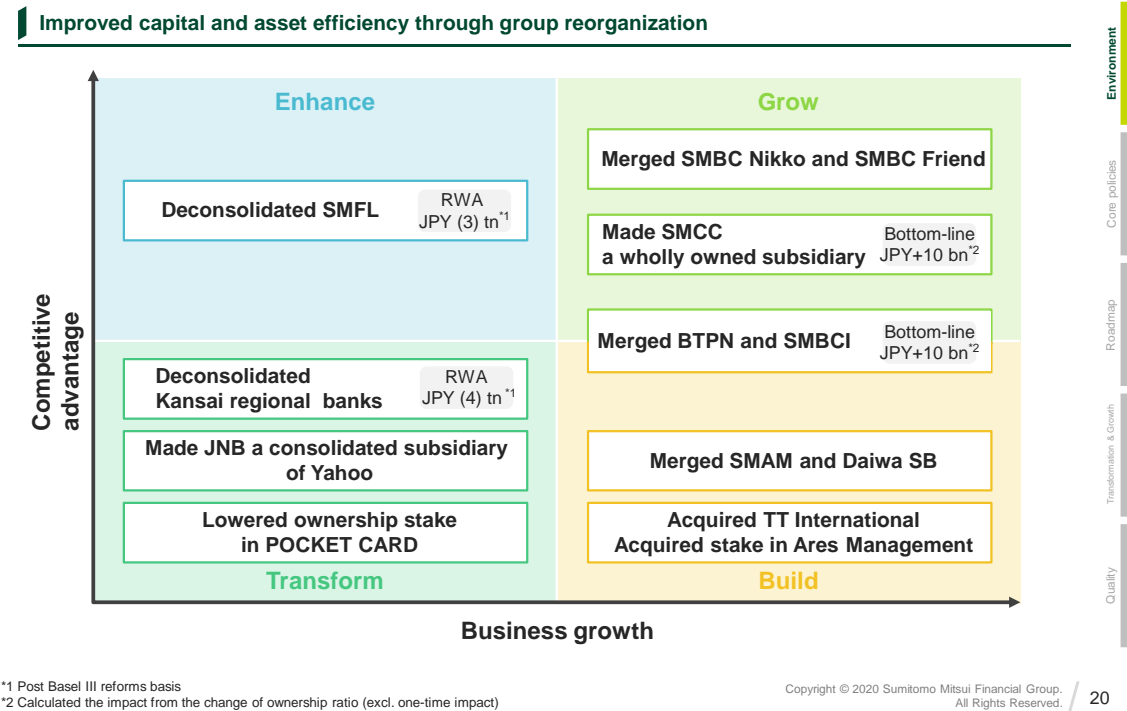
Transformation & Growth

Quality

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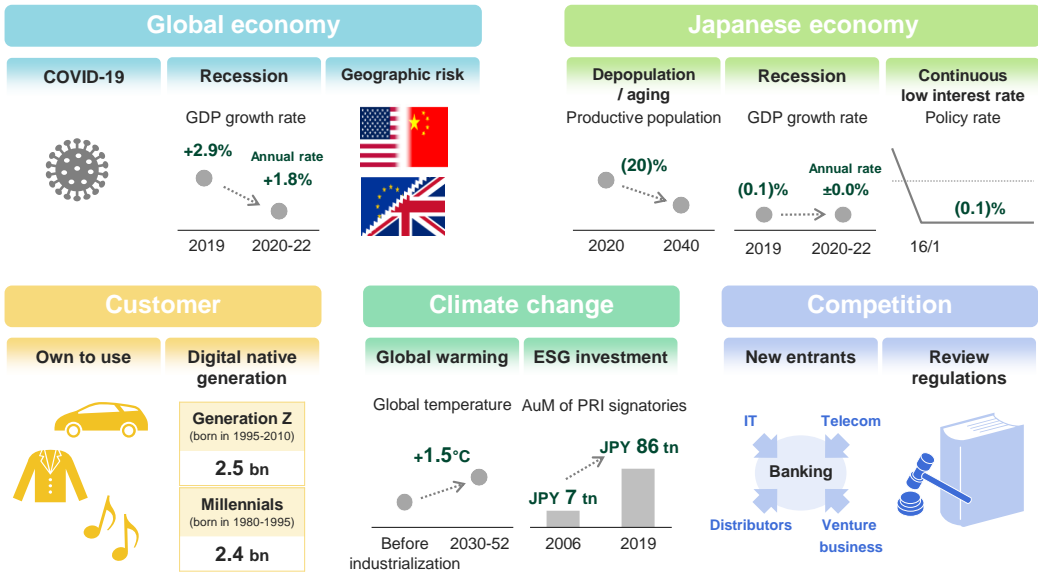
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(Ref.) Transformation of business and asset portfolio



Business environment

Further reforms are inevitable to realize sustainable growth as we face global recession and irreversible structural changes.



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First, I will talk about our views of the business environment.

We have spent more than one year to formulate this Medium-Term Management Plan.

In the meantime, I have continued to send out a message both internally and externally that I have a strong sense of urgency in the current situation.

Last fiscal year, we anticipated that the U.S.-China trade friction and Brexit would lead to a global economic downturn. We are also facing irreversible structural changes, such as change in customers' behavior, response to climate change, and intensified competition.

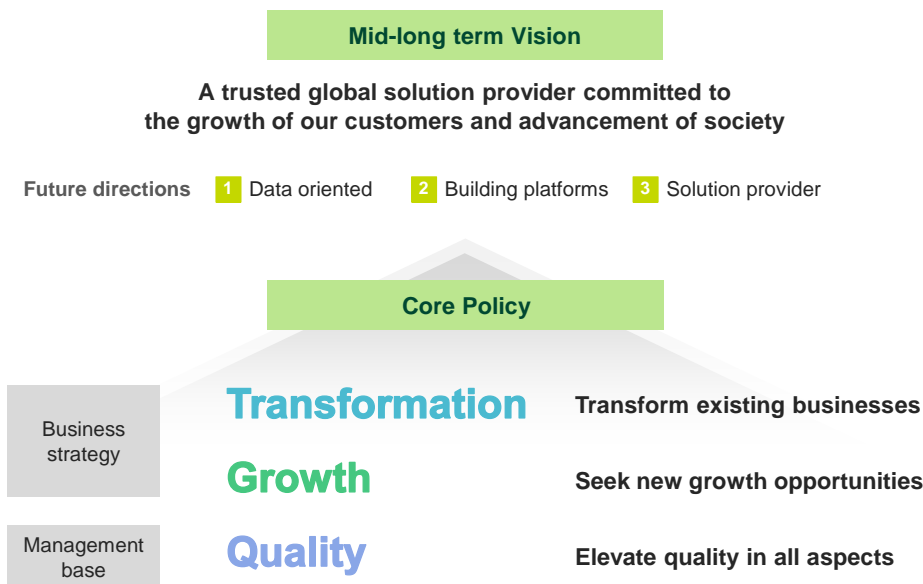
In other words, although the impact of COVID-19 was unexpected, the new Medium-Term Management Plan was formulated based on the assumption of a severe business environment from the outset. Therefore, we made the core idea of the plan to implement further reforms to realize sustainable growth in this difficult environment.

This is why we didn't have to revise the framework of the new Medium-Term Management Plan even though COVID-19 emerged recently.

Our new mission, vision, and values



Core Policy of the new Medium-Term Management Plan



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Our new mid-long term vision is to become “a trusted global solution provider committed to the growth of our customers and advancement of society”.

The three keywords for realizing this vision are “Data oriented,” “Building platforms,” and “Solution provider.”

To take a steady first step towards achieving this vision, we have set “Transformation”, “Growth” and “Quality” as the Core Policy of the new Medium-Term Management Plan.

Details of these items will be explained later.

Our vision

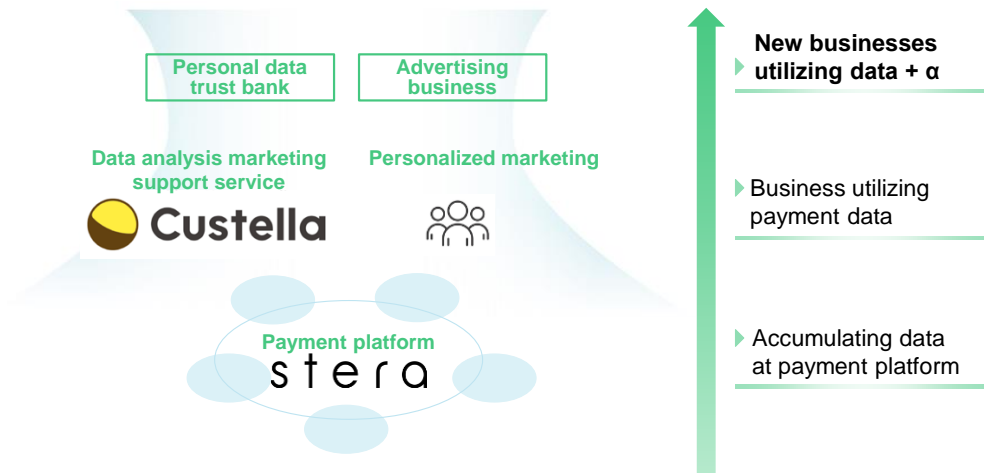
Future directions

1 Data oriented

2 Building platforms

3 Solution provider

e.g. Utilize cashless payment data



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Now I will talk about the three future directions by showing specific examples.

First is “Data oriented.”

We have extremely valuable assets including information and data that are not recorded on our balance sheet. I believe that the key to separate the winners and losers within the financial industry going forward will be whether these invisible assets can be monetized.

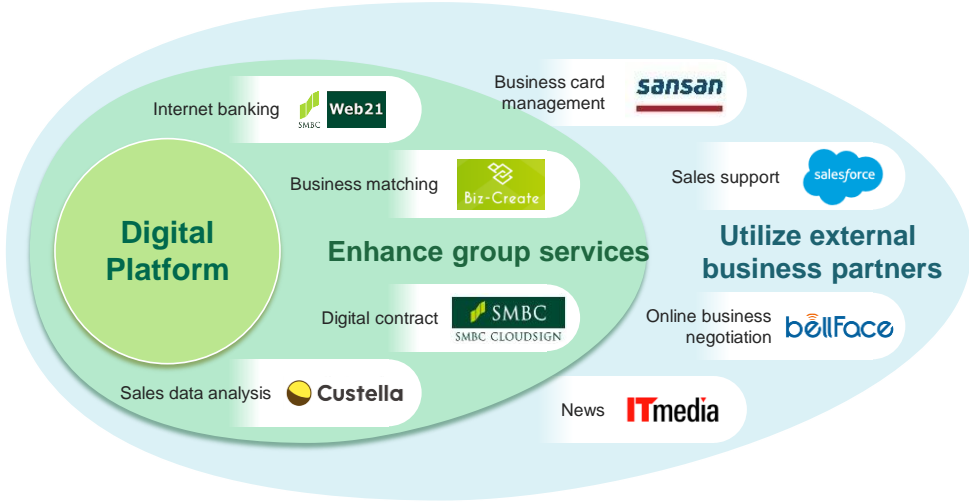
One example for this is our cashless payment platform, “stera” shown at the bottom. By utilizing the accumulated payment data, we can develop businesses such as data analysis marketing support service “Custella” for merchants and personalized marketing for individual customers.

By further developing these businesses and utilizing data + α , we will be able to capture new business opportunities, such as personal data trust bank and advertising.

Our vision

Future directions 1 Data oriented **2 Building platforms** 3 Solution provider

e.g. Build a corporate digital platform



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Second is "Building platforms."

You may feel that platforms are something associated with IT-related businesses. However, they essentially mean "franchise" or "foundation." From this viewpoint, financial institutions that have a large customer base through deposits, loans and settlement services also have powerful platforms.

By providing new value-added services to our strong customer base, we believe that we can build platforms, different from an IT platform, which provide a wide variety of financial services.

This slide shows the corporate digital platform that supports the digitization of mid-sized corporations and SMEs. We will enhance the value of this platform in a speedy manner by not only enhancing group services, but also utilizing services of external business partners.

Our vision

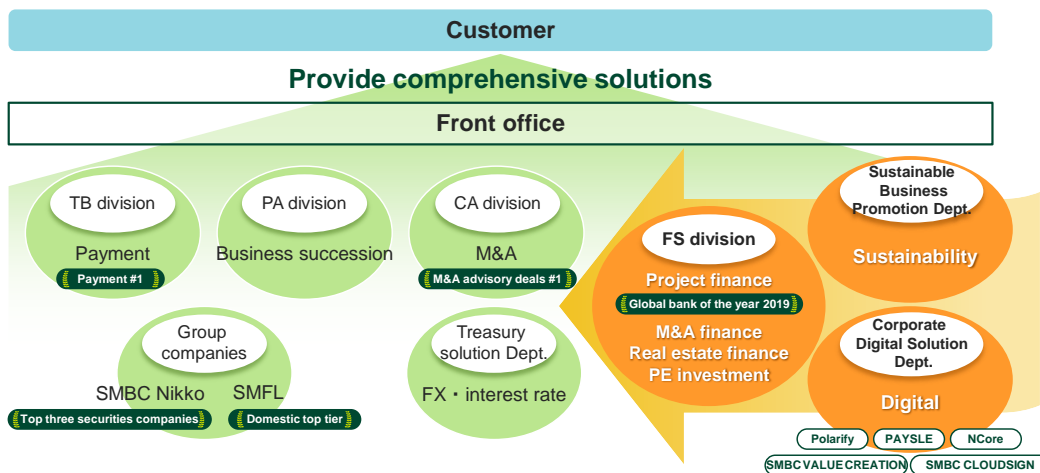
Future directions

1 Data oriented

2 Building platforms

3 **Solution provider**

e.g. Enhance solution providing capability for corporate customers



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Third is "Solution provider."

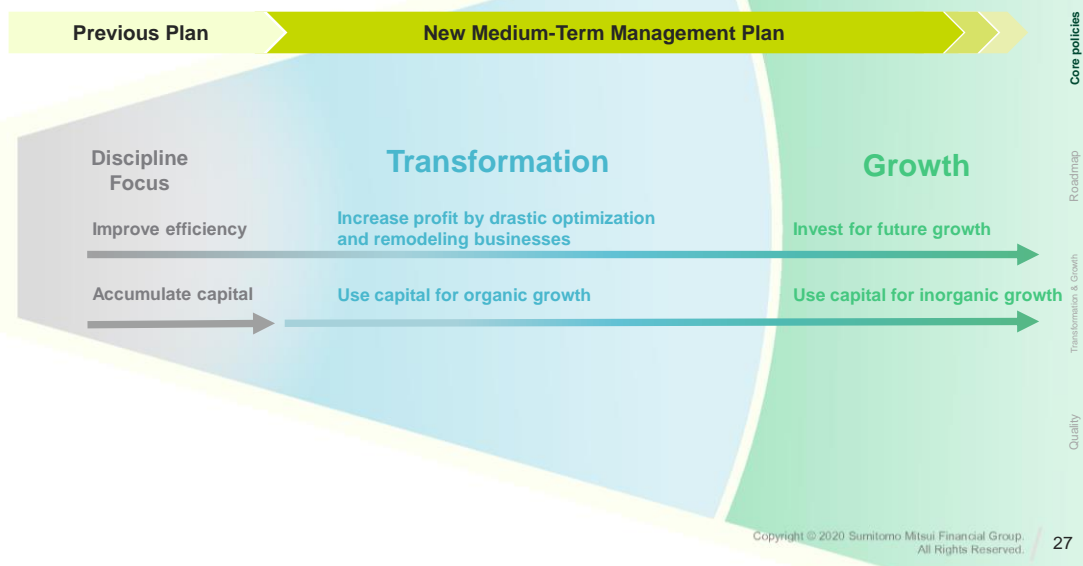
This is to become a "trusted" business partner that provides solutions for a variety of issues or needs of our customers.

This slide shows our effort to enhance solution providing capability for corporate customers. Since April, the right-hand orange departments have joined the Wholesale Business Unit.

As customers face diverse and complex issues, we must face them from every aspect and provide total solutions. Our goal is to create a system in which the front office, who interact with customers on a daily basis, grasp customers' needs and product departments quickly provide comprehensive solutions together with the front office.

Business strategies – Transformation & Growth –

Transform businesses to overcome intense competition and create new value for future growth.



Now I will talk about the core policy of the new Medium-Term Management Plan.

Among the three policies, the first two are about business strategies.

“Transformation” means to reform existing business models and cost structure to overcome the challenging competitive environment, and “Growth” means to challenge creating new value for future growth.

In the previous Medium-Term Management Plan, we strived to enhance efficiency under the policies of “Discipline” and “Focus”. In the new Medium-Term Management Plan, we will further evolve our initiatives under “Transformation” and increase profit by drastic optimization and remodeling businesses.

In addition, unlike the previous plan, in which we were still in the process of accumulating capital, we will be in a stage where we can utilize capital as we reached our CET1 ratio target last year.

We will effectively use capital for future growth, while continuing to emphasize capital efficiency.

Seven Key Strategies

Transformation

Transform existing businesses

Growth

Seek new growth opportunities

- 1 Pursue sustainable growth of wealth management business
- 2 Improve productivity and strengthen solutions in the domestic wholesale business
- 3 Enhance overseas CIB business to improve asset / capital efficiency
- 4 Hold the number one position in payment business
- 5 Enhance asset-light business on a global basis
- 6 Expand franchise and strengthen digital banking in Asia
- 7 Develop digital solutions for corporate clients

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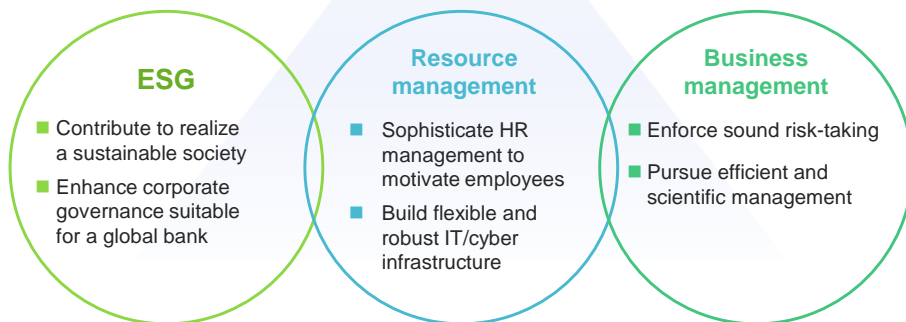
28

Environment
Core policies
Roadmap
Transformation & Growth
Quality

This slide shows our Seven Key Strategies based on Transformation and Growth.
I will explain these in more detail later.

Quality

Elevate quality in all aspects



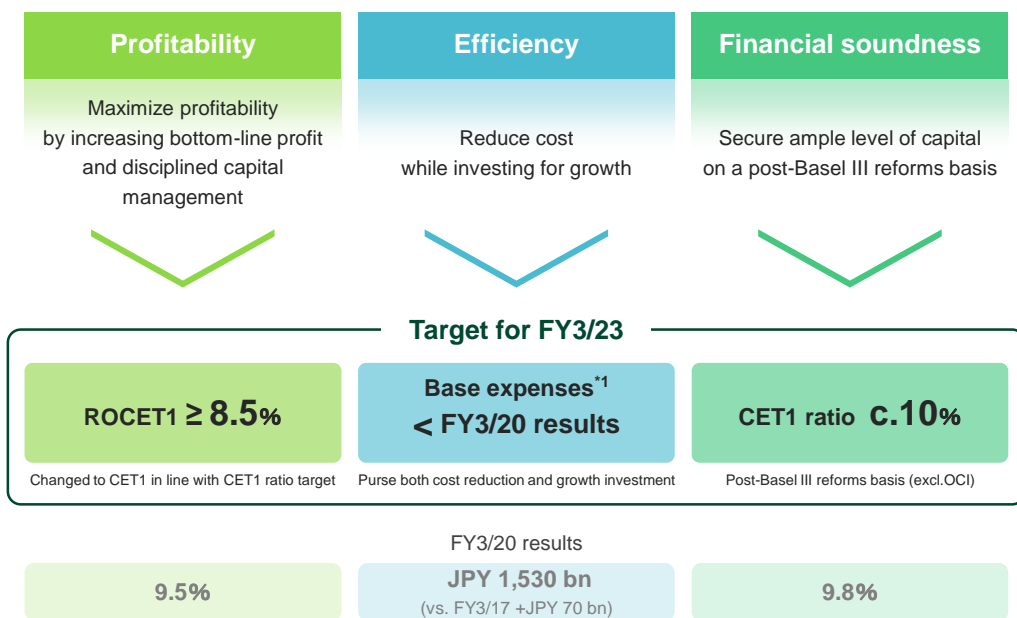
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The third policy, Quality, is about our management base.

We will elevate quality in all aspects, including ESG, resource management and business management.

Roadmap to 2022 (1) Financial Targets



*1 G&A expenses excluding cost related to investment for future growth, revenue-linked variable cost and others

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This slide shows the financial targets set for the Medium-Term Management Plan.

As in the previous plan, we have set three targets regarding profitability, efficiency and financial soundness.

As for profitability, we will aim to achieve 8.5% of ROCE1. We have changed the metric from ROE to ROCE1 to match the CET1 ratio target within financial soundness. The previous target, 7% of ROE, corresponds to 8% of ROCE1. Therefore, the new target is 0.5% higher than the previous target.

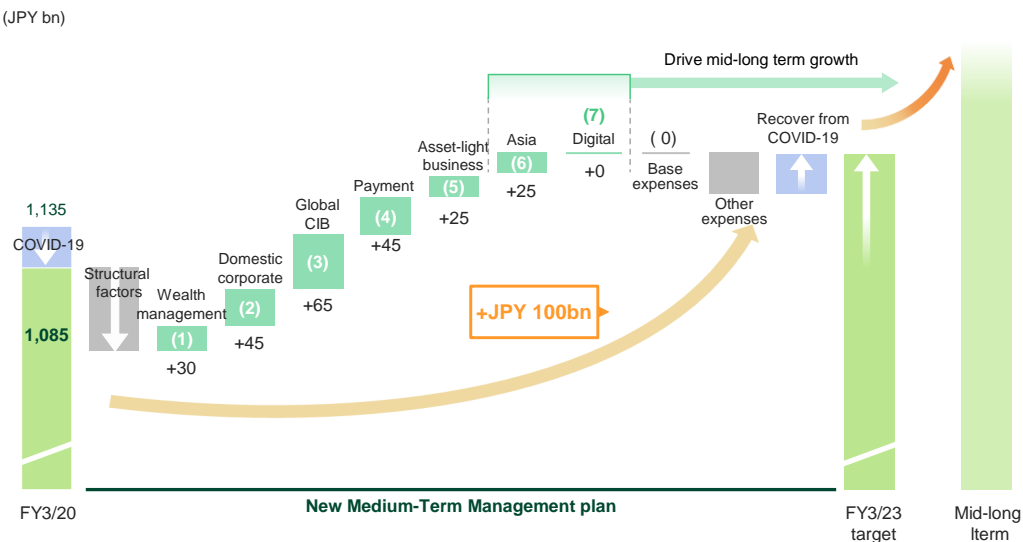
As for efficiency, we have introduced a new concept, called “base expenses”, in order to achieve both cost control and growth investment. We will aim to have the base expenses of FY3/23 lower than that of FY3/20. I will explain the definition of base expenses later.

As for financial soundness, same as the previous plan, we will aim to secure CET1 ratio of c.10% on a post-Basel III reforms basis excluding OCI.

From the next page, I will talk about the roadmap aiming to achieve these financial targets.

Roadmap to 2022 (2) Profit

Increase consolidated net business profit by +JPY 100 bn by transforming existing businesses and investing for growth. Negative impact from COVID-19 is expected to disappear by FY3/23.



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First, we will target to increase consolidated net business profit by ¥100 billion in the next three years.

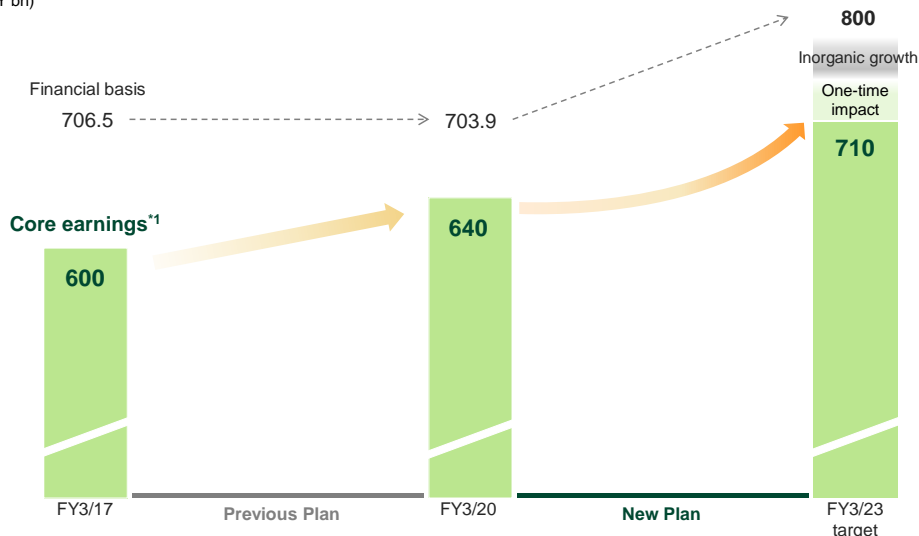
As shown in the left in gray right next to the results of FY3/20, we expect the net business profit will decrease by a certain level because of negative structural factors such as lower spreads and fee rates. However, we will offset these factors by implementing seven key strategies that I have mentioned before.

As for the impact of COVID-19, we expect the negative impact incorporated in FY3/20 will disappear by FY3/23.

Roadmap to 2022 (2) Profit

Increase bottom-line profit to over JPY 700 bn on a core earnings basis.

(JPY bn)



*1 Difference from financial basis:

FY3/17) impact from introducing consolidated tax system

FY3/20) gains exceeded the target on sales of strategic shareholdings and one-time impacts from group reorganization

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Looking at the bottom-line profit, we were able to raise core earnings from ¥600 billion to ¥640 billion over the three years during the previous Medium-Term Management Plan. Also, as we recorded reversal of credit costs and gains of sales of strategic shareholdings on top of the core earnings, our actual bottom-line profit exceeded ¥700 billion for three consecutive years.

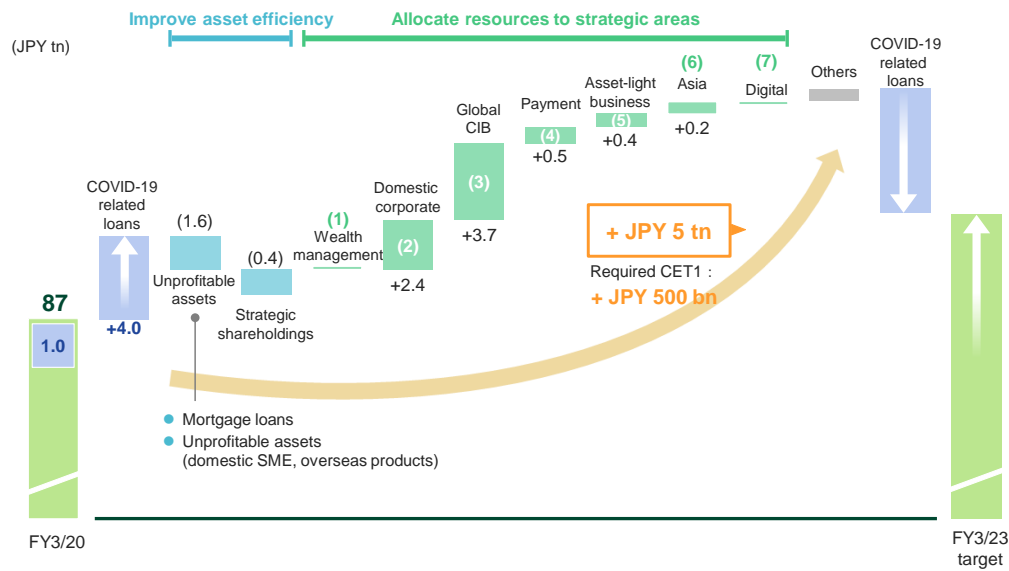
However, as I mentioned before, I am not satisfied with the bottom-line profit being in the ¥700 billion range.

Even though we are currently in an emergency mode because of COVID-19, we will aim to increase our core earnings to over ¥700 billion by increasing consolidated net business profit by ¥100 billion as I explained in the previous page.

By achieving this, I believe there is a chance to reach a bottom-line profit of ¥800 billion in a financial basis if we get positive one-time uplifts as in the previous plan and if we get additional earnings from inorganic growth opportunities.

Roadmap to 2022 (3) RWA

Allocate capital in growth areas while reducing unprofitable assets.



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This slide shows how we plan to manage our RWAs.

As I explained earlier, we will allocate RWA into growth areas in a disciplined manner since we have entered a stage where we can generate and utilize excess capital in the new Medium-Term Management Plan. On the other hand, we will continue to focus on asset efficiency, so we will reduce unprofitable assets and strategic stockholdings.

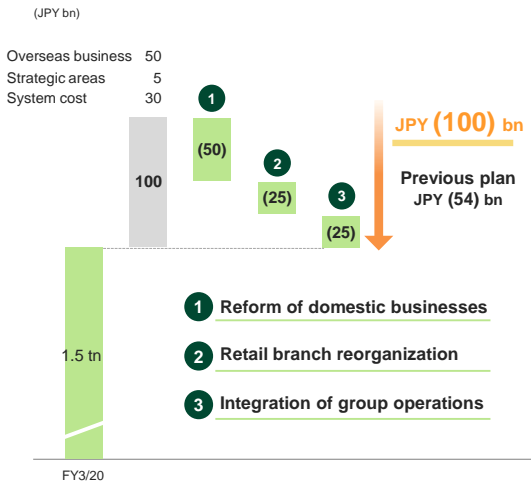
As a result, over the three-year period, we plan to invest ¥500 billion of capital and increase RWA by ¥5 trillion.

Again, we estimate the COVID-19 impact will be neutral. We expect that RWA will temporarily increase as a result of loan increase to support our customers, but we expect the loans will be repaid by the end of FY3/23.

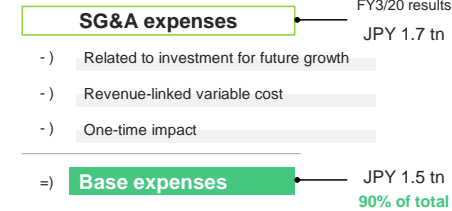
Roadmap to 2022 (4) Cost

Continue to control cost aiming to double the reduction amount of the previous plan (to JPY 100 bn).
Manage base expenses to flexibly invest for future growth.

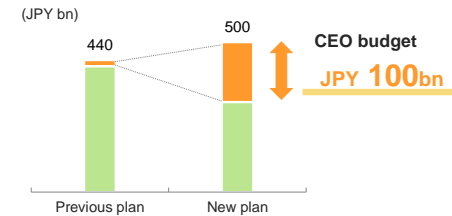
Change in base expenses for coming three years



Control of base expenses



Increase IT investment for future growth



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Next is cost control. We will continue to control cost aiming to double the reduction amount compared to the previous plan to ¥100 billion, amid the continued severe business environment.

As shown in gray on the left-hand side, we expect the cost from overseas and IT systems to increase by ¥100 billion over the next three years. However, through the three key cost reduction initiatives outlined below, we plan to reduce "base expenses" of FY3/23 to a level lower than that of FY3/20.

The concept of base expenses is shown on the top right. We have introduced this metric in response to the opinion of frontline employees that cost management based on OHR tends to fall into a shrinking equilibrium and leads to a lack of investment for growth.

What I would like to convey to you here is that we did not switch our financial target from OHR to base expenses as an excuse to increase expenses. About 90% of SG&A expenses is base expenses, and we believe that we can improve efficiency by controlling base expenses.

At the same time, we will invest in IT, which is essential for future growth. We plan to increase IT investment from ¥440 billion in the previous plan to ¥500 billion. We will increase investment in strategic areas while reducing investment related to normal ongoing system operation. As shown in orange in the bottom right, we set a CEO budget of ¥100 billion to flexibly invest in areas where I expect growth in the future.

Pages 35 and 36 provide details of the key initiatives of cost reduction. Through three key initiatives, we will reduce cost by ¥100 billion.

Roadmap to 2022 (4) Cost

Key initiatives of cost reduction

1 Reform of domestic businesses

JPY 50 bn

Reform of retail business

- Optimize resource allocation of wealth management business
- Digitalize mortgage loan procedures

Reallocate workforce of domestic wholesale business

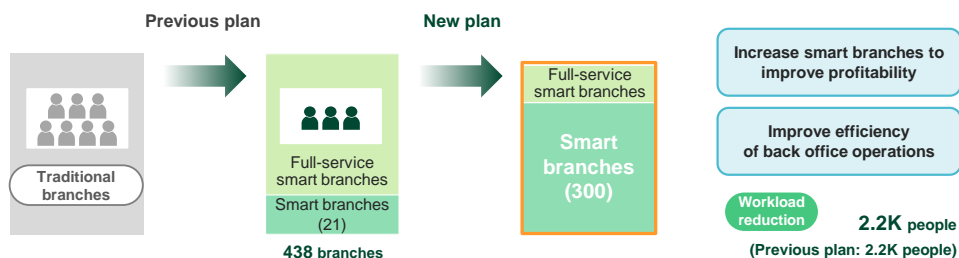
→ Key strategy (2) P.39-40

Reduce headcounts of headquarters

→ (30)%

2 Retail branch reorganization

JPY 25 bn

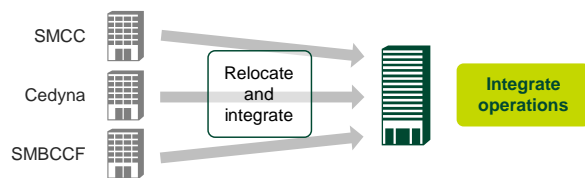


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Roadmap to 2022 (4) Cost

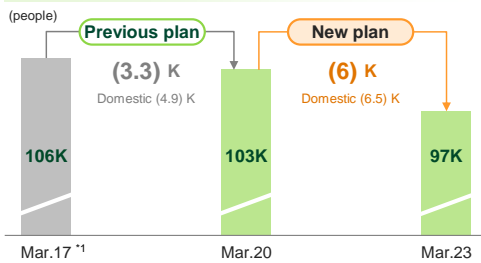
3 Integration of group operations

- Relocate SMCC and SMBCCF to integrate operations
- PMI of asset management business
- Consolidate data centers / base systems of group companies



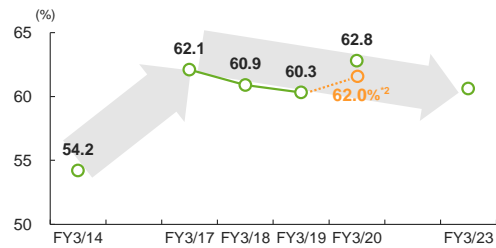
Headcount

Double number of natural attrition



OHR

Expected to be lowered to c.60%



^{*1} Added the impact of group reorganization retrospectively ^{*2} Excluding impact of group reorganization

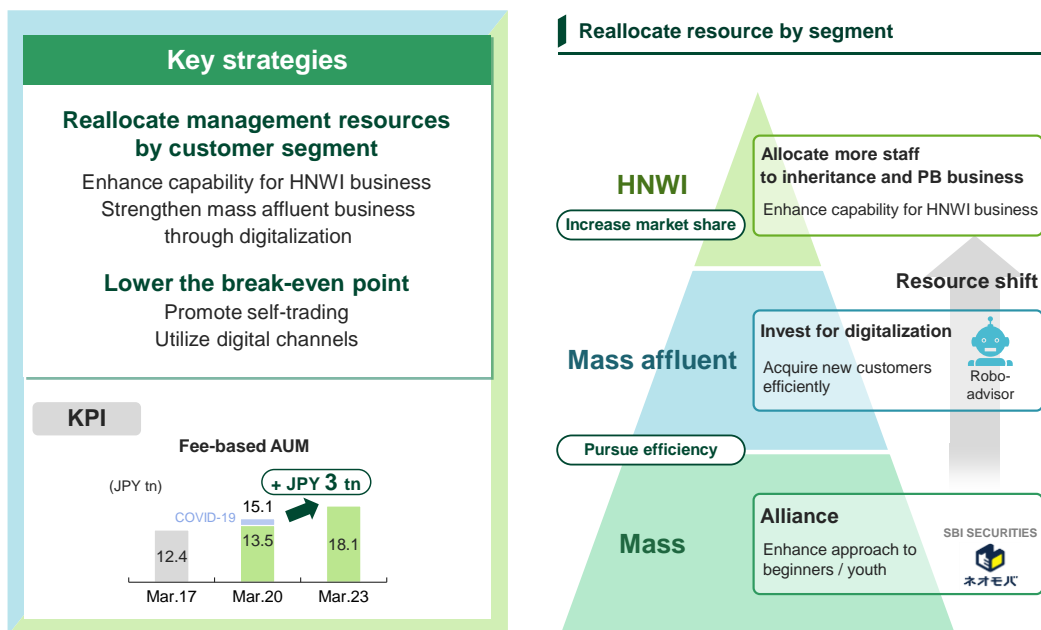
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Please see the bottom left. In terms of the headcount, number of employees decreased by 3,300 over the three years of the previous plan. In the new Medium-Term Management Plan, we expect the number of employees to decrease by about 6,000, which is double compared to the previous plan, through natural attrition by further reducing workload as a result of the major initiatives.

In addition, as shown on the bottom right, although OHR is not a financial target this time, we expect OHR will be lowered to around 60% by controlling base expenses.

(1) Pursue sustainable growth of wealth management business



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Now, I would like to talk about some of the seven key strategies I mentioned earlier.

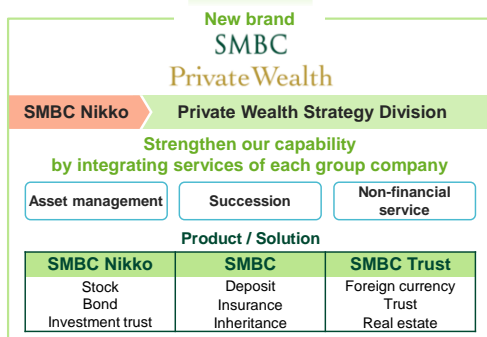
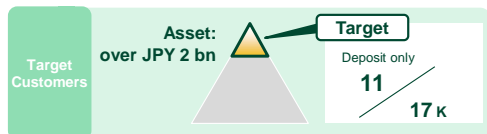
First is to “Pursue sustainable growth of wealth management business.”

It is not easy to increase top-line revenues of the retail business in Japan where population is shrinking. In order to achieve sustainable growth in this market, we need to distinguish between growth areas in which we shift and concentrate our management resources and areas in which we pursue efficiency.

(1) Pursue sustainable growth of wealth management business

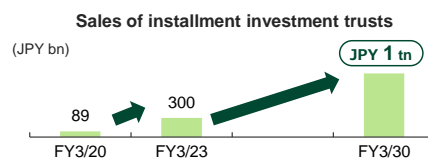
Enhance capability for HNWI

Expand business mainly with business owners



Strengthen mass affluent through digitalization

Personalized marketing



Lower the break-even point



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As shown on the left, we will enhance capability for high-net-worth individuals who own over ¥2 billion in financial assets as an area where we allocate our management resources. We will integrate businesses of SMBC, SMBC Nikko and SMBC Trust into one and operate under a new brand called “SMBC Private Wealth”. SMBC Nikko, not SMBC, will lead this initiative.

By concentrating group capabilities, we will provide a wide range of products and services, including investment products, sophisticated risk management, business succession, trust management and concierge services.

On the other hand, the right shows our initiatives for mass affluent customers. In this segment, we will implement personalized marketing by utilizing digitalization and leveraging transaction data we acquire to pursue both top-line revenue growth and reduction of the break-even point.

(2) Improve productivity and strengthen solutions in the domestic wholesale business

Key strategies

Accelerate profit growth

Continue growth of loan income which increased YoY for the first time in 10 years

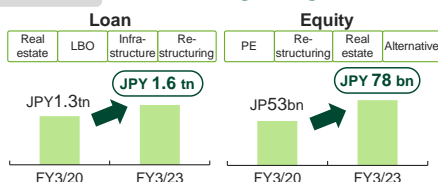
Enhance fee income by providing solutions

Provide total solutions on a group basis

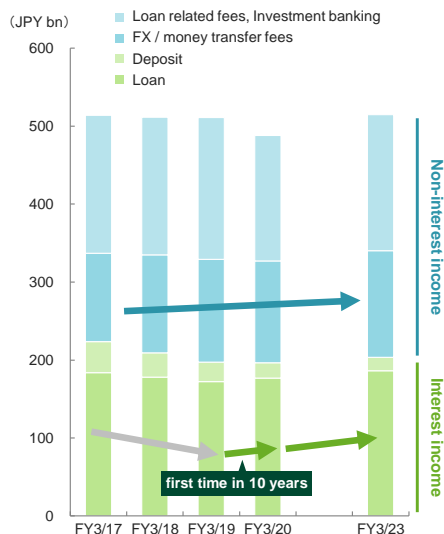
Expand product line-up in strategic areas

Shift management resource to businesses with high profit potential

KPI Initiatives in growing area



Accelerate profit growth with the decline of loan income bottoming out



*1 ホールセール部門 (SMBC)

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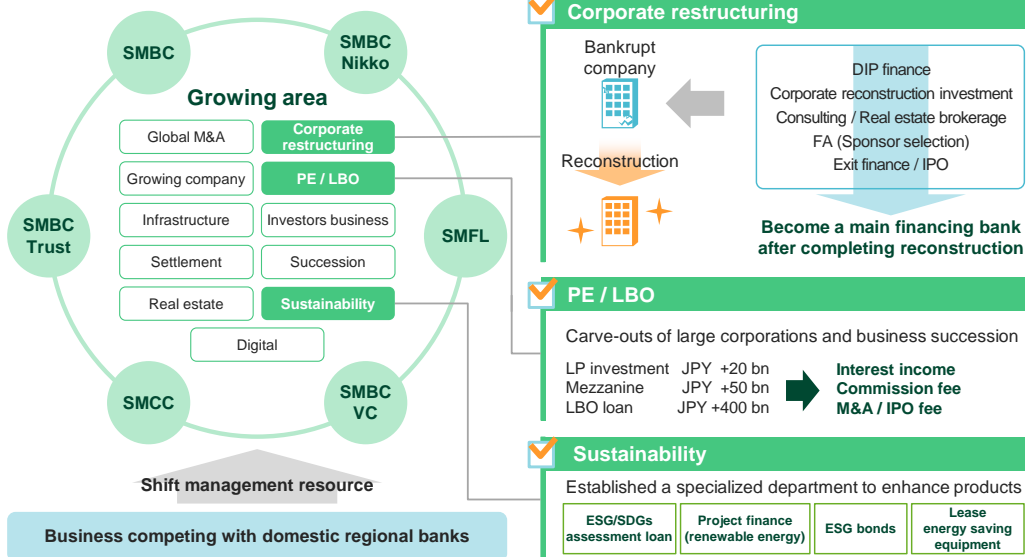
39

Second is to “Improve productivity and strengthen solutions in the domestic wholesale businesses.”

Key strategies are to accelerate profit growth both in interest income, which increased YoY for the first time in 10 years, and fee income. In addition, we will shift management resources into growing areas to provide high-quality total solution to customers on a group basis.

(2) Improve productivity and strengthen solutions in the domestic wholesale business

Provide total solutions on a group basis



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Specifically, in order to strengthen our capability to provide total solutions, we will expand our solution line-up on a group basis.

In addition, we will shift management resources from businesses with limited profit potential into these growing areas.

Major areas we plan to strengthen are shown in the left. We expect some of them to contribute over ¥10 billion in revenue, which I look forward to see very much.

(3) Enhance overseas CIB business to improve asset / capital efficiency

Key strategies

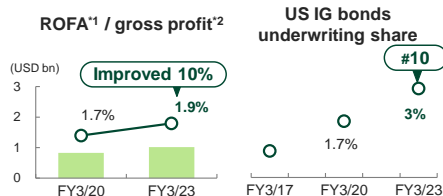
Increase cross-selling by leveraging group strengths

Enhance securities business mainly in the U.S.
Raise competitive edge in overseas products

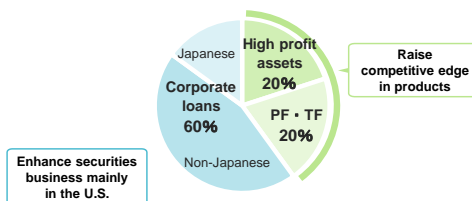
Enhance investor business

Further promote O&D
Increase non-flow products

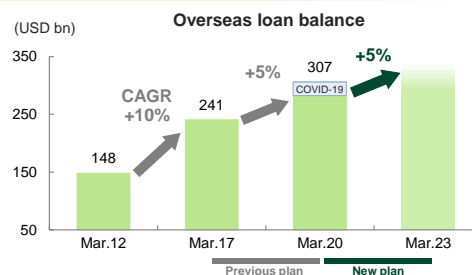
KPI



Cross-sell by leveraging group strengths



Pursue growth without excessively relying on B/S expansion



*1 Return on Funded Asset *2 Non-Japanese in the U.S. and Europe

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Third is to “Enhance overseas CIB business to improve asset / capital efficiency.”

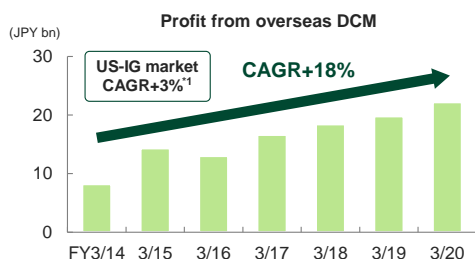
While the overseas business remains a growth driver of our group, growth relying on asset expansion is approaching its limit.

Therefore, a change in the business model is necessary. Key strategies are to increase cross-selling by leveraging group strengths and to improve asset / capital efficiency through enhancement of the investor business.

(3) Enhance overseas CIB business to improve asset / capital efficiency

Expand securities business mainly in the U.S.

✓ Pursue growth on a group basis



US IG bonds league table*1

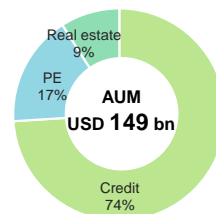
	Company	Amount (USD bn)
1	JP Morgan	151
2	Merrill Lynch	147
3	Citi group	125
9	MUFG	44
10	Mizuho FG	36
15	SMBC group	23

Raise competitive edge in products



Collaboration

- Private credit
- Real estate finance
- Banking service for US companies



Enhance investors business



SMBC group

- O&D
- LBO
 - Subscription Finance
 - Project finance
 - Corporate loan
- Replace assets to improve efficiency

- Non-flow business
- ABS
 - RMBS

Approach based on investment needs

Institutional investors

*1 Source: REFINITIV (Apr.19 – Mar.20)

As for the overseas securities business, profit from overseas DCM has grown significantly faster than the market average by strengthening SMBC Nikko. Looking at the league table, there is still considerable room for growth. We will continue to strengthen approaches to SMBC's customers.

The remaining key strategies will be explained in detail by the head of each business units at the SMBC Group IR Day.

Please turn to page 50.

(4) Hold the number one position in payment business

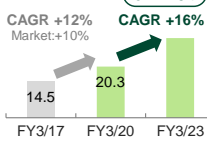
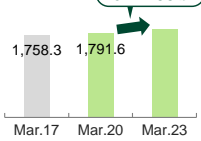
Key strategies

Accelerate cashless payment strategy

Expand customer base of
both merchants and end-users

Develop payment business
for corporate clientsEnhance consumer finance
on a group basis

KPI

Credit card sales handled
(JPY tn)Balance of card loans^{*1}
(JPY bn)

*1 sum of SMBC and SMBCCF

Accelerate cashless payment strategy

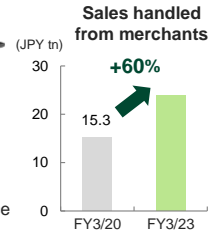
Accelerate building a payment platform

stera



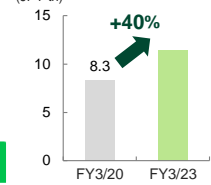
Custella

Data analysis marketing service



Enhance competitiveness in products

- Upgrade SMCC's credit cards and mobile app

Sales handled
from end-users

- Acquire new customers through collaboration

LINE Pay

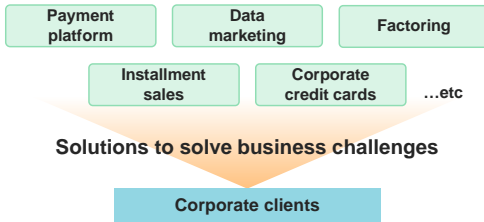
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(4) Hold the number one position in payment business

Payment business for corporate clients

Provide various payment functions

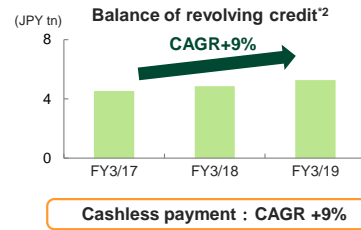


Provide new payment experience



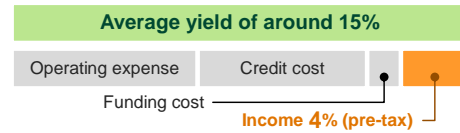
Enhance consumer finance on a group basis

Increase revolving credit



Enhance consumer finance business

- Highly profitable business model



- Acquire new customer base

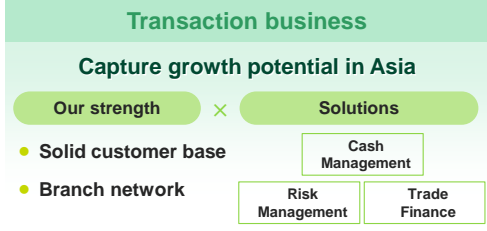
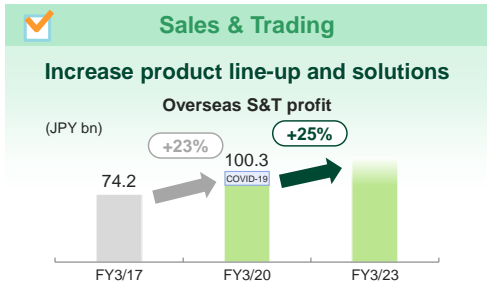
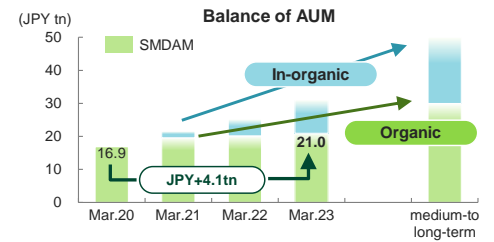
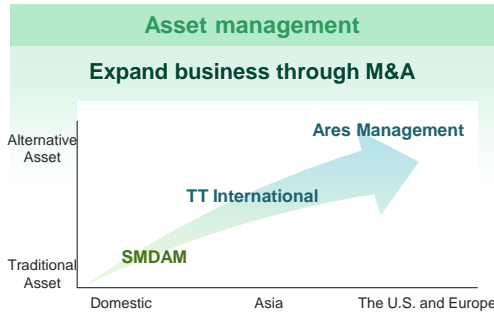


*"iD" is a registered trademark of NTT Docomo *2 source: Credit Information Center Corp.

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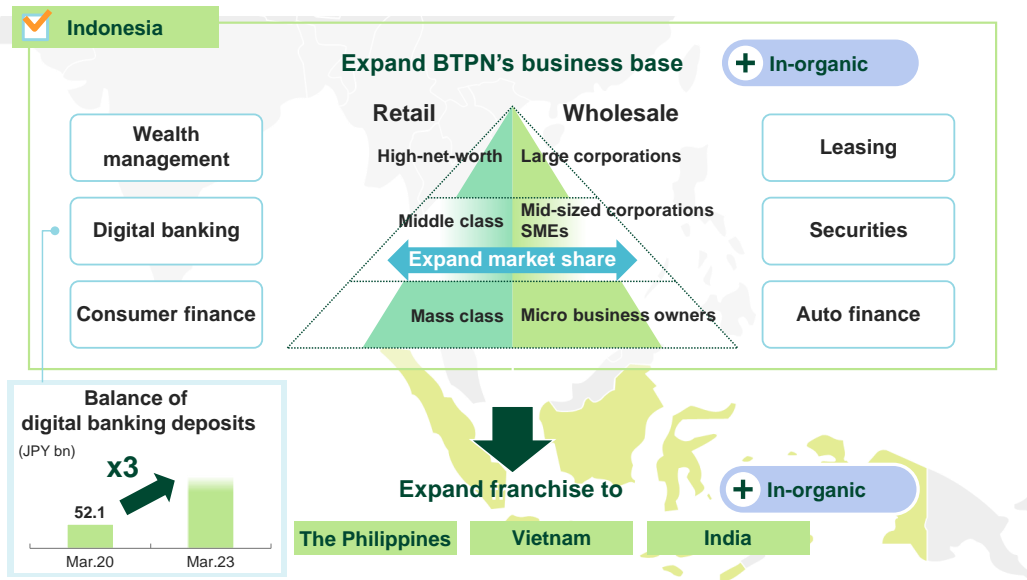
(5) Enhance asset-light business on a global basis

Grow asset-light business to one of our core businesses in mid-long term across regions and group entities.



(6) Expand franchise and strengthen digital banking in Asia

Accelerate multi-franchise strategy in Asia.



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(7) Develop digital solutions for corporate clients

Create new business for clients leveraging our strengths.



Digital platform for corporates

➔ P25

Finance service platform
for the construction industry







Cashless payment infrastructure



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(Ref.) Financial targets by business unit

	ROCE ¹		Net business profit ¹ (JPY bn)		RWA (JPY tn)	
	FY3/23	FY3/21-FY3/23 ²	FY3/23	FY3/21-FY3/23 ²	FY3/18-FY3/20 ²	FY3/21-FY3/23 ²
Retail	12%		305	+35	(0.3)	+0.4
Wholesale	9%		405	+45	(0.6)	+1.1
Global	9%		430	+70	+5.8	+2.5
Global markets	17%	 ³	365	(30) ³	(1.5)	+1.7

¹ Excluding the mid-long term funding costs and interest-rate risk associated to the banking account for global markets

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

³ An increase of JPY 32 bn if excluding the amount exceeded the target due to gains on sales of bonds in FY3/20

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(Ref.) M&A strategy

Pursue in-organic growth through strategic M&As while maintaining financial soundness and disciplined investment criteria.

Thorough discipline

Investment criteria

Fits with our strategy

ROCET1 \geq 8.5%

Risk is manageable

Optimize existing business portfolio

Past transactions

Kansai regional banks

SMFL

Target

1

Assets that promptly raise ROCET1

Highly profitable assets

Aircraft
leasing

LBO

New
businesses

Asset management

2

Investments for the future

Asia

Digital

Securities

Trust

Past transactions

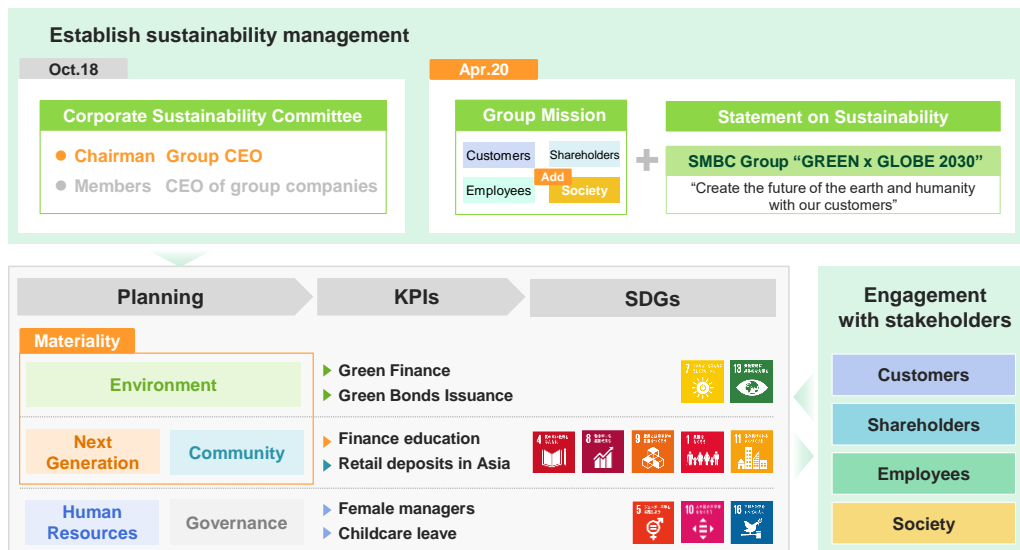


SBI SECURITIES



Acceleration of sustainability management

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



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Now, I will talk about the third Core Policy," Quality".

In order to accelerate sustainability management, in April, we announced Statement of Sustainability and SMBC Group "GREEN x GLOBE 2030," a 10-year plan to implement the statement.

Based on this plan, I myself will take the initiative and make strong efforts to realize a sustainable society.

SMBC Group “GREEN x GLOBE 2030”



SMBC Group
GREEN × **GLOBE**
 2030



Green Finance

KPI **JPY 10 tn** by 2030

CO2 Reduction

KPI **30% reduction** by 2030

Domestic 4 head office buildings

Convert **100%** electricity into renewable energy

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Here is a brief explanation of SMBC Group “GREEN x GLOBE 2030.”

"GREEN" represents our corporate color and the environment. "GLOBE" represents the Earth and the world without borders. By combining them with "x" express the expansion of initiatives through multiplication, not summation.

Examples of specific action plans are ¥10 trillion of green finance and 30% reduction of our CO2 emission by 2030.

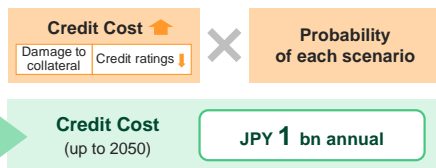
ESG (1) Environment

Proactive in environmental issues : first global financial group to disclose the impact of climate-related risks.

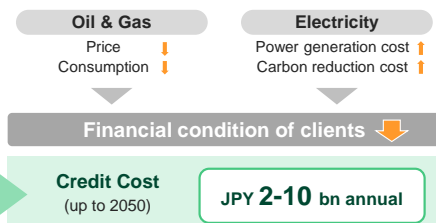
Climate Change Impact (TCFD)

First to disclose
as G-SIFIs

Physical risk of water disasters



Transition risk to a low-carbon society



Expanding of lending policies by sector



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As for details of our ESG initiatives, please refer to the materials later. Here, I would like to explain briefly about our lending policies by sector.

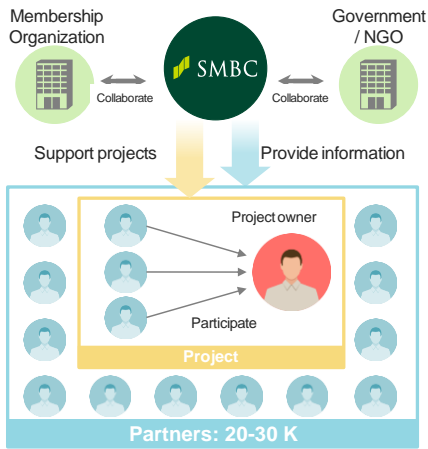
In April, we announced new policies and added businesses and sectors that have a significant impact on the environment and society. We will continue to add new business and sectors and revise our policies, based on dialogue with stakeholders.

ESG (2) Social

Realize a sustainable society by solving social issues.

GREEN x GLOBE Partners

Community platform for solving social issues



Financial Inclusion

Expand retail finance services in Asia



Provide finance education

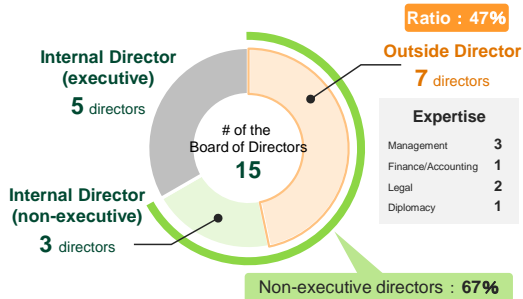
Target by 2030 : 1.5 mn people



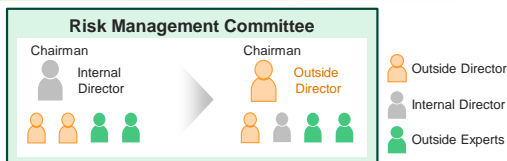
ESG (3) Governance

Continue enhancing corporate governance as the foundation of sustainability management.

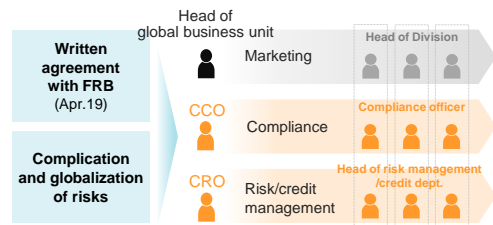
Board of Directors



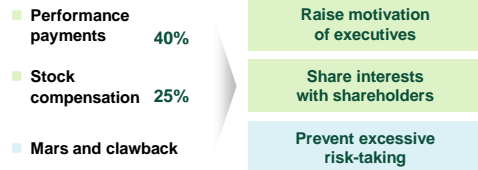
Replace chairman of risk management committee^{*1}



Enhance compliance and risk management



Compensation policy for executives

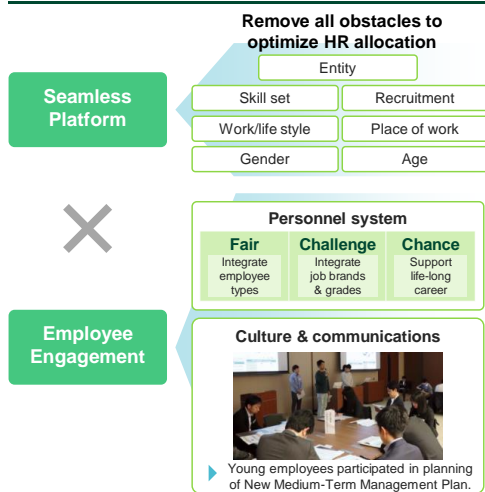


^{*1} Plan to propose the election to the board of directors after shareholder meeting on June, 20

HR Management

Create a positive work environment and support development of employees.

Enhance diversity and engagement



Realize flexible and diversified working style

Working from home



Free dress code



Provide a safe work environment

COVID-19

- Ensure safety of employees
- Prevent cluster infection
- Healthcare support to employees and family

Working from home
Off-peak commuting

Staggering staff and shifts

Additional paid time-off
Mental healthcare office

Communication with stakeholders

Enhance engagement with stakeholders and disclose non-financial information in a timely manner.



KPIs

Environment	<ul style="list-style-type: none"> Green finance JPY 10 tn by 2030 Green bond issuance At least once a year
Community	<ul style="list-style-type: none"> Retail deposits in Asia x3 by 3/23 Credit card sales handled JPY 30 tn by 3/23
Next Generation	<ul style="list-style-type: none"> Finance education 1.5mn people by 2030 # of IPOs arrangement No.1 in Japan
Human resources	<ul style="list-style-type: none"> Female managers 20% by FY3/26 Childcare leave Maintain 100%

(Ref.) ESG indices and initiatives

Selected ESG indices

GPIF selected



MSCI Japan ESG
Select Leaders Index



MSCI Japan Empowering
Women Index (WIN)



2019 Constituent
MSCI ESG
Leaders Indexes



Endorsed initiatives

WE SUPPORT



Signatory of:



PRINCIPLES FOR
RESPONSIBLE
BANKING



We
Support



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(Ref.) External awards



2019 Award for Excellence
in Corporate Disclosure
— Industries —
SAAJ The Securities Analysts
Association of Japan



(SMBC)



(SMBC Nikko)



2020
健康経営優良法人
Health and productivity





IV. Impact of COVID-19

As I mentioned earlier, we have not revised the framework of the Medium-Term Management Plan due to COVID-19.

However, because we expect a significant impact from COVID-19 on our financial results this year, going forward I would like to address this point.

Please turn to page 60.

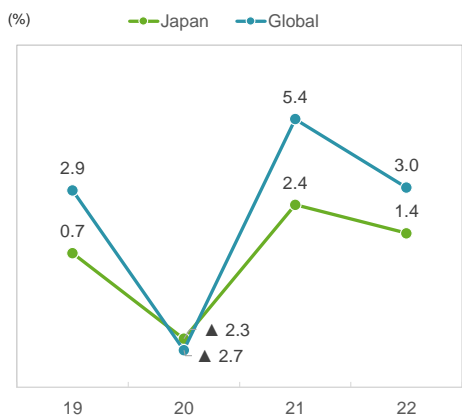
Our scenario

GDP growth rate is expected to be negative in 2020 and recover after 2021.

While economic slowdown brings negative impact to our profits, loan demand from companies including prime companies is increasing.

GDP growth rate^{*1}

Impact of COVID-19 in 2020



Impact of COVID-19 on our business

Retail	Sales of investment products	↓
	Credit card sales handled	↓
Wholesale	Fee-income	↓
	Securities business	↓
	Loan income	↑
Global	Loan income	↑
	Deposit income	↓

^{*1} The Japan Research Institute

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First, I would like to talk about our assumptions regarding COVID-19.

At present, we expect that the number of new cases will peak out by mid-year, but continue for the entire year. Therefore, although the global economy is expected to bottom out in the second half of this year, we foresee that negative impact will remain throughout the year.

The left shows GDP growth rates projected by the Japan Research Institute. We expect that both Japan and global GDP growth rates will decline significantly in 2020. Although GDP growth rate will jump up in 2021, we expect that economic activity will gradually settle to its original level from 2022 onward as we seek a new economic model for post COVID-19. Based on this assumption, we have formulated the new Medium-Term Management Plan and came up with the earnings forecast for FY3/21.

The right-hand side shows some of the impact we have recently seen to our business.

COVID-19 impact on earnings

Lower net business profit and increase of credit cost. Loan increase is affecting capital management.

(JPY bn)		FY3/20		FY3/21 target			
			Impact of COVID-19	As of Feb.20	Revised	Impact of COVID-19	Notes
P/L	Consolidated Net Business Profit	1,085.0	(50)	1,140	970	(170)	Lower profit in businesses including wealth management
	Credit Cost	170.6	+40	190	450	+260	Higher credit cost reflecting macro situation and provision for specific credit
	Gain(Loss) on Stocks	80.5	(23)	-	-	-	-
	Extraordinary gains (losses)	43.4	(40)	-	-	-	-
	Profit attributable to owners of parent	703.9	(110)	710	400	(310)	
Capital	RWA (JPY tn) Δ of CET1 ratio (%)	86.4	+1 (0.1)%	87	92	cumulative +5 (0.5)%	Extending loans to both domestic and overseas customers

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This slide summarizes the COVID-19 impact on earnings.

In FY3/20, although there were certain impact from COVID-19, as explained at the beginning, we exceeded our bottom-line profit target of ¥700 billion.

On the other hand, we expect substantial decline in FY3/21. This table compares the initial plan as the first year of the new Medium-Term Management Plan with the announced target. The difference between the two is the impact of COVID-19.

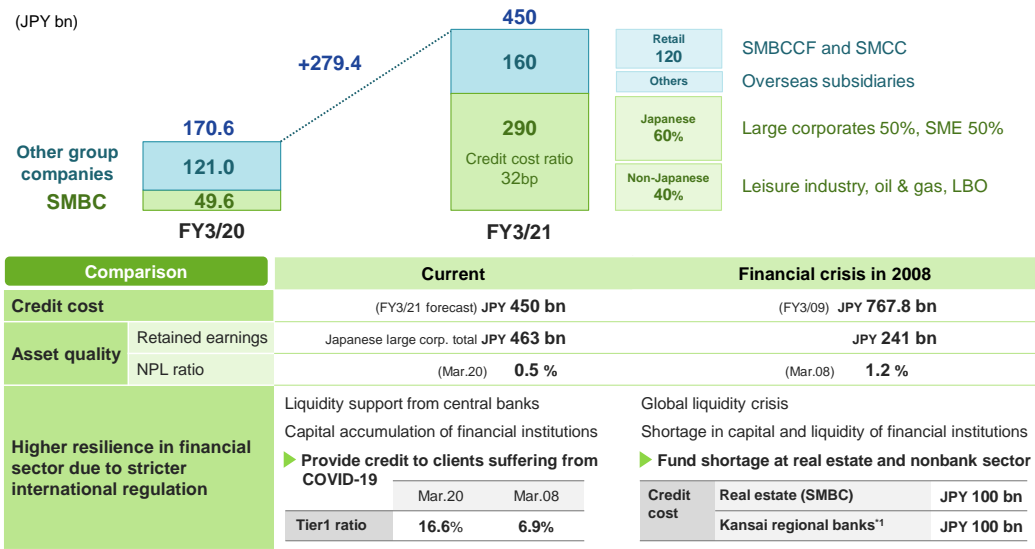
Based on the scenario described earlier, we have revised our target assuming negative growth throughout the year. With that, net business profit was revised down ¥170 billion to ¥970 billion. Credit cost was revised up ¥260 billion to ¥450 billion. As a result, bottom-line profit was revised down ¥310 billion to ¥400 billion.

As for capital management, we expect RWA to increase by ¥ 5 trillion compared to the original target, as we plan to support our customers globally who are struggling with COVID-19 by extending loans. CET1 ratio will have an negative impact of 0.5%.

However, these are based on the assumption explained earlier. It is very difficult to forecast the actual impact of COVID-19, and if the outlook changes, we will revise the plan flexibly even during the period.

Credit cost

Credit cost increase expected both domestically and globally due to COVID-19. However, the financial sector have improved asset quality and resiliency since the Financial crisis in 2008.



*1 Deconsolidated in Mar.17

I will talk about credit cost in more detail.

The forecast for FY3/21 is ¥450 billion on a consolidated basis, of which ¥290 billion is for SMBC, 60% for Japanese corporations and 40% for non-Japanese corporations. As for Japanese corporations, half is for large corporates and half is for mid-sized corporations and SMEs. As for non-Japanese corporations, we expect costs in the leisure industry such as hotels and casinos, oil and gas, and LBO.

As for other group companies, we expect credit cost of ¥160 billion, an increase of approximately ¥40 billion over FY3/20.

The bottom compares credit cost versus the situation during the Lehman crisis. The current GDP decline is expected to exceed the Lehman crisis, but given our improved asset quality and the stronger resilience of the financial sector, we do not expect credit cost to increase as much as it did during the Lehman crisis.

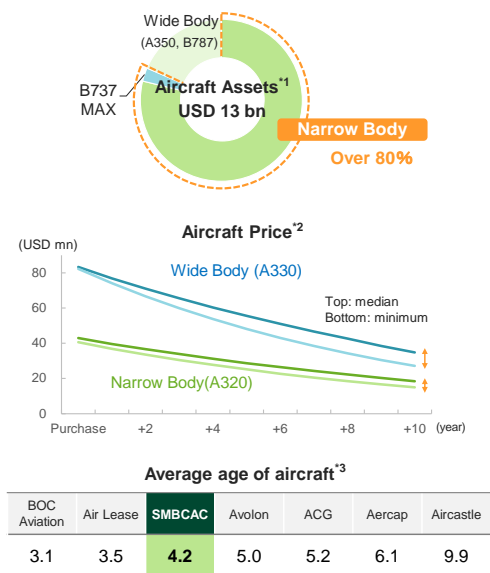
(Ref.) COVID-19 vs 2008 Financial crisis

Risk of recording large impairment loss is limited, while credit cost is expected to increase.
Impact is expected in areas including aircraft leasing, credit to natural resources, and foreign currency funding.

		Current	Financial crisis (FY3/09)	Difference
Bottom-line profit		(FY3/21 target) JPY 400 bn	JPY (373.5) bn	+ JPY 773.5 bn
Difference	Credit cost	(FY3/21 forecast) JPY 450 bn	JPY 767.8 bn	JPY (317.8) bn
	Impairment	Stockholdings break-even Nikkei average JPY 8K No goodwill in major investments	Loss on stocks JPY 183.7 bn	JPY (150) bn
	Income taxes	Completed write-off of large NPLs	Reversal of DTA JPY 305.2 bn	JPY (300) bn
		Change	Response	
New risk factors	Aircraft leasing	Rapid decrease in passenger aircraft demand	High liquidity of aircraft portfolio Sufficient liquidity	
	Natural resources	Low oil prices	Cautious approach to upstream and services	
	Foreign currency funding	Increase in funding cost	Fully cover loan balance with deposits and mid-long term funding Diversified funding source	

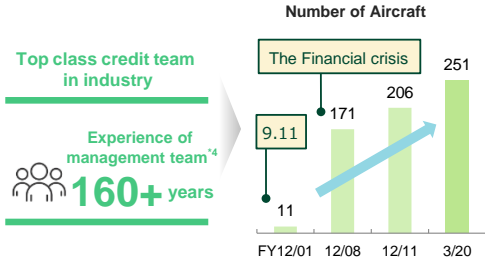
Aircraft Leasing

Highly liquid portfolio



^{*1} Include Pre-delivery payment ^{*2} Appraised by Ascend, Avitas, and IBA
^{*3} SMBCAC as of Mar.20 and others as of Dec.19 ^{*4} Combined experience of five management officers

Steady growth overcoming recent crisis



Strong liquidity

	S&P	
A-	SMBCAC	BOC Aviation
BBB+	—	
BBB	Aercap	Air Lease
BBB-	Aircastle	Avolon ACG

Credit availability

USD 6 bn

- Other than SMBC group : USD 2.5 bn
- Repayment within 1 year : USD 0.3 bn

Now I would like to talk about some of our businesses where impact of COVID-19 is expected.

First is the aircraft leasing business.

The cash flow of airlines, the lessee, is deteriorating due to worldwide restrictions on travel, and some airlines are finding it difficult to pay lease fees.

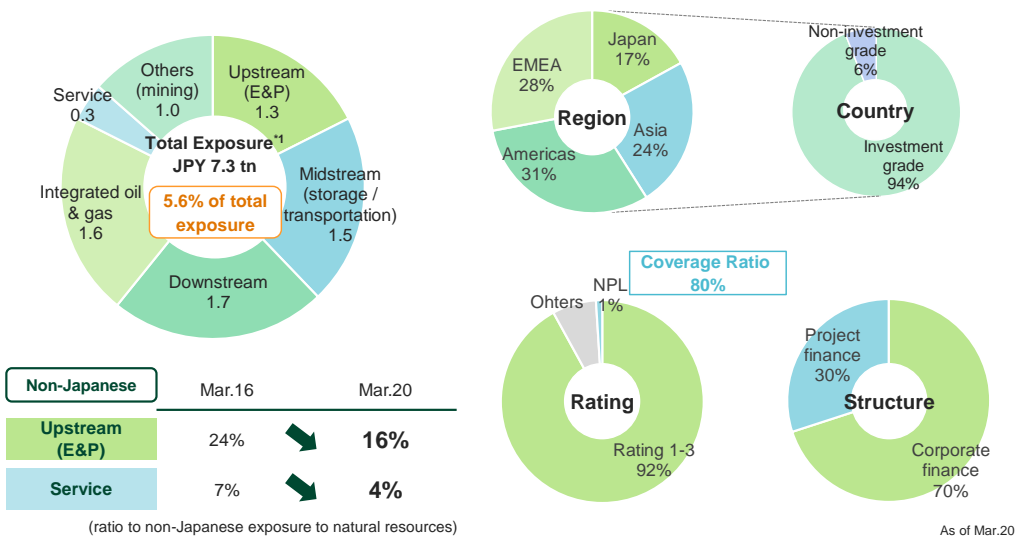
Once airlines fail to pay lease fees, leasing companies take actions, such as collecting aircrafts and re-leasing them to other airlines. In this case, if the lease fees are reduced, leasing companies record impairment losses on leasing assets due to the reduction of future cash flow.

However, we do not expect SMBC Aviation Capital will record significant impairment losses considering its highly liquid portfolio. The majority of the aircraft assets that they own are young narrow body aircrafts whose price volatility is low.

Therefore, although short-term decline in profits is inevitable, bottom-line profit for the current fiscal year is expected to decline only by 30 to 40% YoY. As SMBC Aviation Capital is our equity method affiliate, the negative impact on our consolidated bottom-line profit, based on the stake that we own, is expected to be less than ¥10 billion.

Natural resources

5.6% of total exposure. Been taken cautious approach to non-Japanese upstream and service transactions.



*1 Amount of net exposure, excluding exposure of which collaterals are not affected by natural resource prices

Next is exposure for natural resources.

Our natural resource-related exposure is currently ¥7.3 trillion, which is equivalent to 5.6% of our consolidated total exposure. As shown in the slide, we have a diversified portfolio by business areas and regions, and 90% of our exposures have high internal ratings.

Moreover, as shown on the bottom left, by taking a cautious approach, we have reduced exposure of non-Japanese upstream and service transactions that are vulnerable to oil prices, which make them relatively risky.

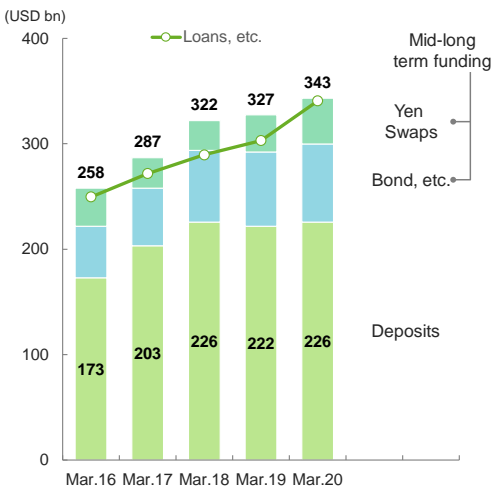
Therefore, we do not expect significant increase of credit cost in this sector.

However, considering the recent sharp decline of oil prices and revision of demand-supply forecast, we recorded some forward-looking provisions in FY3/20 and expect a certain level of credit costs in FY3/21.

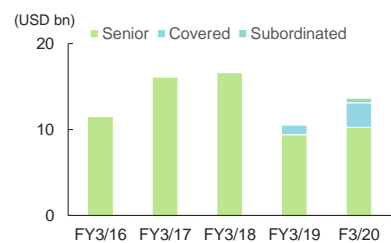
Foreign Currency Funding

Fully cover loans with customer deposit and mid-long term funding.

Build a robust funding base



Liquidity support from central banks



First in Japan
Covered Bond

- Aaa Rating
- Low funding cost under stressed market

Liquidity support from central banks

- BOJ**
- 3 month facility as well as 1 week
 - Expected to be provided for some time



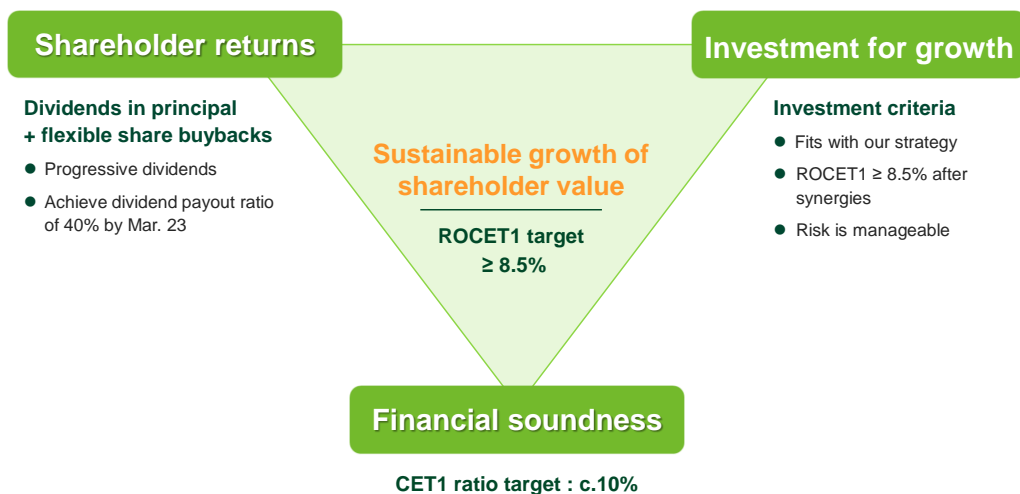
V. Capital Policy

Lastly, I will talk about our capital policy.

Please turn to page 68.

Basic Capital Policy

Achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.



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Our basic capital policy remains unchanged under the new Medium-Term Management Plan. It is to continue to achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.

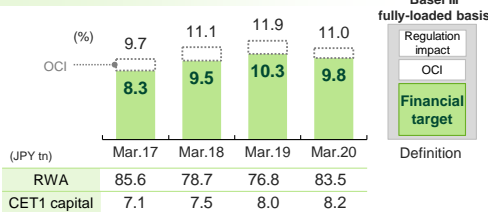
As for shareholder returns, dividends will be our principle approach. In addition, we will proceed with share buybacks on a flexible basis.

Capital position

Reached CET1 ratio (Post-Basel III excl. OCI) of c.10%. CET1 ratio on Basel III fully-loaded basis was 15.5%. To prioritize supporting customers impacted by COVID-19, we will manage our CET1 ratio at c.9.5% for the time being.

CET1 ratio

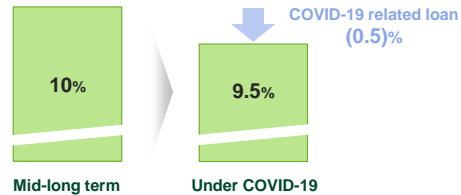
Post-Basel III excl. OCI (financial target)



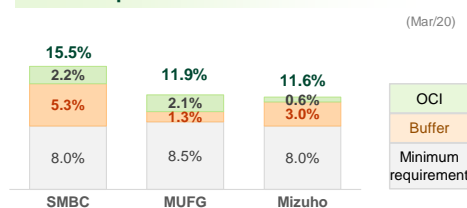
Basel III fully-loaded basis



Capital Management (post-Basel III exc. OCI)



Peer comparison (Basel III fully-loaded basis)



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This slide shows our capital position.

As shown on the top left, we have accumulated capital and reached the financial soundness target of CET1 ratio 10% during the previous Medium-Term Management Plan.

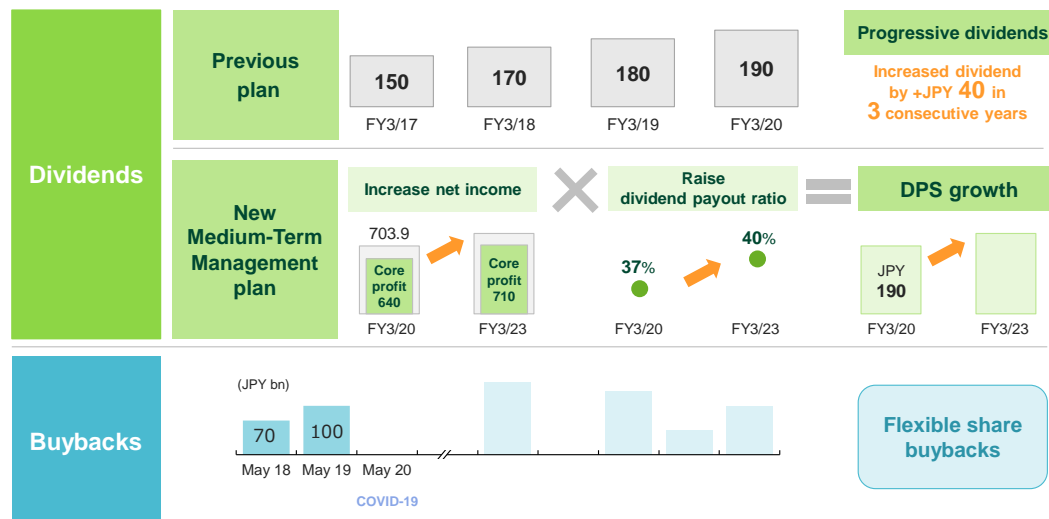
Also, based on the Basel III fully-loaded basis which is currently required by regulators, our CET1 ratio as of Mar. 20 was 15.5%, greatly exceeding the required level of 8%. Our strength of financial soundness can be a strong competitive advantage during the current crisis situation.

First, we will provide financial support to customers both in Japan and overseas impacted by COVID-19. For this reason, as shown on the top right, for the time being, we will manage our CET1 ratio at around 9.5%, i.e., about $\pm 0.5\%$ centered on 9.5%, which corresponds to the increase in loans associated with COVID-19 explained earlier.

On top of that, we will enhance shareholder returns and pursue attractive inorganic opportunities.

Enhancing shareholder returns

Progressive dividends; increase dividends by increasing net income and raising dividend payout ratio.
Execute flexible share buybacks.



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Let me talk about our plans to enhance shareholder returns.

As for dividends, we increased dividends for 3 consecutive years in a total of ¥40 per share based on our progressive dividend policy during the previous Medium-Term Management Plan.

Despite the current severe business environment, under the new Medium-Term Management Plan, we will aim to increase dividends steadily by increasing net income and raising the dividend payout ratio to 40%.

In addition, we will flexibly execute share buyback.

Shareholder returns

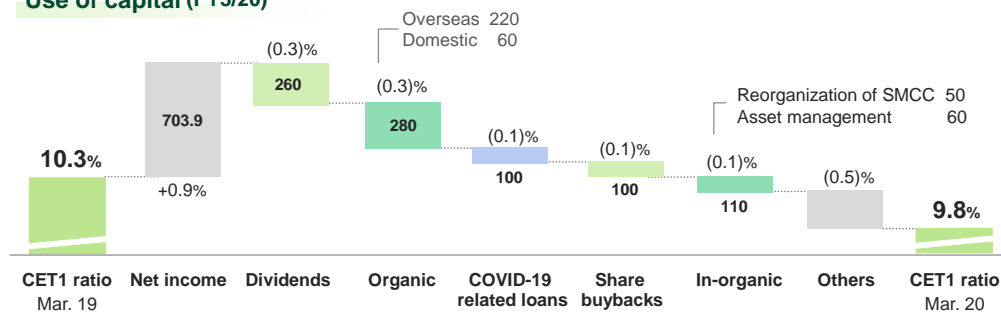
Increased dividends for FY3/20 aiming towards dividend payout ratio of 40%.

Dividend target for FY3/21 maintained at JPY 190 despite the decrease in net income target.

No share buybacks since it will take time to assess the impact of COVID-19.

	FY3/19	FY3/20	YoY	vs target	FY3/21 target	YoY
DPS	180	190	+10	+10	190	±0
Dividend payout ratio	35%	37%	+2%	—	65%	+28%
Share buybacks	May.18 70 bn	May.19 100 bn	+30 bn	—	—	—
Total payout ratio	44%	51%	+7%	—	—	—
Net income	726.7 bn	703.9 bn	(22.8) bn	+3.9 bn	400 bn	(303.9) bn

Use of capital (FY3/20)



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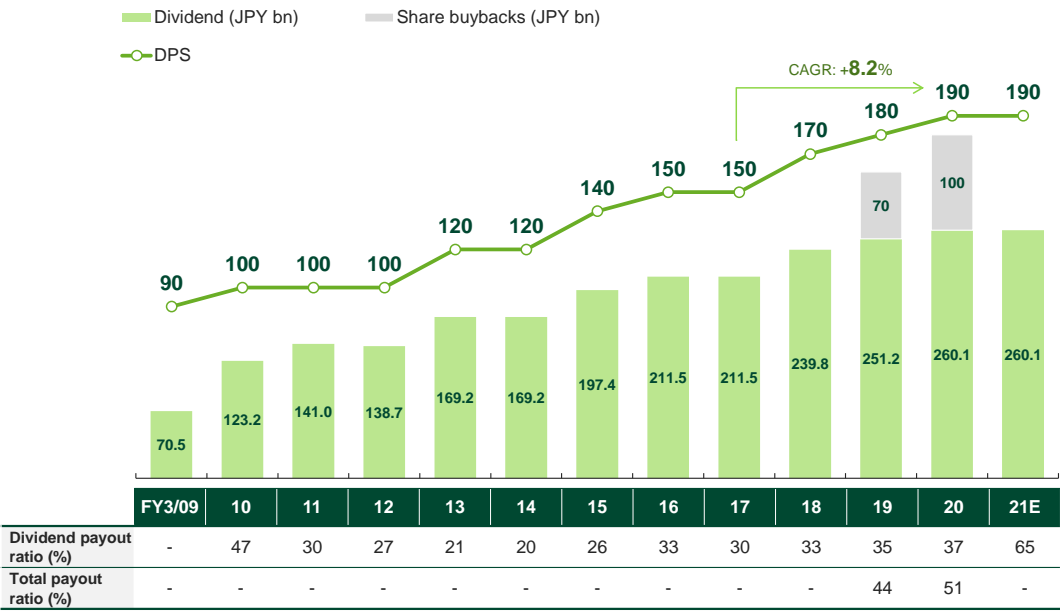
Here I would like to talk about the shareholder returns we recently announced.

For dividends, we increased our dividend for FY3/20 to ¥190 per share, which is ¥10 higher YoY and than our original forecast. This is because net income exceeded our target of ¥700 billion and took steps towards achieving a payout ratio of 40%.

For FY3/21, we will maintain the FY3/20 level of ¥190 per share despite a significant reduction in the forecast of net income.

For share buybacks, we decided not to announce buybacks at this time. We recognize our stock price is currently at a very low level and understand that there are expectation for share buybacks from investors. However, at this moment, we have concluded that we should focus on providing financial support to our customers and that it will take a little more time to assess the real impact of COVID-19.

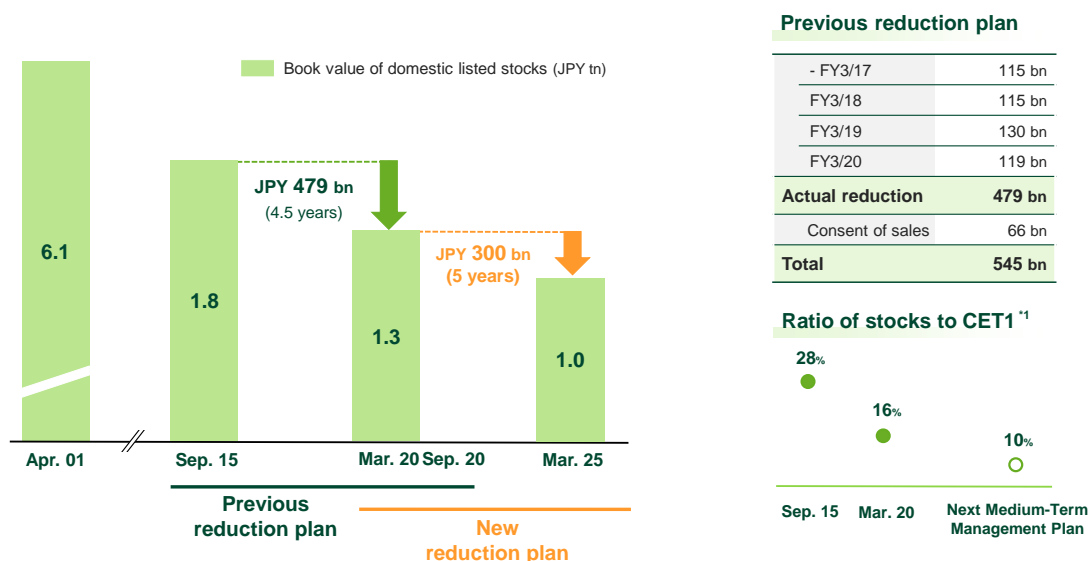
(Ref.) Shareholder returns



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Strategic shareholdings

Achieved the target of the previous reduction plan. New plan to reduce JPY 300 bn in the next 5 years.



^{*1} Basel III fully-loaded basis, excl. OCI

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This slide shows our efforts to reduce strategic shareholdings.

Since September 2015, we have aimed to reduce book value of strategic shareholdings by ¥500 billion over a five-year period. At the end of March 2020, six months before the deadline, we were able to reduce approximately ¥480 billion in aggregate. On top of that, we gained consent from clients to sell, bringing the total to approximately ¥550 billion, which means we are quite sure we can achieve the target.

As we start the new Medium-Term Management Plan, we decided to start a new reduction plan, which is to reduce ¥300 billion in the next five years.

The reduction pace will be slower than the previous plan, as the remaining stocks include certain clients who resist to provide consent to sell. However, there has been no change in our policy to reduce strategic shareholdings over the medium-to-long term. In order to reduce the impact of stock price risks on capital, and in light of the corporate governance, we will continue to work hard to reduce these risks.

This fiscal year is a very important year for us, not only as the first year of the new Medium-Term Management Plan, but also a year to respond to COVID-19.

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