

Overview of 1Q FY3/21

July 29, 2020



SUMITOMO MITSUI
FINANCIAL GROUP

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.

Exchange rates (TTM)

	Jun. 19	Mar. 20	Jun. 20
USD	JPY 107.75	JPY 108.81	JPY 107.71
EUR	JPY 122.48	JPY 119.52	JPY 121.02

Definitions

SMFG	Sumitomo Mitsui Financial Group, Inc.
SMBC	Sumitomo Mitsui Banking Corporation
SMBC Trust	SMBC Trust Bank
SMFL	Sumitomo Mitsui Finance and Leasing
SMBC Nikko	SMBC Nikko Securities
SMCC	Sumitomo Mitsui Card Company
SMBCCF	SMBC Consumer Finance
SMDAM	Sumitomo Mitsui DS Asset Management
SMBC AC	SMBC Aviation Capital
Major local subsidiaries	SMBC Europe, SMBC Bank EU, SMBC (China)
Consolidated	SMFG consolidated
Non-consolidated	SMBC non-consolidated
Expenses (non-consolidated)	Excluding non-recurring losses
Net business profit	Before provision for general reserve for possible loan losses
Retail Business Unit	Domestic retail business
Wholesale Business Unit	Domestic wholesale business
Global Business Unit	International business
Global Markets Business Unit	Market / Treasury related businesses
OCI	Net unrealized gains on other securities

Income statement

Consolidated net business profit reached 27% of the full-year target, mainly due to increased gains on sales of bonds in the Global Markets Business Unit. Profit attributable to owners of parent reached 22%.

	(JPY bn)	1Q FY3/21	YoY	FY3/21 target
1 Consolidated gross profit		677.9	(4.1)	
2 G&A expenses		420.9	(11.7)	
Overhead ratio		62.1%	(1.3)%	
3 Equity in gains (losses) of affiliates		4.4	(15.4)	
Progress				
4 Consolidated net business profit		261.4	(7.8)	970
5 Total credit cost		114.8	+77.2	450
6 Gains (losses) on stocks		(0.7)	(31.7)	
7 Other income (expenses)		(27.7)	(26.7)	
8 Ordinary profit		118.1	(143.3)	550
9 Extraordinary gains (losses)		(1.3)	(22.2)	
10 Income taxes		30.8	(29.9)	
11 Profit attributable to owners of parent		86.1	(129.6)	400
12 ROE		3.7%	(5.9)%	

- **Consolidated gross profit:** decreased YoY due to the impact of COVID-19 that led to the decrease in credit card sales handled fee and wholesale non-interest income, while the gains on sales of bonds increased with the decline of the global interest rates.
- **G&A expenses:** decreased YoY by implementing cost control initiatives and the decrease in revenue-linked variable cost.
- **Equity in gains of affiliates:** decreased YoY mainly due to the increase in credit cost at affiliates in Asia.
- **Total credit cost:** increased YoY in both domestic and overseas business due to COVID-19.
- **Gains on stocks:** decreased YoY due to lower gains on sales of strategic shareholdings (JPY 5 bn, YoY JPY (20) bn).
- **Other income (expenses):** decreased YoY mainly due to the loss from forward dealings which aim to control risk of stocks.
- **Extraordinary losses:** decreased YoY mainly due to the absence of the gains on step acquisitions on the reorganization of the group asset management companies recorded in FY3/20 (YoY JPY (22) bn).

(Ref.) Group companies

SMBC

	(JPY bn)	1Q FY3/21	YoY	FY3/21 target
1 Gross banking profit		371.4	+14.9	
2 o/w Net interest income		209.7	+7.4	
3 o/w Gains (losses) on cancellation of investment trusts		8.0	+5.0	
4 o/w Net fees and commissions		70.1	(7.3)	
5 o/w Net trading income+ Net other operating income		91.1	+14.8	
6 o/w Gains (losses) on bonds		63.7	+11.5	
7 Expenses		203.8	+0.8	
8 Banking profit		167.5	+14.1	520
9 Total credit cost		72.2	+66.1	290
10 Gains (losses) on stocks		(1.5)	(32.4)	
11 Extraordinary gains (losses)		(19.4)	(12.8)	
12 Net income		53.2	(73.8)	170

Other major group companies

(left : results of 1Q FY3/21 / right : YoY)

(JPY bn)	SMCC		SMBC Nikko ^{*1}		SMBCCF	
Gross profit	90.7	(12.8)	70.3	(1.2)	66.5	(1.7)
Expenses	77.7	(1.6)	61.9	(3.0)	25.4	(2.6)
Net business profit	13.1	(11.3)	8.4	+1.7	41.1	+0.9
Net income	5.2	(7.1)	4.8	+0.9	21.1	+0.4

(Equity method affiliate)

	SMBC Trust		SMDAM ^{50%}		SMFL ^{*2} ^{50%}	
Gross profit	8.8	(2.0)	7.6	(1.4)	40.7	(3.0)
Expenses	11.2	(1.1)	8.2	(0.0)	21.2	(0.0)
Net business profit	(2.3)	(0.9)	(0.5)	(1.4)	20.9	(2.9)
Net income	(2.5)	(1.7)	(0.6)	(1.0)	6.0	(10.1)

*1 Excluding profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

*2 Managerial accounting basis

Impact of COVID-19 (1) Business environment

Outlook for GDP growth rate was revised downward, while stock and oil prices were higher than our initial assumptions at the beginning of FY3/21.

Business environment

	Initial assumptions	As of July 20	
2020 GDP growth rate outlook*1	Global (2.7)%	(4.0)%	↓
	In Japan (FY) (3.2)%	(4.6)%	
Nikkei stock average	JPY19,500	around JPY22,500	↑
Oil prices	USD30	around USD40	↑

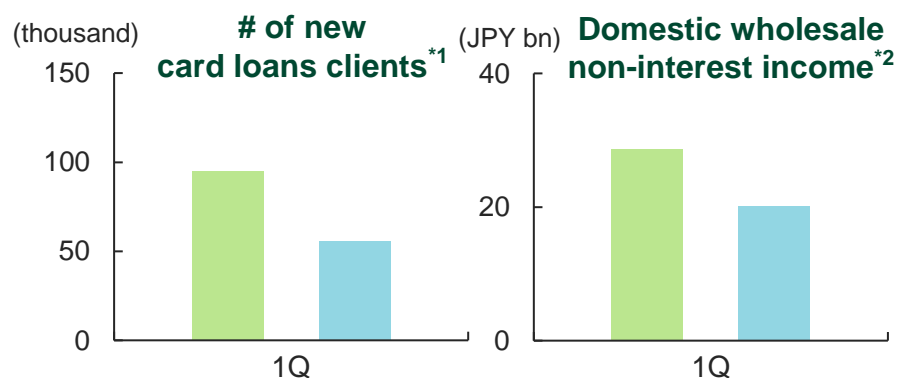
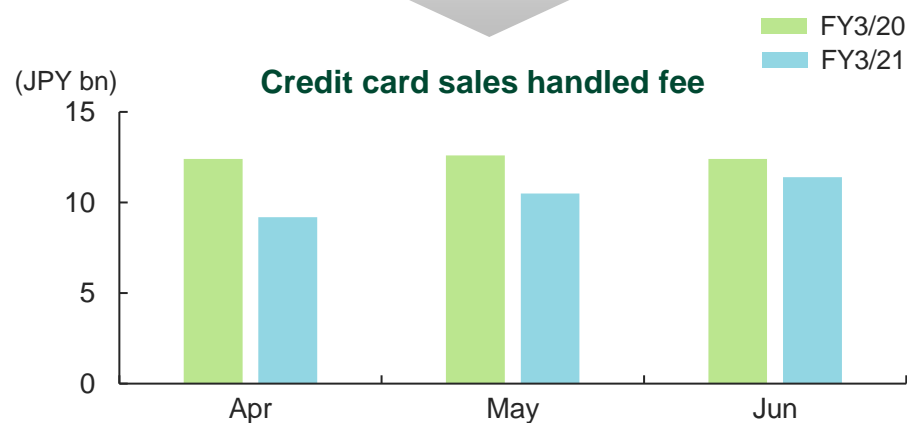
Progress vs FY3/21 target

(JPY bn)	1Q FY3/21	FY3/21 Target	Progress
Consolidated net business profit	261.4	970	27%
Total credit cost	114.8	450	26%
Profit attributable to owners of parent	86.1	400	22%

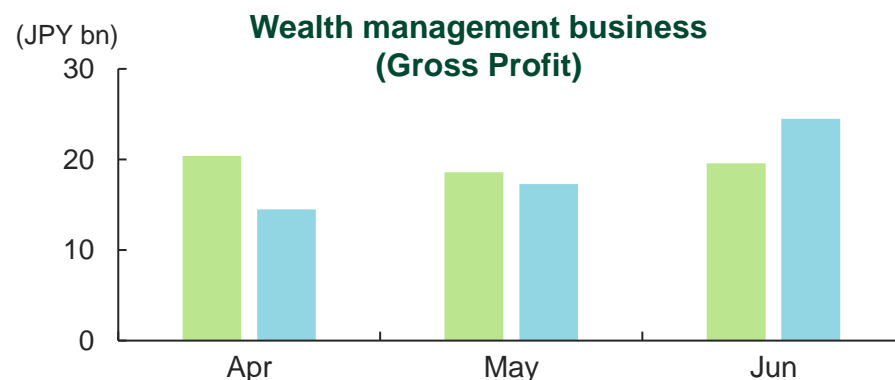
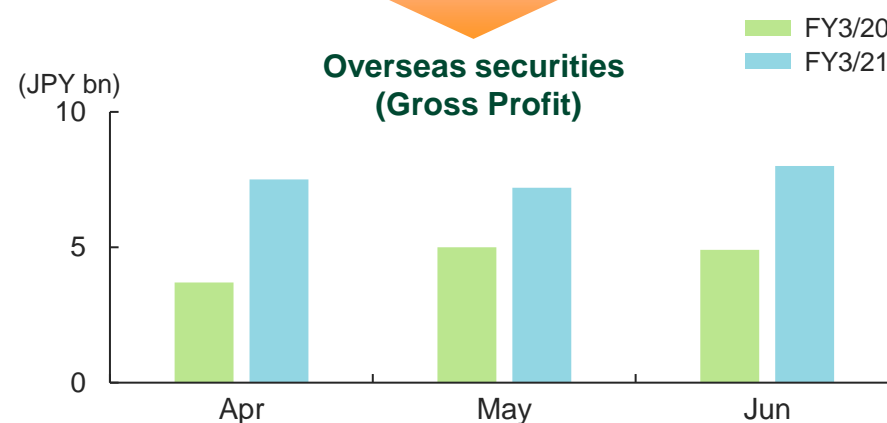
Impact of COVID-19 (2) Our business

Credit card sales handled fee, new card loans clients, and wholesale non-interest income decreased YoY. On the other hand, overseas securities performed well and wealth management business is recovering.

Sluggish consumer and corporate activities



Active bond issuance Solid performance in stock market



*1 SMBCCF

*2 Syndicated loans, Structured finances, Real estate finances, and Securities business

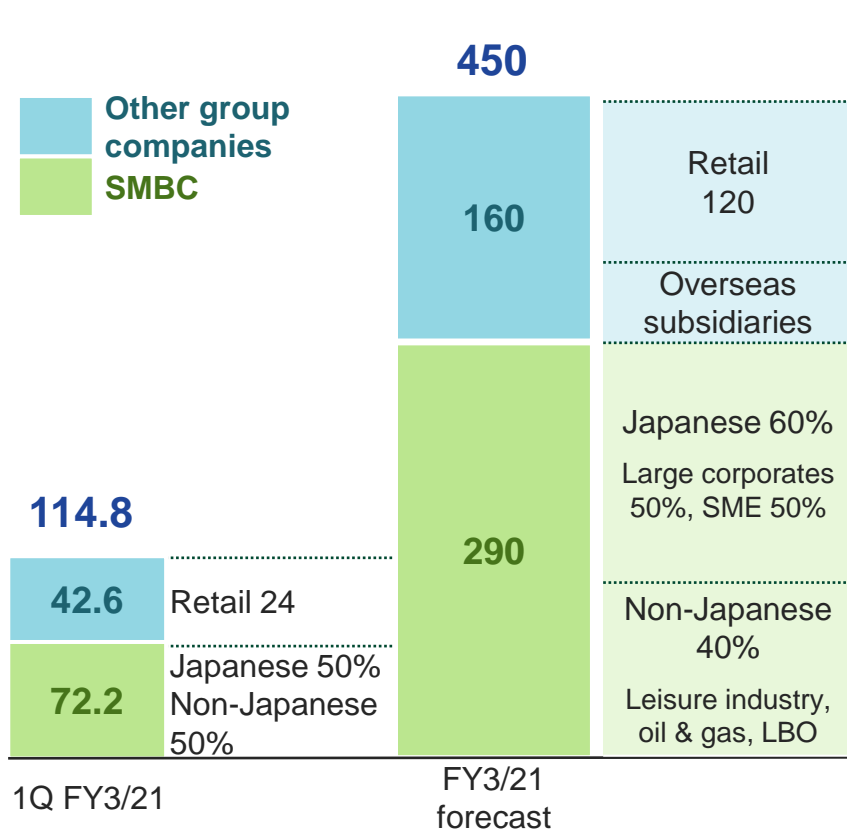
Impact of COVID-19 (3) Credit cost and RWA

Credit cost in 1Q was about 1/4 of the annual forecast.

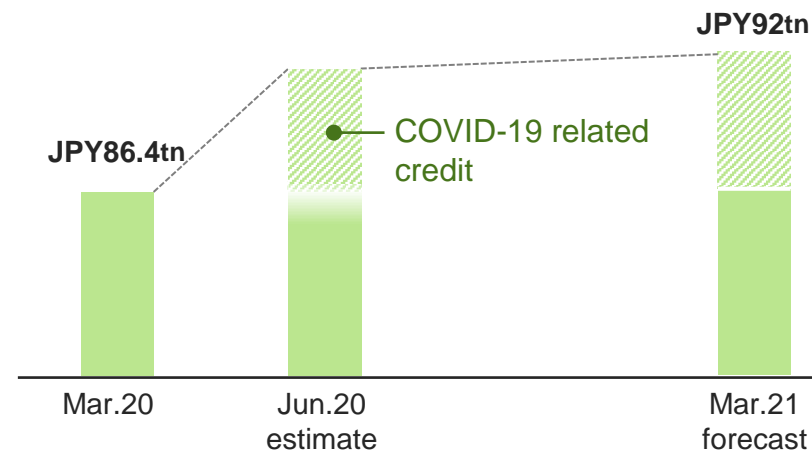
Most part of COVID-19 related credit expected at the beginning of FY3/21 were extended in 1Q.

Credit cost

(JPY bn)



RWA*1



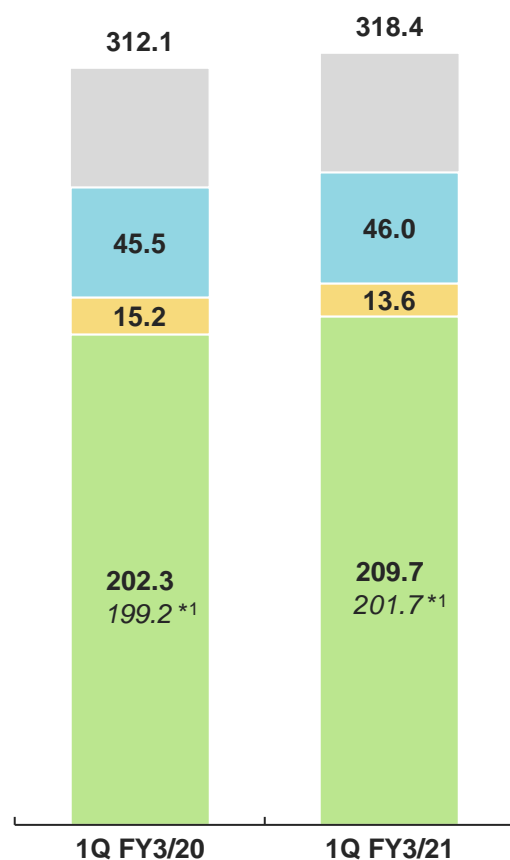
*1 Post-Basel III

Consolidated gross profit

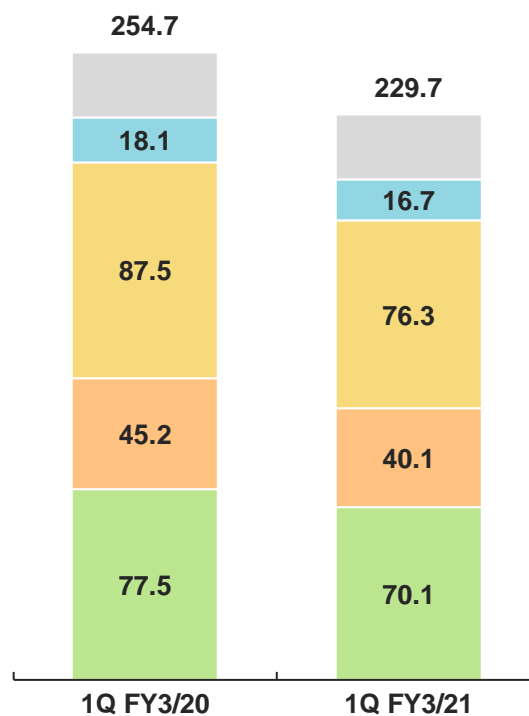
■ SMBC ■ SMBC Nikko ■ SMCC ■ SMBCCF ■ Others

Net interest income

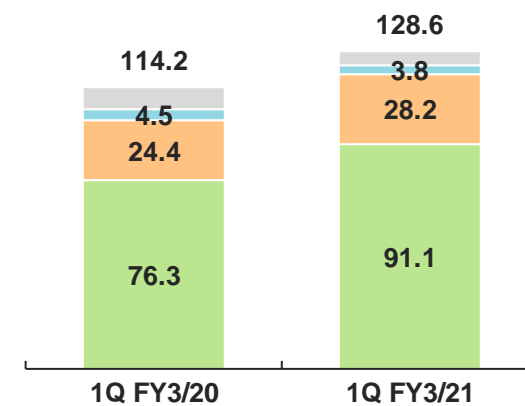
(JPY bn)



Net fees and commissions



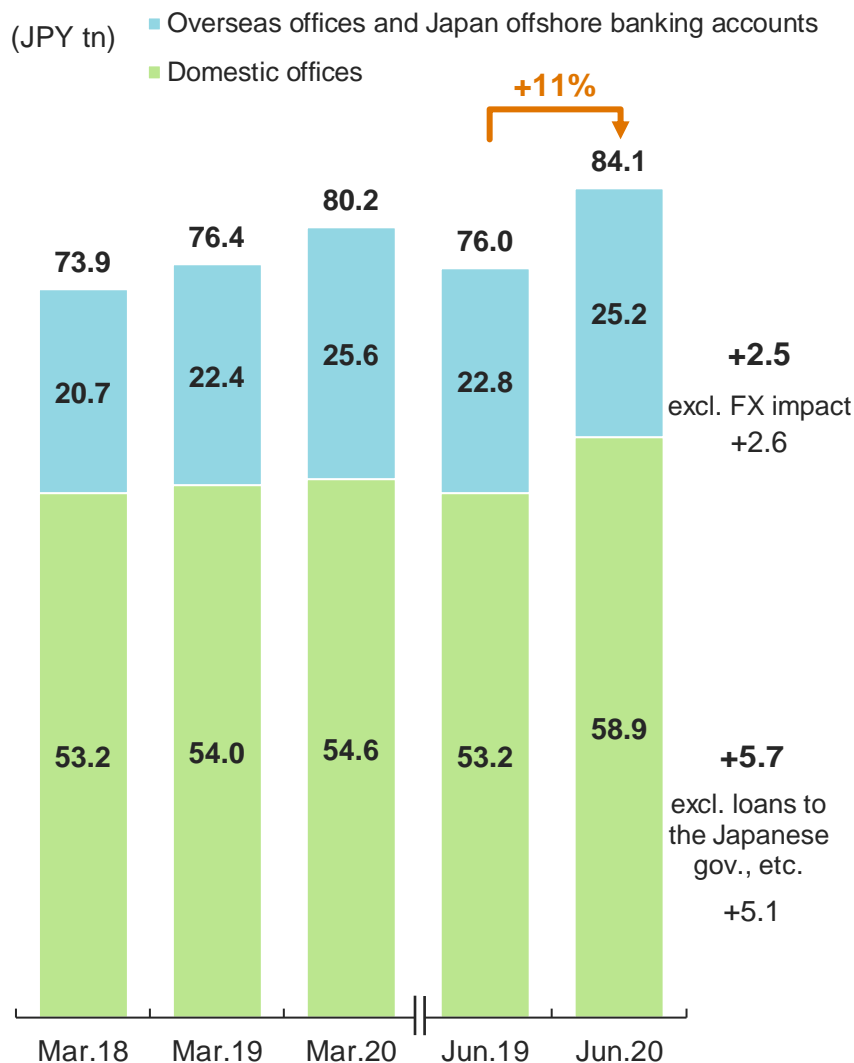
Net trading income + Net other operating income



*1 Excluding gains on cancellation of investment trusts

Loans*1

Loan balance



Domestic loan-to-deposit spread

	FY3/21		FY3/20			
	1Q	YoY	1Q	2Q	3Q	4Q
Interest earned on loans and bills discounted (%)	0.84	(0.08)	0.92	0.90	0.90	0.89
Interest paid on deposits, etc.	0.00	(0.00)	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.84	(0.08)	0.92	0.90	0.90	0.89

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

Interest earned on loans and bills discounted	0.87	(0.07)	0.94	0.93	0.93	0.91
Loan-to-deposit spread	0.87	(0.07)	0.94	0.93	0.93	0.91

Average loan balance and spread*2

	Balance (JPY tn)		Spread (%)	
	1Q FY3/21	YoY*4	1Q FY3/21	YoY
Domestic loans	55.7	+3.5	0.70	(0.05)
Excluding loans to the Japanese government, etc.	52.9	+3.4	0.73	(0.06)
o/w Large corporations	18.4	+2.7	0.51	(0.01)
Mid-sized corporations & SMEs	18.5	+1.0	0.61	(0.03)
Individuals	12.5	(0.6)	1.45	(0.04)
GBU's interest earning assets*3	346.7	+53.1	1.12	+0.00
	USD bn	USD bn		

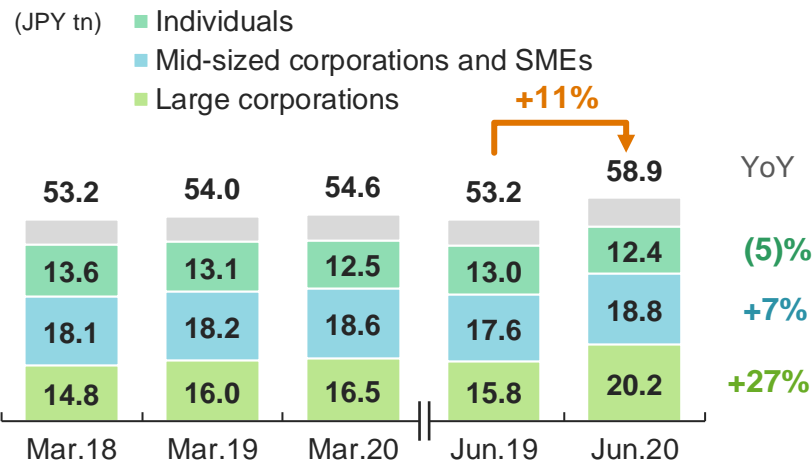
*1 Non-consolidated *2 Managerial accounting basis

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

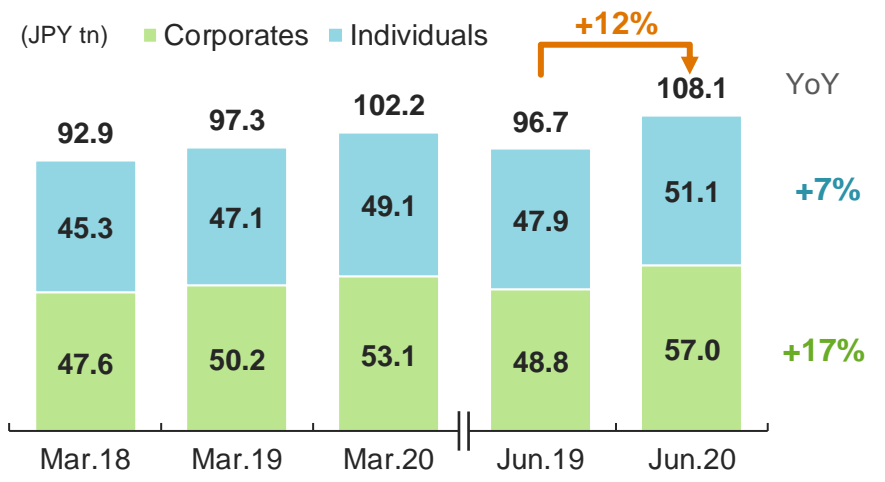
*4 After adjustments for exchange rates, etc.

Domestic loans and deposits*1

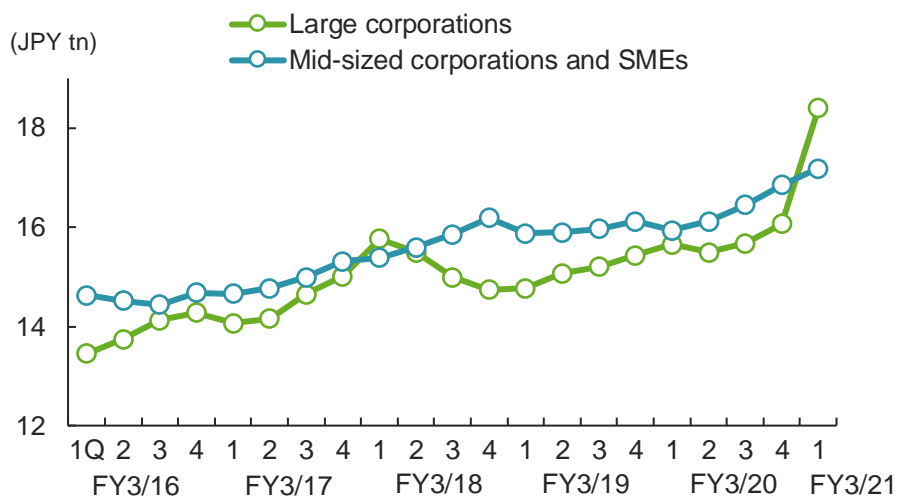
Loan balance*2



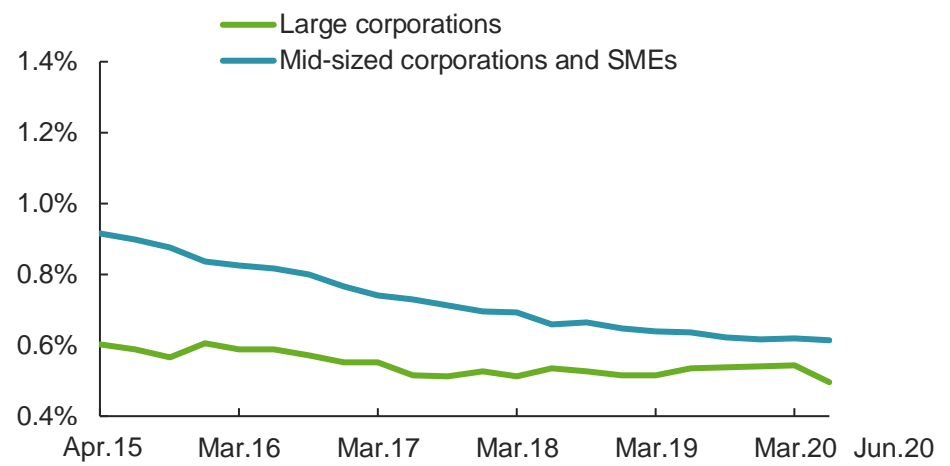
Deposit balance



Loan average balance for corporates*2,3



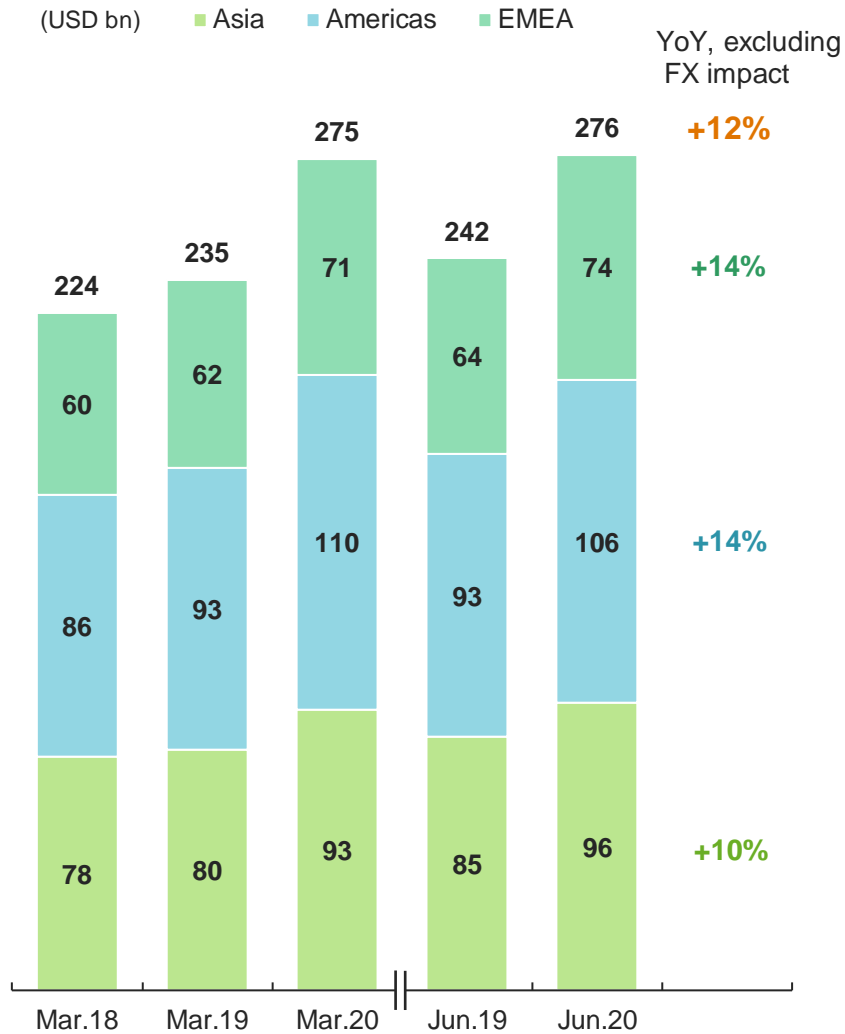
Loan spread for corporates*2,4



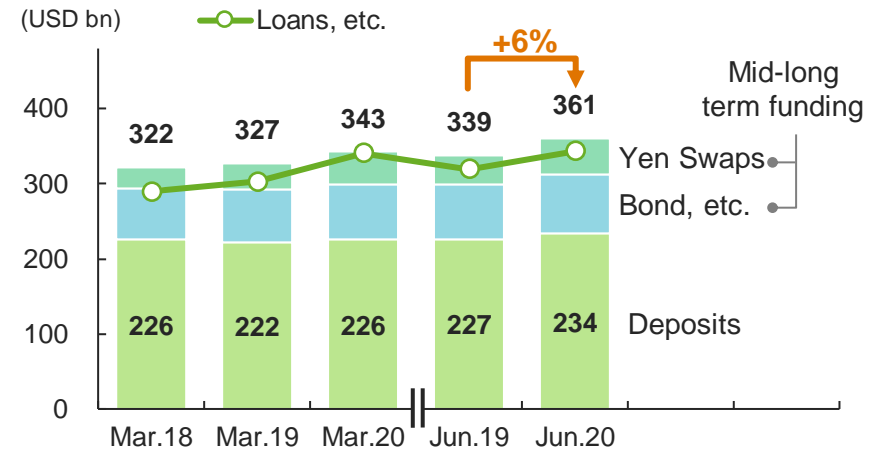
*1 Non-consolidated *2 Managerial accounting basis
 *3 Quarterly average, excluding loans to the Japanese government.
 *4 Loan spread of existing loans, excluding loans to the Japanese government

Overseas loans and deposits*1

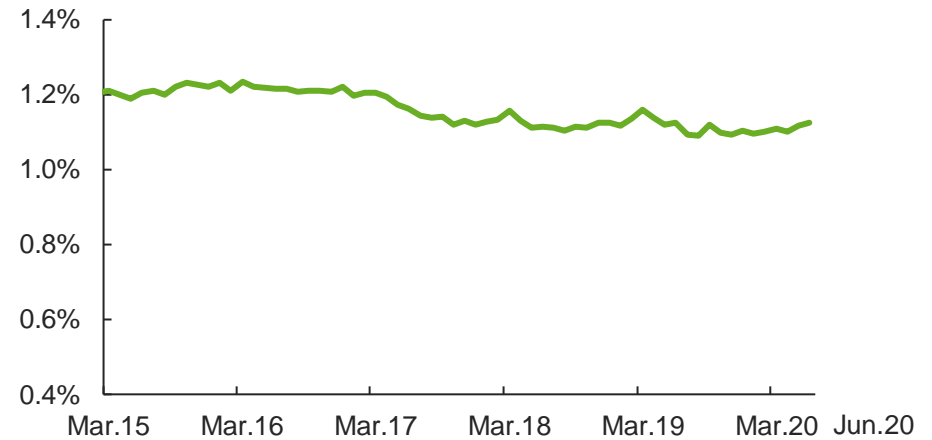
Loan balance



Foreign currency balance



Loan spread*2



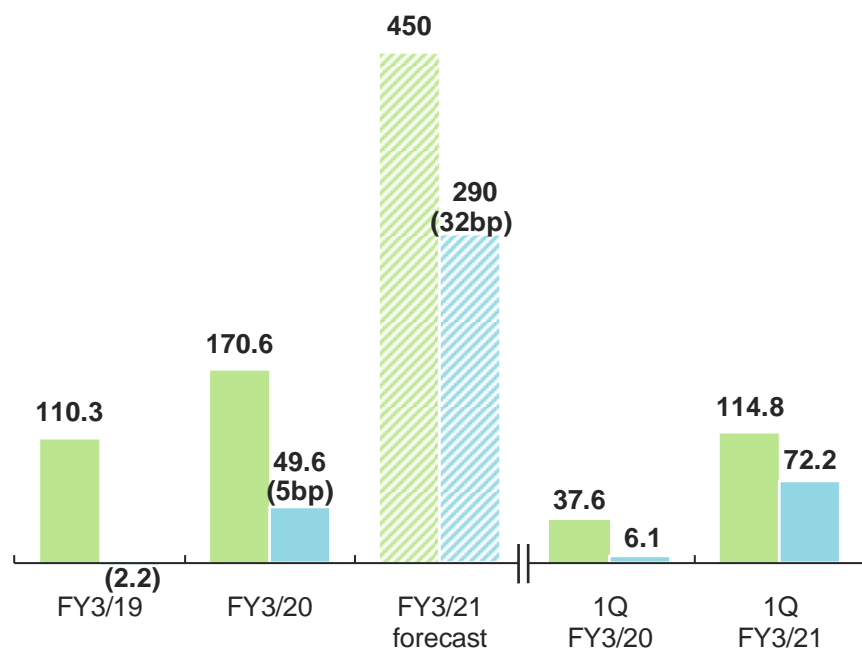
*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries

*2 Monthly average loan spread of existing loans

Asset quality

Credit costs*1

(JPY bn) Consolidated Non-consolidated

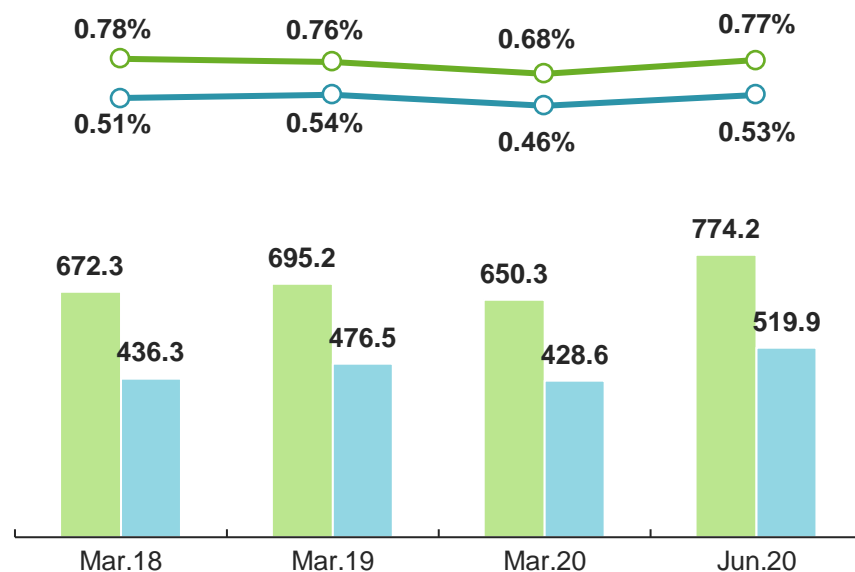


Major group companies

(JPY bn)	1Q FY3/21	YoY
SMBCCF	16	(1)
SMCC	6	(1)

Non-performing loan balance*2

(JPY bn) Consolidated Non-consolidated



Total claims

(JPY tn)

Consolidated	91	96	101
Non-consolidated	89	93	97

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

Non-consolidated	0.8	0.9	1.5
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*1 Total credit cost ratio = Total credit cost / Total claims

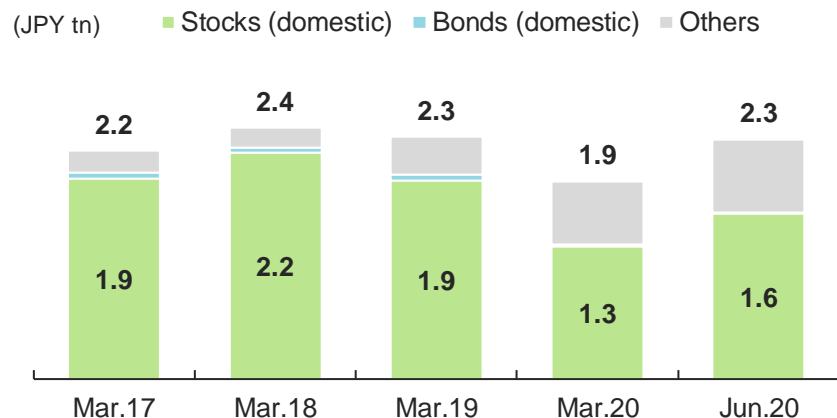
*2 NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

Securities (1)

Breakdown of other securities (consolidated)

	B/S amount		Unrealized gains (losses)	
	(JPY bn) Jun.20	vs Mar.20	Jun.20	vs Mar.20
Total	29,716.6	+3,067.4	2,297.7	+405.3
Stocks (domestic)	3,040.0	+303.2	1,581.9	+312.3
Bonds (domestic)	13,643.4	+3,576.0	17.7	(3.8)
o/w JGBs	10,510.2	+3,422.2	(7.8)	(0.7)
Others	13,033.1	(811.9)	698.1	+96.9
o/w Foreign bonds	10,684.3	(965.2)	215.1	(40.6)

Unrealized gains

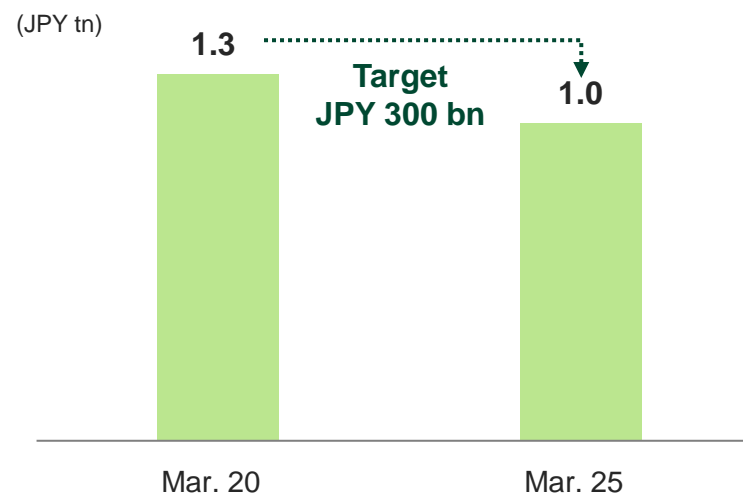


Strategic shareholdings

Progress as of Jun.20	Reduction	JPY 12 bn
	Consent of sales from clients	JPY 58 bn
	Total	JPY 70 bn

Reduction plan

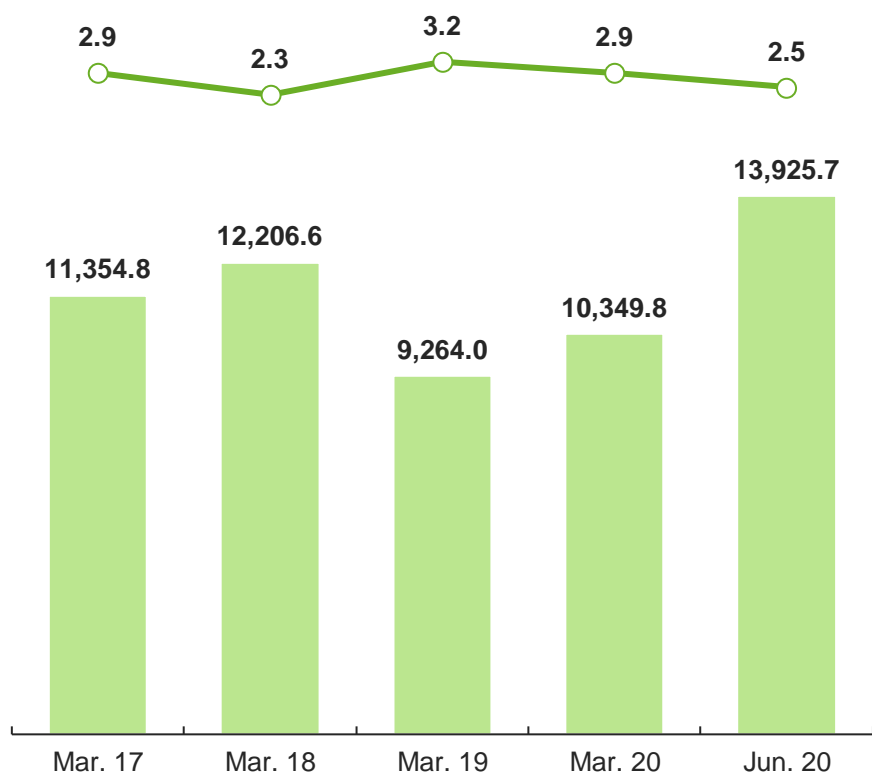
Reduce JPY 300 bn in 5 years (FY3/21-FY3/25)



Securities (2)

Yen-denominated bonds (consolidated)

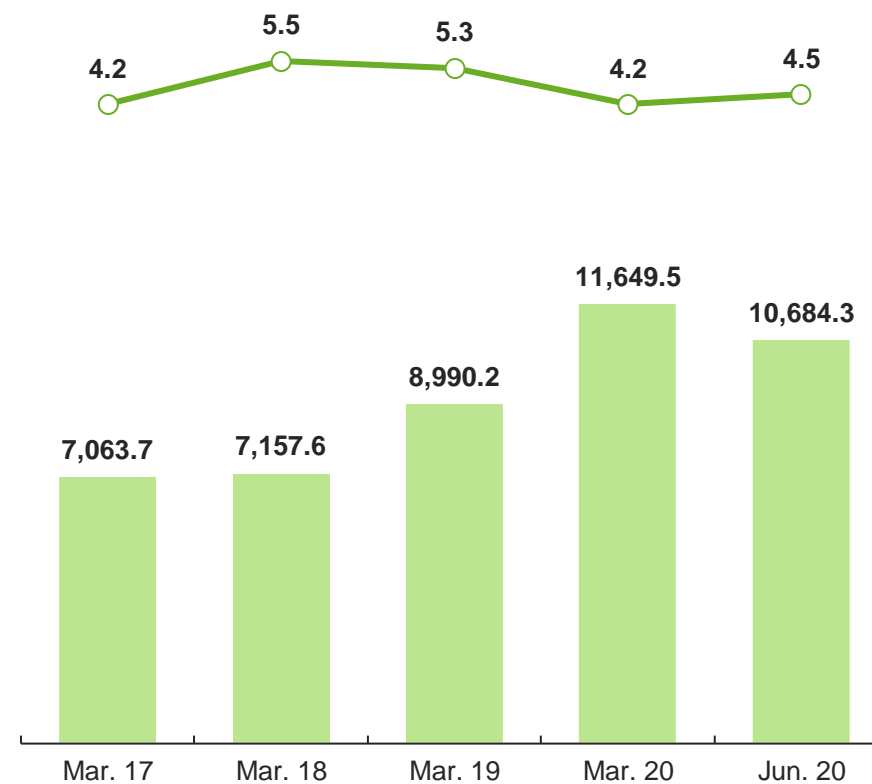
(JPY bn) ■ B/S amount ○ Duration (years) ^{*1}



Unrealized gains(losses)	46.5	61.3	21.7	17.7
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Foreign bonds (consolidated)

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



Unrealized gains(losses)	(159.4)	(28.4)	255.7	215.1
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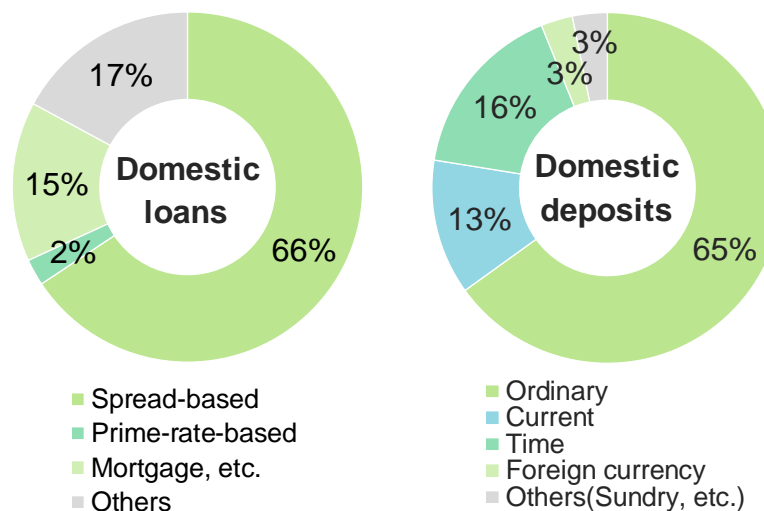
*1 Non-consolidated. Excluding bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds. Duration of 15-year floating rate JGBs is regarded as zero.

Balance sheet

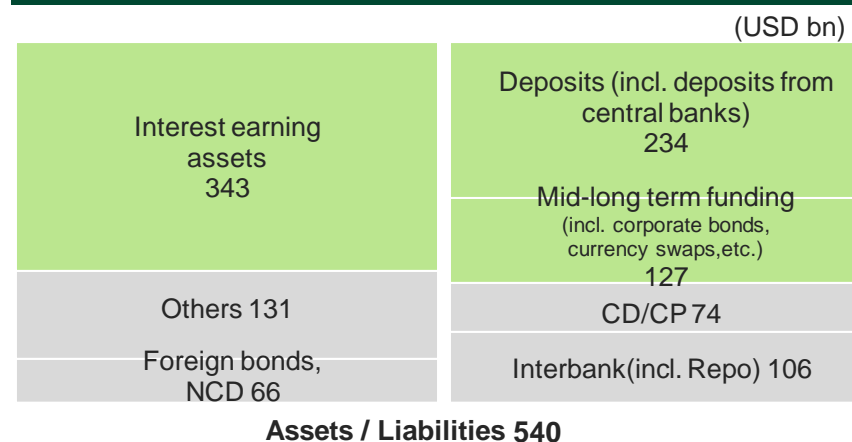
Consolidated

	(JPY tn)	Jun. 20	vs Mar.20
Total assets		226.1	+6.3
o/w Cash and due from banks		63.2	+1.4
o/w BOJ's current account balance ^{*1}		51.5	+2.8
o/w Loans		87.1	+4.6
o/w Domestic loans ^{*1}		58.9	+4.3
o/w Large corporations ^{*2}		20.2	+3.7
o/w Mid-sized corporations & SMEs ^{*2}		18.8	+0.1
o/w Individuals ^{*2}		12.4	(0.1) ^{*3}
o/w Securities		30.1	+2.9
o/w Other securities		29.7	+3.1
o/w Stocks		3.0	+0.3
o/w JGBs		10.5	+3.4
o/w Foreign bonds		10.7	(1.0)
Total liabilities		215.2	+6.1
o/w Deposits		133.6	+6.5
o/w Domestic deposits ^{*1}		108.1	+5.9
o/w Individuals		51.1	+2.1
o/w Corporates		57.0	+3.8
o/w NCD		9.7	(0.5)
Total net assets		11.0	+0.2
Loan to deposit ratio		60.8%	

Composition of loans and deposits^{*2}



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



*1 Non-consolidated *2 Managerial accounting basis *3 After adding back the portion of housing loans securitized.
No origination in 1Q FY3/21 *4 Sum of SMBC and major local subsidiaries

Results by business unit

		(JPY bn)	FY3/20 ^{*1}	1Q FY3/21	YoY ^{*2}
Retail	Gross profit		1,175.5	261.7	(19.0)
	Expenses		934.9	222.0	(8.3)
	<i>Overhead ratio</i>		79.5%	84.8%	+2.8%
	Net business profit		242.6	40.3	(10.6)
Wholesale	Gross profit		598.8	120.4	(10.8)
	Expenses		291.6	70.2	(1.2)
	<i>Overhead ratio</i>		48.7%	58.3%	+3.9%
	Net business profit		360.1	58.6	(11.1)
Global	Gross profit		665.9	168.0	+9.5
	Expenses		362.8	90.5	(1.2)
	<i>Overhead ratio</i>		54.5%	53.9%	(4.0)%
	Net business profit		355.7	82.5	+0.4
Global Markets	Gross profit		437.4	147.8	+10.1
	Expenses		78.8	19.8	+0.4
	<i>Overhead ratio</i>		18.0%	13.4%	(0.7)%
	Net business profit		391.1	137.6	+12.6

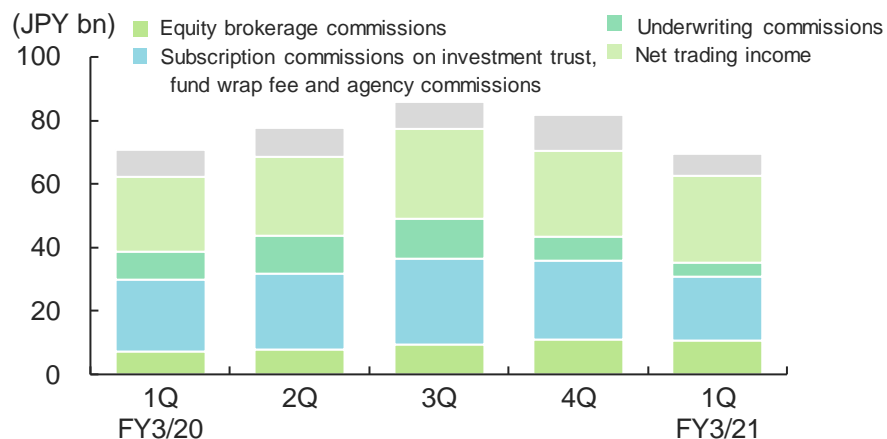
*1 Calculated based on the management system for FY3/21

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

Financial results

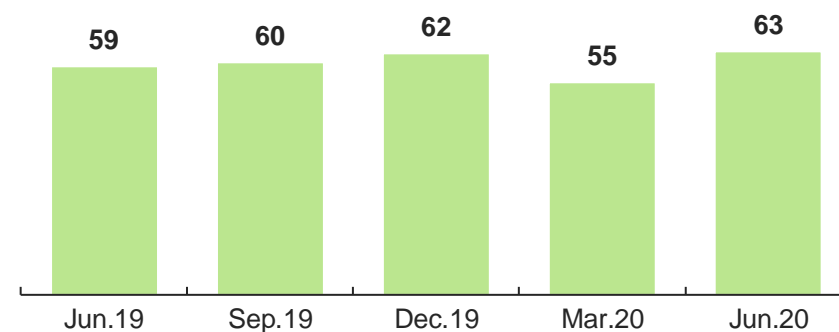
(JPY bn)	FY3/20	1Q FY3/21	YoY
Net operating revenue	316.0	69.4	(1.2)
SG&A expenses	273.0	62.4	(2.9)
Ordinary income	49.8	7.5	+1.1
Net income	39.2	6.4	+1.4

Net operating revenue

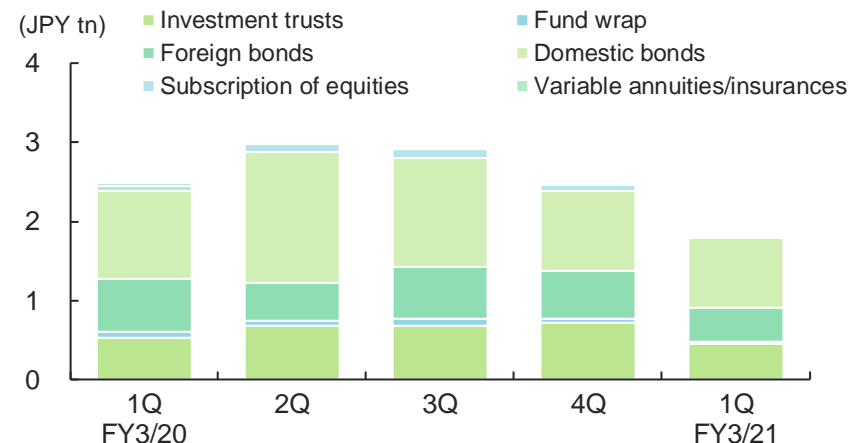


Client assets

(JPY tn)



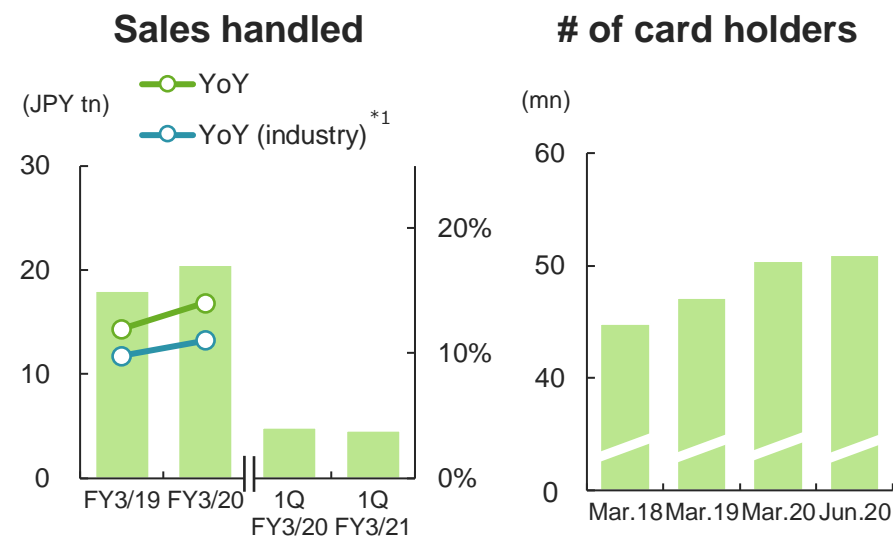
Product sales



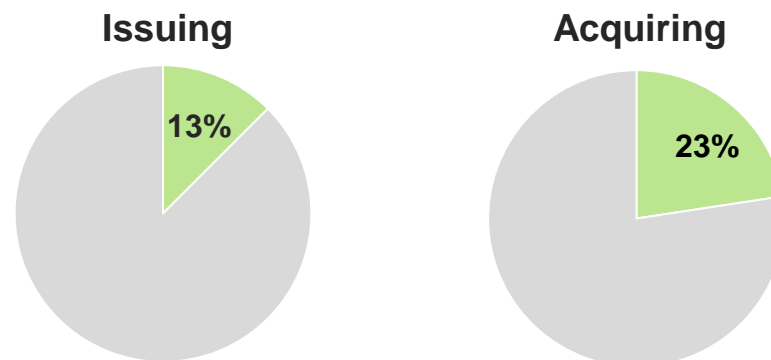
Financial results

(JPY bn)	FY3/20	1Q FY3/21	YoY
Operating revenue	480.8	104.5	(14.2)
o/w Commission fee	153.0	30.8	(6.3)
Finance	109.2	26.7	(0.5)
Sales on credit	35.8	8.2	(0.8)
Receipt agency	46.7	11.7	+0.0
Operating expense	430.3	97.1	(4.3)
o/w Expenses for loan losses	32.3	6.0	(1.5)
Expense for interest repayments	12.0	-	-
Ordinary profit (loss)	50.8	7.5	(9.9)
Net income	38.2	5.2	(7.1)
Finance outstanding	738.3	701.4	

Key figures



Market share^{*2}



*1 The Japan Consumer Credit Association "Credit card behavior investigation" Shopping credit amount

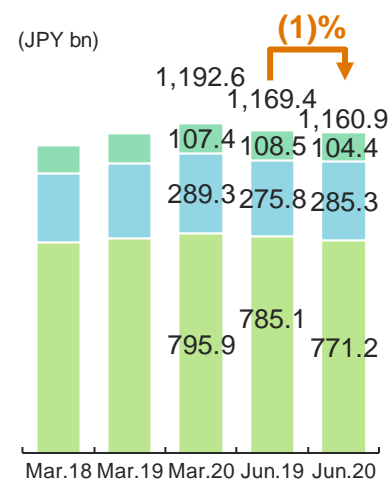
*2 METI "Indices of Tertiary Industry Activity" Sales credit business handled (2019 : JPY 63 tn)

Financial results

(JPY bn)	FY3/20	1Q FY3/21	YoY
Operating income	288.5	69.9	(1.7)
o/w Interest revenues	184.9	46.0	+0.3
Loan guarantee revenues	68.7	15.9	(1.3)
Operating expenses	228.3	45.2	(3.6)
o/w Expenses for loan losses	68.2	18.1	(1.8)
Expense for loan guarantees	15.3	1.0	+1.0
Expenses for interest repayments	27.0	-	-
Ordinary profit	60.5	24.7	+1.9
Net income	90.1	21.1	+0.4
NPLs	78.3	85.7	
(NPL ratio)	6.57%	7.39%	
Allowance on interest repayments (provision)	106.1	100.7	
	3.2 yrs	4.7 yrs	

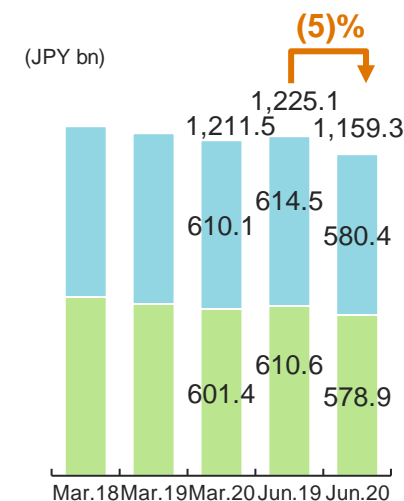
Consumer loans

■ Promise ■ Mobit ■ Promise (overseas)



Loan guarantee

■ SMBC ■ Others



No. of interest refund claims

