



Investors Meeting 1H FY3/2021

November 18, 2020



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Hello everyone. This is Jun Ohta, Group CEO of SMFG.

Thank you very much for your interest in us and your ongoing support.

Six months have passed since we announced our new Medium-Term Management Plan in May when we were in the middle of the state of emergency.

I am proud that SMBC Group has been able to fulfill our social responsibility by providing uninterrupted financial services. We have been supporting our customers suffering from COVID-19, while protecting the health and safety of all of our employees.

However, I have to admit that we could not get the Medium-Term Management Plan off to a strong start.

In order to come back on track as soon as possible, we will expedite the execution of the Medium-Term Management Plan in the latter half of this fiscal year.

However, as I explained in May, I believe that we don't have to revise the framework of the Medium-Term Management Plan because it was originally formulated based on the assumption of a severe business environment for the mid-long term.

On the other hand, the trend of digitalization and cashless payment have been accelerated by COVID-19. Therefore we are willing to implement initiatives in these areas more promptly.

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)

	Sep. 19	Mar. 20	Sep. 20
USD	JPY 107.93	JPY 108.81	JPY 105.78
EUR	JPY 118.01	JPY 119.52	JPY 124.18

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

Agenda

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This is today's agenda.

First, I will summarize the financial results of 1H, FY3/21 and the business impact of COVID-19.

Next, I will talk about the progress of the Medium-Term Management Plan, followed by capital policy and my effort as CEO to boost internal communications.



I. Financial Results and Impact of COVID-19

Income statement

Progress rate of 1H results towards FY3/21 full-year target :

Consolidated net business profit 57%, Profit attributable to owners of parent 68%

	(JPY bn)	1H FY3/21	YoY	FY3/21 target
1 Consolidated gross profit		1,377.4	(5.8)	
2 G&A expenses		836.4	(22.3)	
Overhead ratio		60.7%	(1.4)%	
3 Equity in gains (losses) of affiliates	Progress	10.2	(19.9)	
4 Consolidated net business profit	57%	551.2	(3.4)	970
5 Total credit cost		200.2	+135.8	450
6 Gains (losses) on stocks		36.3	(34.0)	
7 Other income (expenses)		(41.0)	(38.9)	
8 Ordinary profit		346.3	(212.1)	550
9 Extraordinary gains (losses)		(4.4)	(25.0)	
10 Income taxes		71.4	(64.3)	
11 Profit attributable to owners of parent	68%	270.1	(161.8)	400
12 ROE		5.7%	(3.7)%	

- **Consolidated gross profit:** decreased YoY only slightly even under COVID-19, due to a) higher gains on sales of bonds in Global Market Business unit and b) recovery of Retail, Wholesale, and Global Business Units in 2Q.
- **G&A expenses:** decreased YoY by controlling operating cost under COVID-19 and executing key initiatives to reduce base expenses.
- **Equity in gains of affiliates:** decreased YoY mainly due to lower profits at SMBCAC and affiliates in Asia.
- **Total credit cost:** increased YoY due to COVID-19 both in the domestic and overseas businesses.
- **Gains on stocks:** decreased YoY due to lower gains on sales of strategic shareholdings (JPY 35 bn, YoY JPY (24) bn).
- **Other income:** decreased YoY mainly due to the loss from forward dealings which aim to control risk of stocks.
- **Extraordinary gains:** 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).

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This is a brief summary of the 1H results.

Profit attributable to owners of parent achieved 68% of the full-year target.

Net business profit decreased YoY only slightly even under COVID-19, due to higher gains on sales of bonds in the Global Market Business unit and lower G&A expenses.

While credit cost increased YOY both domestically and internationally, it was lower than expected, resulting in a profit attributable to owners of parent of JPY 270.1 billion.

(Ref.) Group companies

SMBC

	(JPY bn)	1H FY3/21	YoY	FY3/21 target
1 Gross banking profit		748.6	+12.8	
2 o/w Net interest income		435.6	(5.6)	
3 o/w Gains (losses) on cancellation of investment trusts		11.6	+1.6	
4 Domestic		271.6	(5.8)	
5 Overseas		164.0	+0.2	
6 o/w Net fees and commissions		144.2	(6.5)	
7 Domestic		68.4	(12.3)	
8 Overseas		75.8	+5.8	
9 o/w Net trading income+ Net other operating income		167.9	+24.9	
10 o/w Gains (losses) on bonds		105.0	+19.2	
11 Expenses		397.9	(4.9)	
12 Banking profit		350.7	+17.7	520
13 Total credit cost		128.6	+120.2	290
14 Gains (losses) on stocks		34.3	(38.8)	
15 Extraordinary gains (losses)		(65.4)	+40.2	
16 Net income		144.4	(49.6)	170

Other major group companies

(left : results of 1H FY3/21 / right : YoY)						
(JPY bn)	SMBC Nikko ^{*1}		SMCC		SMBCCF	
Gross profit	197.2	+27.8	188.4	(20.6)	131.3	(5.7)
Expenses	146.8	(0.7)	152.6	(5.2)	52.1	(3.8)
Net business profit	50.3	+28.5	36.0	(15.4)	79.2	(1.8)
Net income	39.8	+20.8	18.9	(12.7)	43.8	+3.4

(Equity method affiliate)						
	SMBC Trust		SMDAM ^{50%}		SMFL ^{*2} 50%	
Gross profit	18.2	(6.9)	15.9	(2.1)	80.3	(10.6)
Expenses	22.1	(2.2)	16.0	+0.1	41.3	(0.7)
Net business profit	(3.9)	(4.7)	(0.0)	(2.2)	41.2	(10.2)
Net income	(6.0)	(6.7)	(0.6)	(1.6)	12.7	(21.4)

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

* 2 Managerial accounting basis

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Impact of COVID-19 (1) Summary

While impact of COVID-19 in 1H was smaller than our original forecast, the full-year forecast remains unchanged because of the continuing uncertain environment including the resurgence of COVID-19.

	FY3/21 target		Impact of COVID-19			1H FY3/21			
	As of Feb. 20	Announced in May 20	Forecast		Result	Target announced in May 20	vs. forecast Impact of COVID-19	Others	Result
(JPY bn)	A	B	FY3/21	1H FY3/21	1H FY3/21	F	G	H	I
Consolidated net business profit	1,140	970	(170)	(120)	(60)	420	¹ +60	² +70	551.2
Credit cost	190	450	+260	+200	+100	300	³ (100)	-	200.2
Profit attributed to owners of parent	710	400	(310)	(230)	(110)	100	+120	+50	270.1
RWA (JPY tn)	87	92	Cumulative +5		Cumulative +3	¹ Higher loan interest income and profits in the wealth management business, while lower profits at SMCC, SMBCCF, and BTPN			
CET1 ratio Δ of CET 1 ratio	10%	9.5%	9.5% (0.5%)		9.7% (0.3%)	² Higher profits in the Global Market Business Unit			
³ Lower due to worldwide government support and liquidity support from banks									
Overhead ratio	FY3/20 62.8%	1H FY3/21 60.7%	Lower operating cost under COVID-19						

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This slide summarizes the impact of COVID-19 to our financial results.

Column C shows the forecast of the impact of COVID-19 on our full-year result which was announced in May. Then, column D and E show the forecast and the result of the impact of COVID-19 in 1H, respectively.

The negative impact on net business profit in 1H was expected to be JPY 120 bn, out of the JPY 170 bn for the full-year.

The actual negative impact was limited to JPY 60 bn because loan business and wealth management business performed better than expected, while businesses where we have strength were significantly damaged: the credit card business and the consumer finance business.

Those factors increased net business profit from the original target (column F) by JPY 60 bn as shown in column G. Other factors including higher profit in the Global Market business unit also contributed to the increase of net business profit by JPY 70 bn as shown in column H. As a result, net business profit in 1H resulted in JPY 551.2 bn, JPY 130 bn higher than the original target.

Credit cost was expected to increase by JPY 200 bn for the first half and JPY 260 bn for the full-year due to COVID-19. However, thanks to worldwide government support and liquidity support from banks, the actual impact was only JPY 100 bn, JPY 100 bn lower than our original forecast.

Therefore, credit cost in 1H was JPY 200.2 bn, against the forecast of JPY 300 bn.

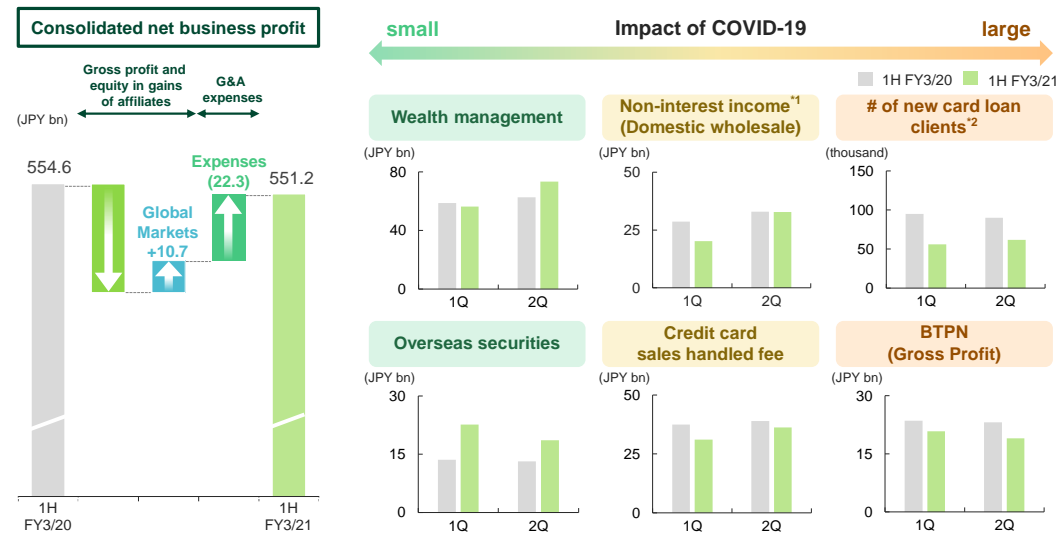
Consequently, the bottom-line profit reached JPY 270.1 bn, much higher than our original target of JPY 100 bn.

Though the figures may not look bad, I am not optimistic with our results.

The full-year forecast remains unchanged because of the continuing uncertain environment including the resurgence of COVID-19 and lower profit expected in the Global Market business unit compared with 1H.

(Ref.) Impact of COVID-19 in Consolidated net business profit

Consolidated net business profit in 1H was almost the same level as last year due to the strong performance of the Global Markets Business Unit and lower G&A expenses.

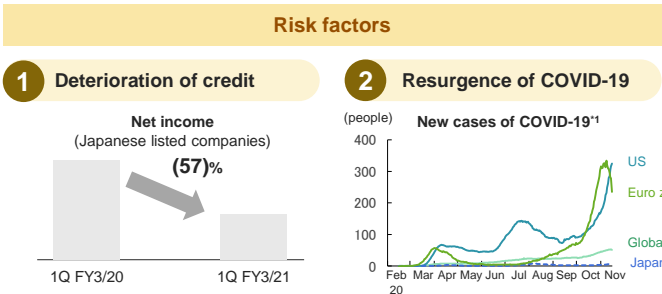
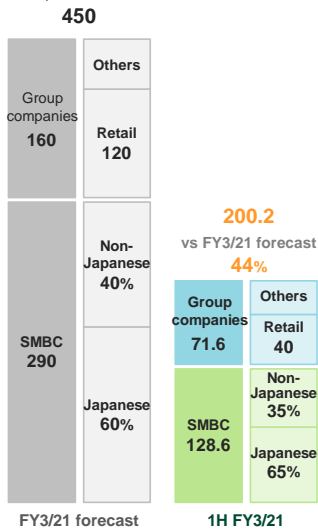


^{*1} Syndicated loans, Structured finance, Real estate finance, and Securities business
^{*2} SMBCCF

Impact of COVID-19 (2) Credit cost

While credit cost in 1H was lower than our original forecast due to worldwide government support and liquidity support from banks, the full-year forecast remains unchanged because of risk factors including the deterioration of credit in 2H and the resurgence of COVID-19.

(JPY bn)



*1 Made by Japan Research Institute using data from Bloomberg (per week / 100 thousand of population)

I will talk a little more about credit cost.

1H results are shown on the left. The breakdown of SMBC vs other group companies, as well as Japanese vs non-Japanese clients, were in line with the original forecast.

In addition, credit cost occurred in sectors, where we originally anticipated it will be coming from.

The reason why credit cost remained at only 44% of the full-year forecast is that Japanese corporates have been accumulating their capital after the Financial Crisis. Also, there were much less defaults than expected thanks to worldwide government support and liquidity support from banks.

On the other hand, the full-year forecast remains unchanged because of risk factors including a) the deterioration of credit in the second half and b) the resurgence of COVID-19, which is now seen in the U.S. and Europe.

(Ref.) Breakdown of credit cost at SMBC

	Japanese	Non-Japanese
Credit Cost JPY 128.6 bn (1H FY3/21)	65%	35%
Ratio of specific sectors	Over 80% <ul style="list-style-type: none">● Automobile● Leisure and hotel● Airline● Restaurants● Oil & Gas	Over 80%
Size of company	Lower than expected from mid-sized and SMEs	Mainly from large corporates

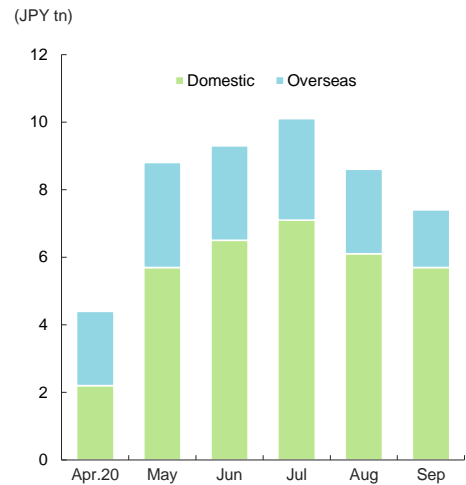
Details of non-Japanese

(JPY tn)	Outstanding	Remarks
Leisure and hotel	0.6	● Credit cost came mainly from leisure companies
Airline	0.9	● Exposure mainly to top-tier airlines with aircraft collateral
Restaurants	0.1	● Credit cost came mainly from LBO (details; "LBO in US and Europe" in below)
Oil & Gas	6.5	● Have avoided upstream and services ● Higher oil price than initial assumption
LBO in US and Europe (USD bn)	8.0	● Control outstanding by closely monitoring market conditions ● Select sectors / add covenants
CLO (USD bn)	Investment 1.2	● Credit ratings; all AAA ● Continue to control outstanding

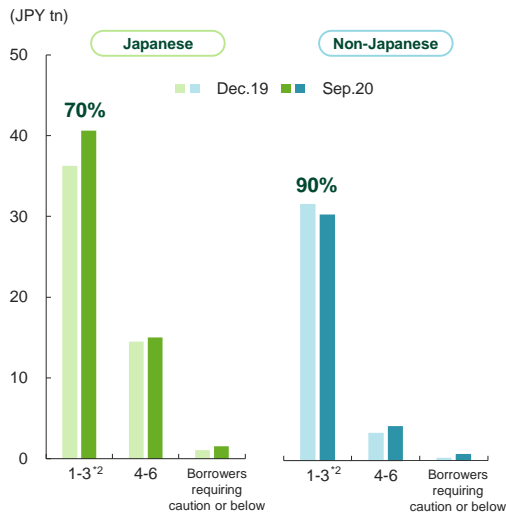
Impact of COVID-19 (3) Credit

COVID-19 related credit increased by proactively supporting our clients until July when clients started making repayments. Healthy portfolio is maintained both in domestic and overseas.

COVID-19 related credit^{*1}



Credit exposure by internal ratings



^{*1} Sum of SMBC and major local subsidiaries

^{*2} Possibility of default is 0.1% and below for Japanese, and 0.8% and below for Non-Japanese

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As shown on the left, COVID-19 related credit increased to JPY 10 tn in July as we proactively supported our clients.

As clients mainly in overseas started making repayments, the outstanding balance has been declining since then and was just over JPY 7 tn at the end of September.

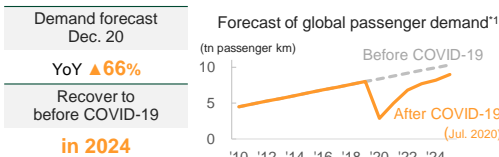
The right hand shows the breakdown of our credit exposure by internal ratings. Healthy portfolio has been maintained both in domestic and overseas even after the COVID-19 related credit was added.

Impact of COVID-19 (4) Aircraft leasing

Credit and asset impairment charges increased due to the pronounced and prolonged impact of COVID-19. Work on initiatives to reduce risk and pursue sustainable growth in the mid to long term.

Business conditions

Lower passenger demand



Bankruptcy of airlines

Mainly in developing countries that lack government support

Early retirement of aircrafts

Mainly in wide body and aged aircrafts.
No aircrafts returned to SMBCAC so far.

SMBCAC (USD mn)	1H FY3/20	1H FY3/21	FY3/20
Lease income	565	571	1,135
Credit / Asset impairment charges	5	125	32
Net income	189	19	334

Response to COVID-19

Strong business model to overcome down cycle

Aircraft portfolio	Wide Body (A350・B787) B737 MAX	Narrow Body Over 80%	Avg. age 4.3 years
Credit monitoring	Industry experience of 5 executives 30 years each		
Liquidity	S&P rating A- No.1 in industry	Undrawn commitment lines USD 5 bn	

Accelerate initiatives to reduce risk and increase profit

Aircraft manufacturer	Postpone delivery of aircrafts on order Boeing 68 etc.	Risk volume
Airlines	Negotiate continuous use of aircrafts	Impairment charges
Healthy airlines	Profitable sales & lease back Double ROA vs before COVID-19	Profit

*1 IATA / Tourism Economics

I will now update the status of our aircraft leasing business.

The impact of COVID-19 on the airline sector has become more severe than in May.

Air traffic demand worldwide decreased YOY by nearly 90% and some airlines went bankrupt mainly in emerging countries.

Recently, airline companies have been gradually recovering mainly from the domestic routes. However, the difficult situation still continues as there was not a strong momentum even during the summer vacation season.

As a consequence, the bottom-line profit of SMBCAC decreased YOY by 90% due to unpaid and reduced leasing fees resulting in an increase of credit and asset impairment charges.

Unfortunately, we expect the severe environment will continue and do not anticipate a dramatic improvement of results in the second half.

However, SMBCAC has been showing its strengths even under this crisis. They have been building a narrow body-typed and younger aircraft portfolio to overcome difficult market conditions such as the one we are currently facing. Thanks to its strong aircraft portfolio, we have yet to receive any aircraft returns from failed airlines.

In addition, some healthy airlines have started sales and lease back of aircrafts in order to secure liquidity. There are some highly profitable transactions due to a reversal in supply and demand.

Though the severe business environment should continue, domestic flights and short-and medium-distance international flights, where many SMBCAC aircrafts are used, are expected to recover more quickly than the overall market.

We will continue to leverage the strengths that we have been cultivating to overcome this crisis and aim for growth in the mid-long term.

(Ref.) 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

- Supporting urgent financial needs

Max. JPY 10 tn

Consumers

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

Corporates

- Extending credit using special funds-supplying operations by BOJ
 - Fund to maintain supply chain : JPY 600 bn
 - Fund to respond to COVID-19 impact : JPY 400 bn
- 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
- Utilize working from home
- Prevent infection within offices and branches
- Providing medical and mental healthcare support

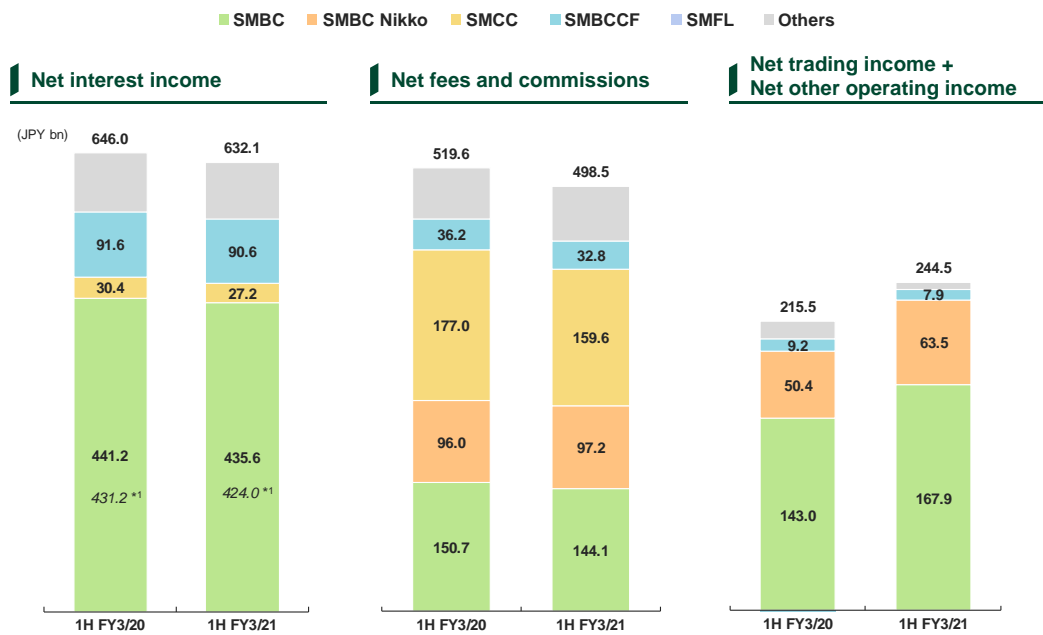


Communities

- JPY 1.5 bn donation to COVID-19 relief efforts including medical, education, and culture art.
- SMBC at Home
 - Donations through online-banking



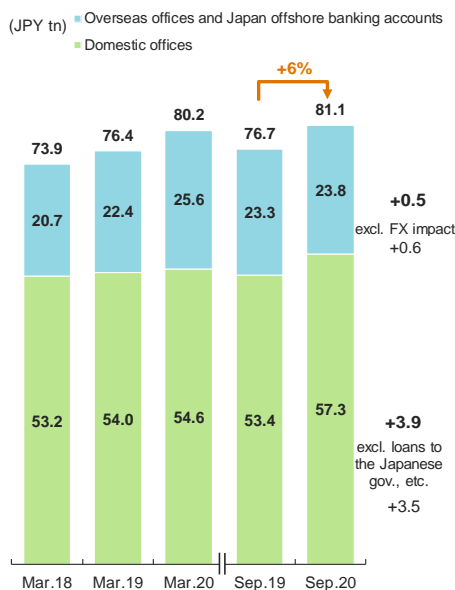
Consolidated gross profit



*1 Excluding gains on cancellation of investment trusts

Loans*¹

Loan balance



*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 loan-to-deposit spread

	1H FY3/21	YoY	1Q	2Q
(%)				
Interest earned on loans and bills discounted	0.83	(0.08)	0.84	0.82
Interest paid on deposits, etc.	0.00	(0.00)	0.00	0.00
Loan-to-deposit spread	0.83	(0.08)	0.84	0.82
(Ref.) Excludes loans to the Japanese government, etc.				
Interest earned on loans and bills discounted	0.86	(0.08)	0.87	0.85
Loan-to-deposit spread	0.86	(0.08)	0.87	0.85

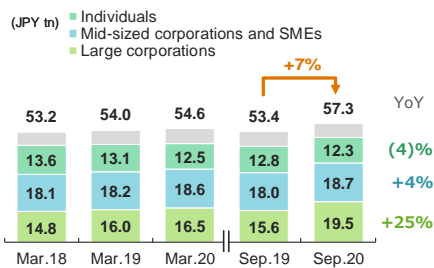
Average loan balance and spread*²

	Balance (JPY tn)		Spread (%)	
	1H FY3/21	YoY* ⁴	1H FY3/21	YoY
Domestic loans	56.6	+4.4	0.70	(0.04)
Excluding loans to the Japanese government, etc.	53.6	+4.1	0.73	(0.04)
o/w Large corporations	19.2	+3.4	0.50	(0.03)
Mid-sized corporations & SMEs	18.6	+1.2	0.60	(0.03)
Individuals	12.4	(0.6)	1.44	(0.03)
GBU's interest earning assets* ³	341.9	+39.4	1.15	+0.04
	USD bn	USD bn		

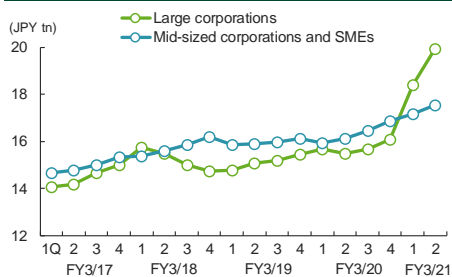
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Domestic loans and deposits*1

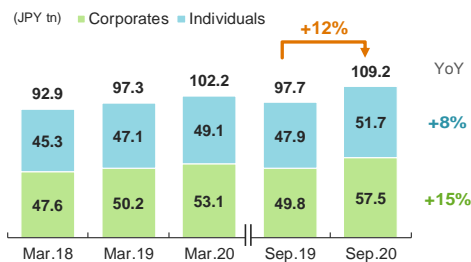
Loan balance*2



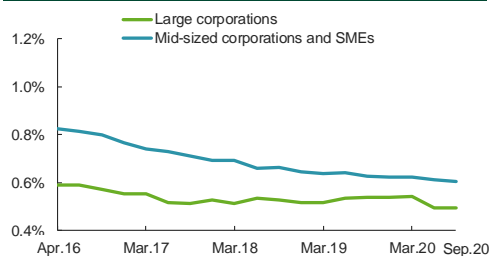
Loan average balance for corporates*2,3



Deposit balance



Loan spread for corporates*2,4



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

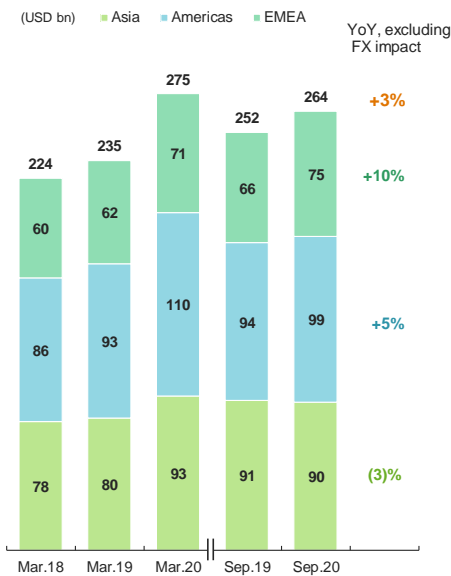
Figures for SMEs are the outstanding balance of Corporate banking division

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

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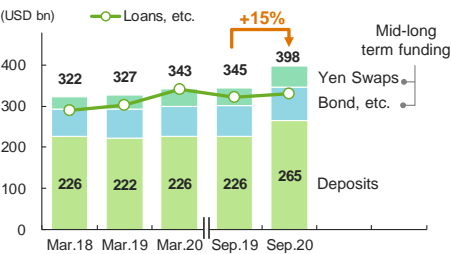
Overseas loans and deposits*1

Loan balance

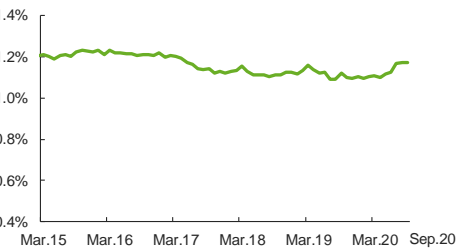


*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries
*2 Monthly average loan spread of existing loans

Foreign currency balance



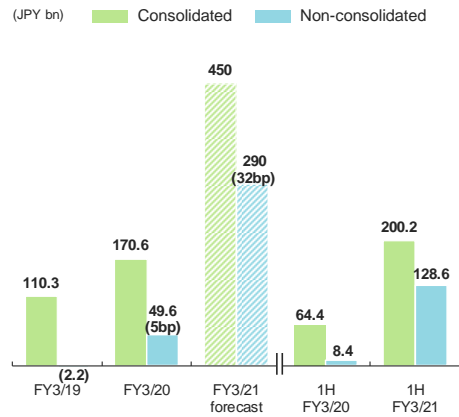
Loan spread*2



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Asset quality

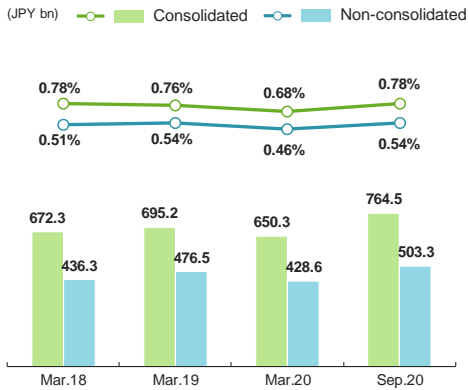
Credit costs^{*1}



Major group companies

(JPY bn)	1H FY3/21	YoY
SMBCCF	27	(7)
SMCC	11	(4)

Non-performing loan balance^{*2}



Total claims

	(JPY tn)		
Consolidated	91	96	98
Non-consolidated	89	93	94

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

Non-consolidated	0.8	0.9	1.7
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^{*1} Total credit cost ratio = Total credit cost / Total claims

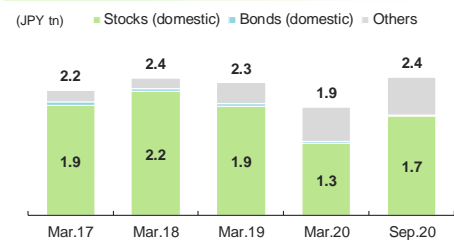
^{*2} NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

Securities (1)

Breakdown of other securities (consolidated)

	B/S amount		Unrealized gains (losses)	
	Sep.20	vs Mar.20	Sep.20	vs Mar.20
(JPY bn)				
Total	29,063.3	+2,414.1	2,425.4	+533.1
Stocks (domestic)	3,182.2	+445.4	1,742.0	+472.4
Bonds (domestic)	13,447.9	+3,380.5	23.6	+2.1
o/w JGBs	10,289.3	+3,201.4	(4.7)	+2.4
Others	12,433.2	(1,411.8)	659.8	+58.6
o/w Foreign bonds	10,191.9	(1,457.7)	169.4	(86.3)

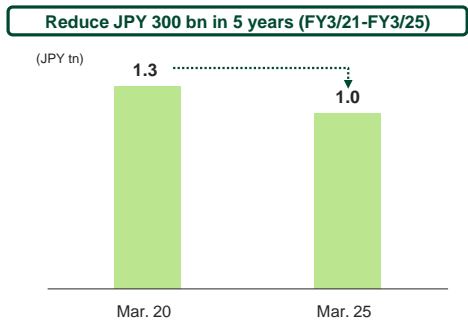
Unrealized gains



Strategic shareholdings

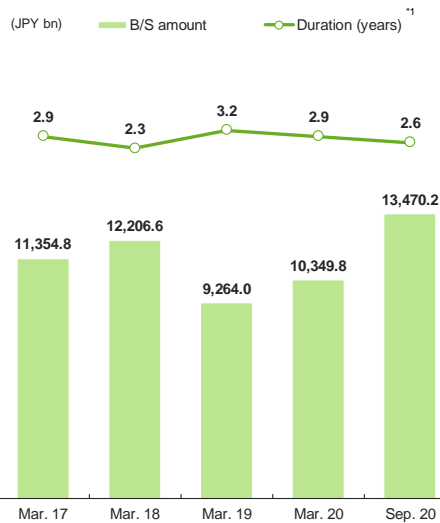
Progress as of Sep.20	Reduction	JPY 31 bn
	Consent of sales from clients	JPY 45 bn
	Total	JPY 76 bn

Reduction plan



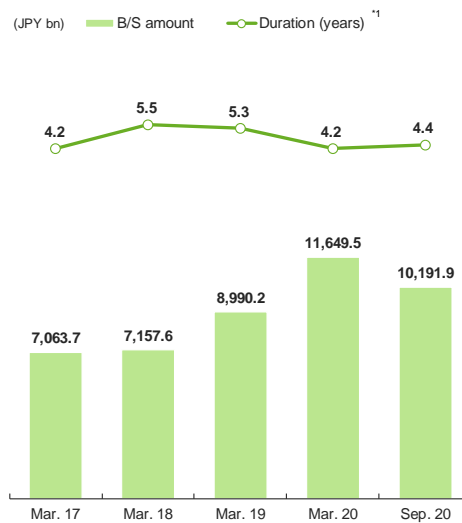
Securities (2)

Yen-denominated bonds (consolidated)



Unrealized gains(losses)	46.5	61.3	21.7	23.6
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Foreign bonds (consolidated)



Unrealized gains(losses)	(159.4)	(28.4)	255.7	169.4
--------------------------	---------	--------	-------	-------

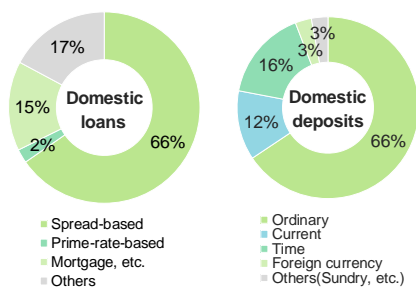
*1 Non-consolidated. Excluding bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds. Duration of 15-year floating rate JGBs is regarded as zero.

Balance sheet

Consolidated

	(JPY tn)	Sep. 20	vs Mar. 20
Total assets		225.8	+5.9
o/w Cash and due from banks		68.5	+6.7
o/w BOJ's current account balance ^{*1}		56.6	+7.9
o/w Loans		84.5	+2.0
o/w Domestic loans ^{*1}		57.3	+2.7
o/w Large corporations ^{*2}		19.5	+3.0
o/w Mid-sized corporations & SMEs ^{*2}		18.7	+0.1
o/w Individuals ^{*2}		12.3	(0.2) ^{*3}
o/w Securities		29.2	+2.1
o/w Other securities		29.1	+2.4
o/w Stocks		3.2	+0.4
o/w JGBs		10.3	+3.2
o/w Foreign bonds		10.2	(1.5)
Total liabilities		214.5	+5.4
o/w Deposits		137.9	+10.9
o/w Domestic deposits ^{*1}		109.2	+7.0
o/w Individuals		51.7	+2.6
o/w Corporates		57.5	+4.4
o/w NCD		10.2	+0.1
Total net assets		11.3	+0.5
Loan to deposit ratio		57.0%	

Composition of loans and deposits^{*2}



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

(USD bn)	
Interest earning assets	330
Others	157
Foreign bonds, NCD	66
Deposits (incl. deposits from central banks)	265
Mid-long term funding (incl. corporate bonds, currency swaps, etc.)	133
CD/CP	77
Interbank (incl. Repo)	80
Assets / Liabilities	555

^{*1} Non-consolidated ^{*2} Managerial accounting basis ^{*3} After adding back the portion of housing loans securitized in 1H FY3/21 of JPY50.9bn ^{*4} Sum of SMBC and major local subsidiaries

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Capital / RWA

	Sep. 20	Requirement ^{*1}		(JPY bn)	Mar. 20	Sep. 20
Capital ratio			Total capital		11,552.0	12,028.0
Total capital ratio	19.28%	11.5%	Tier1 capital		10,249.9	10,763.8
CET1 ratio (Basel III fully-loaded basis)	16.02%	8%	o/w CET1 capital		9,581.3	9,994.2
excl. OCI	13.2%	-	Tier2 capital		1,302.1	1,264.2
CET1 ratio (Post-Basel III reforms)	11.3%	8%	External TLAC		18,162.0	18,868.2
excl. OCI	9.7%	-	Risk-weighted assets		61,599.1	62,379.2
External TLAC ratio			Leverage exposure		237,488.7	183,938.7
RWA basis	26.72%	16%				
Leverage exposure basis	10.25%	6%				
Leverage ratio	5.85%	3%				
LCR (Average 2Q FY3/21)	136.0%	100%				

*1 Excludes countercyclical buffer

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Financial targets by business unit (1)

	ROCE1**			Net Business Profit (JPY bn)			RWA (JPY tn)		
	1H 3/21	YoY ²	FY3/23 Target ³	1H 3/21	YoY ²	FY3/23 Target ³	1H 3/21	YoY ²	FY3/21-22 ³
Retail	9.6%	+0.4%	12%	106.6	(7.3)	305.0	12.1	(0.7)	+0.4
Wholesale	3.7%	(7.3)%	9%	160.4	(9.0)	405.0	32.9	+3.4	+1.1
Global	5.9%	(2.9)%	9%	174.6	+4.1	430.0	33.9	+1.4	+2.5
Global Markets	24.0%	+2.7%	17%	234.8	+11.6	365.0	4.6	(0.7)	+1.7

*1 Excludes the med-long-term funding costs and the interest-rate risk associated to banking account for global markets

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

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

Financial targets by business unit (2)

Retail

	(JPY bn)	1H FY3/21	YoY ^{*1}
Gross profit		548.7	(23.4)
Income on loans and deposits ^{*2}		62.0	(4.8)
Wealth management business		129.7	+8.5
Payment business		188.4	(21.5)
Consumer finance business		147.9	(6.0)
Expenses		443.3	(15.8)
Base expenses		365.1	(5.4)
Net business profit		106.6	(7.3)
ROCET ^{*3}		9.6%	+0.4%
RWA (JPY tn)		12.1	(0.7)

Wholesale

	(JPY bn)	1H FY3/21	YoY ^{*1}
Gross profit		282.5	(14.5)
Income on loans and deposits		104.5	+7.2
FX and money transfer fees		57.3	(4.4)
SMBC Loan syndication		21.5	+6.1
Structured finance		4.3	(9.4)
Real estate finance		3.2	(1.5)
Securities business		24.0	(3.7)
Expenses		146.6	(2.8)
Base expenses		146.0	(3.4)
Net business profit		160.4	(9.0)
ROCET ^{*4}		3.7%	(7.3)%
RWA (JPY tn)		32.9	+3.4

*1 After adjustments of the changes of interest rates and exchange rates *2 Excludes consumer finance

*3 Excludes impact from the provision for losses on interest repayments *4 Excludes med-long-term funding costs

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Financial targets by business unit (3)

Global

	(JPY bn)	1H FY3/21	YoY ¹
Gross profit		343.4	+19.8
Income on loans and deposits		141.0	+5.7
Loan related fees		60.9	+8.3
Securities business		41.3	+14.5
Expenses		177.7	(0.8)
Base expenses		173.5	(3.0)
Net business profit		174.6	+4.1
ROCE1 ²		5.9%	(2.9)%
RWA (JPY tn)		33.9	+1.4

Global Markets

	(JPY bn)	1H FY3/21	YoY ¹
Gross profit		257.9	+10.7
SMBC's Treasury Unit		194.0	(0.4)
Expenses		40.2	+0.9
Base expenses		39.1	+0.6
Net business profit		234.8	+11.6
ROCE1 ³		24.0%	+2.7%
RWA (JPY tn)		4.6	(0.7)

*1 After adjustments of the changes of interest rates and exchange rates *2 Excludes med-long-term funding costs
 *3 Includes interest-rate risk associated to banking account for global markets



II. Transformation & Growth

I will now talk about the main initiatives of the Medium-Term Management Plan.

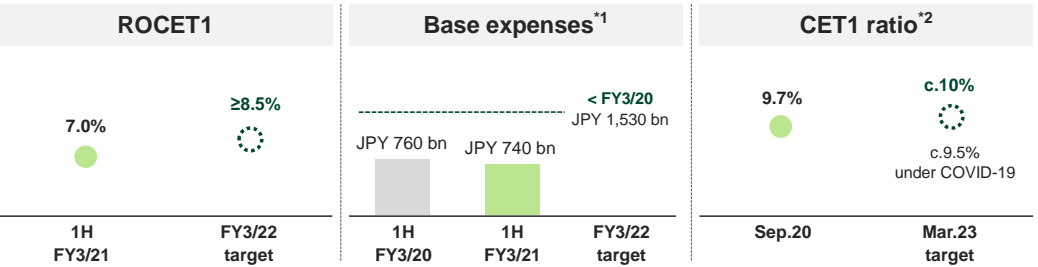
Progress of the Medium-Term Management Plan

Medium-Term Management Plan (FY3/21-3/23)

Core policy

Transformation Transform existing businesses	Growth Seek new growth opportunities	Quality Elevate quality in all aspects
--	--	--

Financial targets



*1 G&A expenses excluding cost related to investment for future growth, revenue-linked variable cost and others
*2 Post-Basel III reforms basis, excludes OCI

The slide shows our progress of the financial targets.

ROCET1 of this fiscal year is expected to be lower than the target as we expect a significant reduction of bottom-line profit because of COVID-19.

On the other hand, base expenses decreased YoY in 1H by controlling operating cost under COVID-19 and executing key initiatives to reduce cost.

CET1 ratio was 9.7% at the end of Sep.20, which is within the targeted range. We will continue to manage our CET1 ratio at ±0.5% centered on 9.5%, while the impact of COVID-19 remains.

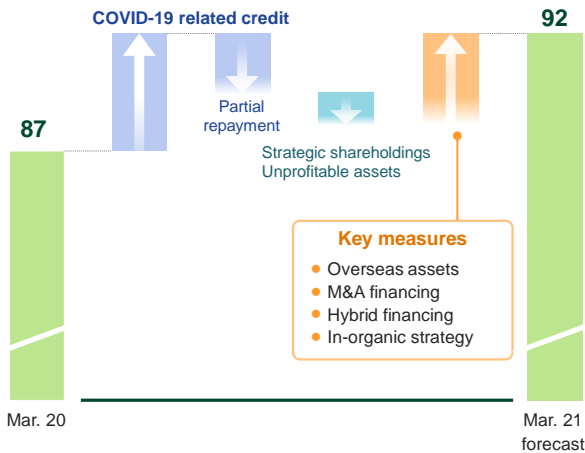
Progress of the Medium-Term Management Plan

(1) Use of capital

Increase top-line revenues and pursue future growth by allocating capital to key measures.

RWA

(JPY tn)



In-organic strategy

Sell-out

Fully sell down shares of Kansai regional banks FY3/20-3/21

Acquisition

Assets that promptly raise ROCET1

AM	AIM	Oct. 20
	Alternative Investment Capital	Nov. 20

Investments for the future

Digital	OakNorth	Oct. 20
Securities	SBI Neo Mobile / Money Plaza	FY3/21

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The core policy of our business strategy in the Medium-Term Management Plan is "Transformation & Growth."

We will improve efficiency by transforming existing businesses and allocate sufficient capital into growth areas.

The left-hand side shows the image of RWA during this fiscal year.

Though RWA was expected to temporarily increase by JPY 5 tn as a result of increase in COVID-19 related credit, some clients started making repayments.

We will allocate JPY 5 tn of RWA into growth areas in order to increase top-line profit and seek for future growth, as we planned in the Medium-Term Management Plan.

Of course, we will also continue our efforts to reduce strategic shareholdings and unprofitable assets.

As for inorganic strategy, while fully selling down shares of Kansai regional banks, we are investing in assets that promptly raise ROCET1 or assets that contribute to our future growth.

Progress of the Medium-Term Management Plan

(2) Solution provider

Provide solutions for various issues or needs of our clients following the changes of market conditions.

Strengthen solutions in wholesale business

Business restructuring and revitalization

Business restructuring

- Dissolution of parent-subsidary listings
- Industry consolidation

Capital financing

Hybrid financing, etc.

Corporate revitalization (Equity)

Established Business revitalization subsidiary
 SMBC CAPITAL PARTNERS

HR solution

Matching seconded needs

Surplus of manpower

Shortage of manpower

Leisure, foods

Medical, IT

Recruitment consulting

 SMBC HUMAN CAREER

Established in Apr.20

Enhance overseas CIB business

One-stop solution through bank-securities collaboration

Cross-border M&A finance

Mandated as financial advisor for a large notable transaction

Project finance

Mandated as lead arranger for both loan and bond facilities for a U.S. gas pipeline transaction

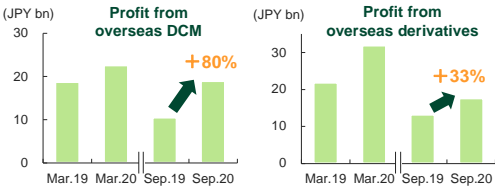
Promote cross-selling

DCM

Cross-sold to COVID-19 financing clients

Derivatives

Bond issuance and loan related transactions



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I will now talk about our initiatives of the Medium-Term Management Plan in line with the three keywords to realize our mid-long term vision.

The first keyword is "solution provider."

In the domestic wholesale business as shown on the left, we have been strengthening our solutions for business restructuring and revitalization: supporting dissolution of parent-subsidary listings and industry consolidation, hybrid financing and corporate revitalization in order to help clients increase capital.

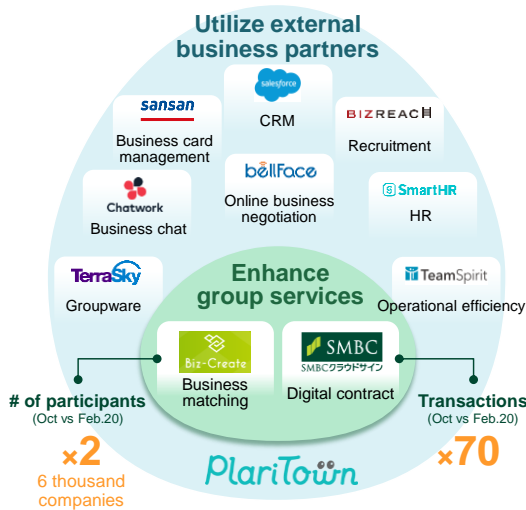
We will also enhance our non-financial solution capability including HR solution as shown on the bottom-left.

On the other hand, we are enhancing our overseas CIB business. We were mandated as financial advisor for a large notable cross-border M&A transaction, which would have been taken by our global competitors in the past. We are also promoting cross-selling DCM and derivatives to COVID-19 financing clients in response to the growing demand for bond issuance in the U.S.

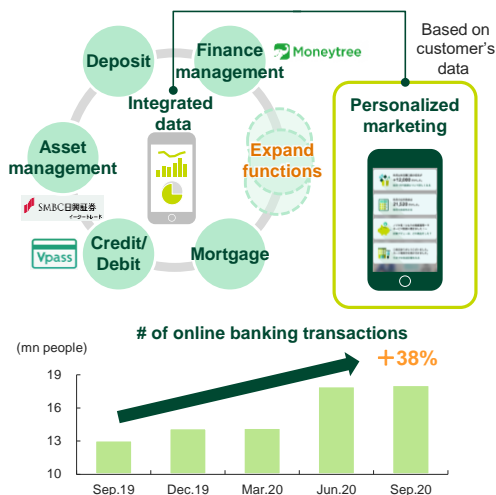
Progress of the Medium-Term Management Plan
(3) Building platforms

Build platforms and attract customers by taking advantage of growing digital and online needs

Support digitalization of SMEs



SMBC app platform for retail customers



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The second keyword is "platformer."

We launched Plari Town in August, a platform which supports digitalization of SMEs. On the other hand, the SMBC app platform shown on the right has been upgraded to provide individual customers with integrated financial services.

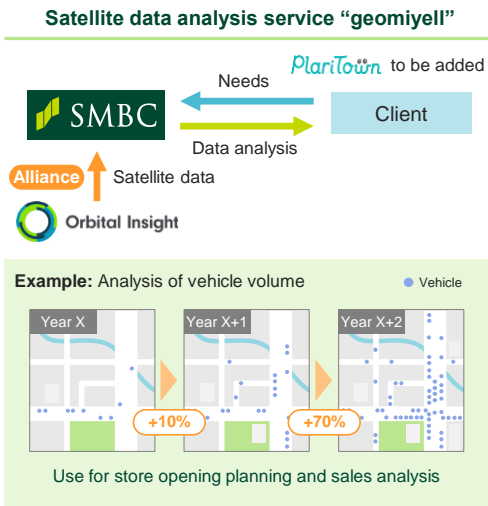
Both platforms have been significantly increasing their user base due to stronger demand for digitalization and online transactions because of COVID-19.

We will take advantage of this trend to further accelerate our initiatives to build our business model of becoming a "platformer" that would lead to increasing fee income and upgrading our marketing capabilities.

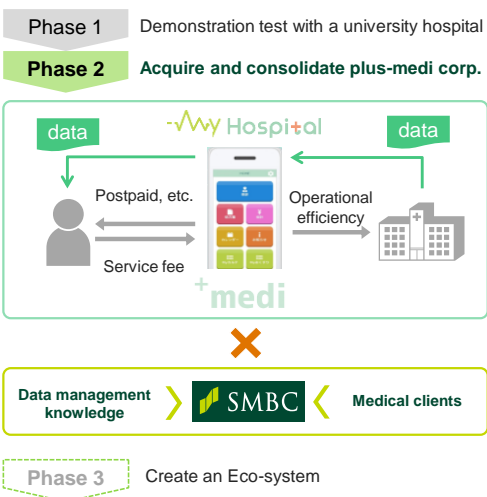
Progress of the Medium-Term Management Plan
(4) Data oriented

Establish new businesses by utilizing advanced technology and collaborating with external partners.

AI related services



Personal data trust bank



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The third and last keyword is "data-oriented."

We launched a satellite data analysis service as shown on the left. We will continue to utilize AI to expand high-value-added services.

In terms of personal data trust bank shown on the right, we acquired and consolidated plus medi corps, which provides medical data managing service via smartphone app, after conducting demonstration tests with a university hospital.

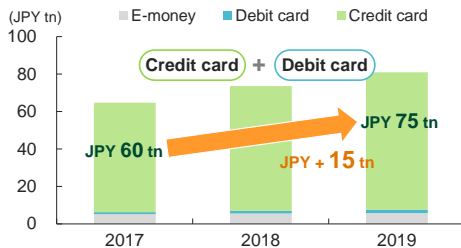
We will continue our efforts to create an Eco-system of personal data trust bank.

Progress of the Medium-Term Management Plan

(5) Cashless / Digital

Cashless payment strategy

Credit card leads cashless payment in Japan^{*1}



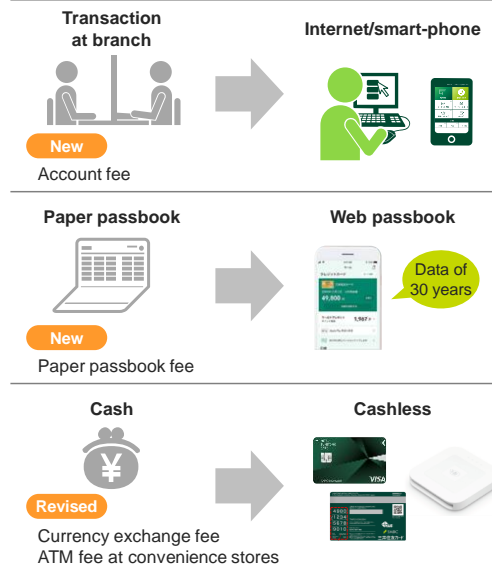
Next-generation payment platform

stera

Introduced in various industries



Promote a shift to online and cashless



^{*1} Source: BOJ, The Japan Consumer Credit Association and Cabinet Office

Next, I will talk about cashless payment, which has further been accelerated by COVID-19.

The graph on the top-left shows that credit card leads the cashless payment market in Japan. We do not expect this major trend to change, while electronic money including QR-code becomes popular only for small settlements.

Therefore, SMCC will continue to take an initiative to promote cashless payment business of SMBC Group.

Since we released “stera”, a next-generation payment platform, various companies have been introducing stera terminals as shown on the bottom-left.

We will continue to contribute to the expansion of the cashless payment market in Japan and try to increase our market share as well.

As shown on the right, we have revised our account fee structure to promote a shift to online transactions and cashless payments.

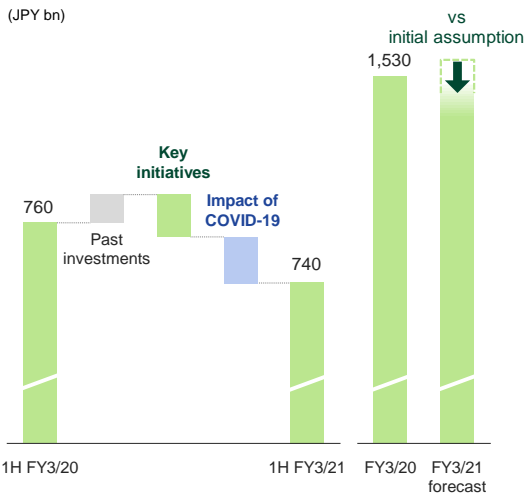
We will further improve our services so that digital / cashless services become more attractive to our customers.

Progress of the Medium-Term Management Plan

(6) Cost / IT investment

Base expenses decreased YoY by controlling operating cost under COVID-19 and executing key initiatives. Accelerate digital transformation by utilizing CEO budget in IT investment.

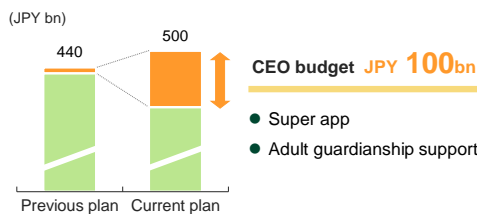
Base expenses^{*1}



Key initiatives of cost reduction

	Target (JPY bn)
Reform of domestic businesses	50
Retail branch reorganization	25
Integration of group operations	25
	100

IT investment



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

The last part of "Transformation & Growth" is cost control.

Base expenses were originally expected to increase in the first year of the Medium-Term Management Plan. However, in the 1H, base expenses decreased YOY by JPY 20 bn mainly because business activities were very slow due to COVID-19.

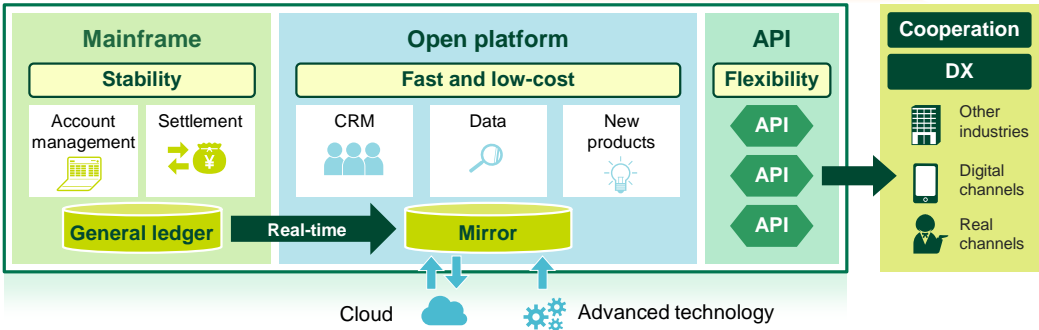
While COVID-19 has slowed the execution of some major initiatives shown on the right, we will accelerate our efforts to get back on track in order to achieve the three year target of JPY 100 bn reduction.

Development of next-generation core banking system

Started development of next-generation core banking system that supports digital transformation.

1994	2002	2021-25
4th online development	System integration	Next-generation core banking system JPY 50 bn
<ul style="list-style-type: none">• 24-hour online system• Compartmentalization	<ul style="list-style-type: none">• Between former Sakura and Sumitomo bank	<ul style="list-style-type: none">• Non-stop online service• 24-hour global settlement• CRM system on a group basis• Real time analysis

Renewal to a stable and flexible architecture that can respond quickly to environmental changes



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I will now briefly talk about the development of next-generation core banking system announced this month.

On the top-half, you can see the history of our core banking system.

In 1994, prior to the merger, Sumitomo Bank implemented the first “4th online development” in Japan, which enabled 24-hour online processing.

In 2002, we completed integrating the core banking systems of the former Sakura Bank and Sumitomo Bank, immediately after the merger of the two banks to create SMBC. Since then, there have been no major system troubles and we have been upgrading our system in order to maintain our business even under earthquakes and other disasters. I am very proud of our core banking system, which has strengths in stability and security.

Now, we have begun development of the next-generation accounting system in order to further improve our services for customer and promoting digitization of business processes.

A new system will enable us to provide non-stop online service via internet banking and ATM services at convenience stores, which currently stops every Sunday night. Global settlement will also be possible 24 hours.

The total investment is expected to be JPY 50 bn. On the day of the announcement, I heard some analysts had concerns because the investment amount was very small. However, as having been continuously upgrading our core banking system, we already have the base system. That is why we can complete the development at a very low cost.

We will continue to solidify our position as a global solution provider by building a stable and flexible system that can respond quickly to environmental changes including digital transformation.



III. Quality

Next, I will talk about Quality, focusing on ESG initiatives.

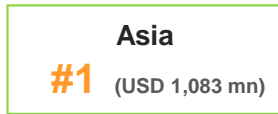
ESG (1) Promoting sustainable business

Green finance

KPI JPY 10 tn by 2030

Green loans

- League table in 1H FY3/21 (Green Loans) *1



- Received the highest rating from an external assessment institution on our first SDGs green loan

ESG Finance Award

- SMBC Nikko received a silver prize of ESG Finance Award for supporting green bond issuance

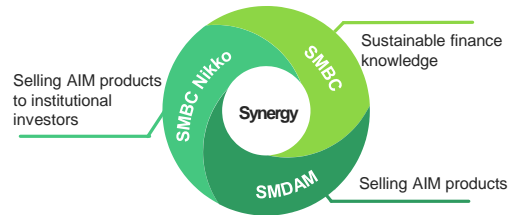


*1 Source: Dealogic

Investment to ESG fund



- Specialized in impact investment
- AuM USD 650 mn



GREENxGLOBE Partners

- Established in July 2020 with 20 supporting companies
- Held a seminar at an online event where 16K companies joined



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First, I will talk about sustainable business.

Our green finance business has been increasing its presence; SMBC was ranked as No.1 in green loans in Asia and SMBC Nikko won a silver prize of the ESG Finance Award for supporting green bond issuance.

We also invested in an ESG fund specialized in impact investment in order to strengthen and diversify our sustainable business.

As shown on the bottom-right, GREEN × GLOBE Partners was established in July 2020.

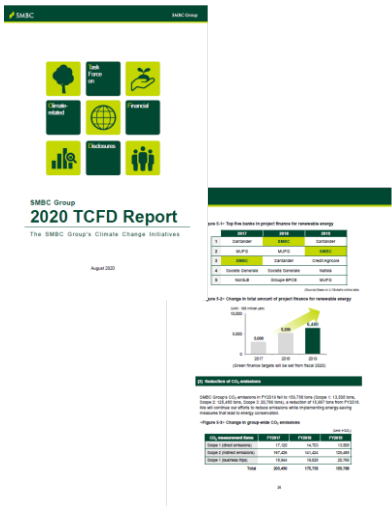
This is a community to work together on solving environmental and social issues. We invite our SME clients to this community, who are interested in ESG initiatives but don't know where to start from.

We held a seminar at an online event in which 16K companies joined. The theme was "partnership changes a way to solve environmental and social issues."

ESG (2) Response to climate change impact

TCFD Report

- Issued first TCFD Report (Aug. 20)



Upgrade initiatives

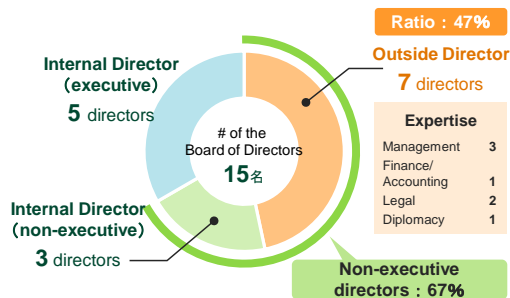
Item	Status of Initiatives
Governance 	<ul style="list-style-type: none">• Established the Group Environmental Policy• Included climate change in management strategies through the Corporate Sustainability Committee
Strategy 	<ul style="list-style-type: none">• Conducted scenario analysis regarding physical risks and transition risks• Taking a proactive approach towards green finance
Risk Management 	<ul style="list-style-type: none">• Defined climate-related risk as Top Risks• Disclosed policies on sectors with high climate change impacts
Metrics and Targets 	<ul style="list-style-type: none">• Loan outstanding of coal-fired thermal power generation to be reduced to zero by FY2040• CO2 emissions volumes of SMBC to be reduced by 30% from FY2018 by FY2029

We published our first TCFD Report in August.

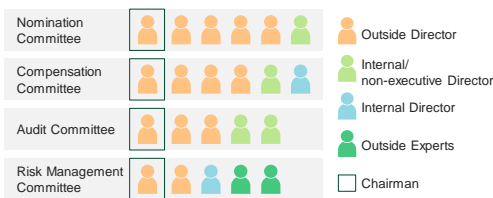
We have been actively pursuing a variety of initiatives, including performing climate change scenario analyses and setting a target to reduce outstanding loans for coal-fired thermal power generation to zero. However, we still have a long way to go to reach our goal. We will continue to sophisticate our initiatives, taking into account impacts on our stakeholders.

ESG (3) Governance

Board of Directors



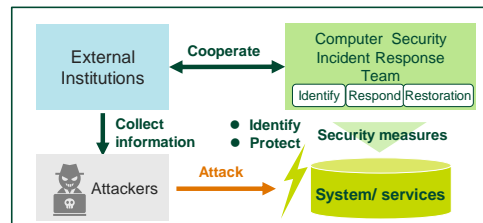
Internal Committee



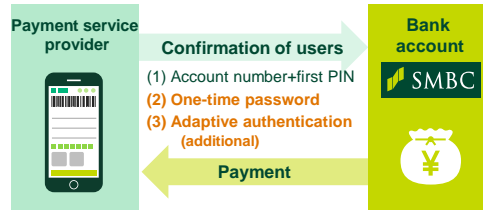
IT security governance

Cyber risk as one of our Top Risks

Declaration of Cyber Security Management



Strengthen security for cashless payment services



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I will now talk about IT security governance.

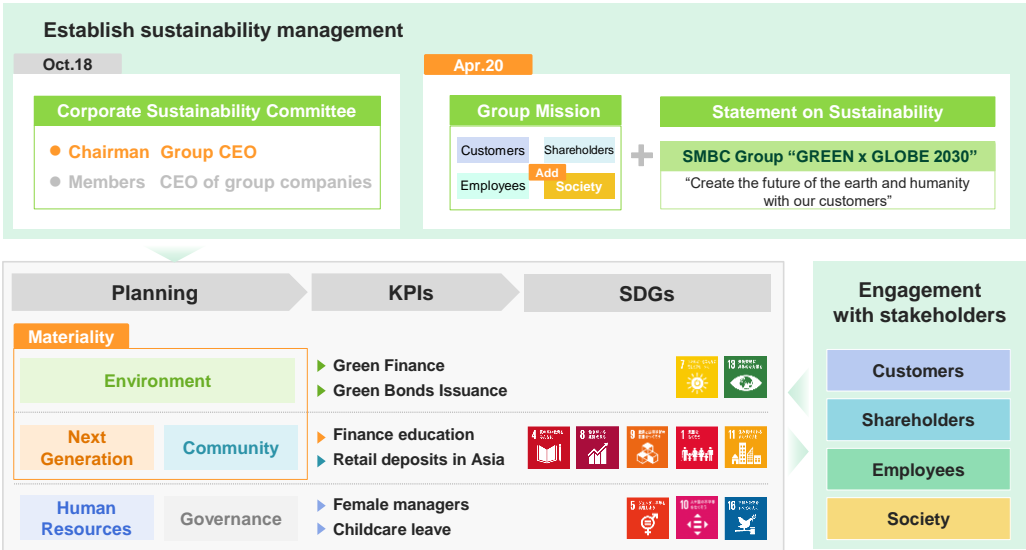
SMBC Group has been strengthening cyber security measures by defining cyber risk as one of its top-risks and establishing a Declaration of Cyber Security Management.

Recently in Japan, there were many cases of fraud of improper money withdrawals from bank accounts linked to payment services of third parties. In SMBC, we require one-time password and adaptive authentication, as well as account numbers and PINs. This triple user confirmation prevents identity theft.

Nevertheless, cyber-attacks are becoming even more serious and complex. We will continuously enhance our security governance by properly allocating management resources.

Acceleration of sustainability management

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



(Ref.) ESG indices and initiatives

Selected ESG indices

GPIF selected



2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



Endorsed initiatives

WE SUPPORT



PRINCIPLES FOR
RESPONSIBLE
BANKING

We
Support



Signatory of:



(Ref.) External awards



2020 Award for Excellence
in Corporate Disclosure
— Industries —
SAAJ The Securities Analysts
Association of Japan



2020 Award for Excellence
in Corporate Disclosure
— Disclosure to Individual Investors —
SAAJ The Securities Analysts
Association of Japan



(SMBC)



(SMBC Nikko)



2020
健康経営優良法人
Health and productivity

NIKKEI
Smart Work
★★★★ 2021



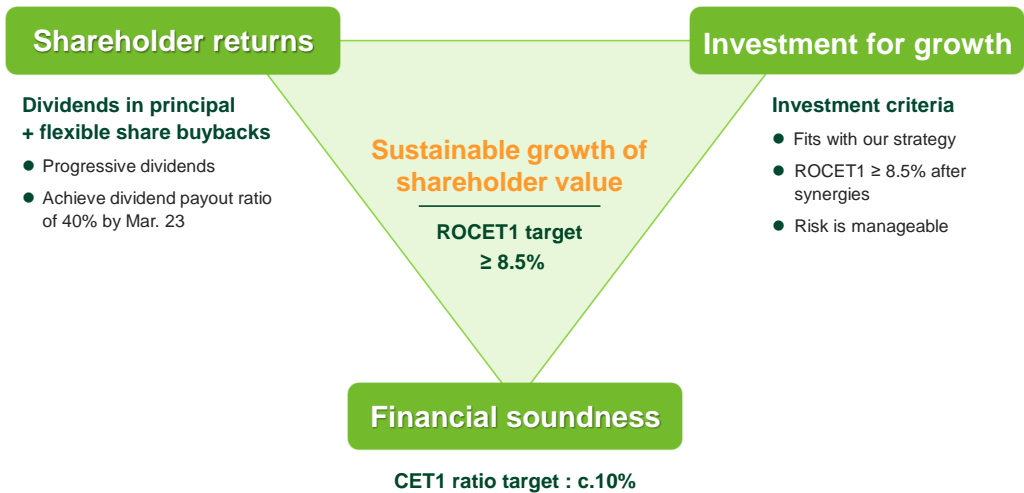


IV. Capital Policy

Next, I will talk about our capital policy.

Basic Capital Policy

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



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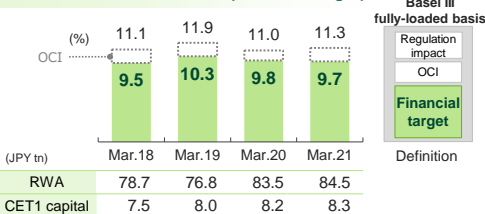
Our basic capital policy remains unchanged; we will achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.

Capital position

Continue to manage CET1 ratio at c.9.5% while we prioritize supporting customers impacted by COVID-19

CET1 ratio

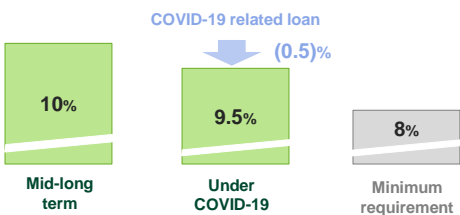
Post-Basel III excl. OCI (financial target)



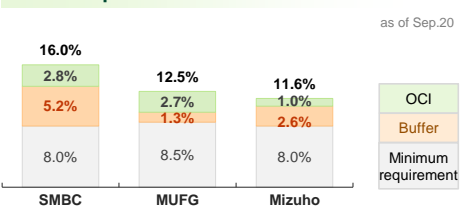
Basel III fully-loaded basis



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 mentioned earlier, we will manage our CET1 ratio at around 9.5% while the impact of COVID-19 remains.

The ratio was 9.7% at the end of Sep.20, which is within the targeted range.

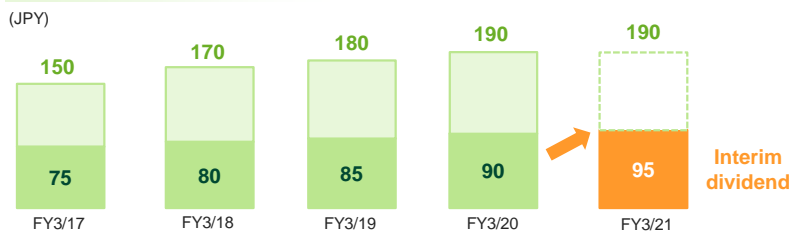
Shareholder returns

Based on the progressive dividend policy, interim dividend of JPY 95 will be paid as announced in May. No share buybacks since it will take more time to assess the impact of COVID-19 and also to allocate capital to top-line growth.

	FY3/20	FY3/21 target	YoY
DPS	190	190	±0
Dividend payout ratio	37%	65%	+28%
Share buybacks	May 19 100 bn	—	—
Total payout ratio	51%	—	—
Net income	703.9 bn	400 bn	(303.9) bn

Interim dividend
JPY 95

Dividend per share



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Here I would like to talk about shareholder returns.

For share buybacks, we decided not to announce buybacks at this time.

Speaking personally, I would like to conduct buybacks, as our stock price remains at a very low level.

However, the ultimate impact of COVID-19 is still uncertain. That is why financial institutions in the U.S. and Europe are still not allowed to proceed with share buybacks. There is a high possibility that credit cost would increase in 2H, because it was much lower than expected in 1H. COVID-19 related credit may increase again as COVID-19 re-expands in the winter. In addition, we would like to allocate capital to achieve our financial targets of the Medium-Term Management Plan by increasing top-line profit and to seek for future growth.

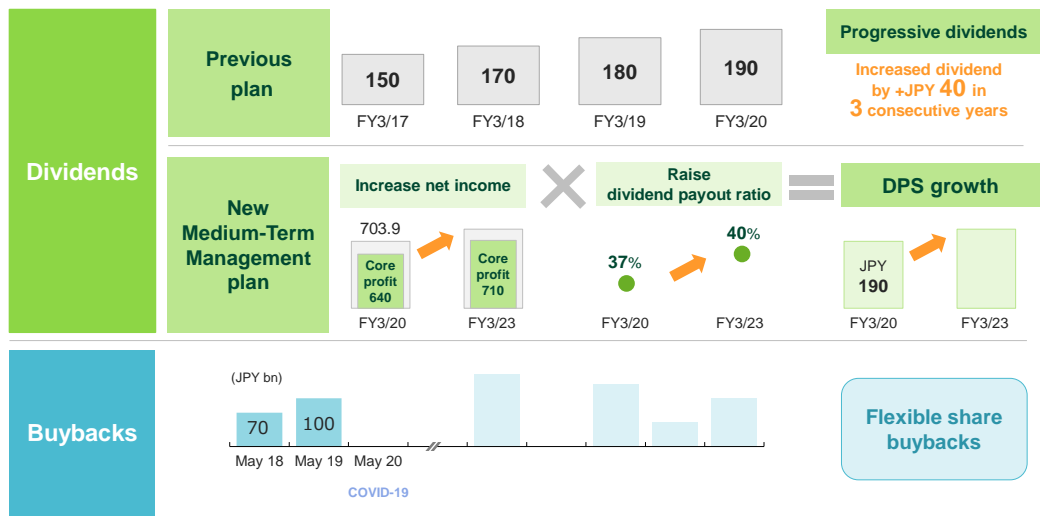
Of course, there is no change in our policy of strengthening shareholder returns.

For FY3/21, we will maintain the FY3/20 level of ¥190 per share despite a significant reduction in the forecast of net income. We will pay an interim dividend of ¥95 per share as promised.

Dividends will continue to be our principle approach and we will progressively increase dividends.

(Ref.) Enhancing shareholder returns

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



Buybacks

(JPY bn)

70

100

May 18

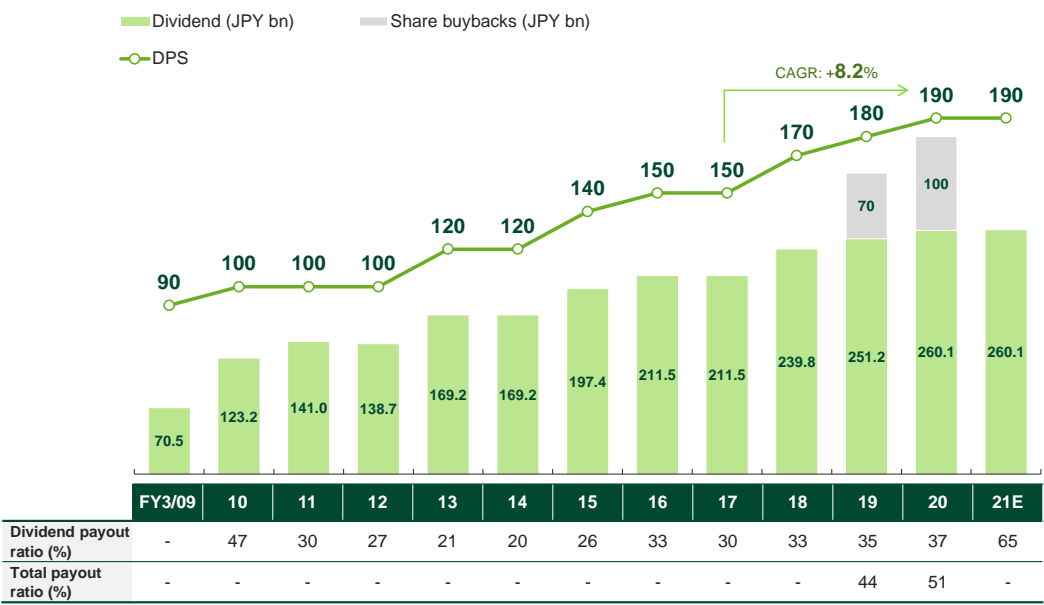
May 19

May 20

COVID-19

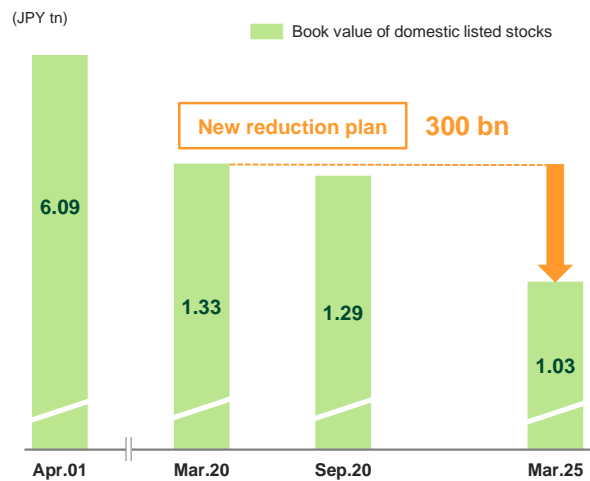
Flexible share buybacks

(Ref.) Shareholder returns



Strategic shareholdings

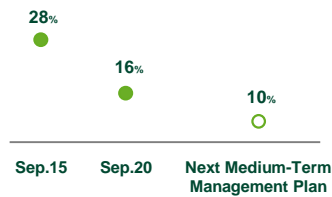
New plan to reduce JPY 300 bn in the next 5 years. Reduced JPY 31 bn in 1H.



Reduction

Previous reduction plan (Sep.15 - Sep. 20)	JPY 510 bn
New reduction plan (Mar.20 -)	
Reduction	JPY 31 bn
Consent of sales	JPY 45 bn
Total	JPY 76 bn

Ratio of stocks to CET1^{*1}



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

This slide shows our efforts to reduce strategic shareholdings.

In May, we announced our new reduction plan of JPY 300 bn over five years from April 20.

Even though negotiations with our clients were difficult during the state of emergency, we were able to reduce JPY 31 bn of strategic shareholdings in 1H, which was in line with our plan.

We will make every effort to achieve our target.



V. Boost internal communication

Finally, I would like to talk about my effort to boost internal communications.

Boost internal communication

Encourage group-wide open communication to create a corporate culture in which new ideas and challenges occur one after another.

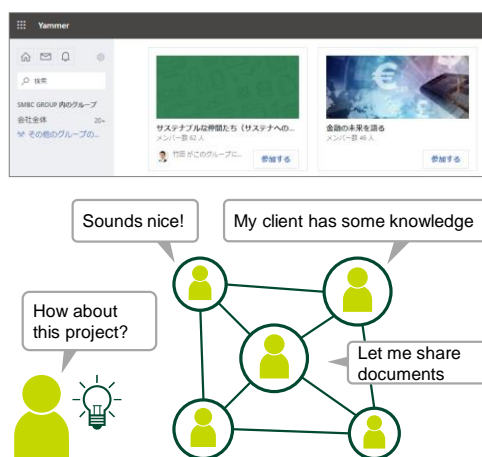
CEO Luncheon

Lunch meeting with young employees



Internal SNS system

“Know,” “connect,” and “share”



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I have been calling on employees to "break the mold" ever since I was appointed as Group CEO. This is because I would like our employees to actively take on new and open-minded challenges.

To build a corporate culture that enables such challenging spirits, I am making an effort to boost internal communications.

We started holding CEO Luncheons, where I can have frank discussions with our young employees. Various ideas and dreams of our employees are brought up at the luncheon. It is very exciting for me to directly hear these from them.

Internal SNS system shown on the right was launched in order to provide employees who have new ideas with a place to find co-workers who share the same view, discuss dreams and the future, and spread ideas to all over the Group.

As I myself sometimes make comments and push “likes”, there are lively and open communication that goes beyond organizations, ages, and positions.

Though it was launched a few months ago, some events were already realized: ESG study meetings and discussions of how to show the next generation of the attractiveness of banking.

I am really encouraged and willing to provide support when specific ideas come up.

Finally, I have to admit that our performance in the first half was not sufficient both in quality and quantity, even after taking into consideration the impact of COVID-19. Though recently it is getting better, we lack the performance as where I want it to be.

I said in May that we will aim to increase our bottom-line profit to over JPY 700 bn in FY3/23, the final year of the Medium-Term Management Plan. In order to reach this goal, I will push our efforts to get back on track to increase our profit.

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