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"SMFG's Management Strategy"

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＜Presentation Summary＞

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(Cover page)

Good afternoon, ladies and gentlemen.

It is my great pleasure to be here this afternoon to make a presentation, and I would like to thank Bank of America Merrill Lynch for organizing this conference.

I would also like to appreciate equity investors who are attending this session, especially our shareholders for your continued support and patronage. Since I was appointed President of SMFG last April, I have been paying more attention to our share price. Our current share price remains below 2,586 yen, our share price as of March 31, 2011, immediately before I was appointed as President of SMFG last April. Therefore, I regret for any concerns we may have caused you. Today, I would like to discuss how I understand the situation and how I would like to lead SMFG in the next three years.

Today, I will explain how we manage and control the downside risks and how we improve management "quality." I would also like to walk you through highlights of our medium-term management plan as well as our recent progress.

Let's move on to page 2.

(P.2)

First, to put it simple, "unpredictable," "uncertain," and "unstable" factors are prevailing in the management environment of financial institutions globally. Japanese economy is anticipated to recover steadily because of the following factors: a) supply chains are being restored quicker than originally expected, b) consumer spending is increasing, and c) demand for reconstruction is arising. However, that does not mean we do not have any concern; the unprecedented strong yen to US dollar, weakening of Euro and prolonged electric power shortage in Japan may adversely affect the profitability of Japanese manufacturers. In addition, there is a concern for an increase in the fiscal deficit of the Japanese government associated to an increase in expenditure for reconstruction and the risk of potential rise in the long-term interest rate in Japan triggered by fiscal deficit problem. Turning our eyes to the overseas markets, financial market has become increasingly unstable: in the U.S., structural issues such as excessive household debt and sluggish housing market remains, and in Europe, sovereign debt issue in some countries including Greece is confusing. In emerging countries, while infrastructure investments have grown steadily, there are some indications of decelerated growth reflecting tightening monetary policy taken and a concern for a collapse of the real estate market mainly in China.

Despite such unpredictable circumstances, we assure you that the potential negative impact from those downside risks are controlled, as we have substantially improved our asset quality, capital base and liquidity by taking various initiatives after the Lehman shock in 2008.

Now, let me explain regarding those risks.

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As for asset quality, the left-hand side of this slide shows a trend for credit costs. In FY3/09, SMBC incurred credit costs of JPY 550.1 billion, due mainly to a rapid global economic downturn and additional provisions of approximately JPY 110 billion for dealing with such economic environment. However, after FY3/10, our credit costs have been successfully controlled due mainly to an enhanced credit management and detailed responses tailored to our clients. In addition, we made reversal from reserve for possible loan losses resulted partly from collection; consequently, our credit cost to the total claims decreased to 15 basis points in FY3/11, to the level we believe to be a "cruising speed."

As for non-performing loans, the balance remains approximately JPY 1 trillion while approximately ninety percent of non-performing loans are covered by collateral or reserve and therefore downside risks in credit cost are very limited.

The sensitivity of credit cost to nominal GDP growth rate in Japan has also declined steadily due mainly to an improvement in asset quality. We explained when we announced the financial results of FY3/09 that, based on our internal simulation, an incremental impact of one percentage point decrease in nominal GDP growth rate in credit costs was approximately JPY 100 billion. Recently, the sensitivity is, we believe, decreased to approximately JPY 30 billion.

Please move on to page 4.

(P.4)

Our overall exposure to Portugal, Italy, Ireland, Greece and Spain as of June 30, 2011 is limited to USD 5.9 billion and only approximately USD 3 million of which is government bonds issued by these countries. Therefore, we believe that an adverse

effect directly caused by the current European sovereign debt issue should be limited. Our holding of those government bonds is for the secondary transactions of our securities subsidiary, and we have not intended to invest in such bonds in medium- to long-term. In addition, our exposure to the politically unstable Arabic countries is also limited.
Please move on to page 5.

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As for our bond portfolio, we realized substantial gains on bonds in the first quarter of this fiscal year by quickly responding to the decline in interest rates mainly of the US government bonds. We have also made good performance thereafter.
The outstanding balance of foreign bonds among “Other securities” as of June 30, 2011 decreased from March 31, 2011 by JPY 3.1 trillion to JPY 3.0 trillion, of which slightly less than half of the outstanding balance was US government bonds and the majority of the rest was highly-rated and frequently traded bonds.
On the right-hand side, you can see the balance of our yen-denominated bond portfolio. Although the outstanding balance increased during the previous fiscal year, you can see that the average duration was substantially shortened compared to March 2003, when it showed the longest duration among fiscal year ends.
Please move on to page 6.

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Our exposure to the securitized products remains at an extremely low level compared with our global peers and the proportion to Total assets was 0.02% as of June 30, 2011.

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Although the ratio of our equity holdings to Tier I capital is lower than our Japanese peers, we are not confident about the level. We focus to minimize the impact resulted from stock price fluctuation to our capital, and we will further prudently review the profitability and rationale of equity holdings and strive to reduce the percentage of SMBC’s equity holdings to SMFG’s current consolidated Tier I capital to the level of around 25% by March 31, 2013 through sales and hedging.
Please move on to page 8.

(P.8)
On page 8 and 9, let me touch upon our initiatives to strengthen our capital base,

control our risk-adjusted assets and address the strengthening of global financial regulations.

We have strengthened our capital base through issuance of preferred securities and two common equity offerings since FY3/08. While leveraging our strengthened capital base, we continued to facilitate lending to our clients despite the financial markets was adversely affected by malfunction of bond markets immediately after the Lehman shock, and furthermore, we have also steadily enhanced our business portfolio with acquisition of Nikko Cordial Securities, current SMBC Nikko Securities, previously one of the four largest securities companies in Japan.

As for risk-adjusted assets, by adopting the advanced measurement approach and also improving asset quality, our risk-adjusted assets as of March 31, 2011 decreased by JPY 12.4 trillion, compared to March 31, 2008 when we had the largest amount of risk-adjusted assets in the last five years.

Through these initiatives, SMFG's consolidated Tier I ratio has substantially improved to 12.47% as of March 31, 2011 compared to 6.44 % as of March 31, 2007.

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The overview of the strengthening of global financial regulations has become clearer, and we aim to achieve the required level of capital at an early date without raising new equity, by steadily accumulating bottom line profit, while controlling aggregate amount of risk-adjusted assets. Specifically, regarding Core Tier I ratio, which is conservatively estimated based on the definition at the time of full implementation of Basel III and exclude Net unrealized gains, we aim to achieve approximately 8% of Core Tier I ratio by March 2014, which is five years earlier than the full implementation date, having 1% buffer for the required level of 7% under Basel III. That is one of our targets in the medium-term management plan.

On the other hand, a discussion on capital surcharge for G-SIFIs has been progressed and provided us with more clarified view on the regulatory environment. At the moment, it is not disclosed whether we will be designated as G-SIFIs, however, even if we were selected as one of G-SIFIs, we believe that capital surcharge should be minimal considering that our risk profile as a commercial bank is moderate. As a result, we will be able to address the new financial regulations appropriately by accumulating retained earnings.

Please move on to page 10.

(P.10)

On page 10 and 11, let me touch upon liquidity.

We have enhanced our deposit base by leveraging our strong domestic client base since the formation of SMBC 10 years ago. As a result, SMBC's domestic deposits as of March 31, 2011 increased by JPY 18 trillion compared to March 31, 2002. Due to the strong deposit base, we have globally competitive advantage in loan to deposit ratio of 70% as of June 30, 2011.

On the other hand, we consider that securing stable foreign-currency funding sources is significantly important to support our expansion of overseas business which is one of strategic business areas in our medium-term management plan. Especially after the Lehman shock, we have taken initiatives of providing cash management services for our corporate clients, securing deposits from central banks, setting up a US dollar CP program and periodically issuing foreign-currency denominated bonds.

Please move on to page 12.

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Recently, we have been frequently received inquiries from investors asking whether our financial results will be adversely and materially affected, due to the worsening of the sovereign debt issue in the European countries, similarly as the 2008 financial crisis. However, as I explained to you, the quality of our asset has improved comparing with 2008, and we do not have any new material concerns for our asset. We have also substantially strengthened our capital base. Moreover, as for funding, not only have we independently expanded and diversified funding sources, but also systemic support, including liquidity back up by the Bank of Japan, has been extended. We believe the downside risks for our group are substantially limited because we have drastically improved our tolerance to a possible shock.

In FY3/09 of Lehman shock, we recorded a Net loss, however, the major factors for the loss were an increase in credit costs due to a deterioration of our corporate clients' business performance and conservative approaches to loan provisioning, whereas the decline in market prices of securitized products, which was the direct cause for the financial crisis, affected minimally. Similarly, our exposure to sovereign debt in the European peripheral counties, which originally caused the current market disorder, is limited, as I explained earlier.

Please move on to page 13.

(P.13)

Lately, there is a view that the U.S. and the European economy become "Japanized," and decline of the U.S. and the European economic growth rate, prolonged low interest rates and deflation have become apparent. However, we, Japanese banks, have enhanced earnings generation capacity under such low growth, low interest rates and deflationary economic environment for as long as more than ten years. Let me explain this topic on the next slide. Please move on to page 14.

(P.14)

Reflecting our financial results for the past decade since the formation of SMBC, we are showing here our first 5 year and second 5 year-average of SMBC's non-consolidated Banking profit, Total credit cost and Net income.

During the first 5-year period, as symbolized by the Total credit cost, we resolved our "quality of balance sheet" problem under the Japanese financial crisis. During the second 5-year period, we have improved asset quality and enhanced earnings generation capacity while experiencing the Subprime loan crisis and Lehman shock. Please move on to page 15.

(P.15)

If you compare the first 5-year and the second 5-year period, you can see a decline in Banking profit, however, this was mainly due to a change in the quality of our earnings, including the decreased profit from the Treasury Unit. Meanwhile, we have steadily taken initiatives to strengthen our commercial banking operations for the growth.

If you assumed that the Japanese economy has low growth, you may only expect the low growth from domestic commercial banking operation. However, we have achieved double-digit growth in some strategic business areas, including asset management and settlement businesses for the last five years, partly due to consolidation of SMBC Nikko Securities, Cedyna and Orix Credit Corporation.

Now, let me explain our medium-term management plan which started in this fiscal year. Please move on to page 16.

(P.16)

We announced in last May our new medium-term management plan which started from FY3/12 to FY3/14.

In order to address the global strengthening of financial regulations, we need not only to focus further on the enhancement of our risk-return and cost-return profile, but also to steadily expand bottom-line profit. Having this in mind, we aim to achieve a well-balanced and steady improvement of "financial soundness," "profitability," and "growth," and have set four financial targets to be achieved by 2013: "8% of Core Tier I ratio," "30% of overseas banking profit ratio," "50-55% of SMFG consolidated overhead ratio and 45-50% of SMBC overhead ratio," and "0.8% of SMFG consolidated Return on Risk-adjusted Assets."

Please move on to page 17.

(P.17)

Starting with this slide, I would like to explain about two main initiatives in on our medium-term management plan. First is “global expansion.”

As you see on the top left, we aim to increase our overseas banking profit ratio to 30% in FY3/14 from 23% in FY3/11, while sustaining and further strengthening our solid business operations in Japan. Specifically, we aim to increase our overseas lending by 6 trillion yen in three yeas and proactively respond to and accommodate the growing needs for deposits, foreign exchange and other services related to payment and settlement in overseas. We also aim to strengthen our business operations through allocating our human resources overseas, where we target to increase 400 personnel during this fiscal year, develop globally competitive employees, promote to hire local employees and globally improve credit management. Especially in Asia, where we expect high growth and is physically and culturally close to Japan, we plan to increase our lending by 3.5 trillion yen in Asia, which translates to 60% of 6 trillion yen, and consequently, grow Gross banking profit in Asia by 50% in three years.

As for foreign-currency funding, although there are no particular issues at the moment, we will proactively respond to the market fluctuations as we believe that extremely unstable market conditions will continue for the time being. On the other side, there may be some offers from U.S. or European banks for disposals of assets or businesses. We will give due consideration to such offers, taking into account of our business strategy.

Please move on to page 18.

(P.18)

In each business area, we will address growing needs for deposit, payment and settlement and foreign exchange related services, financing needs accompanying growing trade flows and infrastructure investments in emerging countries centered on Asia.

For instance, we aim to further reinforce our responsiveness to clients through cash management services (“CMS”), where we have a competitive edge and backed by high reputation from our clients: We are ranked at fourth following Citi, Deutsche Bank and HSBC, and ranked at the top among Japanese banks for six consecutive years in the Asian region.

We also plan to double our profit from trade financing in three years by capturing growing trade flows through Asia.

In addition, as infrastructure investments in Asia is estimated to be approximately 8 trillion dollars during 10 years of 2010 to 2020, we have enhanced our organizational framework to be able to involve in the initial stage of infrastructure investments projects in Asia. Let me take an example. SMBC has set up a new team of "the Growing Industry Cluster Project Team," in July 2010, in order to enhance our responsiveness to projects especially related to "environment," "new energy sources," "water" and "natural resources." This team has acquired diverse business opportunities associated with projects from the initial stages, by collaborating with the ministries, such as Ministry of Economy, Trade and Industry ("METI") which is promoting "infrastructure-related/system export," public institutions in and outside of Japan, Japanese manufacturers with high technological capabilities and trading houses, and by leveraging the global network of SMBC and group-wide solution providing capabilities including Japan Research Institute. Recently, we have been appointed as the researcher and advisor for the Delhi-Mumbai Industrial Corridor Project ("DMIC"), which is the flagship project for Japan and India, planning to create a major industrial area between Delhi and Mumbai. We engage in research and advisory function for laying out all the financing structure on this project.
Please move on to page 19.

(P.19)

We expect that more Japanese companies may transfer their production base overseas furthermore in order to diversify their risks, triggered by the Great East Japan Earthquake. While Japanese companies have steadily expanded their overseas operations, we expect that overseas expansion of Japanese companies, including medium- and small-sized companies, may further accelerate.
In order to respond quickly and effectively to Japanese corporate clients needs for their overseas expansion, we are enhancing our channel network, and shifted the function of planning and managing business development for Japanese corporations located in Greater China area (China, Hong Kong and Taiwan) from the department in charge of overseas business to the department in charge of Japanese corporation related business last April. We aim to respond to diverse needs of our clients through collaboration between domestic and overseas offices.
In addition, in order to enhance businesses with globally active Korean corporations, we have established the "Global Korea Corporate Banking Department" within Seoul Branch last April. Considering there are many major global corporations in Korea, we transferred Seoul-based relationship managers to New York and London. Consequently, we have been making steady progress in business developments with Korean corporations in the Americas and the EMEA area.

Please move on to page 20.

(P.20)

Next, I would like to explain about "synergies between SMBC and SMBC Nikko Securities ("Nikko")," which is another key driver on our medium-term management plan.

We have fortified Nikko as our core securities firm since we added former Nikko Cordial Securities to our group two yeas ago, which is illustrated by renaming "SMBC Nikko Securities" last April. Nikko's status of a direct wholly-owned subsidiary makes us easier to bear fruit of collaboration because we can secure business opportunities either by SMBC or Nikko.

On the retail front, Nikko has been further strengthening its well established business, by taking initiatives such as a) commencement of securities intermediary business with SMBC and integration of such business from SMBC Friend Securities, b) commencement of a joint private banking operation through Nikko, SMBC and Barclays Bank PLC and c) commencement of bank agency services.

On the wholesale front, Nikko has fortified its wholesale business by installing a market transaction system, enhancing its equity sales capabilities targeting institutional investors by establishing the Equity Research Division and developing its overseas operations. Nikko has now come close to fully structured to be able to accommodate our clients' needs for global offerings.

In 1Q, FY3/12, Nikko secured the highest Operating profit among major securities companies, mainly driven by a good performance of the retail business.

Please move on to page 21.

(P.21)

Going forward, on the retail front, we will fortify consultation services by enhancing skills and expertise of group-wide 5,000 financial consultants through cross-selling and redeployment of human resources between the bank and the securities, and aim to increase consumer asset under management by 10% in three years compared with March 2011. On the wholesale front, we will further promote cooperation between SMBC and Nikko in order to address the needs of Japanese corporate clients for tapping into global capital markets and cross-border M&As, while continuing to improve its sales and trading capabilities for institutional investors in Japan, other Asian countries, the U.S. and Europe.

By taking these initiatives, Nikko targets to achieve 300 billion yen of Net operating revenue and 100 billion yen of Operating profit in FY3/14, mainly by doubling the profit synergies between SMBC and Nikko in three years compared with FY3/11.

Please move on to page 22.

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By executing the aforementioned initiatives, in addition to profit recovery of our group companies including Cedyna and Promise, we aim to achieve 500 billion yen level of SMFG consolidated Net income in FY3/14.

Please move on to page 23.

(P.23)

We believe one of our strengths is operational efficiency, demonstrated by the below 50% level overhead ratio on SMBC non-consolidated. Going forward, we persist to control our overhead ratio stringently at 45-50% on SMBC non-consolidated, while developing new businesses.

Furthermore, for the first time, we set a target of overhead ratio on SMFG consolidated in our medium-term management plan. This is based on our policy to improve efficiency of SMFG on group-wide basis by spreading SMBC's efficiency standard to the entire SMFG group. We will control our overhead ratio stringently at 50-55% on SMFG consolidated.

Please move on to page 24.

(P.24)

We have expanded our businesses in capacity and operations in the last decade since the establishment of SMBC, through new consolidations of major companies in each business area, including SMBC Nikko Securities. Now approximately forty percent of consolidated Gross profit is coming from group companies. Therefore, we believe group-wide management has become more important. I, as President of SMFG, sincerely believe that my mission is to spread SMBC's management efficiency to all group companies and steadily expand and secure our bottom-line profit, while further strengthening cooperation among group companies and improving our speedy responsiveness.

Please move on to page 25.

(P.25)

This is the last slide of my presentation.

In 1Q, FY3/12, we have achieved favorable progress in SMBC non-consolidated Banking profit, due mainly to a good performance of the Treasury Unit for bond gains by quickly responding to the decline in market interest rates, while Marketing Units performed as originally planned. As the SMBC non-consolidated

Total credit cost realized net reversal, consequently, SMFG consolidated Net income performed better than our forecast.

Even under the challenging environment, as I mentioned earlier, we will move forward by responding proactively and flexibly to the continuously evolving environment, making every effort to increase our shareholders' value and striving to become a top-tier global financial services group.

Thank you very much for your attention. I would be more than happy to take any questions you may have.

(End)