

SMBC Group IR Day

August 31, 2020

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Agenda

■ Opening	Group CEO	Jun Ohta
■ P3 Retail	Senior Managing Executive Officer	Naoki Tamura
■ P9 Wholesale	Senior Managing Executive Officer	Kimio Matsuura
■ P15 Global Business	Deputy President and Executive Officer	Masahiko Oshima
■ P23 Global Markets	Senior Managing Executive Officer	Masamichi Koike
■ P28 CFO Session	Group CFO	Toru Nakashima

Retail

Naoki Tamura,
Senior Managing Executive Officer

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Overview of Medium-Term Management Plan

Key strategies

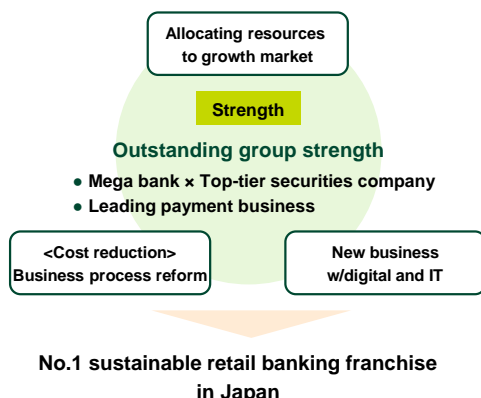
Environment

Growth opportunities in the sluggish domestic economy

- Savings to asset building
- 100-Year life
- Digital / cashless

Continuation of severe business environment

- Thin margin
- NIRP / capital surplus
- Severe competition



Financial target

Net business profit	ROCET1	RWA
FY3/23	FY3/23	In 3 years
JPY 305 bn	12%	+ JPY 0.4 tn
vs. FY3/20 + JPY 35 bn		Previous plan JPY (0.3) tn

KPI

	FY3/23	In 3 years
Balance of fee-based AUM	JPY 18 tn	+ JPY 4 tn
Credit card sales handled	JPY 31 tn	+ JPY 10 tn
Balance of card loans	JPY 1.9 tn	+ JPY 0.1 tn
# of digital channels users	8.0 mn	+1.6 mn
Utilization rate	45%	+8%
Cost reduction from retail branch reorganization	+JPY 2.5 bn	-

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Considering the future of the retail business, there are three major growth drivers: 1) trend from savings to asset building / asset management, 2) expanding needs in 100-year life, i.e., the elderly or the aging market, and 3) progress of digital / cashless. These are valuable growth areas in Japan, where the population is shrinking.

On the other hand, the harsh business environment is expected to continue due to thin margin, continuing NIRP / capital surplus, and severe competition with new entrants from other industries.

We will maximize our group strength, i.e., 1) collaboration between one of the mega banks and a top-tier securities company in Japan and 2) competitive edge as being No.1 in credit card and consumer finance business.

Especially, our face-to-face consulting through our branch network in the wealth management business is one of our core strengths. I believe that COVID-19 will not only accelerate remote and digitization but increase the value of face-to-face communication.

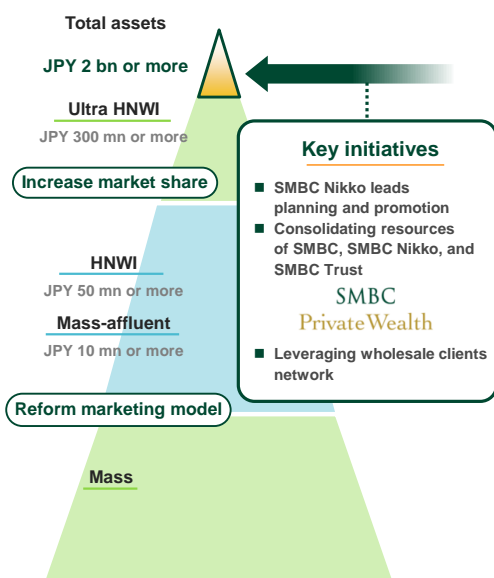
Our strategies based on the above assumptions are as follows: 1) allocate resources to growth markets, such as HNWI, cashless, and consumer finance, 2) reform business processes to reduce costs in branch networks and middle and back office operations, and 3) create new business with digital and IT.

We will establish the No.1 sustainable retail banking franchise in Japan through these strategies.

Net business profit is expected to increase by JPY 35 bn over the next three years.

Sustainable growth of wealth management business **Focus**

Enhance capability for HNWI business



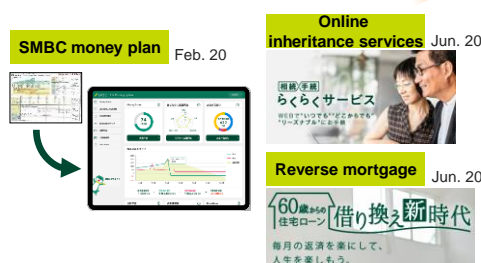
Acquiring new customers

COVID-19
Digital and remote needs



“100-year life” business

COVID-19
Inheritance needs



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In the wealth management business, we will strengthen our business with HNWI, especially corporate owners with total assets of JPY 2 bn or more.

We established “Private Wealth Strategy Division” in April 2020, which oversees the wealth management business of the entire SMBC Group. The division is located in the head office of SMBC Nikko and its leader is from SMBC Nikko as well.

Within the division, Private Wealth Management Department was established to provide HNWI with both financial and non-financial solutions by integrating resources of SMBC Nikko, SMBC, and SMBC Trust.

Also, in order to enhance business with corporate owners, private bankers have been placed in the regional wholesale offices.

To acquire new customers especially of youth, we are collaborating with SBI to share our customer base and provide mutual services of SBI, Neo Mobile Securities, and SMBC.

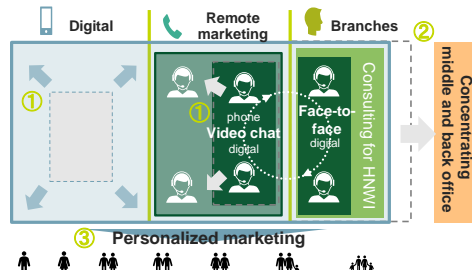
Especially we will try to provide investment products of SMBC and SMBC Nikko to customers of SBI Neo Mobile Securities who are increasingly interested in asset building through smartphones and rewarding-point investments.

100-year life business is another area where we are actively engaging. We will expand our financial and non-financial services in response to 100-years life, including inheritance needs raised by COVID-19.

Sustainable growth of wealth management business Transformation

Reform marketing model

1. Enhance digital and remote channels
2. Focus on consulting for HNWI at branches
3. Realize Online Merges with Offline (OMO)



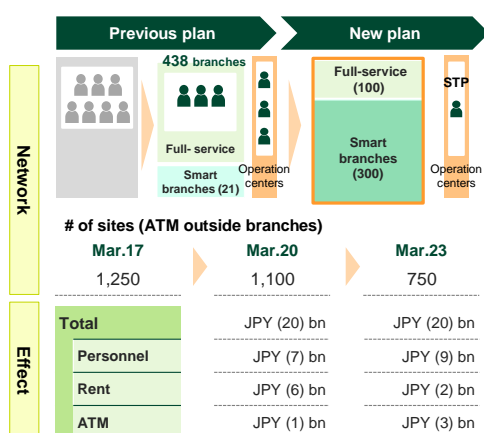
Accelerate OMO

- Changes due to COVID-19**
- Remote tools
 - Upgrading apps
 - Reservation services

Increase in needs for /acceptability of remote services
Rise in face-to-face value/cost



Review channel network (SMBC)



Suspended due to COVID-19, but resumed now

- Joint branches** Executing according to plan
- Reduction of ATMs** Implementing ahead of the initial plan

We will reform our marketing model and review our channel network to pursue sustainable growth.

Under the previous plan, we achieved both cost reduction and raising customers' convenience by enhancing our remote banking service. Branches were made smaller by concentrating middle and back office operations, while the space for customers was expanded from 30% to 70% of each building. This transformation to "smart branches" was completed in FY3/20.

We are further improving our digital capabilities both in remote banking service and in branch operations to cover all transactions including the wealth management business. Then, we will develop personalized marketing by accumulating all transaction data and utilizing external data.

Face-to-face communication including video chat will be an optional service. We are enhancing our strength in consulting service through "online merges with offline." Face-to-face consulting at branches will be for HNWI.

COVID-19 has increased customers' needs and acceptance for remote and digital transactions. In response, we will complete some upgrades in our mobile apps during this fiscal year, which was originally planned to finalize during the Medium-Term Management Plan.

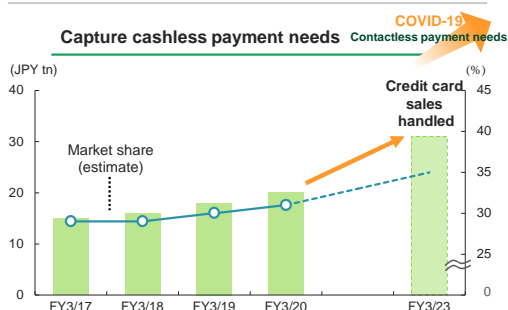
In addition, we introduced reservation services to all branches both to prevent infections and strengthen consulting services.

As shown on the right, we reduced cost of JPY 20 bn under the previous plan by reducing space, moving from prime locations, digitalization, and concentrating middle-and-back-office operations.

During this Medium-Term Management Plan, while maintaining our strength in face-to-face consulting through smart branches, we will reduce another JPY 20 bn by developing smart branches specialized in individual consulting and reducing ATMs. Of course, we will respond flexibly to customers' change with/after COVID-19.

Hold the number one position in payment business

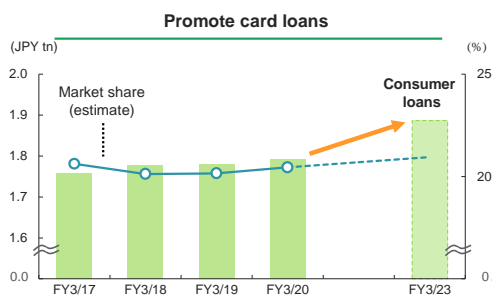
Accelerate cashless payment strategies



New payment experience through alliance



Enhance consumer finance business



Promote digitalization



	FY3/17	FY3/20
Online application rate	70%	80%
App utilization rate	20%	60%

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While having weak months in April and May due to sluggish consumption caused by COVID-19, the credit card business is undoubtedly a growth driver in the medium term.

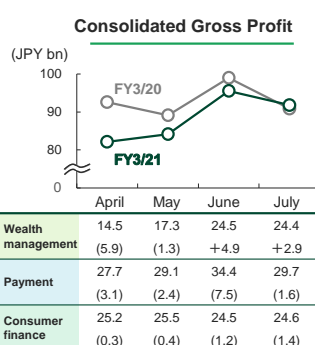
We will capture the trend of cashless payment and increase our market share by providing new payment experience to improve the convenience of both merchants and end-users by collaborating with external partners. For example, we just released “Platinum Preferred Card,” a new platinum card that provides high membership reward points.

In consumer finance, borrowing demand has been shrinking recently due to sluggish consumption, while the loan balance has been steadily growing and SMBCCF has been increasing its market share.

However, digital shift caused by COVID-19 is benefitting SMBCCF’s mobile app loans. While the macroeconomic environment has a big influence over this business, we will increase the loan balance by enhancing our strength in digitalization.

Impact of COVID-19

Impact on our business



Accelerating digitalization

of online opening accounts
YoY **2.4 times**

of digital banking users
YoY **1.2 times**

Various initiatives



Future response to COVID-19

1. Digital and remote services

Accelerate Online Merges with Offline

2. "Inheritance" and "security and safety"

Introduce products in the "100-year life" era

3. Cashless payment

Accelerate payment business

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YOY change in consolidated gross profit was almost flat in June and positive in July, while significantly negative in April and May due to COVID-19.

This is mainly because the better performance of the wealth management business has been making up for the other businesses, and on top of that, the payment business is recovering.

The YOY reduction in the consumer finance business has been slowing down, while it is difficult to see improvements because it is a stock business.

As shown on the right-hand side, COVID-19 has brought needs for 1) digital and remote services, 2) "inheritance" and "security and safety", and 3) cashless payment.

This change is a strong tailwind to our strategies of the Medium-Term Management Plan.

We will accelerate our response to customers' needs while fine-tuning our strategies.

Wholesale

Kimio Matsuura,
Senior Managing Executive Officer

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Overview of Medium- Term Management Plan

Key strategies

Our goal

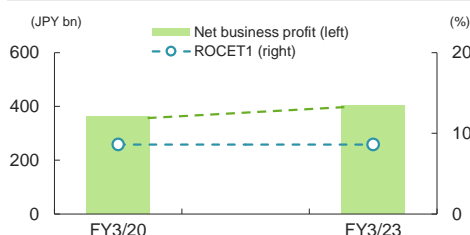
A solution provider solving clients' management issues and sustainably growing with clients

Transformation & Growth

Create new business by proactively capturing social trends

Enhance competitive edges in growing areas

Net business profit/ROCET1



Financial target

Net business profit

FY3/23
JPY **405** bn
Vs. FY3/20
+ JPY **45** bn

ROCET1

FY3/23
9%

RWA

In 3 years
+JPY **1.1** tn
Previous plan
JPY **(0.6)** tn

KPI

	FY3/23	In 3 years
Base profit	—	+4.8%
Finance and investment in strategic areas	JPY 1.7 tn	JPY 4.4 tn
# of corporate clients providing digital solutions	10,000	+7,000
# of transaction digital solution related	13,000	+11,500
Sustainable finance	—	JPY 1.4 tn
League table (# of Japanese M&A deals over JPY 10 bn)	#2	↑ #2

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Corporate clients are facing structural changes such as a global economic downturn, technology advances, and growing interests in sustainability. We will aim to become a solution provider solving clients' complicated management issues under such environment.

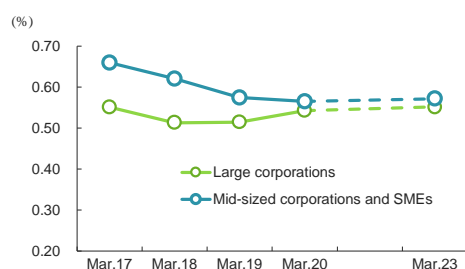
The key is “Transformation and Growth.”

We will both transform existing business models and seek for growth in order to achieve the target of the Medium-Term Management Plan as shown on the right-hand side.

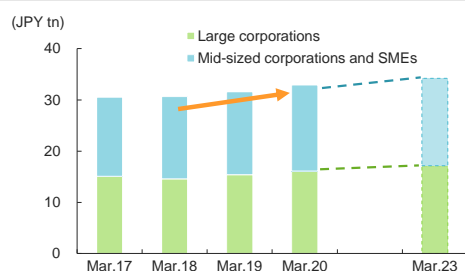
ROCET1 is expected to stay flat at 9% while net business profit will increase by JPY 45 bn and RWA will increase by JPY 1.1 tn from FY3/20.

Transformation of loan spread and profit structure

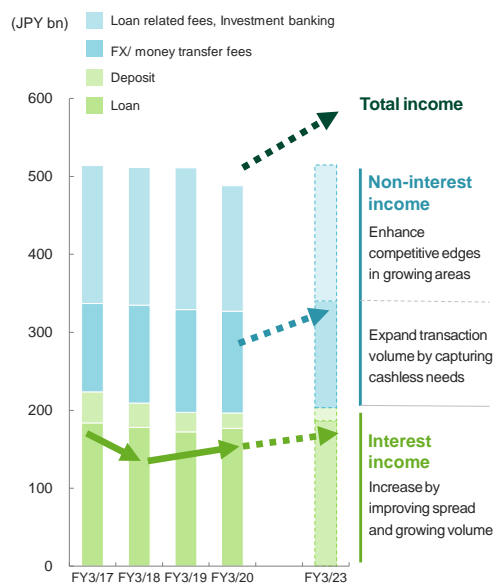
Loan spread



Loan balance



Transformation of the profit structure



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The decline of loan spread for large corporations stopped in FY3/19 and bottomed out in FY3/20. This was due to our efforts to improve profitability for each client and increase higher spread loans including transactions related to business restructuring. The decline of loan spread for mid-sized corporations and SMEs has been slowing down. In total, the decline of loan spread of the Wholesale business unit bottomed out in March 2020.

Loan balance is increasing in both large corporations and mid-sized corporations/SMEs. We will allocate risk assets in growing areas with focusing on profitability.

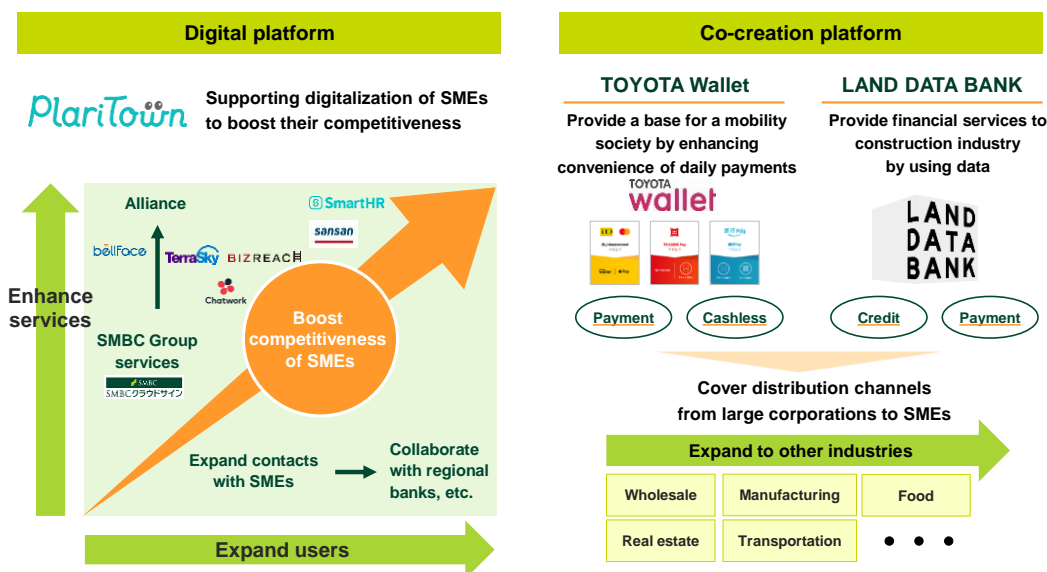
The right-hand side shows the transformation of the profit structure.

In FY3/20, interest income increased YOY for the first time in 10 years due to improving spreads and growing volume. We will keep this upward momentum to support total income of the wholesale business unit.

We will also increase non-interest income by enhancing competitive edges in growing areas and expanding FX/money transfer transaction volume.

Create new business opportunities in anticipation of social trends

Challenges in digital business



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We established "Plari Town" in August 2020, a digital platform company that supports digitalization of mid-sized corporations and SMEs.

We would like to provide digital solutions of SMBC group and external partners as a one-stop service. This service is open not only for our own clients. We will expand the customer base by collaborating with external partners such as regional banks.

The key is to enhance services and acquire external users by collaborating with influential external partners.

I believe this cycle will expand the platform as shown with the orange arrow and provide new business opportunities for participants through Biz-Create.

For co-creation platform, we established a digital project team to create new business with large corporations. The examples are "TOYOTA Wallet" and "LAND DATA BANK" which was established jointly with Komatsu and INCJ.

SMCC supports the cashless payment function of TOYOTA Wallet. We also provide our credit and payment functions to many subcontractors through LAND DATA BANK.

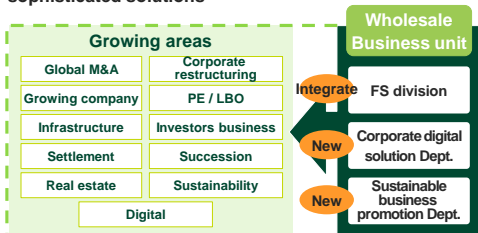
We would like to expand these businesses to other industry's top-leading companies.

The number of corporate clients providing digital solutions and transaction volume are KPIs for the Medium-Term Management Plan.

Provide total solutions on a group basis

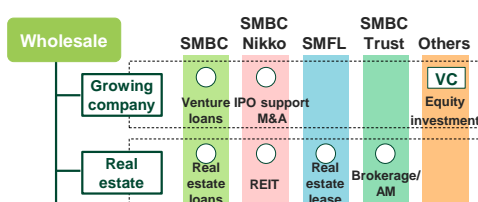
Framework

Integrate front and solution teams to provide more sophisticated solutions



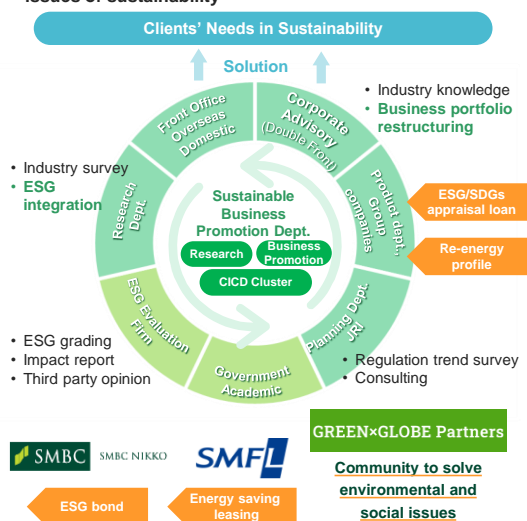
Upgrade operations

Maximize profits by formulating strategies to collaborate with each "business line"



Sustainable business

Provide sophisticated solutions for clients' management issues of sustainability



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At the beginning of the fiscal year, the Financial solution division was integrated into the Wholesale business unit. We established the Corporate digital solution department and the Sustainable business promotion department.

We will provide a total solution in a speedy manner with the collaboration between these product solution departments and the front office.

In order to upgrade our business unit system which started four years ago, we will enhance cross entity functions in each growing business area, share strategies and knowledges, and strengthen relationships.

In the real estate business, for example, we capture business opportunities on the value chain and maximize profits by leveraging each entity's strength such as non-recourse loans of SMBC and REIT business of SMBC Nikko.

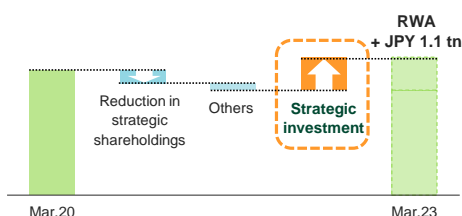
SMBC Group has been providing solutions for client's management issues of sustainability as shown in the bottom right, i.e., ESG/SDGs appraisal loan and renewable energy project finance at SMBC, ESG bond at SMBC Nikko, and energy-saving leasing at SMFL.

Sustainable business promotion department coordinates and provides these services with a global insight. As a leading company in sustainable business, we will expand this business by providing a wide range of solutions tailored to clients' stages.

Sharpen competitive edges in growing areas

Risk-taking in growing area

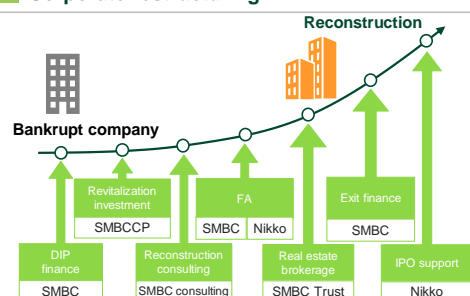
Allocate resources in strategic areas to realize mid-long term sustainable growth



Strategic areas

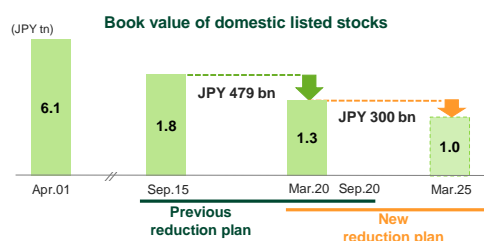
Corporate Restructuring	Gross profit*1 +JPY 50 bn
Global M&A Finance	Infrastructure
PE fund LBO	Investors business
Growing company	Real estate

Corporate restructuring



Strategic shareholdings

Completed the previous reduction plan and formulated a new plan to reduce additional JPY 300 bn in 5 years



*1 The three-year period in the Medium-Term Management Plan

We achieved high ROE by controlling RWA under the previous plan.

In the next stage, we will allocate JPY 1.1 tn of RWA in strategic areas and increase gross profit by more than JPY 50 bn.

One of the areas is the corporate restructuring business, which we have prepared ahead of our competitors.

SMBC Capital Partners as a 100% owned subsidiary was established in February 2020, following the revision of the law in October 2019. We plan to invest JPY 60 bn during the Medium-Term Management Plan.

We will support our clients to improve their corporate values and continue their businesses according to their stages.

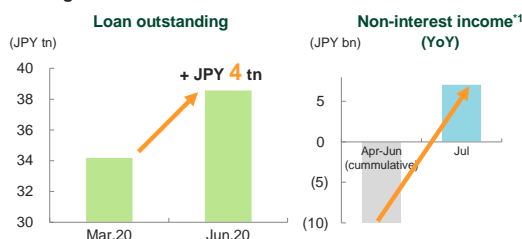
As for strategic shareholdings, we are quite sure we can achieve the target of reducing JPY 500 bn in five years from October 2015. We decided to start a new reduction plan, which is to reduce ¥300 billion in the next five years.

The remaining stocks include certain clients who strongly resist to provide consent to sell. However, we will achieve the target by communicating closely with clients taking into account the revise of the Corporate Governance Code.

Impact of COVID-19

Impact on our business

Focus on supporting clients to continue their business through loans and services



	FY3/20	1Q FY3/21	FY3/21 Forecast
Credit cost	150	350	1,800

Prevent degradation

- Formulate a credit policy for each large client
- Utilize expertise of a specialized department

Restructuring / Capital fund

- Establish a task force to focus on restructuring business

Future response to COVID-19



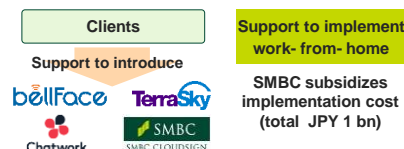
Accelerate medium-term management strategy



Enhance restructuring solutions



Contribute to society by supporting digitalization



Reform marketing style



* 1 As of the end of July 2020

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The loan balance increased by JPY 4 tn since March 2020 as a result of supporting clients suffering from COVID-19.

On the other hand, net business profit decreased by JPY 10 bn YOY due to the sluggish fee income and the absence of large deals we had in the previous year resulting from the stagnation in corporate activities.

However, it increased YOY in July as economic and business activities have been recovering and the number of ongoing projects of large corporations is increasing. I am getting confident with achieving the full year target.

The progress of credit costs is as expected. In order to avoid negative surprises, we will control credit risk by preventing deterioration and supporting restructuring/capital fund needs.

We have been facing a much more difficult situation than expected due to COVID-19. However, we won't change our core policies of the Medium-Term Management Plan: we should rather accelerate our initiatives to respond to changes in businesses, society, and work style. Especially, business restructuring needs such as M&A, LBO financing, and business succession are growing.

In addition, we launched the work-from-home program, in which SMBC subsidizes up to JPY 1 bn of the cost of introducing digital systems for mid-sized corporations and SMEs. I believe that it will contribute to the society and development of "Plari Town".

We will also establish our own new workstyle with/after COVID-19 including working-from-home and remote communications.

Global

**Masahiko Oshima,
Deputy President and
Executive Officer**

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Overview of Medium- Term Management Plan

Key strategies

Goal

A global solution provider focused on financial services

Core policy



Key measures

- 1 Enhance overseas CIB business
- A solution provider
- 2 Enhance investors business
- Stock & flow business
- 3 Asia-centric
- 4 New businesses

*1 Asset efficiency=gross profit/(asset + commitment line)

*2 After adjustments of the changes of interest rates

*3 Multi Franchise strategy

Financial targets

Net business profit	ROCET1	RWA
FY3/23	FY3/23	In 3 years
JPY 430 bn	9%	+JPY 2.5 tn
Vs. FY3/20		(Actual + JPY 3.2 tn)
+JPY 70 bn		Previous plan + JPY 5.8 tn

KPI

		FY3/23	In 3 years
CIB Business	Asset efficiency ^{*1} of non-Japanese clients in the U.S. and Europe	1.9%	+10%
	US IG bonds underwriting share	3.0% (#10)	+1.3%
Asia-centric	Profit from MF strategy ^{*3} targeting countries	JPY 116 bn	+15%
	Deposit balance of digital banking in Asia	JPY158 bn	x3.0
	Overseas transaction banking ^{*2}	JPY 68 bn	+15%

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Our mid-to long-term goal is to become a global solution provider focused on financial services. We will build a positive cycle by providing optimal solutions to our clients and growing with them.

To achieve this, we will work on “Quality”, “Transformation”, and “Growth.”

“Quality” means that we will achieve sustainable growth by sophisticating our corporate governance system as a global bank and focusing on optimization.

“Transformation” means that we will pursue a business model that do not rely excessively on B/S in order to improve profitability and efficiency.

“Growth” means that we will create new growth drivers by focusing on Asia and other new businesses.

The target of net business profit for the next three years is to increase by JPY 70 bn to JPY 430 bn and the target of ROCET1 is 9%. RWA is expected to increase by JPY 2.5 tn in the next three years.

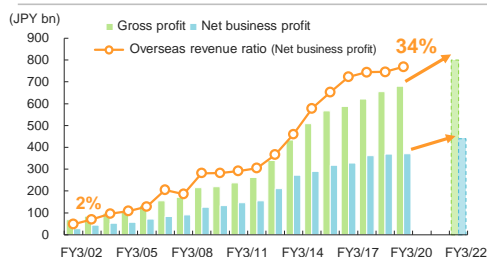
I believe that we can achieve these challenging goals by implementing key measures through a group-wide effort.

Initiatives for sustainable growth

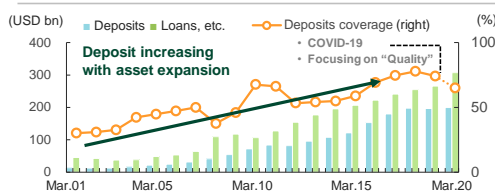
- Expected as a growth driver
- Less relying on B/S expansion

- Maximize group strengths
- Increase asset efficiency

Results of Global business unit *1

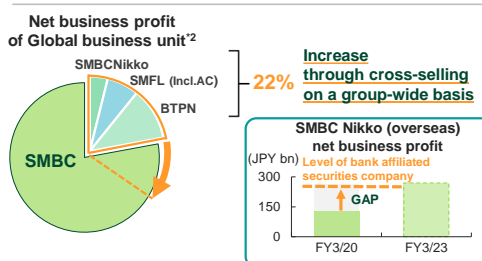


Foreign currency funding

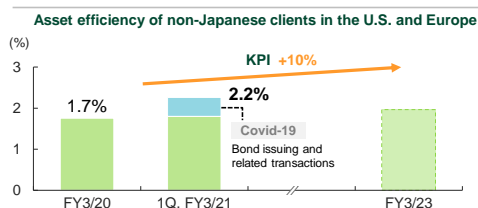


* 1 Sum of SMBC and overseas subsidiaries until FY3/17 and on a consolidated basis after that.
 * 2 Managerial accounting basis as of Mar. 20

Maximize group strengths



Pursue efficiency



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Our overseas business has been growing despite facing various crisis such as the Financial Crisis in 2009. Gross profit has increased by 10 times and overseas revenue ratio to the consolidated net business profit rose from 2% in FY3/02 to 34% in FY3/20. The global business unit has been and will continue to be a growth driver for SMBC Group.

Foreign currency funding including customer deposits has been growing to support the sustainable growth of our overseas business. However, the recent balance of deposits remains flat because we are strategically reducing high-rate deposits.

We will continue to increase sticky deposits which are expected to remain even during market crisis situations, as well as pursue a business model that do not rely excessively on B/S expansion.

The pie chart is the breakdown of net business profit by each entity. SMBC accounted for 78% of the total, which is higher than our competitors. In other words, we can further grow our non-banking businesses.

We have been building up SMBC Nikko's overseas business from scratch since they joined the group in 2009, but there is still a gap with the other mega banks. We will try to catch up or surpass our competitors during the Medium-Term Management Plan.

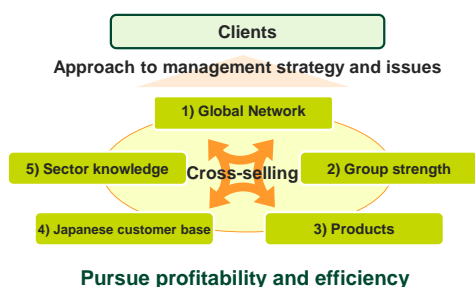
We also aim to improve the asset efficiency of non-Japanese clients in the U.S. and Europe by 10% in the three years. In 1Q FY3/21, thanks to strong demand for bond issuance mainly in the U.S., asset efficiency improved by 30% to 2.2%.

We will continue to focus on improving profitability and efficiency.

Build CIB business based on group strengths

- Increase cross-selling by leveraging group strengths
- Enhance overseas securities business and products

Our goal of overseas CIB business



e.g. Cross-border M&A finance for a Japanese company

- Proposed one-stop solutions through collaboration of SMBC and SMBC Nikko
- Mandated as financial advisor

2) 4) 5)

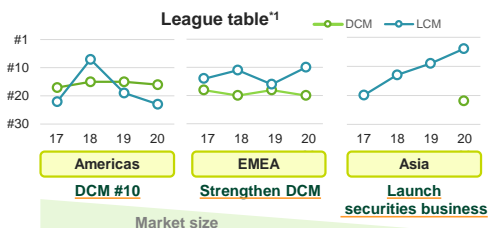
e.g. Project finance and green bond arrangement

- Arranged project finance and green bonds for solar photovoltaic systems in Peru

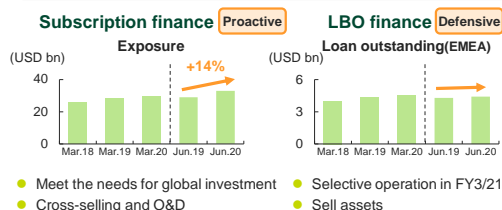
1) 2) 3)

Strengths

Enhance overseas securities business



Nimble product management



- Meet the needs for global investment
- Cross-selling and O&D
- Selective operation in FY3/21
- Sell assets

^{*1} Sources: Refinitiv, Dealogic. Figures of 2020 are for Jan.-Jun.

To build up our CIB business, we will enhance relationship with clients to acquire profitable deals by leveraging our strengths; 1) global network mainly in Asia, 2) world top-class products, and 3) strong customer base in Japan.

One example is a cross-border M&A finance transaction we did for a Japanese company to acquire a U.S. company. We were mandated as financial advisor after competition with top-tier banks in the U.S. and Europe by proposing a one-stop solution through the collaboration of SMBC and SMBC Nikko. I believe we can improve profitability and efficiency dramatically by providing total solution for cross-border M&A finance, while Japanese banks used to offer only B/S products.

Another example is a project finance transaction in Peru, in which we were mandated as sole bookrunner, structuring bank, and swap coordinator. We also arranged green bond issuance. This is a good example where we were able to leverage our strength as a group to win a highly profitable deal. I believe we have potential to grow further by leveraging our group strength on a global basis.

Overseas securities business is essential for our CIB business. We will aim to be the top 10 in the U.S. by enhancing both LCM and DCM businesses. We are lagging behind our competitors in this area, but that means there is a big potential to grow. We will steadily enhance our overseas business by pursuing synergies between the LCM and banking business.

In addition, we are selecting nimbly our products in response to market trends.

While providing subscription finance actively but selectively because a large amount of funds prefer alternative investments, we have been taking a cautious approach to LBO finance.

The negative impact of COVID-19 is inevitable, especially for restaurants and hotels. Therefore, we are proactively recording allowances or selling assets in these sectors in order to control downside risks.

Expand investors business and establish competitive edge in Asia

Expand investors business

Expand business areas from investors' viewpoint

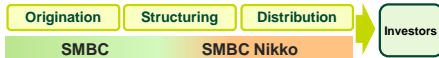
Environment

- Low interest environment is further expanding
→ needs alternative investments
- Not overly depending on B/S expansion

Deal structure to meet investors' needs

(1) O&D system

- Strengthen one-stop services for investors



(2) Products

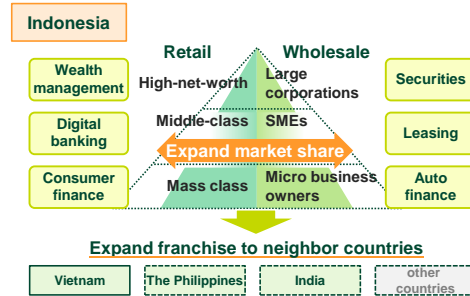
- Enhance existing products and increase lineup
(e.g. non-flow products)

Growth image

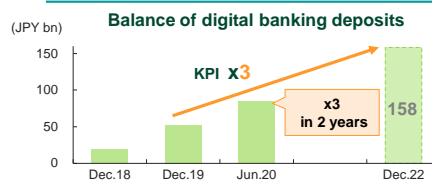
O&D/Asset sales x 1.5 # of non-flow deals x 2.5

Establish competitive edge in Asia

Expand business base centering BTPN



BTPN: Accelerate digitalization



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As the low/negative interest environment is further expanding globally, institutional investors are eagerly looking for alternative investments. For us, it is getting more difficult to increase profits by depending on B/S expansion.

Therefore, we are expanding our business areas from investors' viewpoint and strengthening one-stop service of SMBC and SMBC Nikko. KPIs in these areas are increasing asset sales by 1.5 times and the number of non-flow deals by 2.5 times.

Asia should be our growth driver for the next 5-10 years.

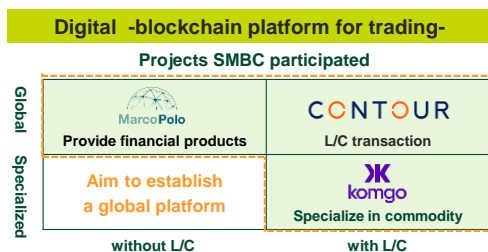
In Indonesia, we are trying to pursue mid- to long-term growth centering BTPN, i.e., digital banking and retail business with employees of our corporate clients.

We are also seeking to develop another franchise in neighbor countries; Vietnam, the Philippines, and India.

As shown on the bottom-right, the balance of deposits of BTPN's digital banking has been growing significantly because COVID-19 increased the demand for online transactions.

Grow new businesses and strengthen management base

Cultivate new businesses



Sustainability

League table^{*1}

Sustainability-linked loan		Green loan			
	(USD mn)		(USD mn)		
1	BNP Paribas	2,491	1	BNP Paribas	554
2	Santander	2,084	2	CaixaBank	378
3	BBVA	1,607	3	NatWest Markets	315
10	SMFG	1,211	7	SMFG	187
13	Mizuho	1,145	17	MUFG	98
16	MUFG	917			

17

13

10

2018 2019 1H 2020

12

11

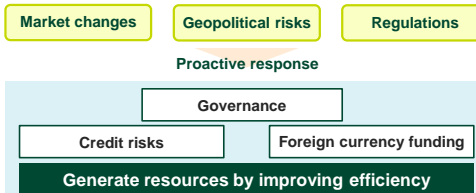
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2018 2019 1H 2020

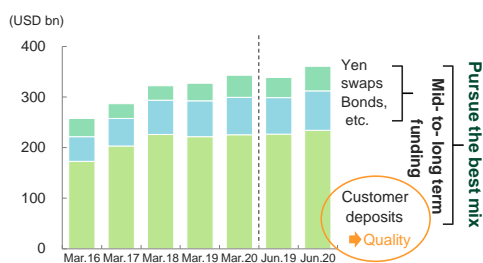
^{*1} Source: Dealogic, EMEA (Jan.-Jun.20)

Enhance management base

Establish management base in line with a global bank



Stable foreign currency funding



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Thinking that blockchain technology could significantly improve trade finance operations, SMBC is participating in the global consortium of the “MarcoPolo” project, which uses R3’s technology.

After completing a verification test, we are now preparing for the first transaction between Japan and Southeast Asia.

We are also participating in the “CONTOUR” project for L/C transactions and the “komgo” project for commodity trade finance. Through these projects, we will build up a global platform for trade finance and increase transactions.

Interest in sustainability has been increasing globally, especially in Europe. In response to this trend, we are expanding green loans at major global markets, as well as enhancing our resources including staffs for the sustainability business.

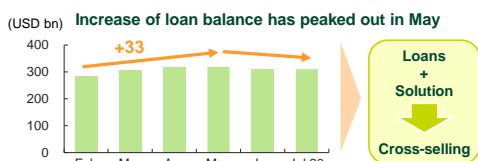
The environment surrounding corporate governance is rapidly getting more severe; change of market trend, increase in geopolitical risks, and rising regulatory requirements. In order to respond to these trends, we will sophisticate our governance system by preferentially allocating management resources.

At the same time, in order to secure these resources, we will improve efficiency by reviewing our business and operations.

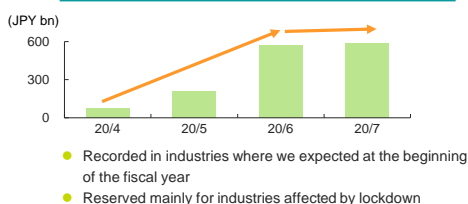
Status of foreign currency funding is more favorable to us due to excess liquidity of companies. We will pursue the best mix of funding with a focus on sticky and low-cost deposits.

Impact on our business

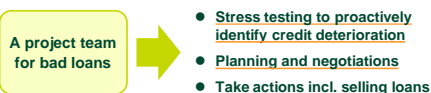
Liquidity support to customers



Credit cost increased



Proactive response to credit deterioration

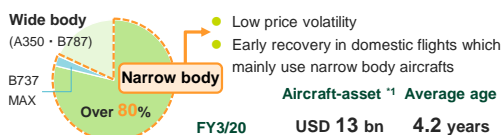


*1 Includes pre-delivery payment
*2 For each five executives

Aircraft business

Leasing (SMBCAC)

Crisis-resistant asset composition



Experienced management team

Experience in the industry about 30 years → **Top class**

- Credit analysis
- Workout

Strong liquidity

A- rating by S&P (#1 in industry)
USD 5 bn of credit availability → **Sales & leaseback, etc. with good clients**

Finance

Credit focus

- Focus on healthy airlines while not providing loans to leasing companies
- Avoid residual value risk by operating on a full payout basis

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Increase of loan balance due to COVID-19 has peaked out in May and started declining in June. Now, we are working on cross-selling by providing solutions for clients' financial and management issues.

Controlling asset quality has been our first priority for this fiscal year.

While asset deterioration in 1Q was worse than expected, the situation is getting better since July. On top of that, most of the credit cost that was recorded in 1Q came from industries where we originally expected.

Of course, if the negative impact of COVID-19 continues longer than our assumption, credit cost could exceed our original forecast.

In addition, we established a special project team in each region last March which is in charge of monitoring asset quality and selling problem loans at an early stage.

As for our aircraft leasing business, more than 80% of SMBCAC's aircraft assets is narrow body type. This leads to a strong portfolio because demand for narrow body aircrafts has been recovering for domestic flights in China and Russia.

Credit analysis and workout skills are other strengths they have. They are now also providing sale & leaseback transactions with good clients taking advantage of its low-cost funding capability backed by its industry top credit rating.

SMBC does not provide any credit to aircraft leasing companies except SMBCAC, while aircraft finance is mostly for high rating airlines. We are taking a cautious approach by avoiding residual value risk.

Though a certain level of reduction in aircraft leasing profit is inevitable, we have been able to offset this decline by focusing on blue-chip airlines. I believe that our management capability will be our competitive edge under such a challenging business environment. We will take the opportunity to improve our position in the industry, as well as carefully managing the downside.

Global Markets

Masamichi Koike,
Senior Managing Executive Officer

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Overview of Medium-Term Management Plan

Key strategies

Result of previous plan

<u>Portfolio management</u>	➤ FY3/17-FY3/20 +JPY 74.5 bn ^{*1}
<u>Sales & Trading</u>	➤ FY3/17-FY3/20 +JPY 37.6 bn
<u>Foreign currency funding</u>	➤ Maintain stability and efficiency

Key initiatives

Our goal Provide high-value-added services to clients and SMBC Group as a market risk professional

Portfolio management

Dynamic and flexible portfolio management

Sales & Trading

Become a solution provider for clients' market exposure

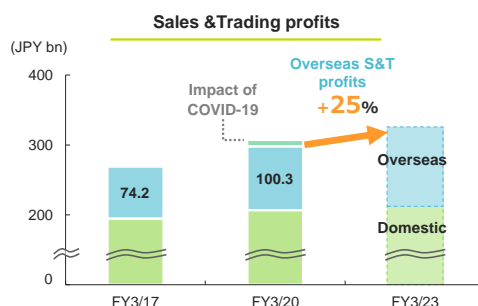
Foreign currency funding

Strong B/S management integrating JPY and foreign currencies ALM operations

Financial target

Net business profit	ROCET1	RWA
FY3/23	FY3/23	In 3 years
JPY 365 bn	17%	+JPY 1.7 tn
Vs. FY3/20 JPY(30)bn		Previous plan JPY (1.5) tn

KPI



^{*1} Net business profit of Global Markets unit

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Three key missions of the Global markets business unit are; 1) portfolio management, 2) sales & trading, and 3) foreign currency funding.

During the previous Medium-Term Management Plan, our net business profit increased by JPY 74.5 bn through dynamic rebalancing of portfolio between equities and bonds by carefully monitoring economic fundamentals, monetary policies in each country, and political trends.

Sales & trading was built up from scratch as one of the strategic business areas in the previous plan. Profit increased by JPY 37.6 bn, as FX transactions increased.

For foreign currency funding, we have been striking a right balance between building stable B/S that supports the asset side and minimizing funding cost.

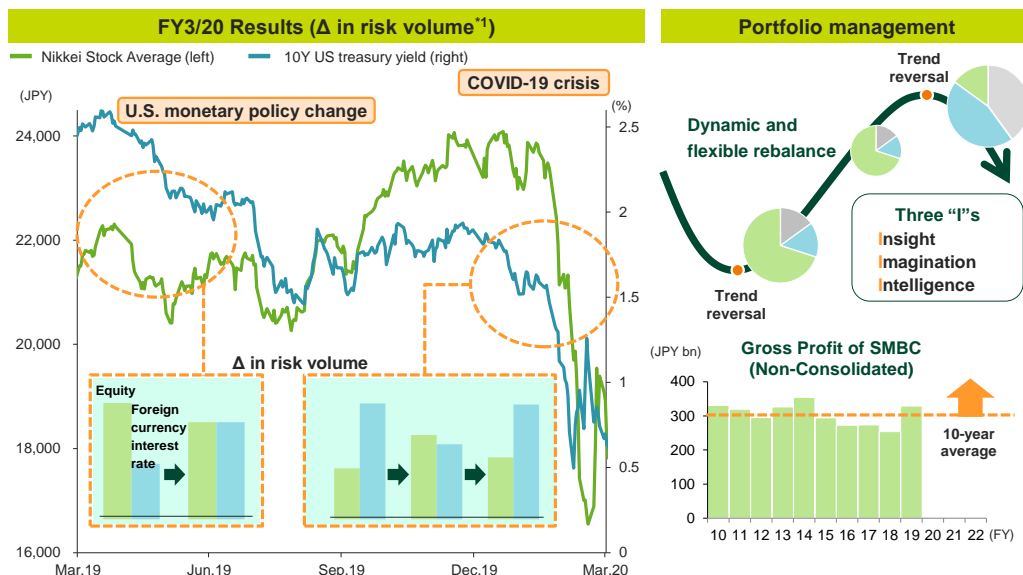
We will further strengthen these three areas in order to provide high-value-added services to clients and SMBC Group as a market risk professional.

The target of net business profit at the last year of Medium-Term Management Plan is JPY 365 bn, which is JPY 30 bn lower than FY3/20. However, it is not an easy goal considering the low interest environment. We will maintain profitability by carefully watching market conditions and try to overachieve the target if we have the chance.

We chose profit from sales & trading as KPI in the previous plan. While we continue to increase profit in this business, I believe there are more opportunities in overseas. We will further strengthen global capabilities of SMBC Group to increase overseas sales & trading profit by 25% in the Medium-Term Management Plan.

Portfolio management

Dynamic and flexible portfolio management



*1 Managerial basis

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In portfolio management, we will further enhance our strength in global macro approach based on economic fundamentals, monetary policy, and political trends in each country. We will continue to rebalance our portfolio of equities and bonds in a dynamic and nimble manner.

There were two main turning points, looking back at FY3/20.

One was the decline in U.S. interest rate due to the Fed's monetary policy change. We reduced the amount of equity risk and doubled the amount of risk in foreign currency interest rates.

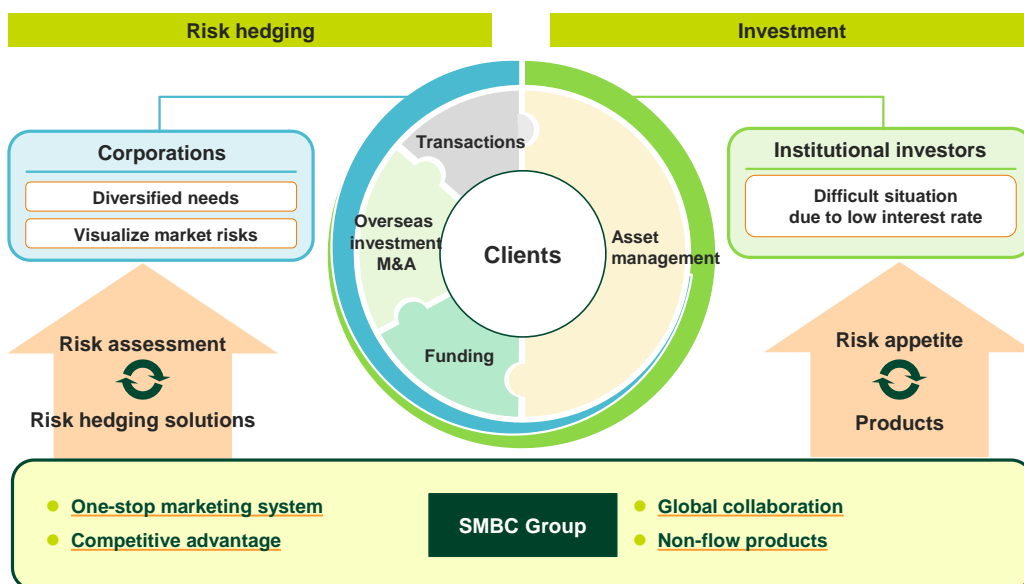
The other is the COVID-19 crisis. As stock prices fell, many countries changed their monetary policies leading sharp decline of interest rates. While having reduced equities and increased risk amount in foreign currency interest rates in 1H of FY3/20, we controlled both equity and interest rate at low levels during the risk-off phase. After this, we increased risk amount in foreign currency interest rates again and steadily generated profits even in the market turmoil.

This nimble operation is our strength. The key is to capture market trends and dynamically replace our portfolio. The ability to read the market, that is, the ability to see the essence of the world, is not something that can be done overnight. I think we need three "I"s: Insight, Imagination, and Intelligence. This is the culture in our dealing rooms or DNA of the Global markets business unit. All of us are dedicated to analyzing the various events worldwide every day with the three "I"s. I believe we can enhance our ability to capture market trends both individually and as a division by continuously analyzing, discussing, planning, positioning, and reviewing situations.

I would like to establish a strong team that can earn profits in any market environment by maintaining our culture with the three "I"s and evolving ourselves both individually and as a team.

Sales & Trading

■ Become a solution provider for clients' market exposure



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We will increase transaction volume by providing solutions to our clients as a global solution provider.

There are two major types in clients' needs; "risk hedging" and "investment."

Corporate clients have "risk hedging" needs. Their transactions including daily payments, trading with foreign countries, and funding are inevitably exposed to various market risks, i.e., FX rates and interest rates. We will provide our clients with appropriate hedging methods as a market professional.

One-stop marketing system has built to enhance our solution-providing capability. With this system, an individual product sales can introduce a variety of products such as interest rates and FX. At the same time, we will continue to provide unique products and services in order to create competitive advantages.

On the other hand, institutional investors have "investment" needs.

As risk-taking is the objective for them, it is essential for us to know what kind of risk they want to take and to quickly provide products that meet their risk appetite.

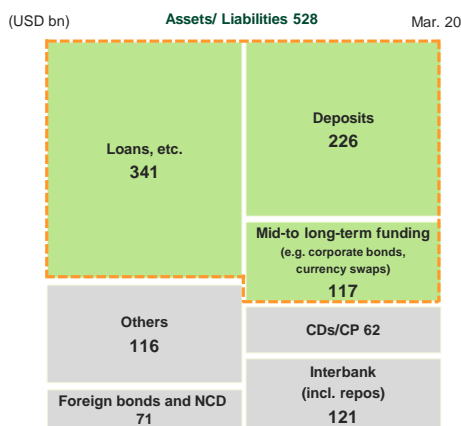
SMBC Nikko will lead the global collaboration among group companies to grasp the various requests from clients. We will improve our marketing system of non-flow products and increase customer satisfaction by providing tailor-made products that are unique to SMBC Group.

Foreign currency funding

Strong B/S management integrating JPY and foreign currencies ALM operations

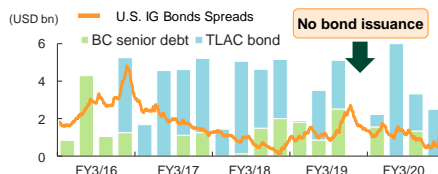
Build a robust funding base

- Fully cover loans with customer deposit and mid- to long-term funding
- Expand funding methods (e.g. covered bonds, green bonds)



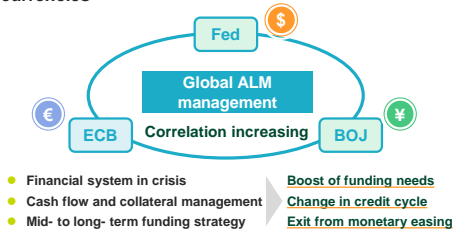
Reduce funding costs

Corporate bond issuance



Enhance Global ALM management system

- Merged ALM departments of JPY and foreign currencies



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The key point of foreign currency funding is how to balance between sustainable funding and controlling cost.

We have been enhancing foreign currency funding while expanding the asset side to strengthen our overseas business. Now, our balance sheet is stable by covering overseas loans deposits with the deposits from customers and mid-to long-term funding such as bonds.

We are further expanding the mid-to long-term funding methods in order to increase sustainability of our balance sheet. For example, we issued covered bonds and green bonds ahead of other banks.

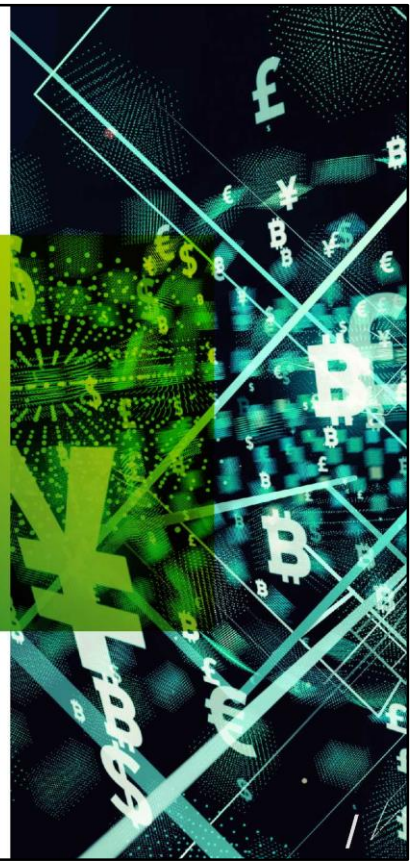
At the same time, we are also focusing on minimizing funding costs. We may postpone issuing bonds in some cases, while increasing funding when market condition is favorable. We will strike a right balance between sustainable funding and controlling cost by constantly monitoring market trends as we do in portfolio management.

Additionally, we have strengthened our global ALM management by merging ALM departments that were in charge of JPY and foreign currencies. We should closely monitor the central bank in each country and their interactions, as global financial market is becoming increasingly correlated. We will proactively respond to major changes in the credit cycle and monetary policy of central banks in various countries by reorganizing the ALM team.

CFO session

Toru Nakashima,
Group CFO

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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	(4.0)%
	In Japan (FY)	(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%

^{*1} JRI

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Our outlook for GDP growth rate in 2020 was revised downward from the initial assumption at the beginning of FY3/21, as IMF and the World Bank have lowered their outlook.

On the other hand, the Nikkei stock average and oil prices have performed above expectations, as well as real estate prices.

Under such environment, both consolidated net business profit and total credit cost in 1Q were mostly in line with our annual forecasts.

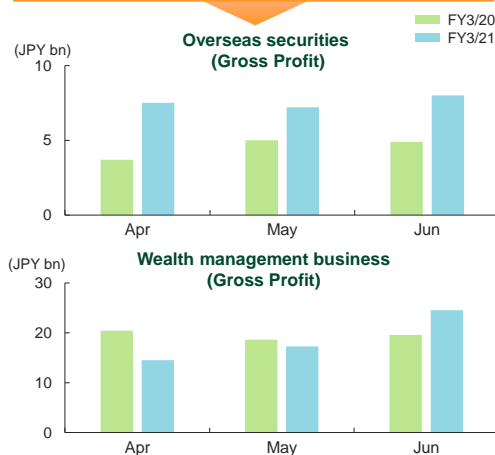
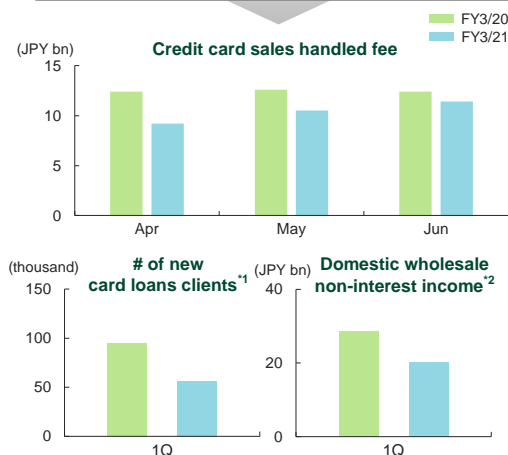
Profit attributable to owners of parent was also as planned if excluding the loss from forward dealings which aimed to control risk of stocks.

Impact of COVID-19 (2) Our business

- Overseas securities performed well and wealth management business is recovering, while credit card sales handled fee, new card loans clients, and wholesale non-interest income decreased YoY

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

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The left-hand side shows the businesses where negative impact of COVID-19 was fairly significant. Credit card sales handled fee, number of new card loan clients, and domestic wholesale non-interest income decreased YoY.

On the other hand, as shown on the right, gross profit of overseas securities business increased YOY. Wealth management business has been recovering since June thanks to strong stock prices, while having been sluggish in April and May.

In short, some businesses were damaged more than expected due to COVID-19, while others were solid unexpectedly.

I am aware that some investors and analysts pointed out that our net business profit of 1Q was weaker than our competitors.

One obvious reason was that gains on sales of bonds was lower than the other mega banks. However, there were other reasons as well.

One is that strategic areas, where we are trying to grow during this Medium-Term Management Plan, fell behind more than usual such as overseas S&T and domestic IB businesses through bank-and-securities collaboration.

Another reason is that our competitive businesses were greatly damaged by COVID-19 such as domestic wholesale business with mid-sized corporations, consumer finance, and credit card business.

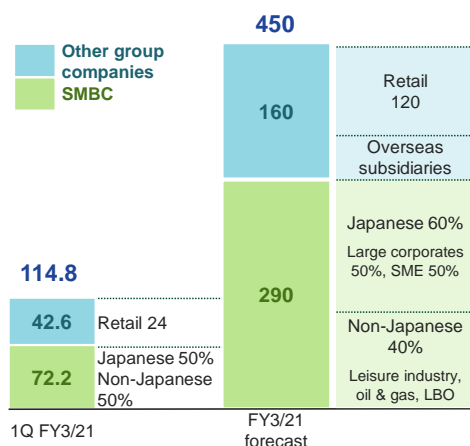
I would like to show you a solid performance of net business profit for the full year by working on these issues, as the impact of COVID-19 gradually alleviates.

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

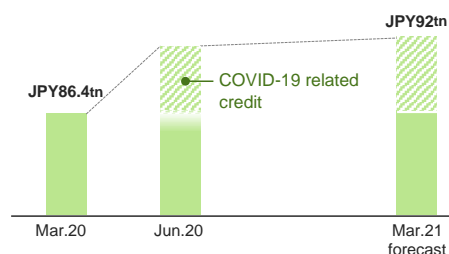
- Credit cost in 1Q was about 1/4 of the annual forecast.
Most part of COVID-19 related credit expected at the beginning of FY3/21 were extended in 1Q.

Credit cost

(JPY bn)



RWA^{*1}



^{*1} Post-Basel III

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The progress of credit cost of 1Q was 26%, nearly in line with the annual forecast.

The breakdown was mainly from the industries where we had anticipated at the beginning of FY3/21, such as automobile, airline, and leisure including hotels.

Credit costs in 1H is expected to be below the forecast of JPY 300 bn if there are no negative surprises, as there have been no major defaults or downgrades in both domestic and overseas so far.

However, we do not intend to revise the annual forecast of JPY 450 bn at this moment, as the impact of COVID-19 remains uncertain.

COVID-19 related credit is expected to total JPY 10 tn at maximum (70% domestic and 30% overseas). Nearly 90% has already been extended in 1Q and the increase of loan balance is slowing down.

While CET1 ratio on Post-Basel III basis declined to 9.4% at the end of June, I believe we can control the ratio at the end of FY3/21 within the target range for capital management of 9.5%±0.5%, as further RWA increase in FY3/21 is expected to be limited.

This presentation contains forward-looking statements based on the views, judgments and current expectations of the management of the Group and Group companies with respect to the financial position and Operating and financial review of the Group. In many cases, these statements may include, but are not limited to, words such as "anticipate," "anticipate," "expect," "intend," "plan," "potential." These statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those contained or deemed to be contained in these materials. Risks and uncertainties that could affect the actual results are as follows. Economic and Financial Environment worsened in Japan and overseas, risks associated with stockholdings, bad debt outstanding and total credit cost increase, risks arising from the failure of the Group's business strategies, risks arising from the failure of joint ventures, alliances, equity investments and acquisitions, and business combinations, and risks arising from the failure of the Group's business expansion overseas. In light of these risks and uncertainties, the Company should not place undue reliance on forward-looking statements as of the date of this presentation. We undertake no obligation to update or revise any forward-looking statements. For matters that may have a significant impact on the financial condition and Operating and financial review of the Group and investors' investment decisions, please refer to the most recent Japanese disclosures such as Securities reports, U.S. disclosures such as Form 20-F filed with the U.S. Securities and Exchange Commission, and various disclosures published by the Group.

Exchange rates (TTM)

	Mar. 19	Jun. 19	Mar. 20	Jun. 20
USD	JPY 111.00	JPY 107.75	JPY 108.81	JPY 107.71
EUR	124.55 yen	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
SMBCAC	SMBC Aviation Capital
Consolidated	SMFG consolidated
Non-consolidated	SMBC non-consolidated
Expenses (non-consolidated)	Excluding non-recurring losses
Net business profit	Before provisions to general reserve for possible loan losses
Profit attributable to owners of parent	Profit attributable to owners of parent
Medium-term management plan financial targets	<ul style="list-style-type: none"> FY3/23 target and the change in the FY3/21-FY3/23 are based on FY3/21 managerial accounting basis After adjustments of the changes of interest rates, exchange rates and other factors

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