



SUMITOMO MITSUI  
FINANCIAL GROUP

# SMBC Group IR Day

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June 23, 2021



# Agenda

## ■ Opening

Group CEO

**Jun Ohta**

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## ■ P3 Retail

Senior Managing Executive Officer

**Takashi Yamashita**

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## ■ P12 Wholesale

Senior Managing Executive Officer

**Muneo Kanamaru**

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## ■ P20 Global Business

Senior Managing Executive Officer

**Ryuji Nishisaki**

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## ■ P26 Global Markets

Senior Managing Executive Officer

**Masamichi Koike**

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# Retail

**Takashi Yamashita,**  
**Senior Managing Executive Officer**



# Progress of Medium-Term Management Plan

## Financial Target

### Net business profit

FY3/23  
JPY **305** bn  
Vs. FY3/20  
+ JPY **35** bn

### ROCET1

FY3/23  
**12%**

### RWA

In 3 years  
+ JPY **0.4** tn  
Previous plan  
JPY **(0.3)** tn

## KPI

|  | FY3/21      | YoY          | FY3/23      |
|--|-------------|--------------|-------------|
| Balance of fee-based AUM                         | JPY 16.7 tn | + JPY 3.1 tn | JPY 18 tn   |
| Credit card sales handled                        | JPY 20.8 tn | + JPY 0.4 tn | JPY 31 tn   |
| Balance of card loans                            | JPY 1.7 tn  | JPY (0.1) tn | JPY 1.9 tn  |
| # of digital channel users                       | 7.3 mn      | -            | 8 mn        |
| Utilization rate                                 | 42%         | -            | 45%         |
| Cost reduction from retail branch reorganization | JPY (7) bn  | -            | JPY (25) bn |

## FY3/21 result

| (JPY bn)            | FY3/21  | YoY    |
|---------------------|---------|--------|
| Gross profit        | 1,127.4 | (48.7) |
| Expenses            | 910.4   | (24.1) |
| (Overhead ratio)    | 80.8%   | +1.3%  |
| Net business profit | 219.2   | (24.4) |
| ROCET1              | 9.4%    | +1.6%  |
| RWA (JPY tn)        | 12.3    | +0.1   |

## Key initiatives

### Wealth management

- Increase sales by capturing market growth
- Reform business model to enhance HNWI approach

### Payment

- Expand business with new products / services (e.g. numberless credit card)

### Consumer finance

- Continue new initiatives including digital investment

### New business

- Launched SMBC Elder Program (Apr.21)

# Roadmap to 2022

## Outline

### Business environment

#### Severe market environment

- NIRP / capital surplus
- thin margin
- severe competition

#### Growth opportunities in low-growth domestic market

- Savings to asset building
- 100-Year life era
- Digital & cashless

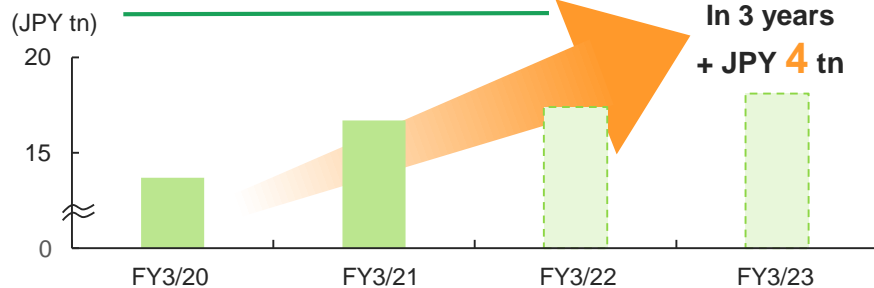
Growth beyond market average

Group base cost reduction

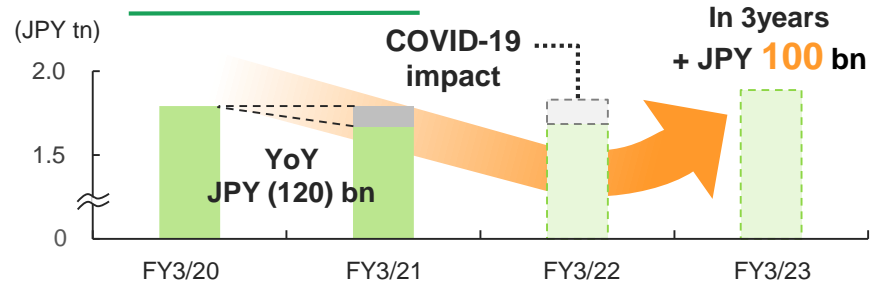
Competitive products / services  
Enhance digitalization

## KPI

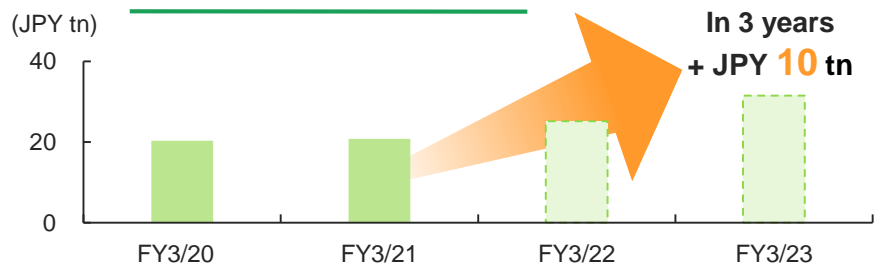
### Balance of fee-based AUM



### Card loan balance



### Credit card sales handled

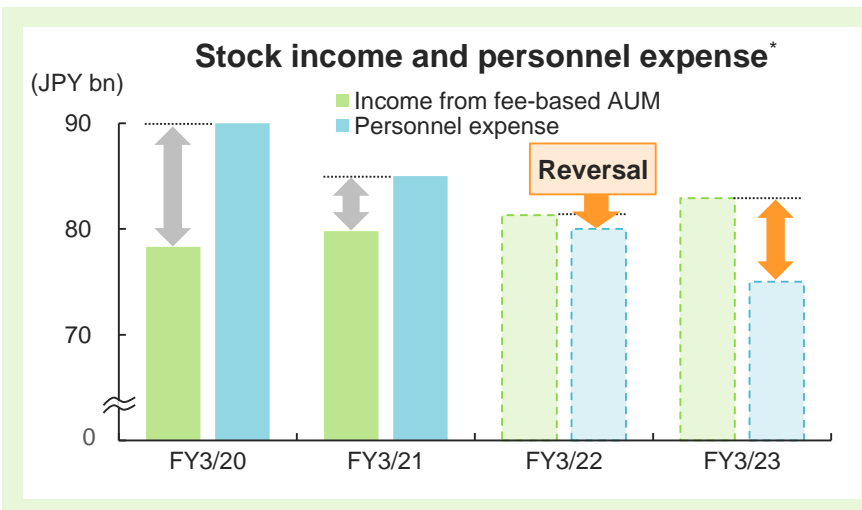
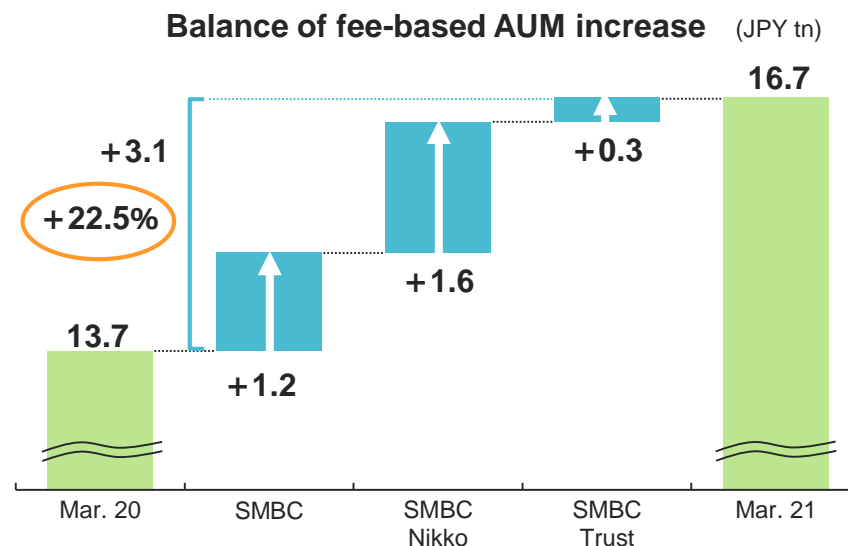
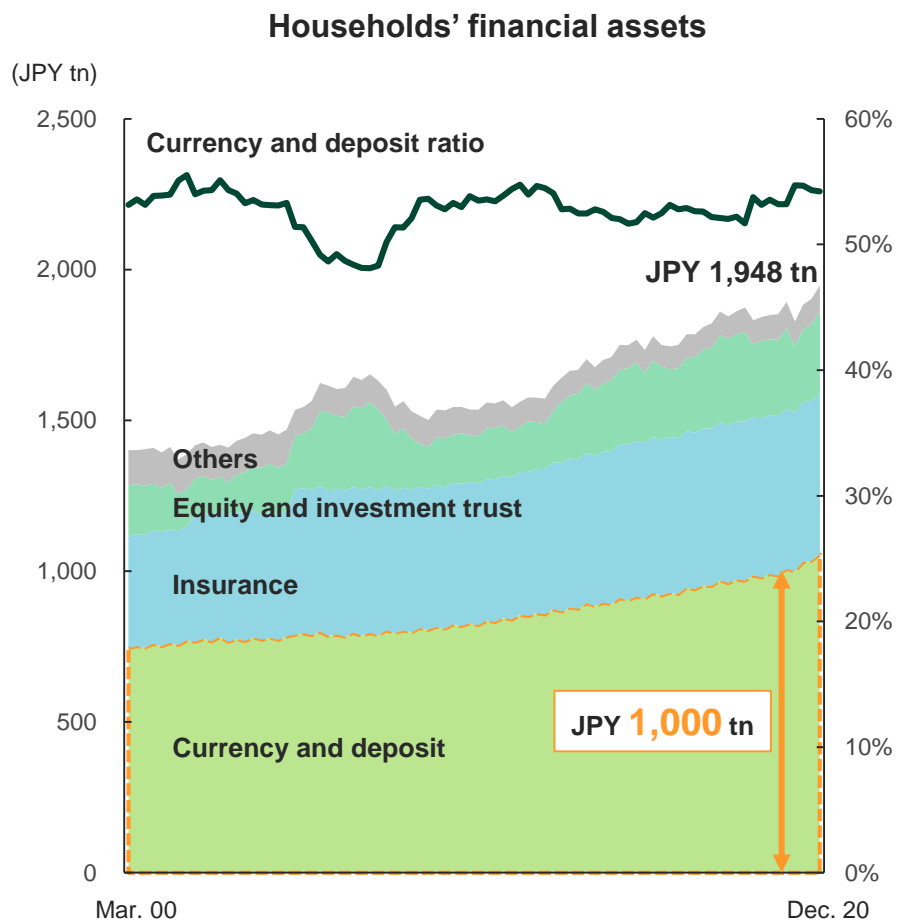


### Cost reduction of retail branch reorganization

FY3/23  
JPY (25) bn

# Sustainable growth of wealth management business

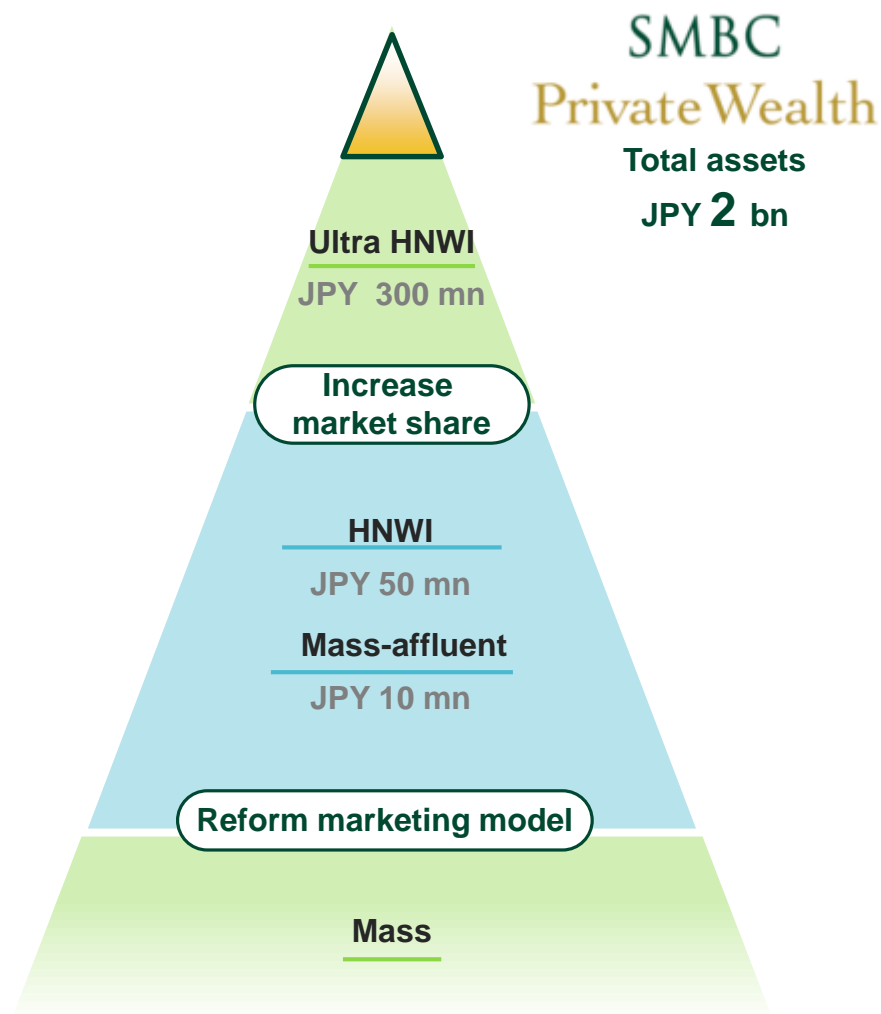
## Conversion to fee-based business on a group basis



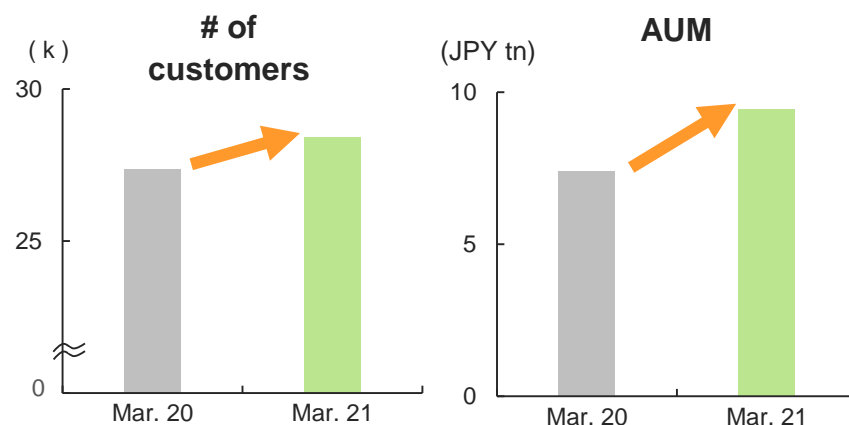
\* FY3/21 managerial accounting basis for stock income.  
Personnel expense is calculated based on the number of employees dedicated to wealth management business.

# Sustainable growth of wealth management business

## SMBC Nikko leads business planning and promotion on a group-basis



### Progress of SMBC Private Wealth\*



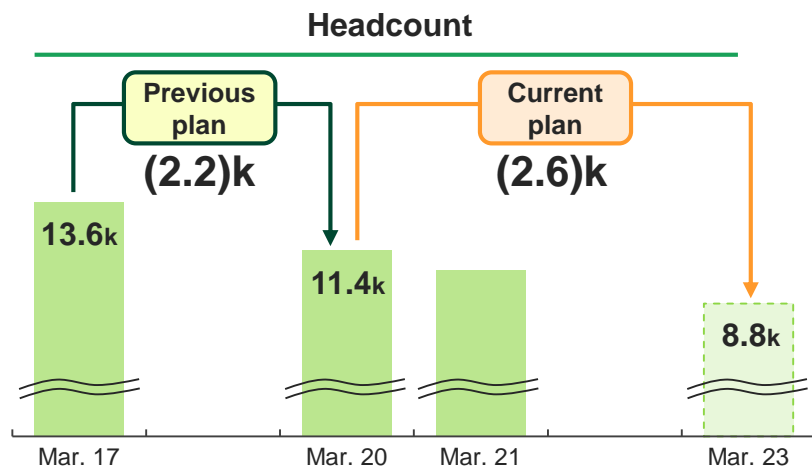
### Collaboration among group companies

- Strengthen group product strategy by integrating product planning function of SMBC Nikko and SMBC
  - Established Wealth Management Products Planning Dept. Released the first investment trust product in Jun.21
- Expand SMBC's customer base by SMBC Nikko's expertise
  - Established Securities Sales Dept. in SMBC where SMBC Nikko staffs are also allocated

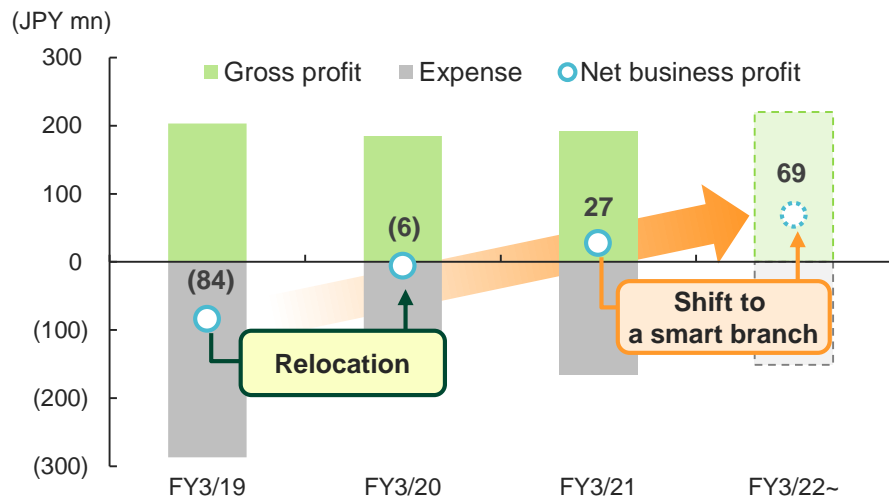
\* Based on the results of each group company. AUM is based on market value..

# Retail branch reorganization

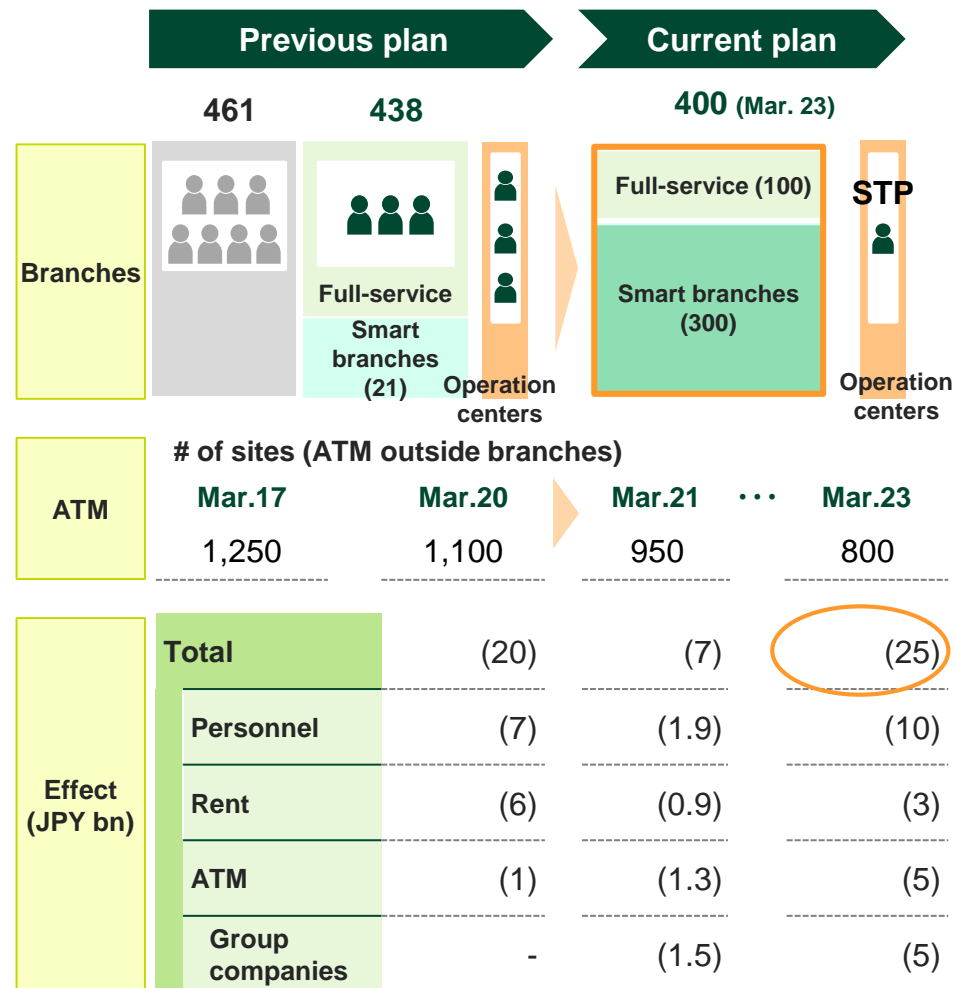
## Effect of branch reorganization



### E.g. Improvement of profitability of a branch



## Progress of cost control initiatives





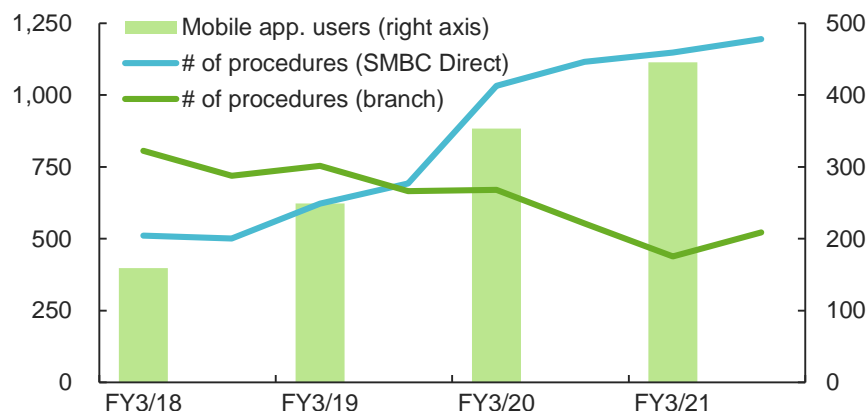
# Enhance digital transformation (DX)

## Digital shift of branch operation

- Enhance digital channel in accordance with the change of customers' needs

(transaction (k) / month)

(mn ppl.)



## Improve customers' convenience

- Reservation service available for all branches from Jul. 20 (1<sup>st</sup> in Japan)

60k users / month



- SMBC Direct / app chat function interactive communication with the customers
- Upgrade mobile app of SMBC information of SMCC and SMBC Nikko are available

## Enhance consulting function

- Consulting in branches increased even under state of emergency

|                                     | FY3/20     | FY3/21     | Growth rate*   |
|-------------------------------------|------------|------------|----------------|
| Sales amount                        | JPY 790 bn | JPY 850 bn | 110%<br>(130%) |
| # of installment investment product | 22k        | 33k        | 150%<br>(180%) |

## Upgrade digital tools



## Money plan simulation



"Good tool since I could consider money plan with events that could occur in the future"

50s



"Resolved my worries about money by confirming I have sufficient money for 5-10 years."

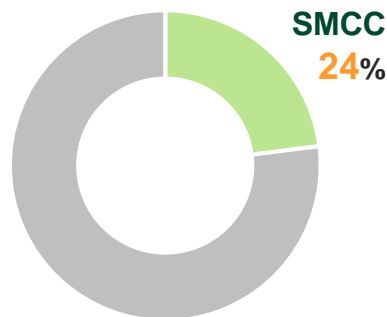
70s

\* Growth rates in brackets are excluding Apr.20–Jun.20 (state of emergency period)

# Hold the number one position in payment business – Payment

## Acquiring business

### Market share



### stera terminal

- Expanding merchants base (Restaurants, pharmacies, etc)



### stera pack



- Subscription service for SMEs
- The lowest price level in the industry
- Accept various payment methods
- Support sales and marketing

## Issuing business

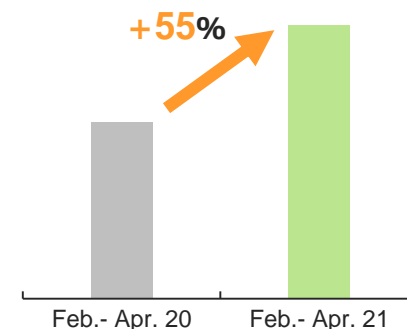
### Safe and secure numberless card

#### Credit card ranking in a review site

No 1\*



#### New proper card issued



### Beneficial and convenient services

#### V Point rewards service



#### Visa for Apple Pay May.21-

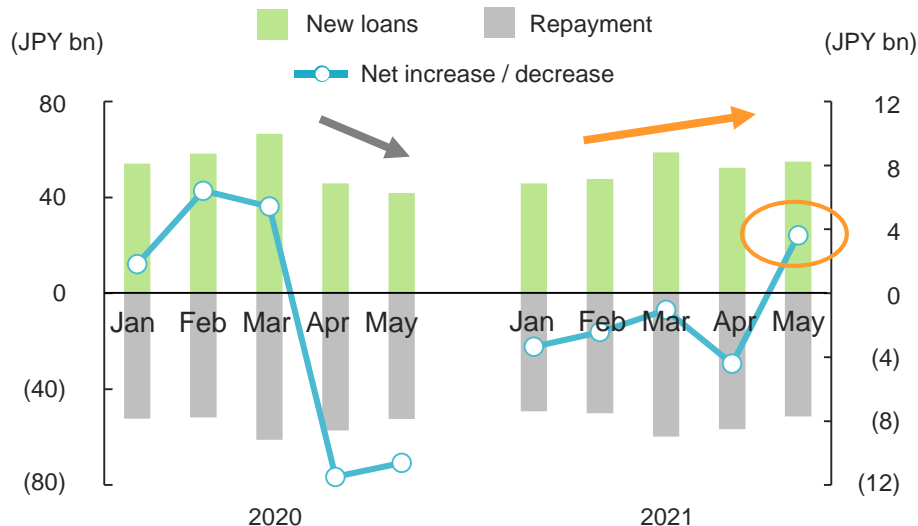


#### Google Pay Sep.19-

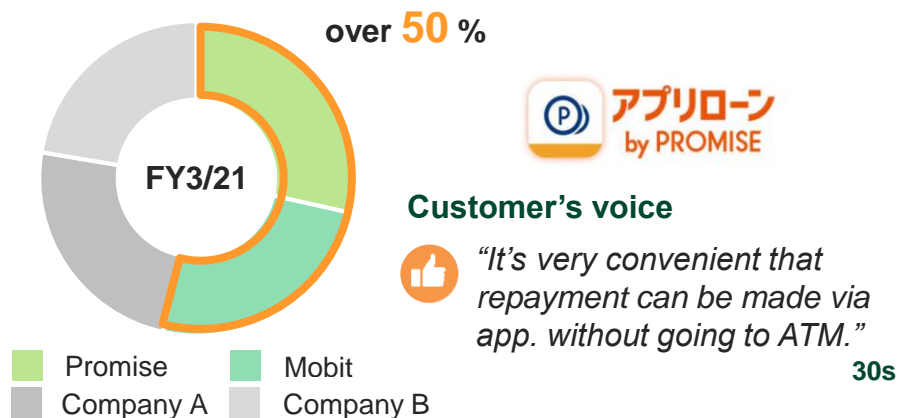


# Hold the number one position in payment business – Consumer Finance

## A sign of loan balance turn over



## Share of new applications



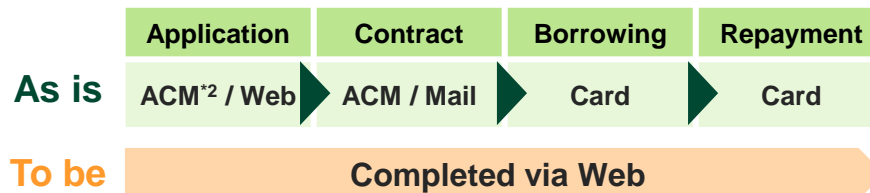
## Accelerate digitalization\*1

### SMBCCF

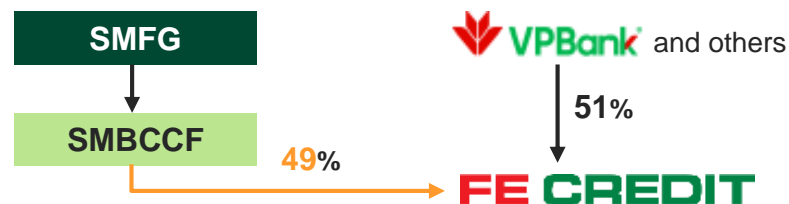
|                           | FY3/17 | FY3/21 |
|---------------------------|--------|--------|
| Application ratio via Web | 70%    | 90%    |
| App usage ratio           | 20%    | 70%    |
| 20s / 30s share           | 60%    | 70%    |

### SMBC

#### Enhance DX of SMBC card loan



## Investment in FE Credit



### Aim

- Capture the growth of market in Vietnam
- Cross-selling based on its broad customer base

\*1 Each percentage is round number.

\*2 Automatic Contract Machine.

# Wholesale

**Muneo Kanamaru,  
Senior Managing Executive Officer**



# Progress of Medium-Term Management Plan

## 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

|   | FY3/21     | YoY          | FY3/23                   |
|---|------------|--------------|--------------------------|
| Base profit                                 | +5.4%      | —            | In 3 years<br>+3.8%      |
| Finance and investment in strategic areas*1 | JPY 1.3 tn | + JPY 0.1 tn | Cumulative<br>JPY 4.4 tn |
| # of clients providing digital solutions    | 9.7k       | +6.6k        | 10k                      |
| # of digital solution related transaction   | 9.5k       | +8.8k        | 13k                      |
| Sustainable finance                         | JPY 0.9 tn | —            | Cumulative<br>JPY 1.4 tn |
| League table (# of Japanese M&A deals)*2    | #2         | ↑ #2         | #2                       |

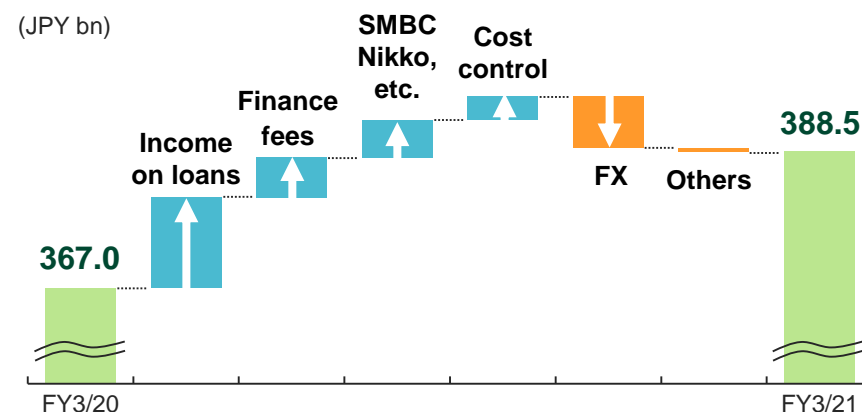
\*1 LBO・PF・NRL・REIT・DIP

\*2 > JPY 10 bn

## FY3/21 result

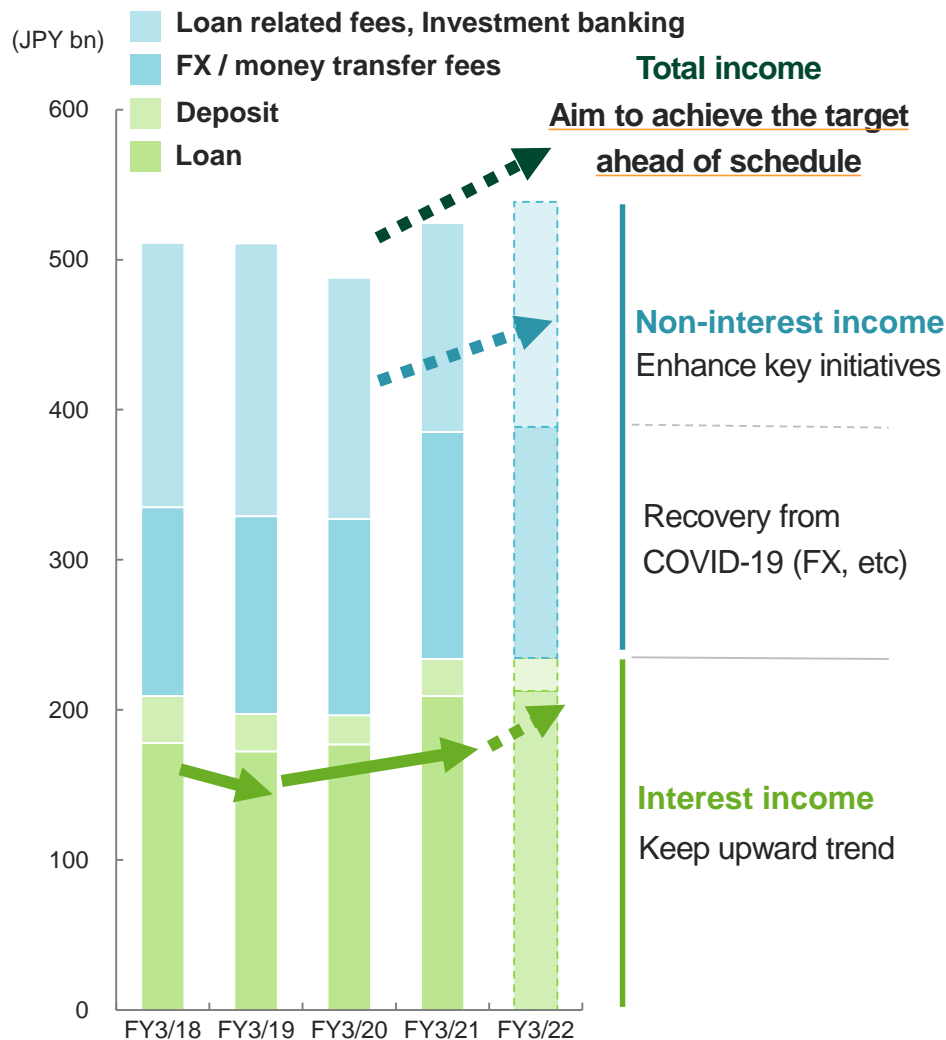
| (JPY bn)            | FY3/21 | YoY    |
|---------------------|--------|--------|
| Gross profit        | 634.9  | + 14.8 |
| Expenses            | 299.9  | (3.7)  |
| (Overhead ratio)    | 47.2%  | (1.7)% |
| Net business profit | 388.5  | + 21.5 |
| ROCET1              | 5.6%   | (4.6)% |
| RWA (JPY tn)        | 33.4   | + 2.6  |

## Net business profit (YoY)

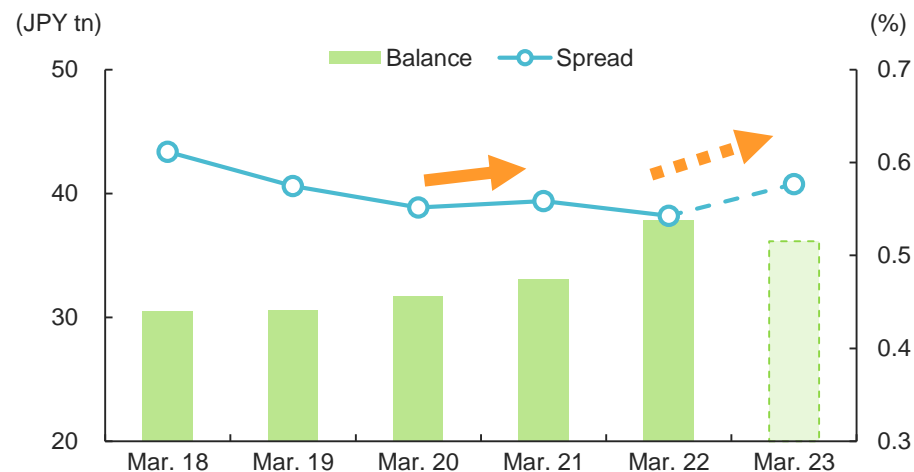


# Profit plan / Loan balance

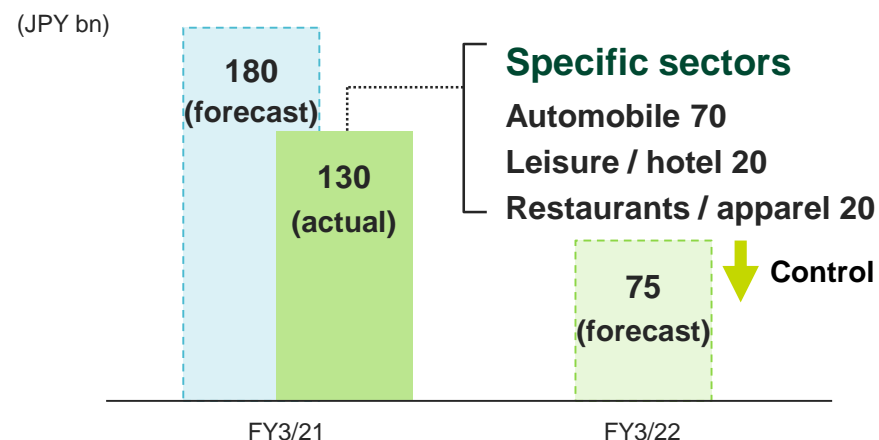
## Breakdown of profit (SMBC)\*



## Loans



## Credit cost control



# Key initiatives / solutions for complicated financial needs

## Outline

### Medium-term management plan

#### Transformation & Growth

- Enhance competitive edges in growth area
- Create new business opportunities

Continue focusing on strategic areas  
Create new businesses in the mid-to-long term

Changing needs of environment and clients

COVID-19 Industry reorganization Digitalization Decarbonization...

### Key initiatives

- Solutions for complicated financial needs
- Group real estate strategy
- Global large corporates strategy
- Digital solutions for corporate clients
- Sustainable business

Gross profit +JPY 40 bn -

## Solutions for complicated financial needs



Business restructuring

LBO finance

M&A finance



Balance sheet improvement

Hybrid finance



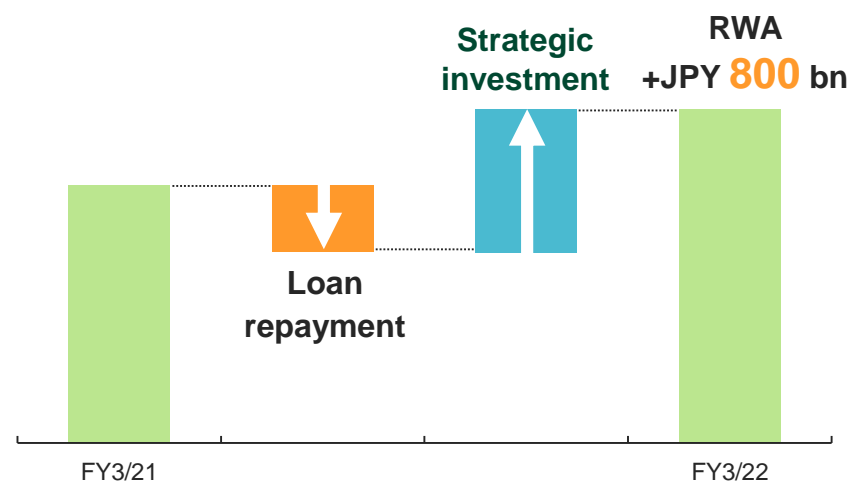
Revitalization

DIP finance

Revitalization investment

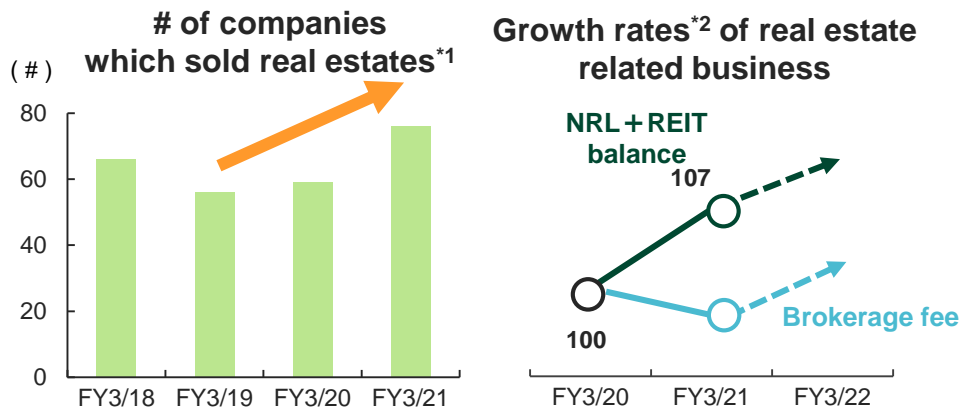
NPL purchase

## RWA plan

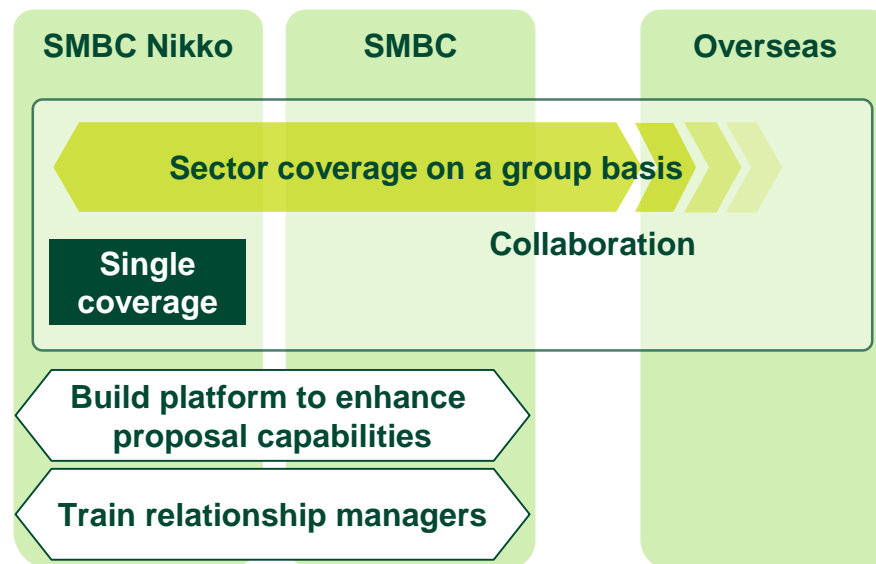
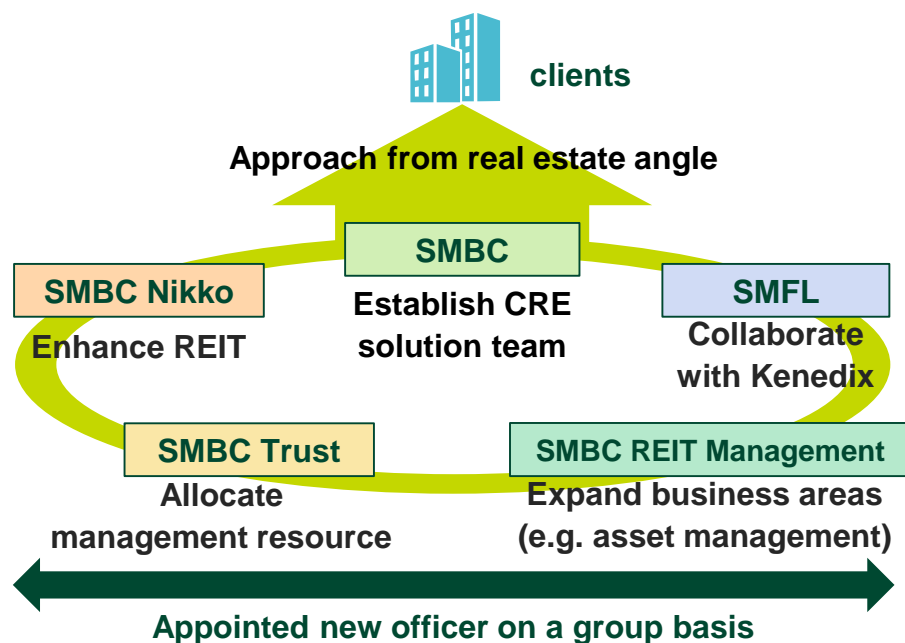
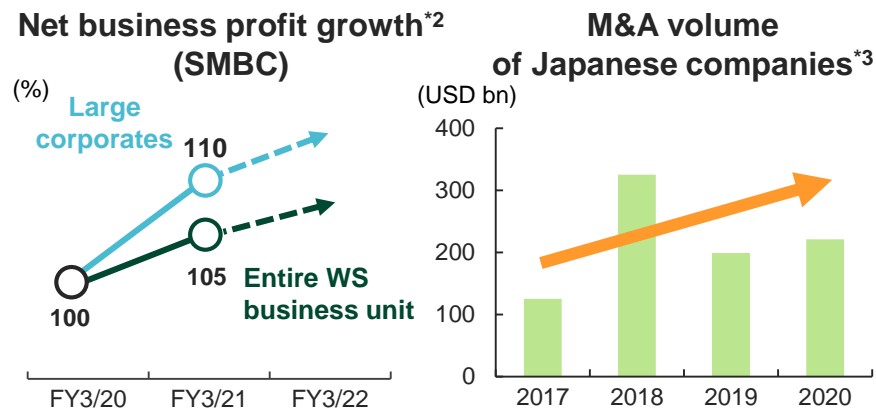


# Group real estate strategy / global large corporates strategy

## Group real estate strategy



## Global large corporates strategy



\*1 Tokyo Shoko Research FY20 "Tokyo Stock Exchange 1st / 2nd section real estate sales"

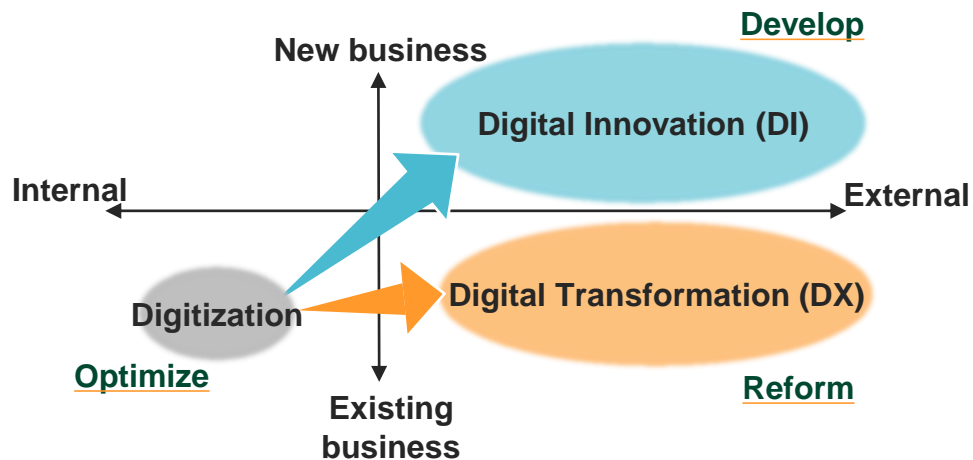
\*2 The result of FY3/20 = 100.

\*3 Refinitiv (volume is based on ranking date, excluding share buybacks and real estate purchase)

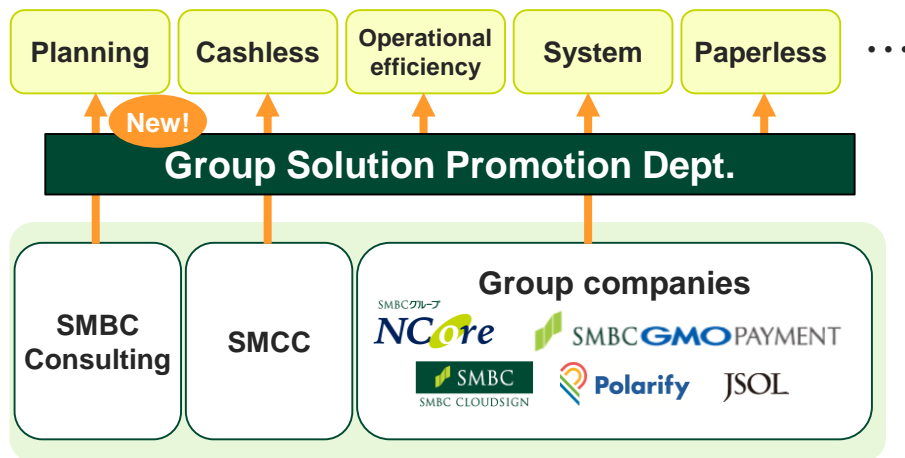


# Digital solutions for corporate clients

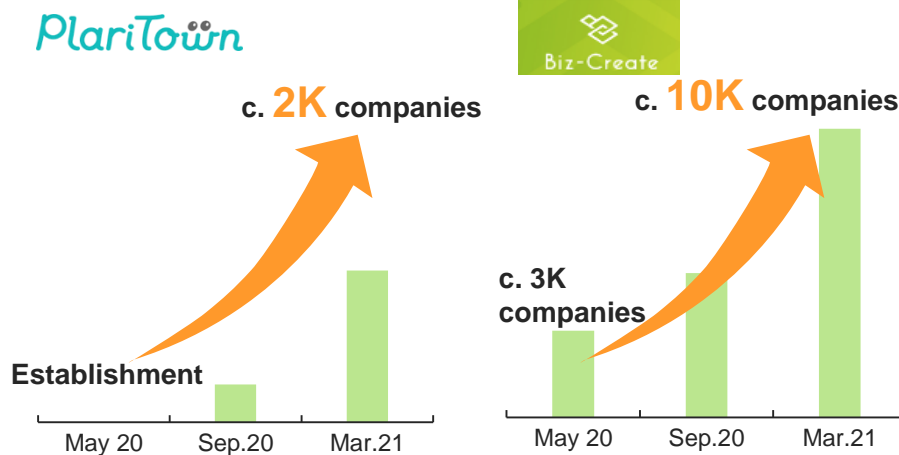
## Response to DX / DI needs



### DI DX Integrated & tailor made proposal



## Digital platform for corporates



Business Succession



Alliance Research

A/C receivable Guarantee



Amulet

New digital services

Provide white-label service to regional banks and corporates

## Cashless service for corporate clients

COVID-19 increased needs for touchless payment and optimization



# Promotion of sustainability business

## Our vision

Increasing social demand for sustainability

### Clients' management issues

- ESG management
- Non-financial information disclosure
- Decarbonization

### Capture mid- to long-term financial events

Restructuring

Large capex

M&A / IPO

Supply chain review

### Engagement

Consulting

Sustainable finance

GREEN×GLOBE Partners

Decarbonization solution

### Global network × Group solution



Overseas

Know-how & knowledge



Japan Research Institute



SMBC CONSULTING CO., LTD.

## Sustainable finance

### 1 Green

■ Green finance

■ Green deposit<sup>\*1</sup>

1<sup>st</sup> in Japan

### 2 Transition

■ Financial support for carbon neutral transition

■ Sustainability linked bond (donation type)<sup>\*2</sup>

1<sup>st</sup> in the world

### 3 Impact

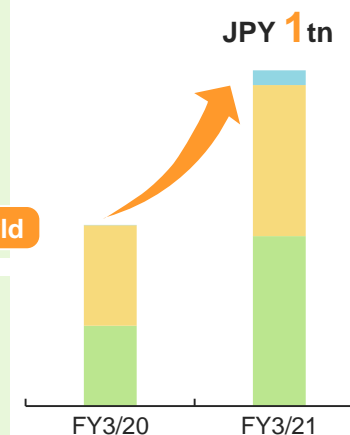
New

■ PIF principle assessment loan

■ AIM (ESG bonds) established Japanese subsidiary (Jun. 21)

### Our domestic green finance volume

■ Loan ■ Bond ■ Lease



### GREENxGLOBE Partners

# of partner companies

47

Sep.20

146

Jun.21<sup>\*3</sup>

### Pursue a hydrogen society

Hydrogen Council



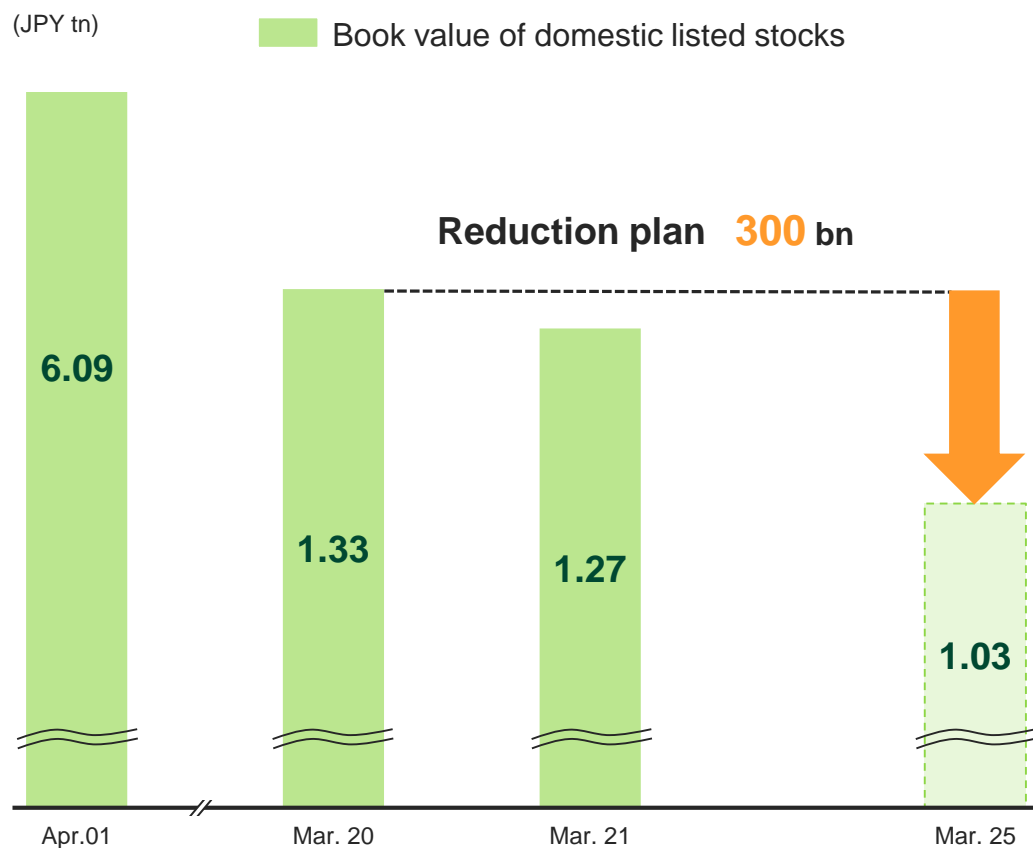
中部圏水素利用協議会

\*1 Deposited money is used as loans for "eligible green projects" such as renewable energy. Obtain periodic review by third party about operational status.

\*2 The issuer makes a donation if targets are not achieved. \*3 As of Jun. 11, 2021

# Strategic shareholdings

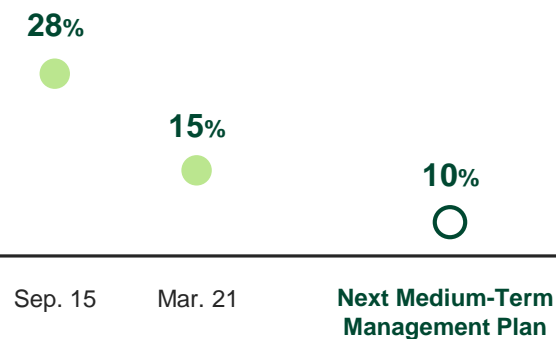
Plan to reduce JPY 300 bn in 5 years by March 2025. Reduced JPY 55 bn in FY3/21.



## Reduction

|   |            |
|---|------------|
| Previous reduction plan<br>(Sep.15- Sep.20) | JPY 510 bn |
| Current reduction plan<br>(Mar.20 -)        |            |
| Reduction                                   | JPY 55 bn  |
| Consent of sales                            | JPY 54 bn  |
| Total                                       | JPY 109 bn |

## Ratio of stocks to CET1\*



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

# Global

**Ryuji Nishisaki,**  
**Senior Managing Executive Officer**



# Progress of Medium-Term Management Plan

## Financial target

### Net business profit

FY 3/23  
JPY **430** bn  
  
Vs. FY3/20  
+ JPY **70** bn

### ROCET1

FY 3/23  
**9%**

### RWA

In 3 years  
+JPY **2.5** tn  
  
Previous plan  
+ JPY **5.8** tn

## KPI

|                       |   | FY3/21 | YoY   | FY3/23     |
|-----------------------|---|--------|-------|------------|
| CIB Business          | Asset efficiency <sup>*1</sup> of Non-Japanese clients in the U.S. and Europe | 2.2%   | +0.5% | 1.8%       |
|                       | US IG bonds underwriting shares   | 2.1%   | +0.4% | 3.0% (#10) |
| Asia-centric (JPY bn) | Profit from MF <sup>*2</sup> strategy targeting countries                     | 97.3   | (3.7) | 116        |
|                       | Deposit balance of digital banking in Asia                                    | 104.9  | +52.5 | 158        |
|                       | Overseas transaction banking <sup>*3</sup>                                    | 66.2   | +7.1  | 68         |

\*1 Asset efficiency = gross profit /(asset + commitment line), managerial accounting basis as of Mar.20.

\*2 Multi-Franchise \*3 After adjustments of the changes of interest rates

## FY3/21 result

| (JPY bn)            | FY3/21 | YoY    |
|---------------------|--------|--------|
| Gross profit        | 723.7  | + 42.9 |
| Expense             | 383.3  | + 12.4 |
| (Overhead ratio)    | 53.0%  | (1.5)% |
| Net business profit | 366.7  | + 3.9  |
| ROCET1              | 6.2%   | (1.3)% |
| RWA (JPY tn)        | 35.6   | (0.1)  |

## Progress of key initiatives

### CIB Business

- Started sector coverage on a global basis
- Increased IG Bond share by leveraging funding support
- Increased capital of SMBC Nikko (US) to build bond S&T platform

### Asia-centric

- Expand franchises in Asia
  - (Vietnam) Investment in FE Credit
  - (Singapore) Investment in ARA Asset Management

### Sustainability

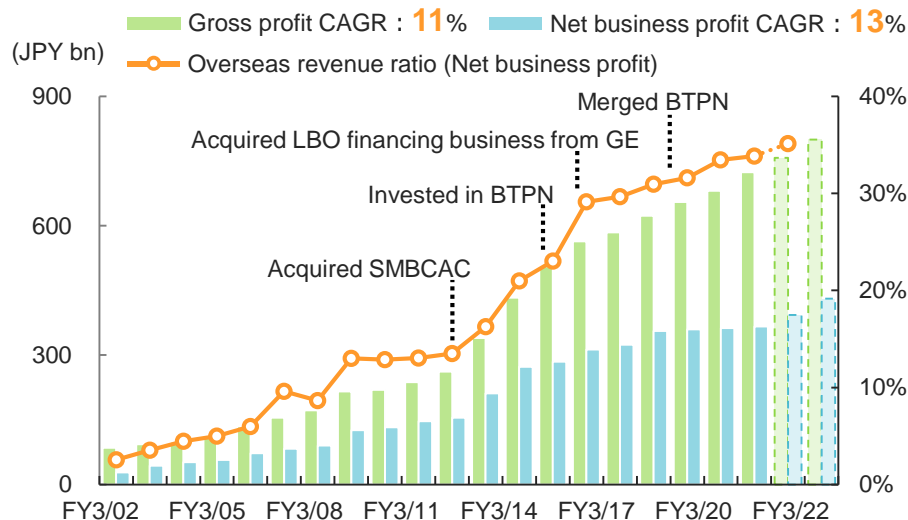
- Green finance: #2 in Global league table (FY3/21)

### Digital

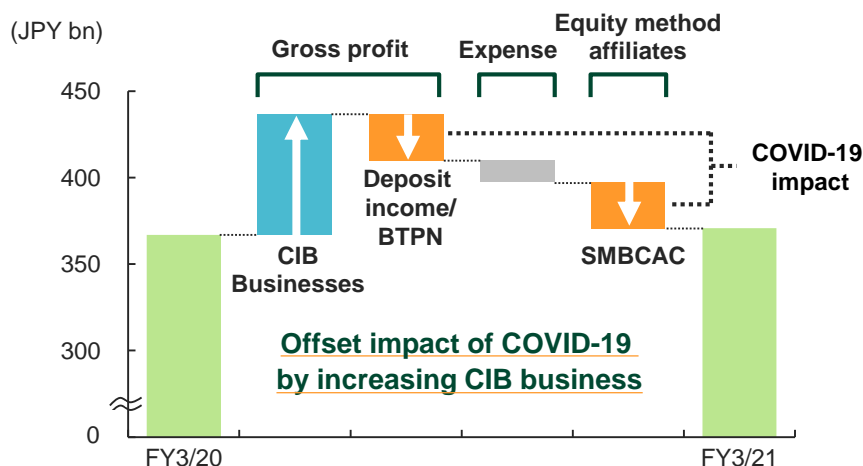
- Build trade finance platform
  - Executed first transaction using “Marco Polo”

# Pursue further growth and efficient business management

## Long-term results



## Net Business profit

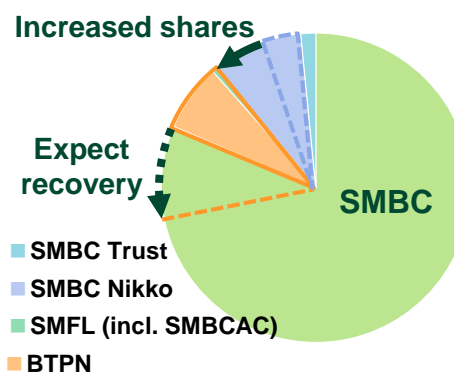


\*1 Monthly average loan spread of existing loans

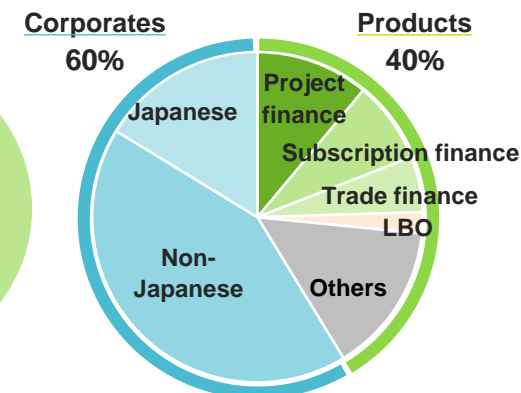
\*2 Return on Funded Asset of non-Japanese clients in the U.S. and Europe

## Business portfolio with group strengths

### Net business profit

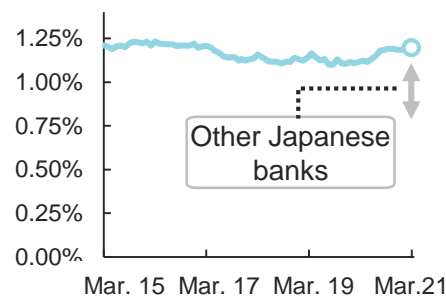


### Asset portfolio of SMBC



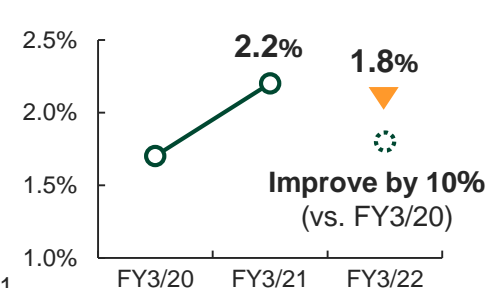
## Efficient business operation

### Overseas loan spread\*1



Leverage competitive edges of group products

### ROFA\*2



Enhance cross-selling

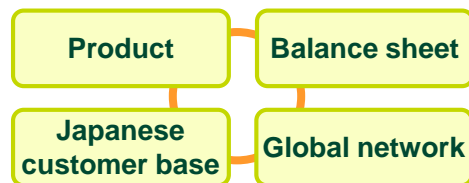


# Enhance CIB business

## Overseas securities business

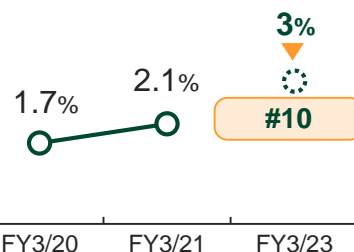
### Enhance IG presence

#### Proposal with our strengths



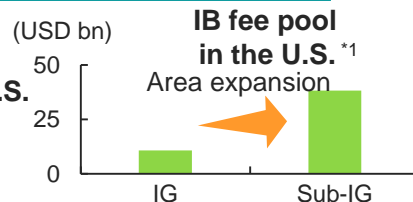
#### Global sector coverage

#### Underwriting share of US IG bond

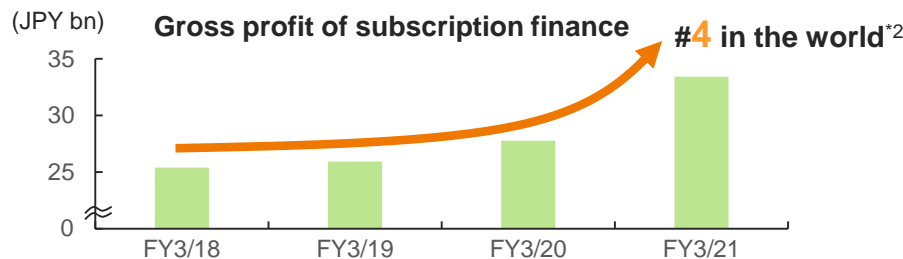


### Expand business areas

- Approach Sub-IG customers
- Establish FIST platform in the U.S.
- Enhance risk management framework



## Expansion of fund business



## Sustainability business

### SMBC Group

- Advise ESG strategy
- Propose use of new energy / transition

### Needs of clients

- ESG strategy (climate change)
- Energy transition
- IR strategy

### e.g. Sustainability linked loan

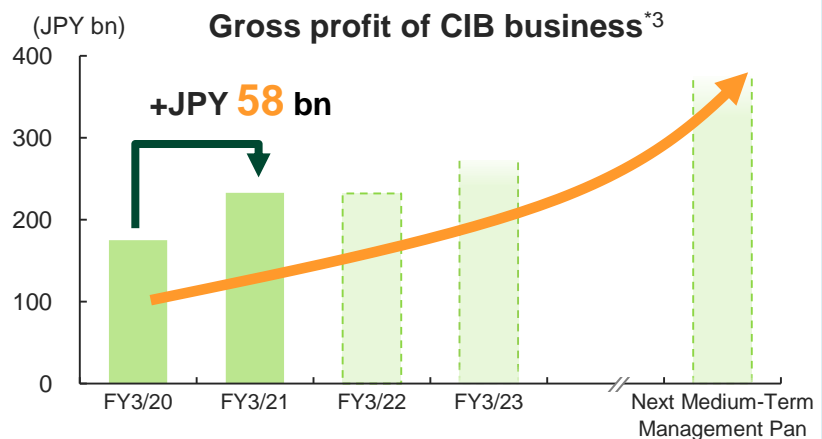
#### 1) Japanese manufacturer in the U.S. USD 1.1 bn

- Mandated as solo arranger. First ESG loan to an overseas subsidiary of a Japanese company

#### 2) French REIT company EUR 3 bn

- Mandated for our ESG expertise

### Aim top tier by leveraging our strength

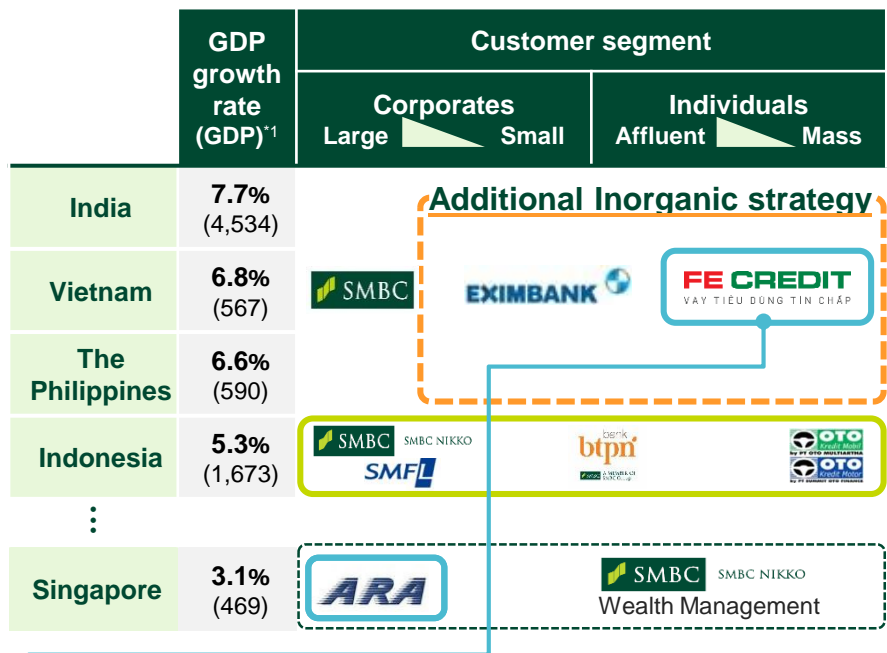


\*1 CY20/Dealogic \*2 SMFG's estimate (based on transaction volume)

\*3 Managerial accounting basis (profit from non-Japanese fund clients in the U.S. and Europe)

# Expand franchise in Asia and capture the growth

## Establish a platform for mid-to-long term growth



## Strategic investment

### FE Credit

- Market share : 50%
- Equity share : 49%
- Share know-how

Retail customers base

Digital initiatives

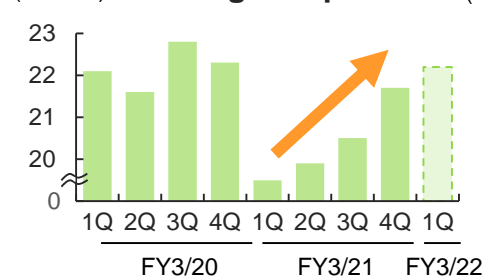
### ARA Asset Management

- Real estate AM in promising Asia
- Equity share : 10%

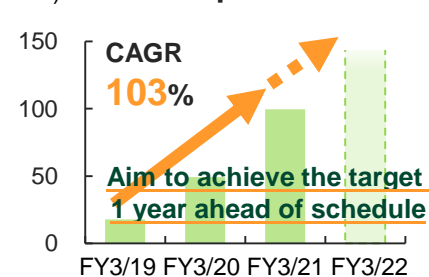
Business operation in broader Asia

## Indonesia: recover from COVID-19

### (JPY bn) BTPN gross profit

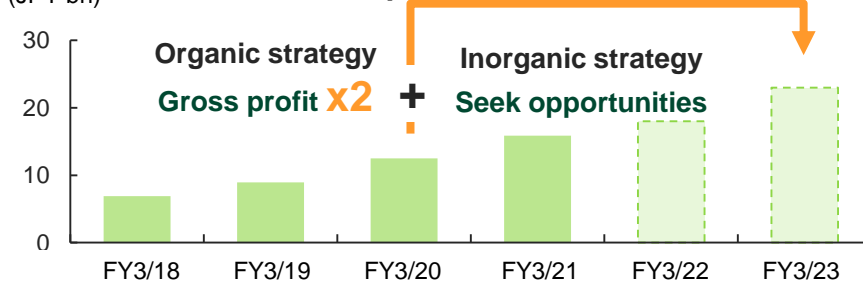


### (JPY bn) Jenius deposit balance



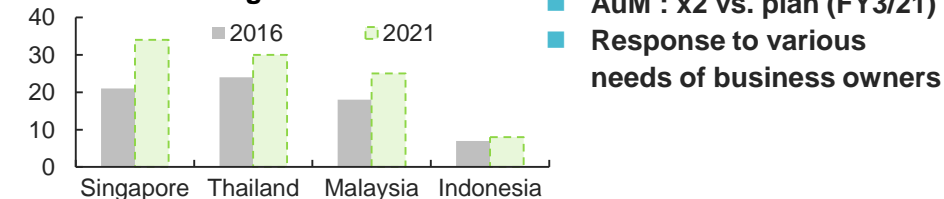
## India: capture growth of the huge market

### (JPY bn) Gross profit in India



## Singapore: enter into the wealth management business

### (JPY tn) Net investment assets of target clients<sup>\*2</sup>



\*1 IMF : GDP growth rate: 2021-2026 average / GDP: 2026 estimate (USD bn)

\*2 2016: various public data, 2021: SMBC's estimate

High-net-worth individuals' net investment assets = Held assets – house, car and debts



# Aircraft leasing / Enhance management base for sustainable growth

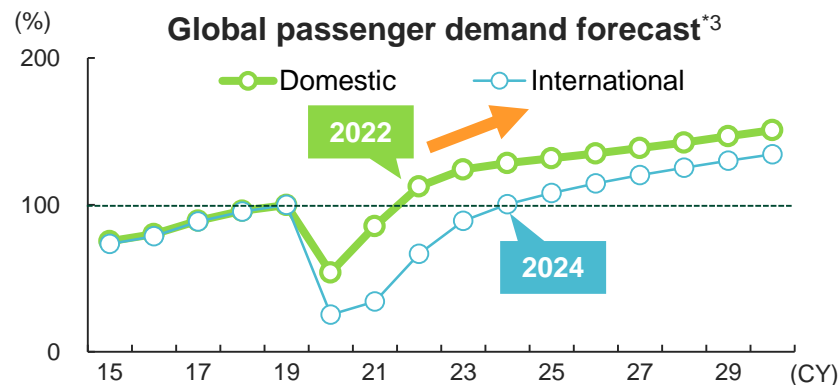
## ■ SMBCAC

### ● Crisis-resistant aircraft portfolio

Narrow body: Over 80%<sup>\*1</sup>

Average age: 4.1 years

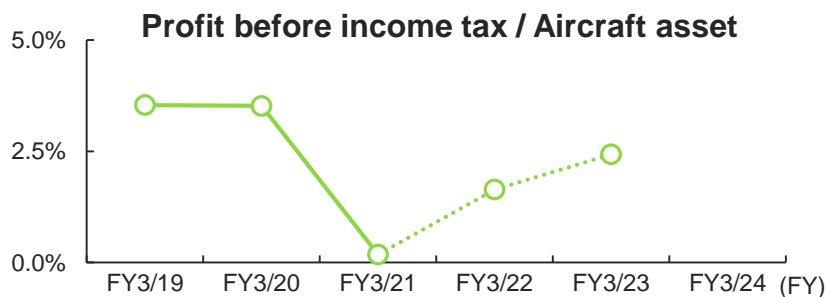
Fuel efficient new type:  
c. 60%<sup>\*1,2</sup>



### ● Improve asset efficiency by leveraging strong liquidity

S&P rating: A-  
(No.1 in industry)

Undrawn commitment lines:  
USD 4.5 bn



## ■ Global governance and risk management

Geopolitical risks

New businesses

Market changes

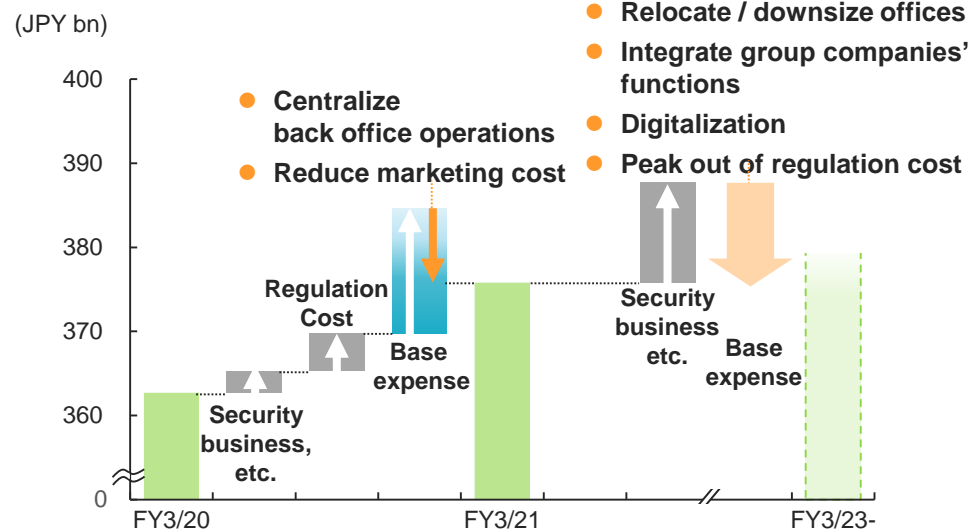
Climate change

Regulations

### Proactive response with preferential resource allocation

- Global collaboration (sharing best practice, culture)
- Group CxO centered structure

## ■ Improvement of cost efficiency



# Global Markets

**Masamichi Koike,**  
**Senior Managing Executive Officer**



# Progress of Medium-Term Management Plan

## Financial target

### Net business profit

FY3/23  
JPY **365** bn  
Vs. FY3/20  
JPY (30) bn

### ROCET1

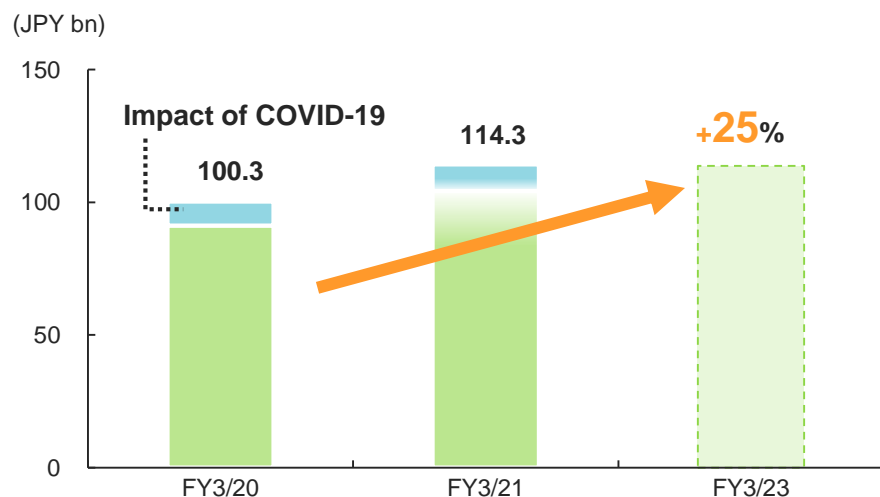
FY3/23  
**17** %

### RWA

In 3 years  
+JPY **1.7** tn  
Previous plan  
JPY (1.5) tn

## KPI

### Overseas Sales & Trading profits



## FY3/21 result

| (JPY bn)            | FY3/21 | YoY    |
|---------------------|--------|--------|
| Gross profit        | 460.7  | + 22.1 |
| Expenses            | 82.9   | + 3.3  |
| (Overhead ratio)    | 18.0%  | (0.2)% |
| Net business profit | 413.5  | + 22.0 |
| ROCET1              | 20.4%  | +0.2%  |
| RWA (JPY tn)        | 5.4    | + 0.3  |

### Key initiatives

#### Portfolio management

- Accumulate profits by flexible rebalance

#### Sales & Trading

- Capture clients' needs of risk hedge
- Enhance overseas S&T capabilities

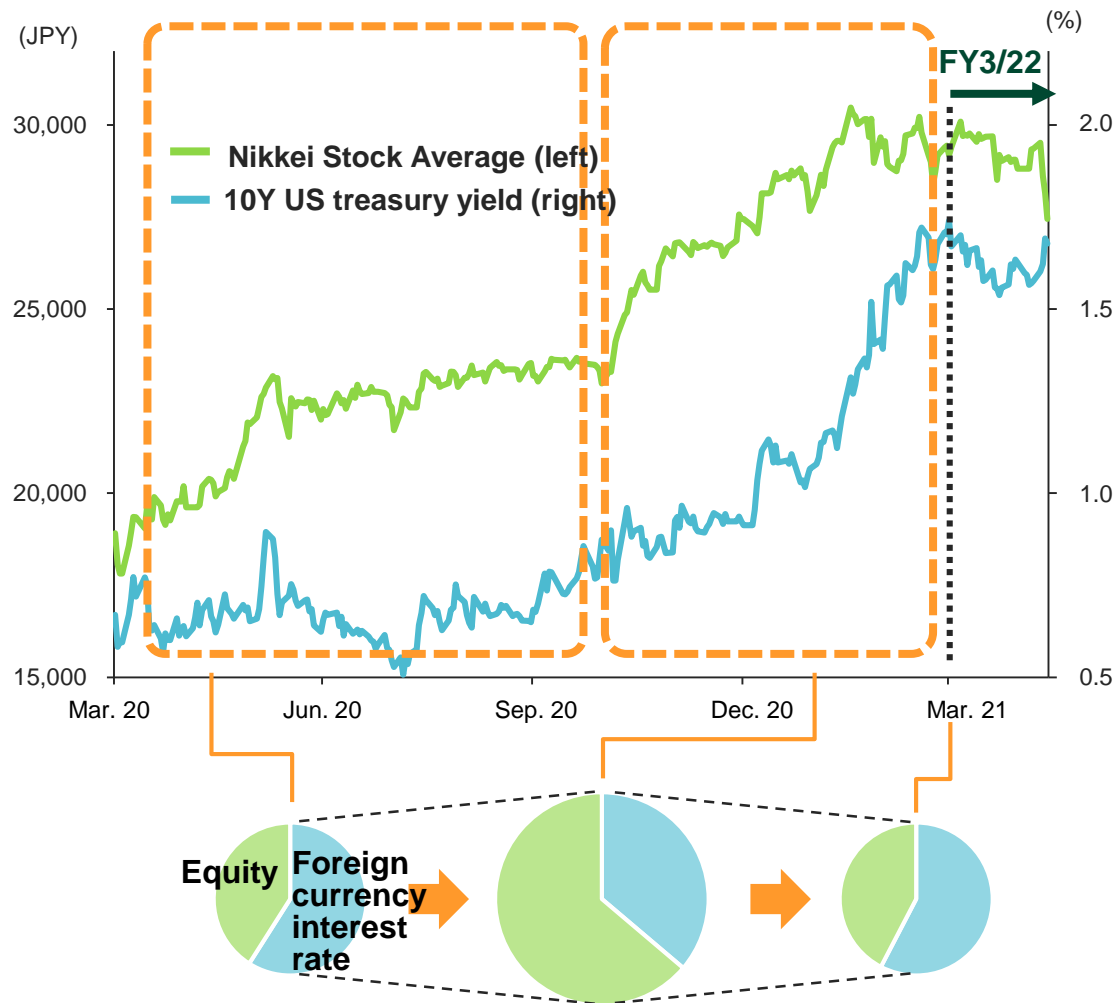
#### Foreign currency funding

- Strengthen global collaboration by merging ALM departments worldwide
- Secure stable B/S management even under stressed market condition

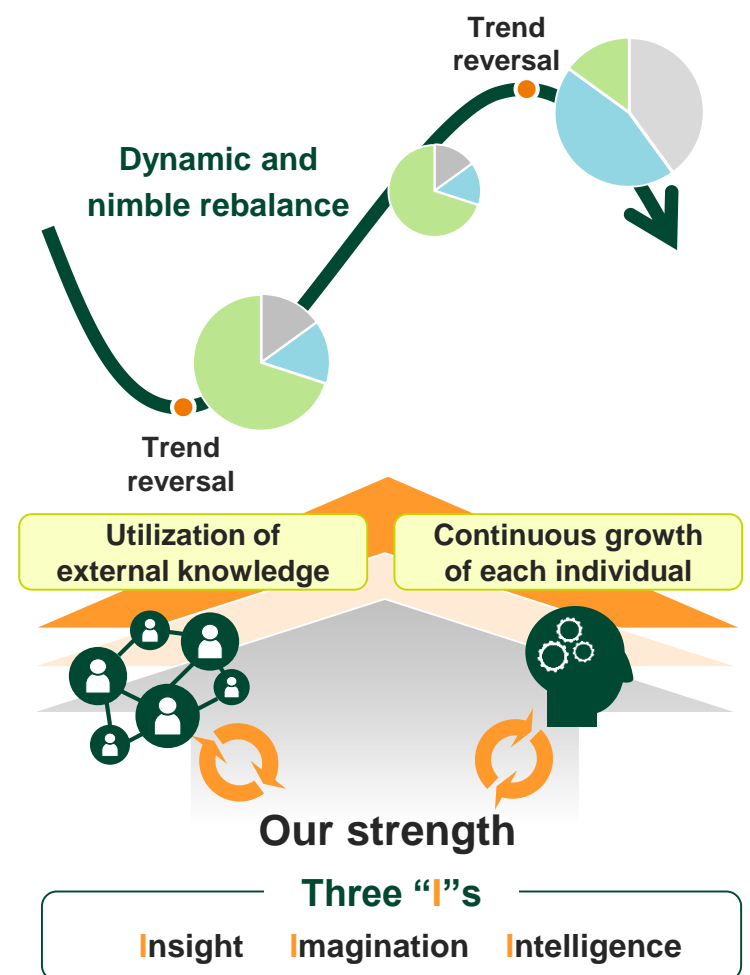
# Portfolio management

Dynamic and nimble portfolio management with “Trading strength”

## FY3/21 results (Δ in risk volume\*)



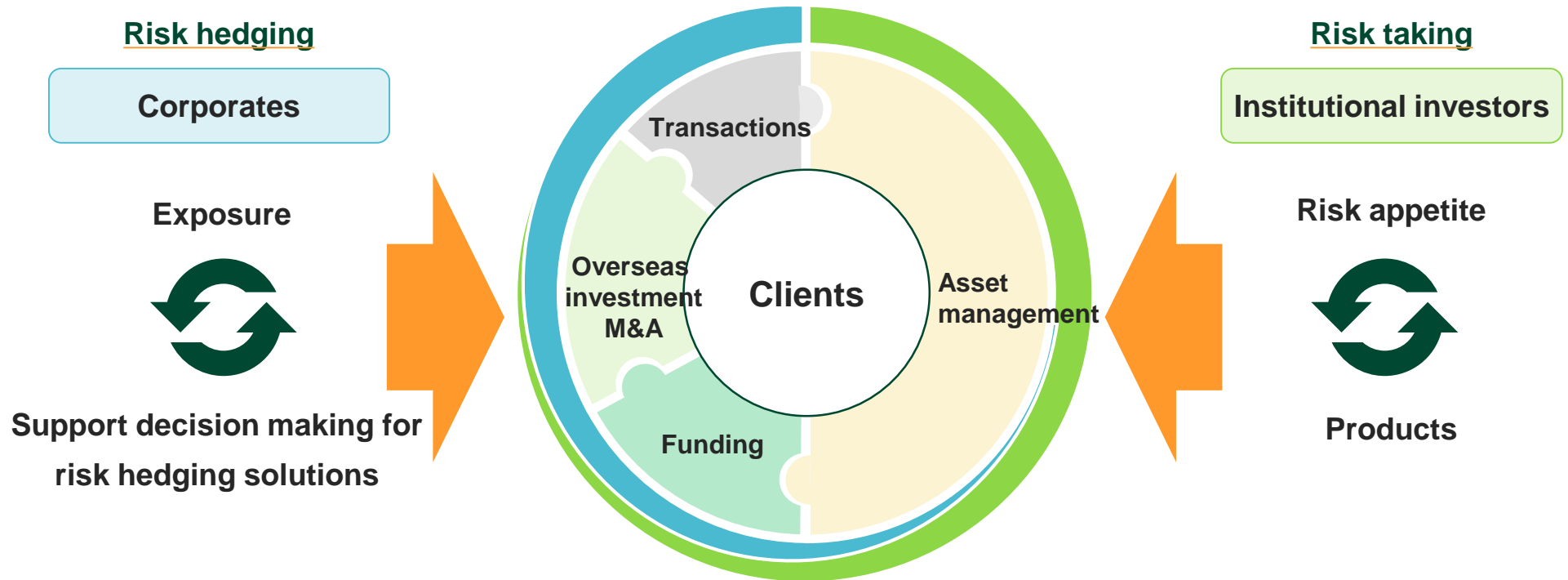
## Portfolio management



# Sales & Trading

Become a solution provider

Enhance solution- providing capability



- One-stop marketing system
- Competitive solutions

- FIST platform in the U.S.
- Business base in Asia

- Products line-up
- Structured credit solutions

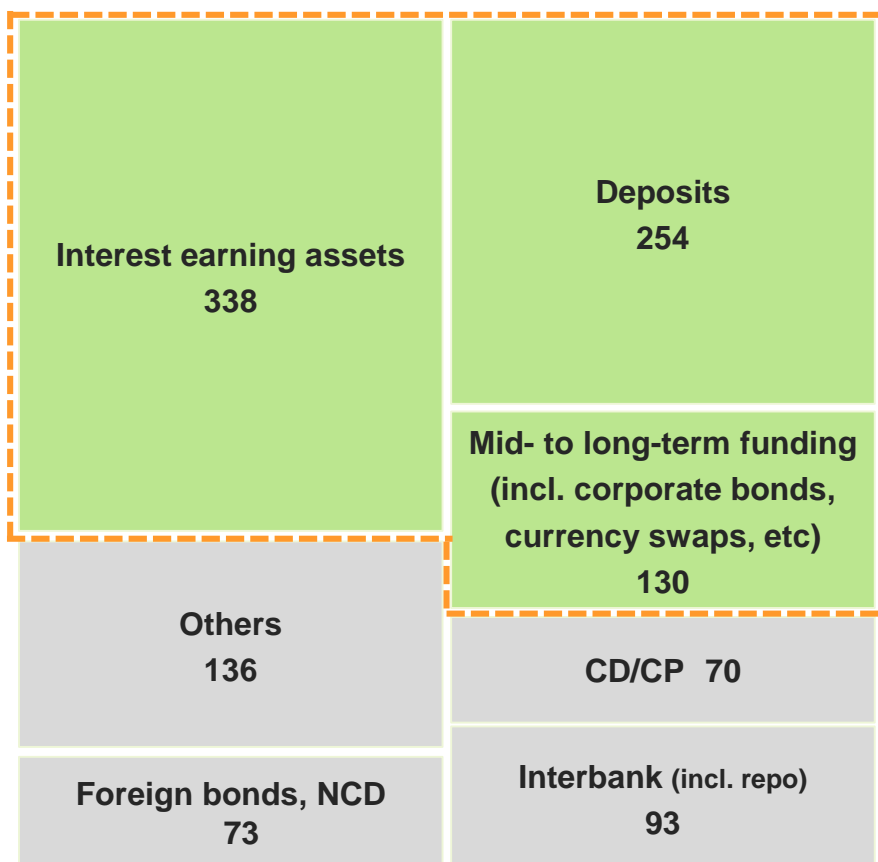
# Foreign currency funding

Pursue a long-term balance between stability and cost efficiency

## Robust funding base

Foreign currency balance sheet as of Mar.21

(USD bn)



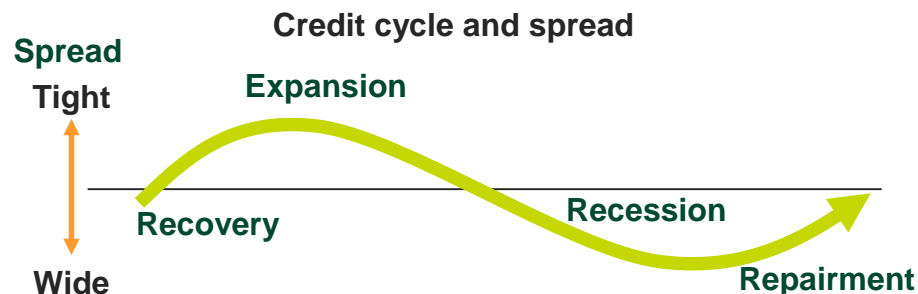
## Strategic funding

Fundamentals

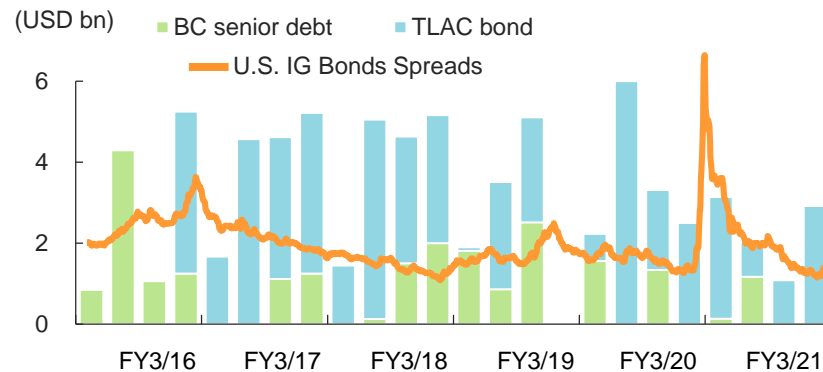
Monetary policy

Supply and demand

Global ALM management



## Corporate bond issuance



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. 20    | Mar. 21    |
|------------|------------|------------|
| <b>USD</b> | JPY 108.81 | JPY 110.71 |
| <b>EUR</b> | JPY 119.52 | JPY 129.75 |

## Definitions

|  |   |
|--|---|
| <b>SMFG</b>  | Sumitomo Mitsui Financial Group, Inc.   |
| <b>SMBC</b>  | Sumitomo Mitsui Banking Corporation   |
| <b>SMBC Trust</b>                                    | SMBC Trust Bank   |
| <b>SMFL</b>  | Sumitomo Mitsui Finance and Leasing   |
| <b>SMBC Nikko</b>                                    | SMBC Nikko Securities   |
| <b>SMCC</b>  | Sumitomo Mitsui Card Company  |
| <b>SMBCCF</b>  | SMBC Consumer Finance   |
| <b>SMDAM</b>   | Sumitomo Mitsui DS Asset Management   |
| <b>SMBCAC</b>  | SMBC Aviation Capital   |
| <b>Consolidated</b>                                  | SMFG consolidated   |
| <b>Non-consolidated</b>                              | SMBC non-consolidated   |
| <b>Expenses (non-consolidated)</b>                   | Excluding non-recurring losses  |
| <b>Net business profit</b>                           | Before provisions to general reserve for possible loan losses   |
| <b>Profit attributable to owners of parent</b>       | Profit attributable to owners of parent   |
| <b>Medium-term management plan financial targets</b> | <ul style="list-style-type: none"> <li>FY3/23 target and the change in the FY3/21-FY3/23 are based on FY3/21 managerial accounting basis</li> <li>After adjustments of the changes of interest rates, exchange rates and other factors</li> </ul> |