

# Fixed Income Investor Presentation

November 2016

## Sumitomo Mitsui Financial Group, Inc.

Unless otherwise indicated, the financial figures for SMFG and SMBC included in this presentation are prepared in accordance with generally accepted accounting principles in Japan, or Japanese GAAP

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# Agenda

## Overview

- SMFG / SMBC overview
- Group structure
- Financial results of FY3/2015, FY3/2016 and 1H, FY3/2017
- Balance sheet and loan balance
- Sources of profitability

## Financial soundness

- Asset quality
- Reduction of strategic shareholdings
- Capital

## Business strategy

- Medium-term management plan
- Wholesale business
- Retail business
- International business

## TLAC requirements

# SMFG / SMBC overview\*1

## SMFG consolidated

- SMFG is one of the three largest banking groups in Japan with an established global presence
- Designated as a G-SIB

**Market capitalization (TSE:8316 NYSE:SMFG)** JPY 5.9 tn / USD 52.0 bn  
(As of Nov. 25, 2016)

**Total assets** JPY 180 tn / USD 1,781 bn

**Total capital ratio (Basel III transitional basis)** 17.45%

**CET1 ratio (Basel III fully-loaded basis)** 11.9%

**NPL ratio** 1.03%

(As of Sep. 30, 2016)

**Ratings (Moody's / S&P)\*2** A1 / A-

## Profitability

		FY3/16		1H, FY3/17	
SMFG consolidated	<b>Consolidated gross profit</b>	JPY 2,904 bn	USD 25.8 bn	JPY 1,417 bn	USD 14.0 bn
	<b>Ordinary profit</b>	JPY 985 bn	USD 8.7 bn	JPY 514 bn	USD 5.1 bn
	<b>Profit attributable to owners of parent</b>	JPY 647 bn	USD 5.7 bn	JPY 359 bn	USD 3.6 bn
SMBC non-consolidated	<b>Gross banking profit</b>	JPY 1,534 bn	USD 13.6 bn	JPY 914 bn	USD 9.0 bn
	<b>Banking profit*4</b>	JPY 729 bn	USD 6.5 bn	JPY 512 bn	USD 5.1 bn
	<b>Net income</b>	JPY 609 bn	USD 5.4 bn	JPY 398 bn	USD 3.9 bn

## SMBC non-consolidated

**Total assets** JPY 148 tn / USD 1,469 bn

**Loans** JPY 71 tn / USD 703 bn

**Deposits\*3** JPY 99 tn / USD 979 bn

**NPL ratio** 0.64%

(As of Sep. 30, 2016)

**Ratings (Moody's / S&P)\*2** A1 / A

## SMBC's business franchise

- Core operating entity within the SMFG franchise
- Heritage dating back more than 400 years
- **Approx. 28 million** retail customer deposit accounts
- **Approx. 86 thousand** domestic corporate loan clients
- **440** domestic branches
- **Over 70** overseas franchises\*5

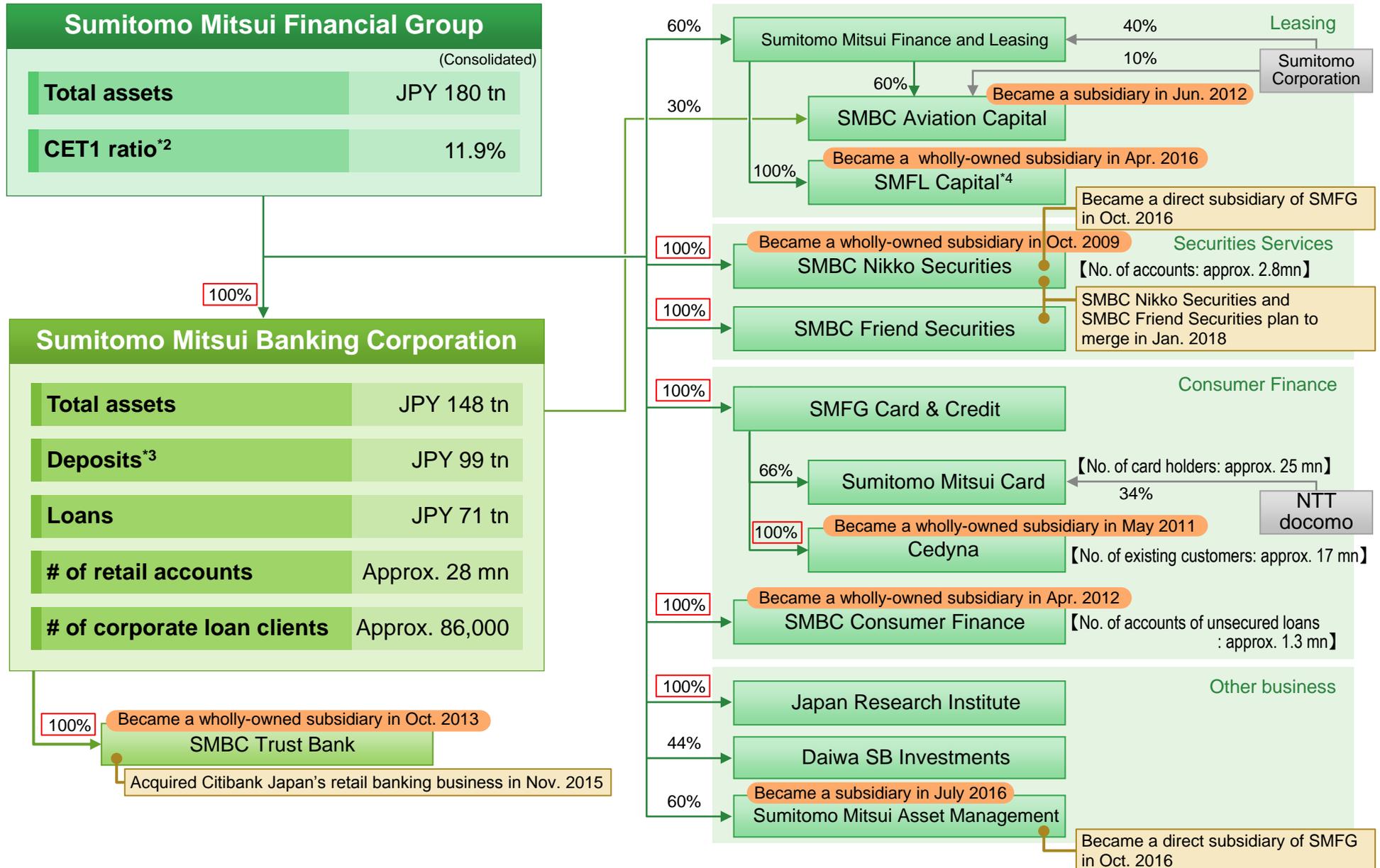
(As of Sep. 30, 2016)

\*1 Exchange rate for as of Mar. 31, 2016 is USD 1.00 = JPY 112.62, as of Sep. 30, 2016 is USD 1.00 = JPY 101.05 and as of Nov. 25, 2016 is USD 1.00 = JPY 113.78

\*2 Senior unsecured ratings as of Nov. 29, 2016 \*3 Excludes negotiable certificates of deposits \*4 Before provision for general reserve for possible loan losses

\*5 SMBC's overseas offices, offices of overseas subsidiary banks, and other subsidiaries and affiliates

# Group structure\*1



\*1 As of Sep. 30, 2016 \*2 Basel III fully-loaded basis

\*3 Excludes negotiable certificates of deposits \*4 Changed name from GE Japan GK to SMFL Capital Company, Limited in Sep. 2016

# Financial results of FY3/2015, FY3/2016 and 1H, FY3/2017

## Income statement

		(JPY bn)	FY3/2015	FY3/2016	1H, FY3/2017	YOY change
SMFG consolidated	Consolidated gross profit		2,980.4	2,904.0	1,417.5	(95.3)
	General and administrative expenses		(1,659.3)	(1,724.8)	(882.0)	(29.8)
	Equity in gains (losses) of affiliates		(10.6)	(36.2)	12.7	+56.1
	Consolidated net business profit		1,310.5	1,142.9	548.1	(69.0)
	Total credit cost		(7.8)	(102.8)	(54.8)	(30.6)
	Gains (losses) on stocks		66.7	69.0	17.4	(14.8)
	Other income (expenses)		(48.2)	(123.9)	3.5	(3.2)
	Ordinary profit		1,321.2	985.3	514.3	(117.6)
	Profit attributable to owners of parent		753.6	646.7	359.2	(28.9)
	Variance with SMBC non-consolidated		110.6	37.5	(38.9)	(141.8)
SMBC non-consolidated	Gross banking profit		1,634.3	1,534.3	914.0	+111.0
	Expenses*1		(791.2)	(805.5)	(402.0)	(3.2)
	Banking profit*2		843.1	728.8	512.0	(107.9)
	Total credit cost		80.1	3.2	8.0	(19.6)
	Ordinary profit		956.0	747.9	480.3	+65.3
	Net income		643.0	609.2	398.1	+112.8

## Contribution of subsidiaries to SMFG's net income

	(JPY bn)	1H, FY3/2017	YOY change
SMBC Consumer Finance		28	+1
SMBC Nikko Securities		21	(5)
Sumitomo Mitsui Finance and Leasing		16	+2
Cedyna		15	+1
Sumitomo Mitsui Card		5	(3)
SMBC Friend Securities		1	(1)
The Bank of East Asia		5	(4)

Includes JPY 29.3 bn of gains on step acquisitions recorded through consolidation of SMAM<sup>\*3</sup>

Includes JPY 200 bn of dividends from SMBC Nikko (eliminated in SMFG consolidated figures)

\*1 Excludes non-recurring losses

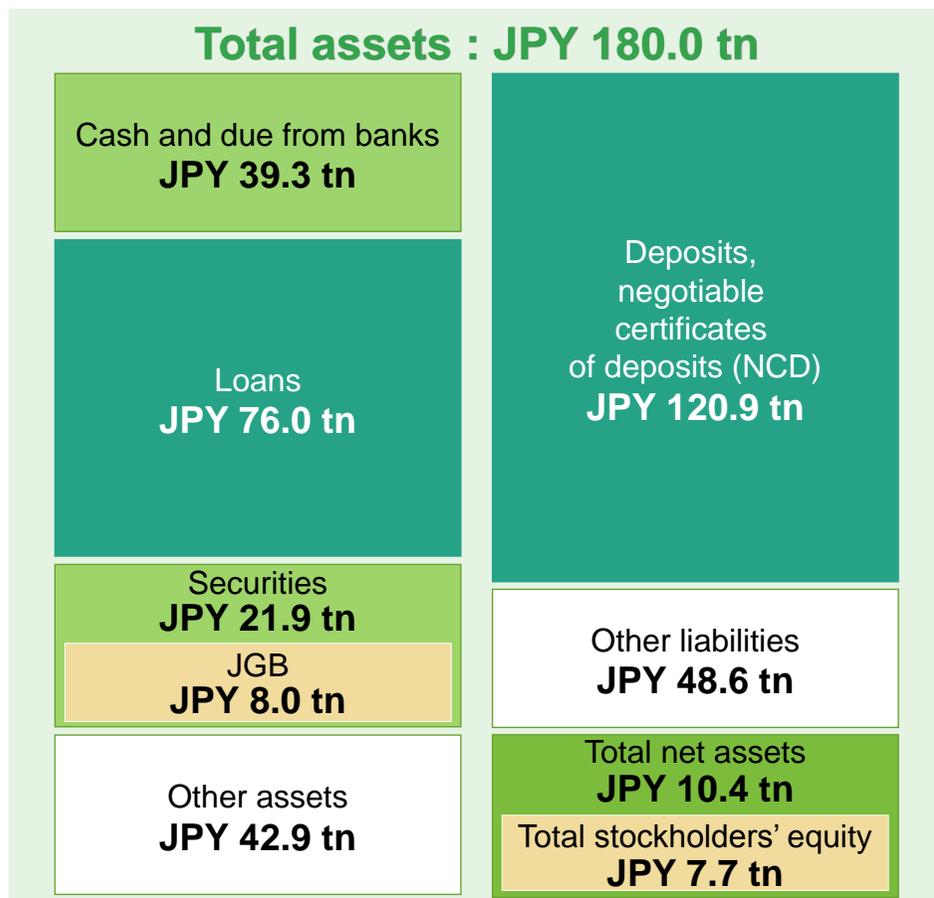
\*2 Before provisions for general reserve for possible loan losses

\*3 Sumitomo Mitsui Asset Management

# Balance sheet and loan balance

## Balance sheet (as of Sep. 30, 2016)

(SMFG consolidated)



Loan to deposit ratio	62.8 %
Risk-weighted assets	JPY 65.0 tn
ROE (Denominator: Total stockholders' equity)*1	9.4 %

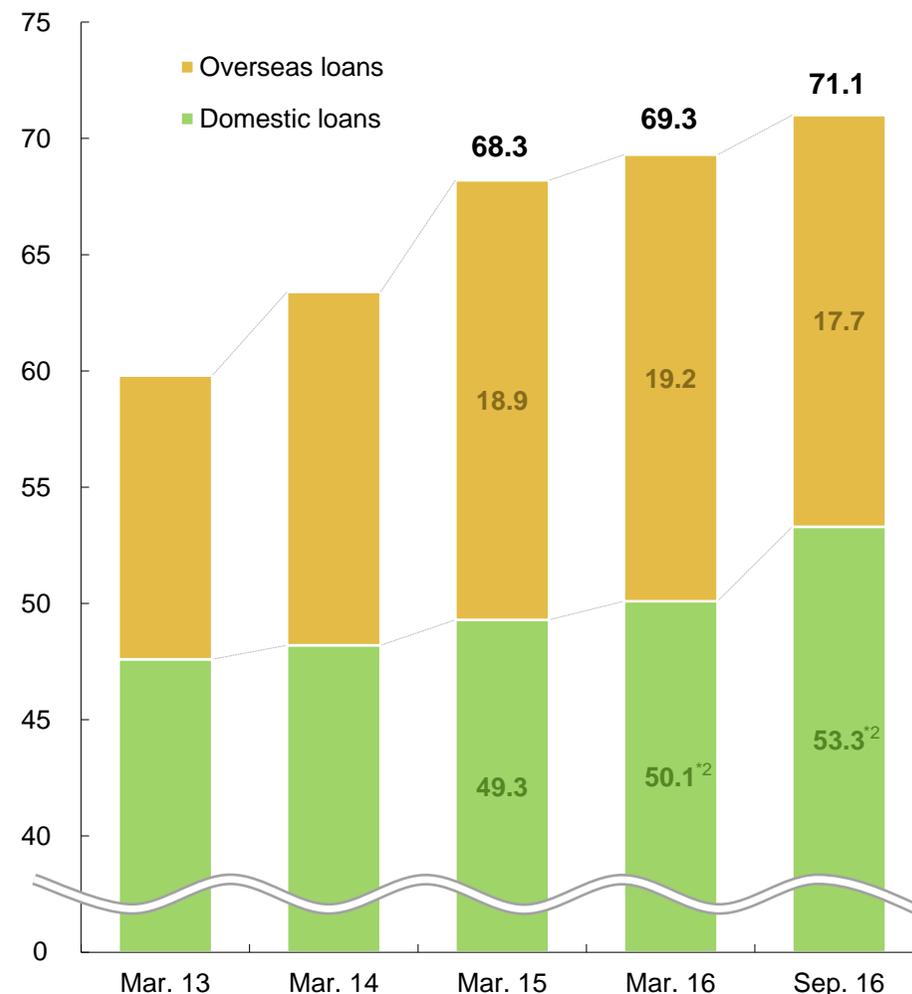
\*1 Annualized

\*2 Of which loans to the Japanese government, etc. and SMFG: Mar. 16: JPY 1.3 tn; Sep. 16: JPY 4.6 tn

## Loan balance

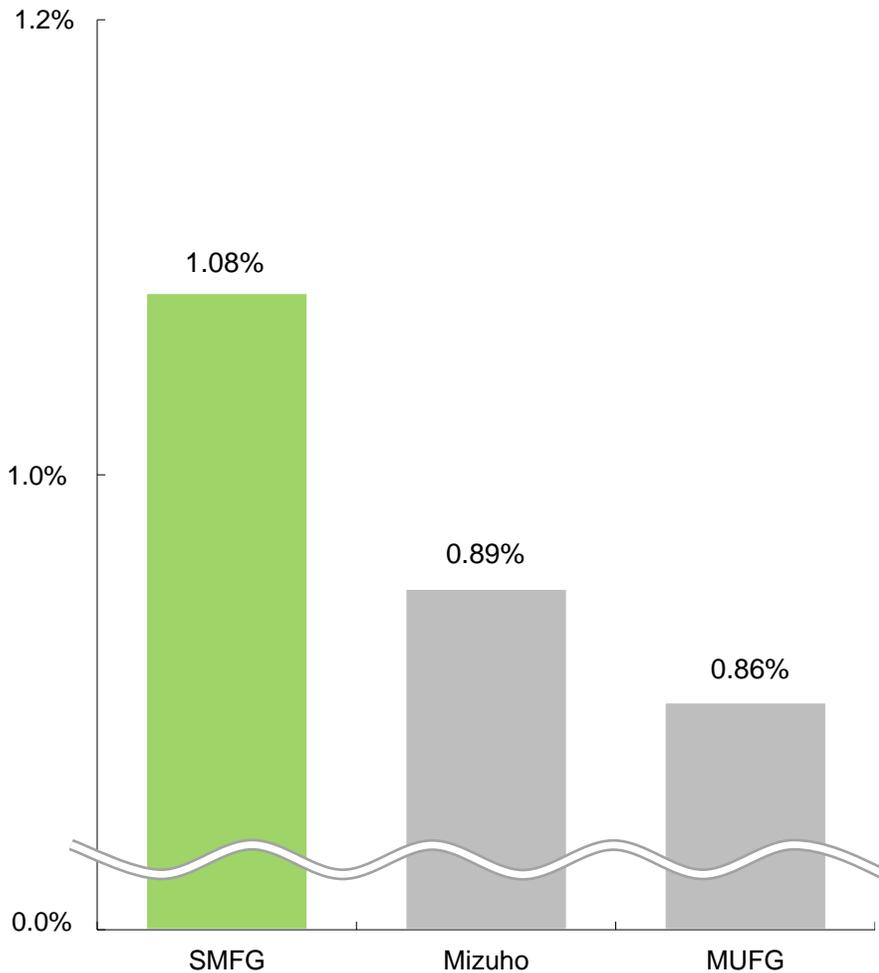
(SMBC non-consolidated)

(JPY tn)

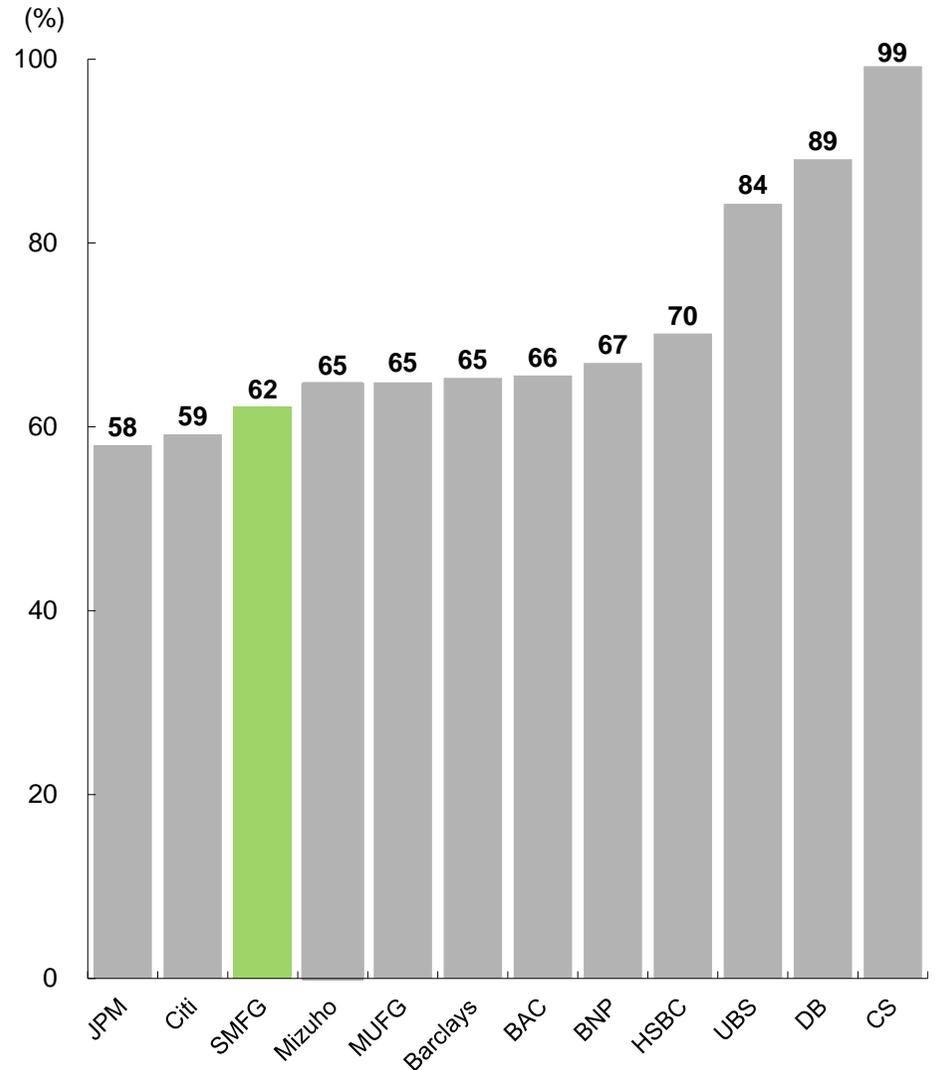


# Sources of profitability

## Domestic loan-to-deposit spread\*1



## Overhead ratio\*2



\*1 Based on each company's 1H, FY3/17 disclosure. The figures shown in the graph are: non-consolidated figures of SMBC for SMFG, non-consolidated figures of The Bank of Tokyo-Mitsubishi UFJ for MUFG, and non-consolidated figures of Mizuho Bank for Mizuho

\*2 Based on each company's disclosure on a consolidated basis. G&A expenses (for Japanese banks, includes non-recurring losses of subsidiary banks) divided by top-line profit (net of insurance claims). 1H, FY3/17 results for SMFG, MUFG and Mizuho, 3Q, FY12/16 results for the others

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## Financial soundness

- Asset quality
- Reduction of strategic shareholdings
- Capital

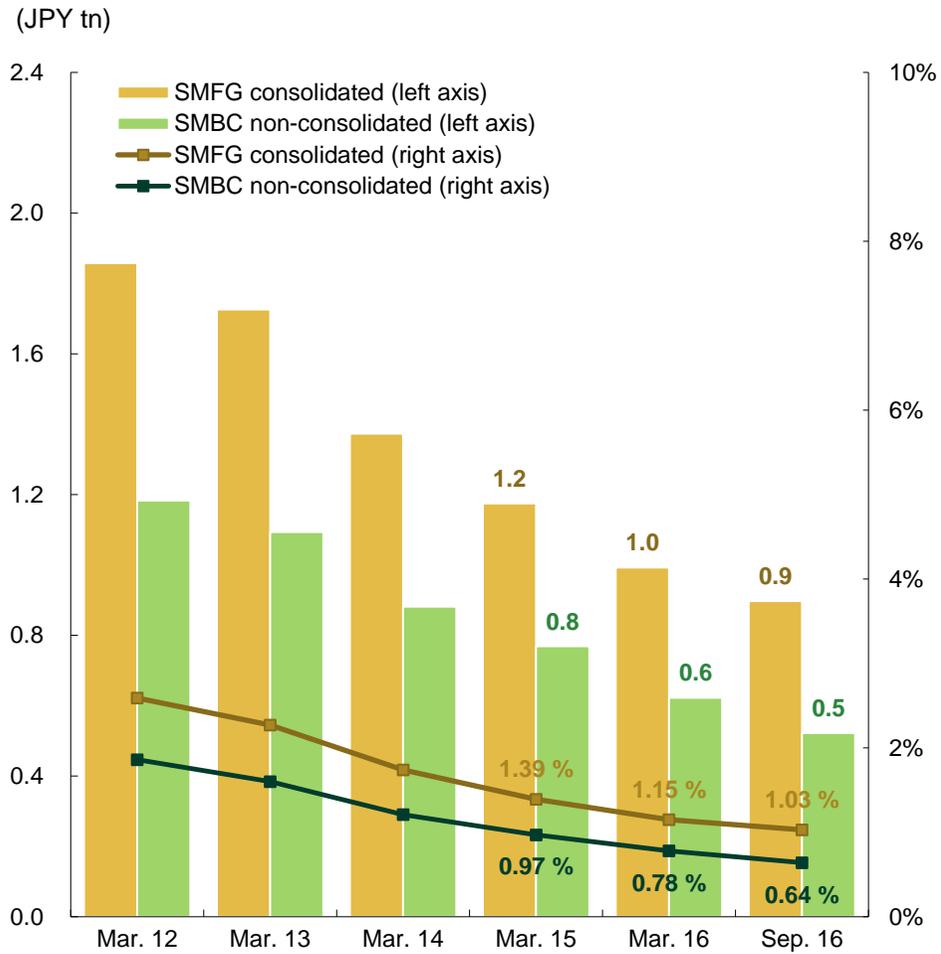
## Business strategy

- Medium-term management plan
- Wholesale business
- Retail business
- International business

## TLAC requirements

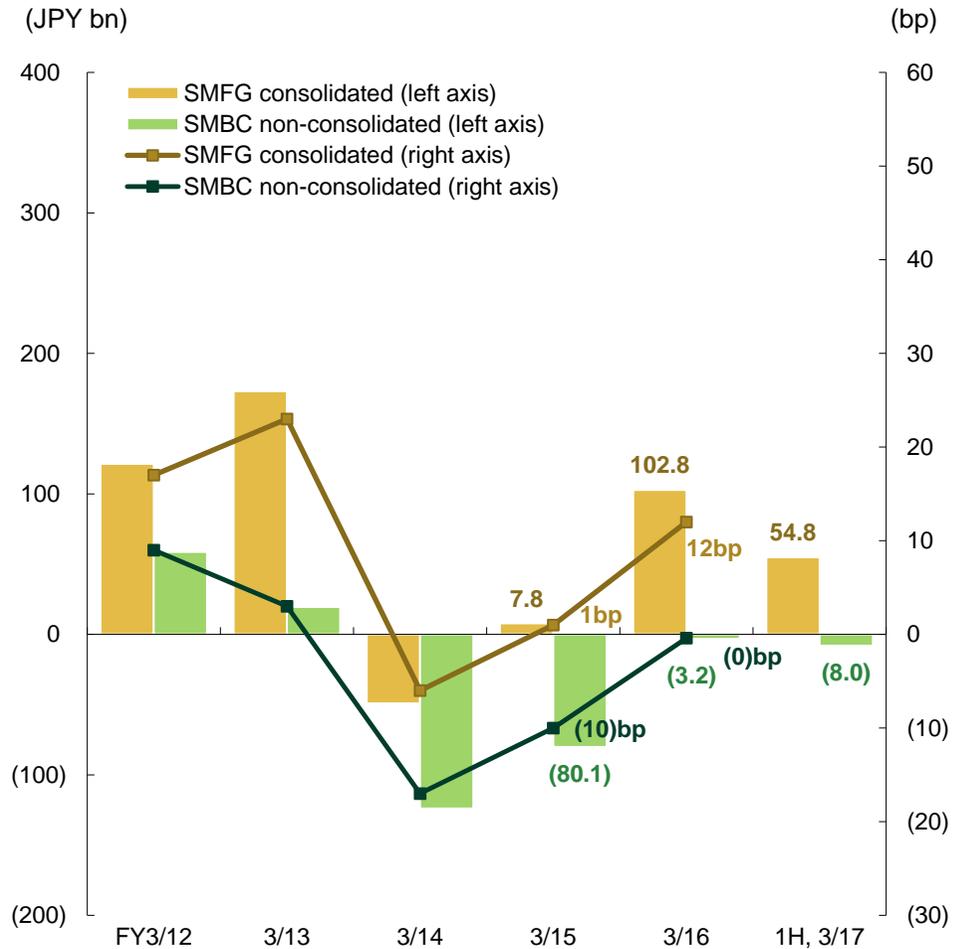
# Asset quality – solid loan portfolio

## NPLs and NPL ratio\*1



Coverage ratio*3	SMFG consolidated		SMBC non-consolidated	
		81.34%	79.25%	88.32%

## Total credit cost and total credit cost ratio\*2

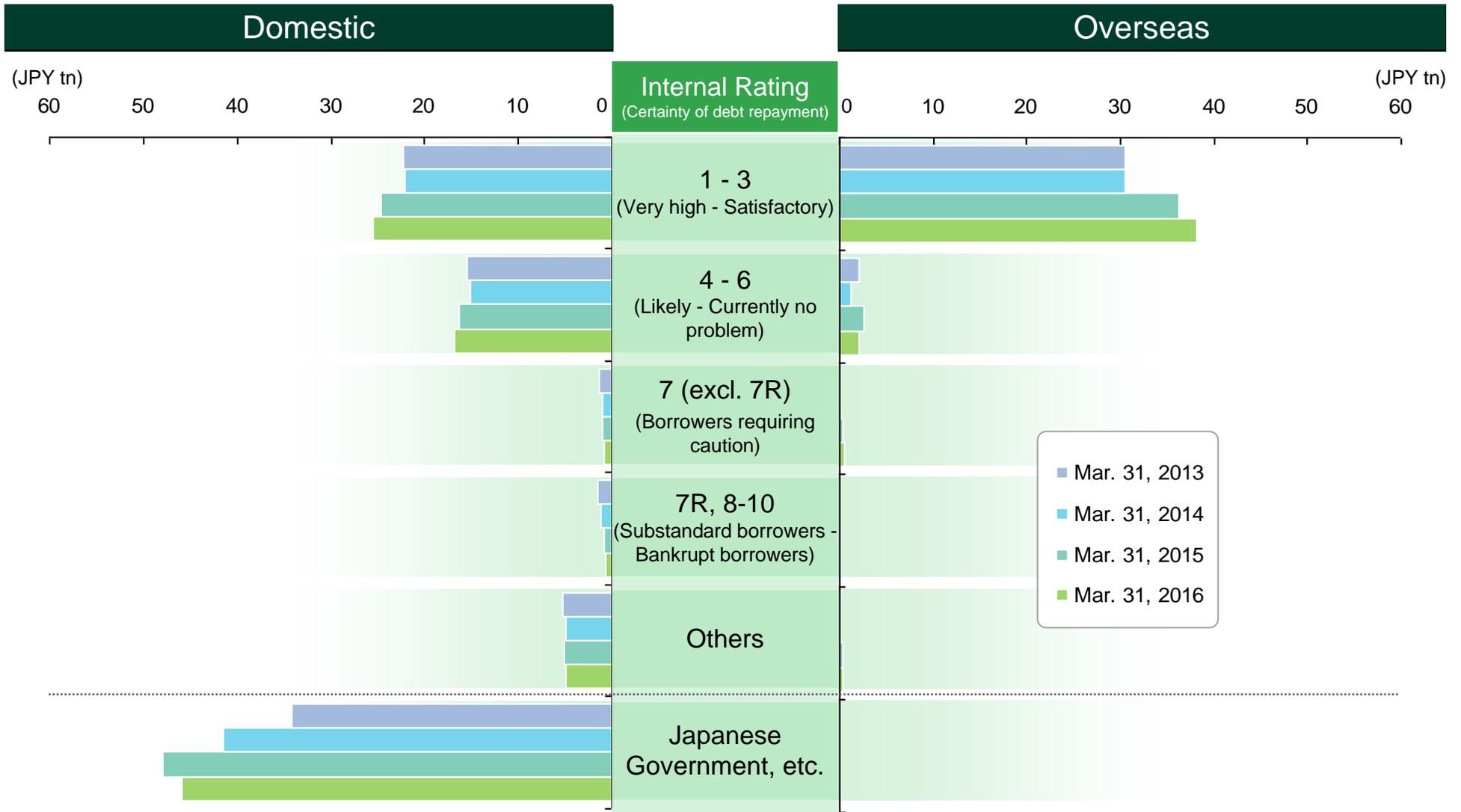


\*1 NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

\*2 Total credit cost ratio = Total credit cost / Total claims

\*3 Ratio of the collateral, guarantees and specific and general reserves to total NPLs

# Corporate, sovereign and bank exposures\*



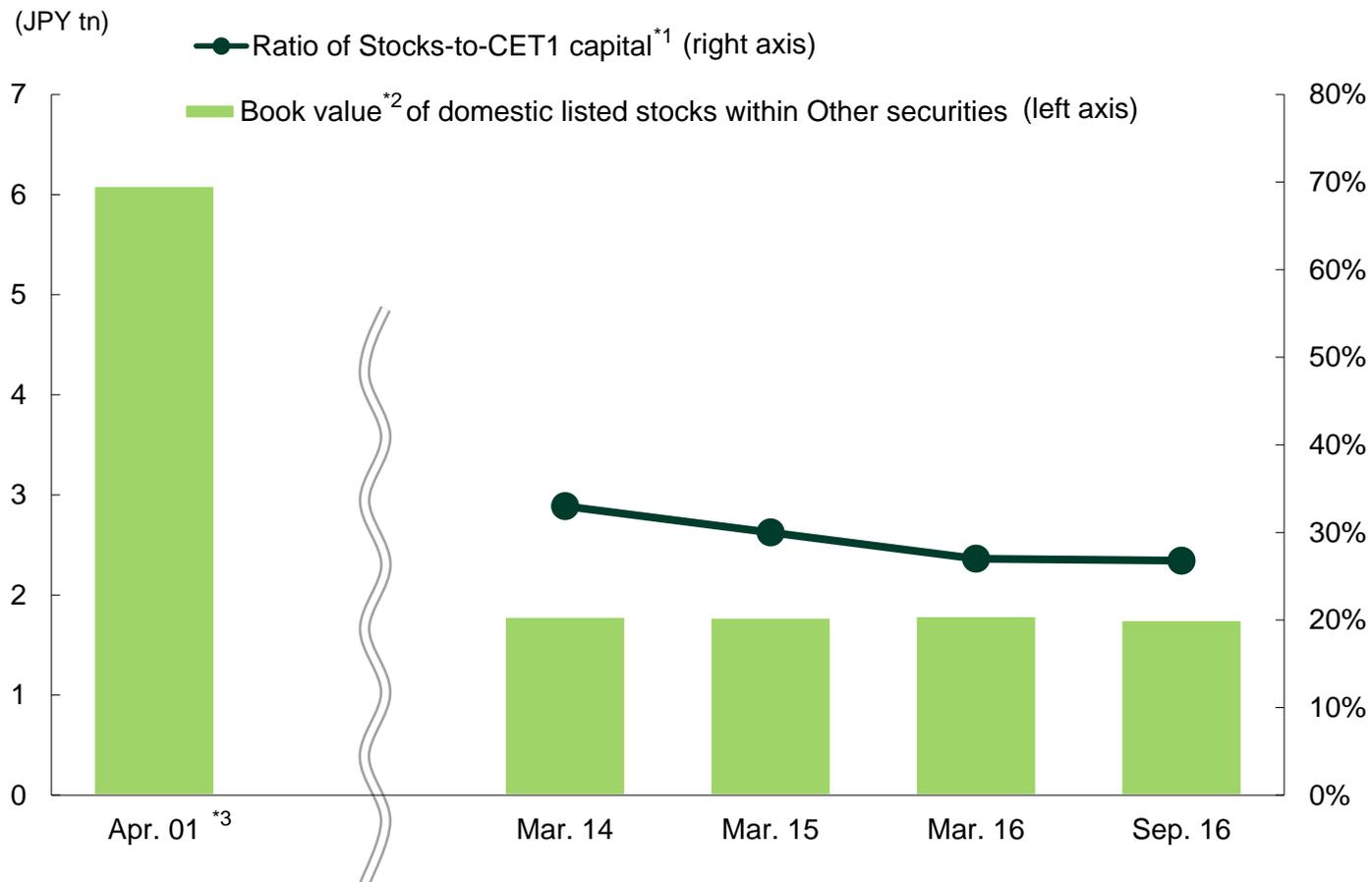
(SMFG consolidated)

\* Exposures include credit to domestic and overseas commercial / industrial companies, individuals for business purposes, sovereigns, public sector entities, and financial institutions. See appendix for details on obligor grading system

# Reduction of strategic shareholdings

- SMFG aims to continuously mitigate the risk from stock price fluctuations in order to have a more stable and robust financial base

## Strategic shareholdings outstanding (SMFG consolidated basis)



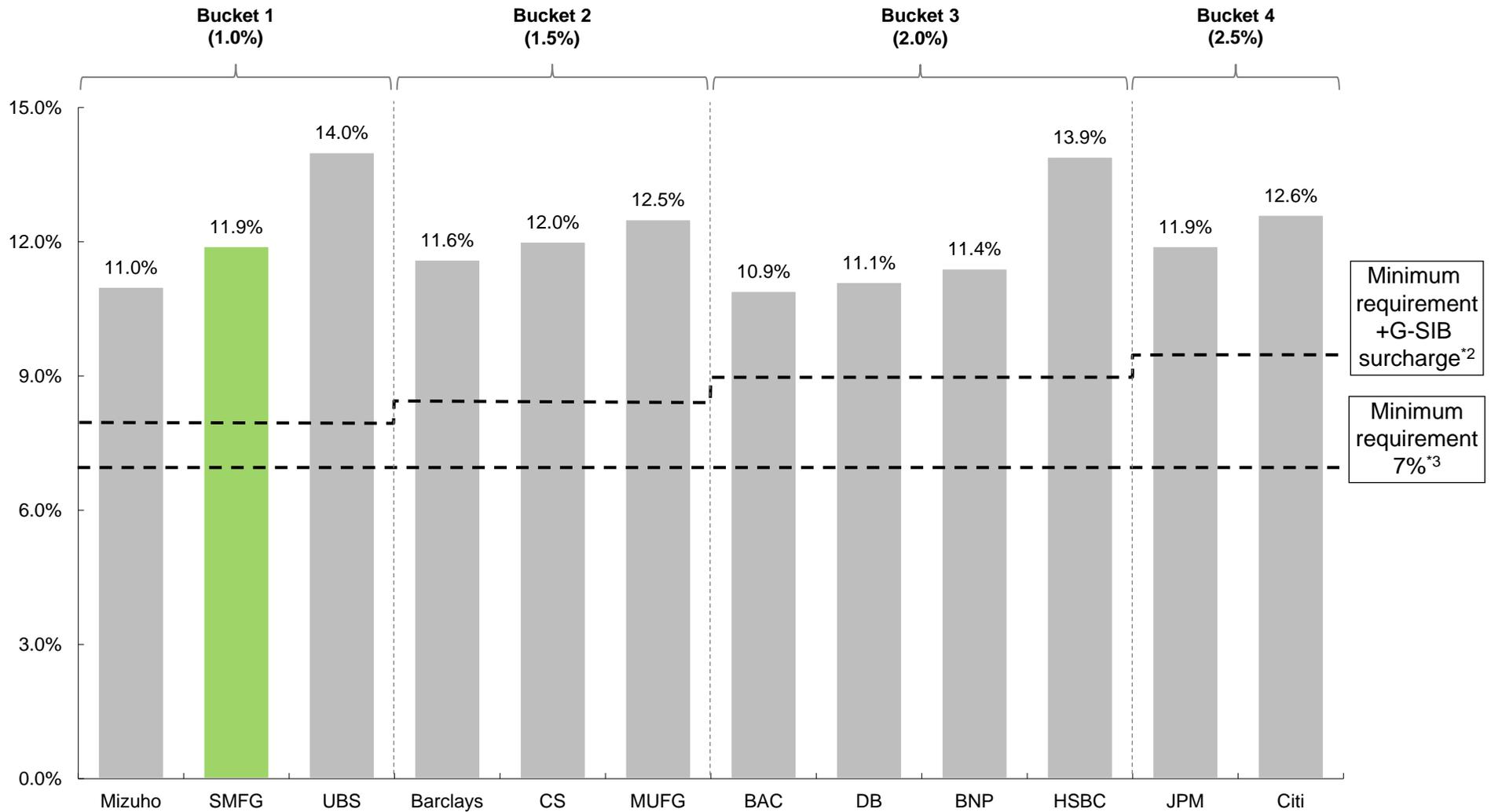
\*1 Book value of domestic listed stocks / CET1 (Basel III fully-loaded basis, excluding net unrealized gains on Other securities)

\*2 Same meaning as acquisition cost

\*3 SMBC consolidated basis

# Resilient capital base

## CET1 ratio - Basel III fully-loaded basis (pro forma) <sup>\*1</sup>



\*1 Based on each company's disclosure. As of Sep. 30, 2016

\*2 The list published by the FSB in Nov. 2016

\*3 Minimum requirement = Minimum CET1 Requirements (4.5%) + Capital conservation buffer (2.5%)

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## **Business strategy**

- Medium-term management plan
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- International business

## TLAC requirements

# ■ Medium-term management plan – FY3/2015 to FY3/2017

## Vision for the next decade

**We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region**

**We will become a truly Asia-centric institution**

**We will develop the best-in-class earnings base in Japan**

**We will realize true globalization and continue to evolve our business model**

## Three-year management goals

- 1** Develop and evolve client-centric business models for main domestic and international businesses
- 2** Build a platform for realizing Asia-centric operations and capture growth opportunities
- 3** Realize sustainable growth of top-line profit while maintaining soundness and profitability
- 4** Upgrade corporate infrastructure to support next stage of growth

# Current business environment and SMFG's initiatives

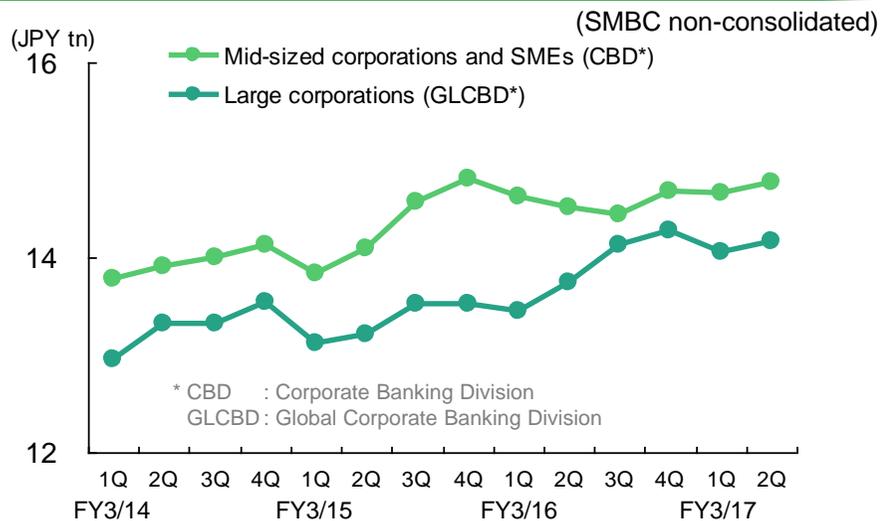
- Focus on improving “asset”, “capital” and “cost” efficiencies taking into account of the current business environment

Risk Category	Business environment	SMFG's initiatives
Soundness	<ul style="list-style-type: none"> <li>Increase of uncertainty in the global economy</li> <li>Tightening of international financial regulations</li> </ul>	<ul style="list-style-type: none"> <li>Tightening control of risk-weighted assets</li> <li>Reduction of strategic shareholdings</li> </ul>
Profitability	<ul style="list-style-type: none"> <li>Negative interest rate policy, decrease in domestic loan-to-deposit spreads</li> <li>Increase in foreign currency funding cost</li> </ul>	<ul style="list-style-type: none"> <li>Operation focused on profitability and efficiency</li> <li>Cost reduction council on a group basis</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>Decrease in CDs·CP outstandings due to the U.S. Money Market Fund reform</li> </ul>	<ul style="list-style-type: none"> <li>Increasing customer deposits overseas</li> <li>Nimble funding management of foreign currency senior bonds and debts</li> </ul>
Credit	<ul style="list-style-type: none"> <li>Partial overheating in the domestic real estate market</li> <li>Risks rising in certain areas such as emerging economies and resources sector</li> </ul>	<ul style="list-style-type: none"> <li>Enhance credit review process for new transactions</li> <li>Cautious approach in certain domestic real estate transactions</li> <li>Risk-sensitive overseas credit operation</li> </ul>
Market	<ul style="list-style-type: none"> <li>Volatility caused by the monetary policies of Japan and the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>Capture gains by promptly reacting to changes in the market</li> </ul>
Operational/Others	<ul style="list-style-type: none"> <li>Domestic and overseas operational losses</li> </ul>	<ul style="list-style-type: none"> <li>Thorough implementation of compliance and “Client always come first” marketing</li> <li>Secure accuracy of operations</li> </ul>

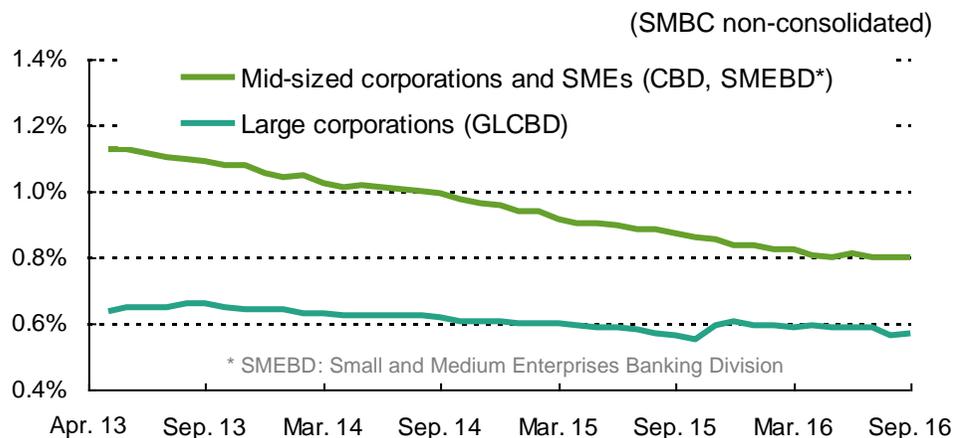
# Wholesale Business

## Loan balance and spread

### Loan balance of Wholesale Banking Unit\*1, 2

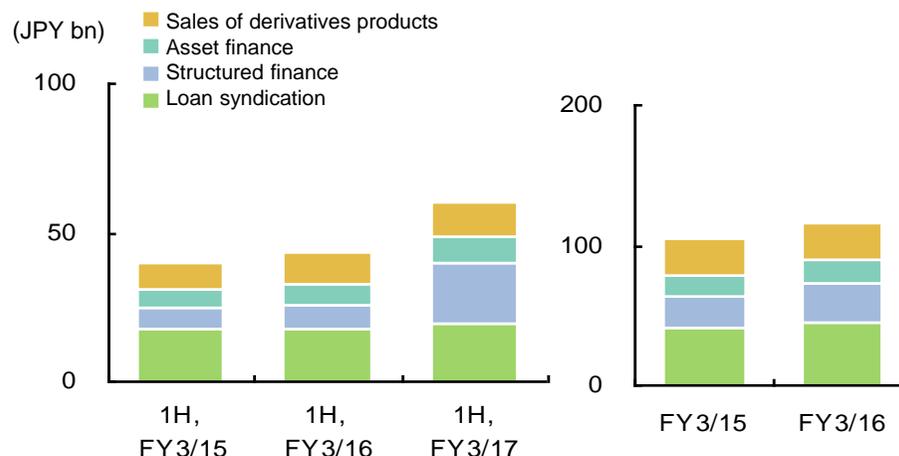


### Domestic corporate loan spread\*1, 3



## Enhance non-interest income

### Income related to domestic corporate business



## League tables (Apr. -Sep. 2016)\*4

	Rank	Mkt share
<b>Global equity &amp; equity-related (book runner, underwriting amount)*5, 6</b>	#2	19.3%
<b>JPY denominated bonds (lead manager, underwriting amount)*5, 7</b>	#3	18.2%
<b>Financial advisor (M&amp;A, No. of deals)*5, 8</b>	#3	3.5%
<b>IPO (lead manager, No. of deals)*9</b>	#4	17.1%

● SMFG ranked #1 on market share of Samurai Bond (21.7%)

\*1 Managerial accounting basis. Excludes loans to the government, etc. We revised managerial accounting rules in Apr. 2014. Figures for FY3/14 were recalculated based on the new rules \*2 Quarterly average \*3 Monthly average loan spread of existing loans \*4 SMBC Nikko Securities for Global equity & equity-related, JPY denominated bonds and IPO. SMFG for Financial advisor \*5 Source: SMBC Nikko, based on data from Thomson Reuters \*6 Japanese corporate related only. Includes overseas offices \*7 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds \*8 Japanese corporate related only. Group basis \*9 Excludes REIT IPO. Source: Thomson Reuters

# Retail business

## Bank securities retail integration

Building up financial assets

Investment and succession

Proactively meeting asset management needs

**SMBC** SUMITOMO MITSUI BANKING CORPORATION  
28 mn accounts

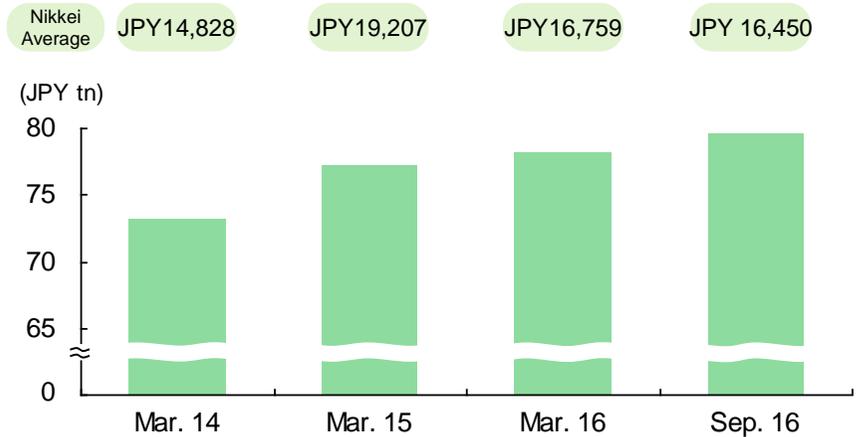
**SMBC TRUST BANK PRESTIA**  
0.7 mn accounts

**SMBC NIKKO**  
2.8 mn accounts

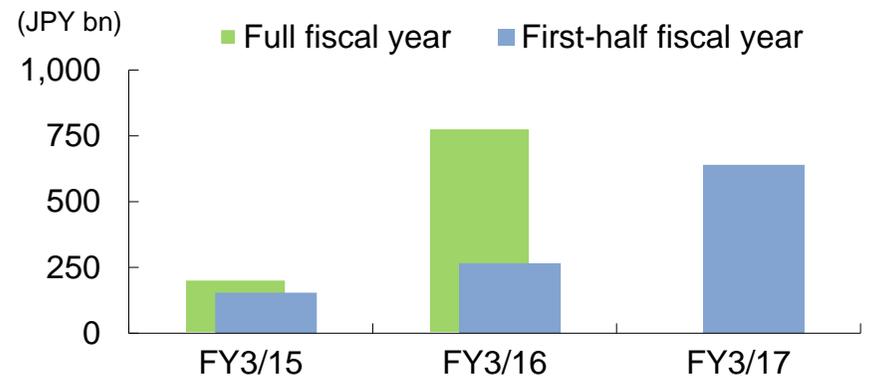
Meeting the needs for asset and business succession

## Bank-securities collaboration (retail customers)

### Retail AuM (SMBC+SMBC Nikko+SMBC Trust Bank PRESTIA)



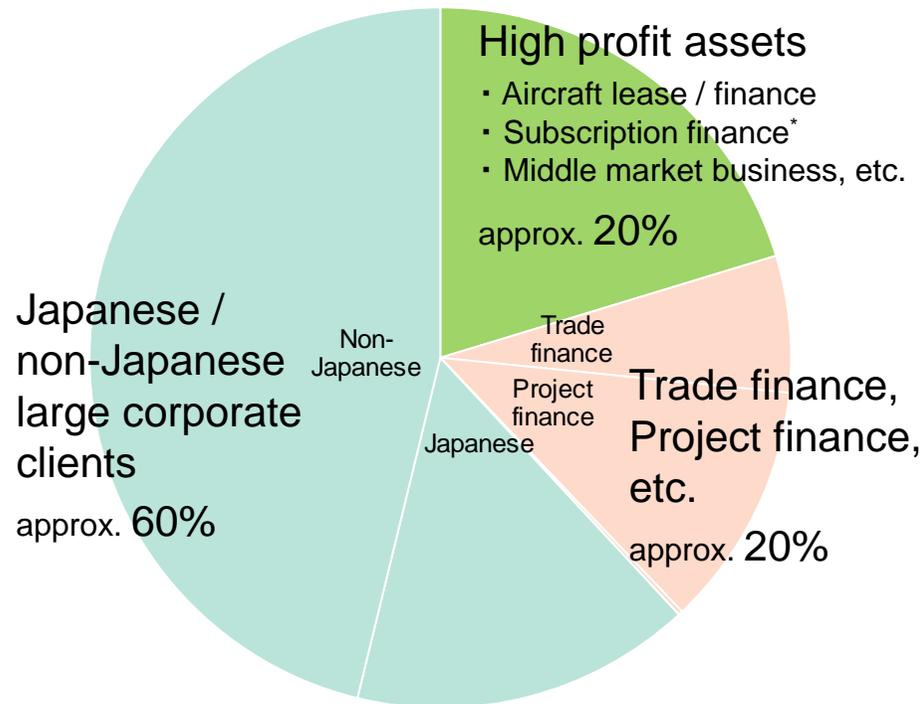
### Increase balance of investment products (excludes changing market value, SMBC+SMBC Nikko)\*



\* Sum of the net volume of product sales and cancellations / redemptions at SMBC and the inflow of assets (includes referrals from SMBC) at SMBC Nikko

# International business – evolving business model

International Banking Unit's portfolio (as of Sep. 30, 2016)



## Promote cross-selling

- Enhance business with non-Japanese core clients
- Transactions connecting Japanese and non-Japanese corporations
- Domestic-international integration model

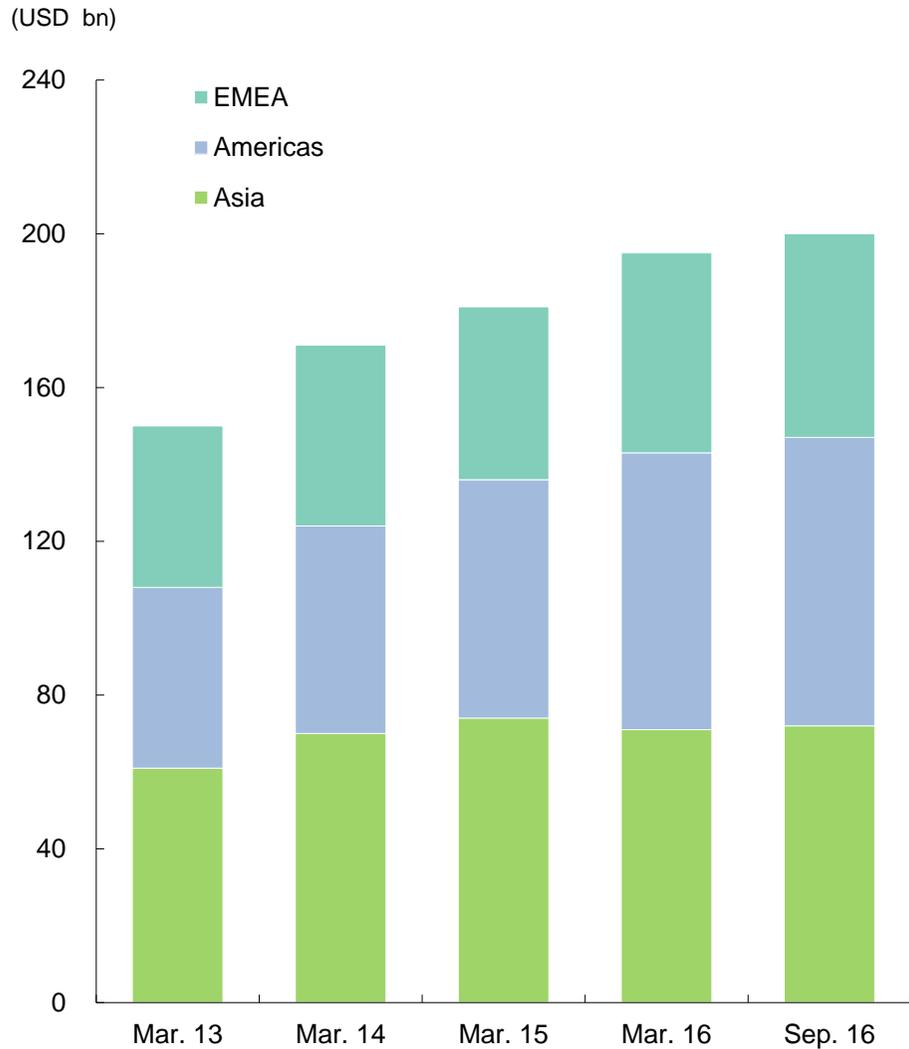
## Nimble portfolio management

- Increasing high profit assets
- Asset turn over
  - Secondary sales of overseas assets(1H, FY3/17): increased by 1.8 times YOY
  - Selling assets to domestic investors utilizing trust beneficially right scheme

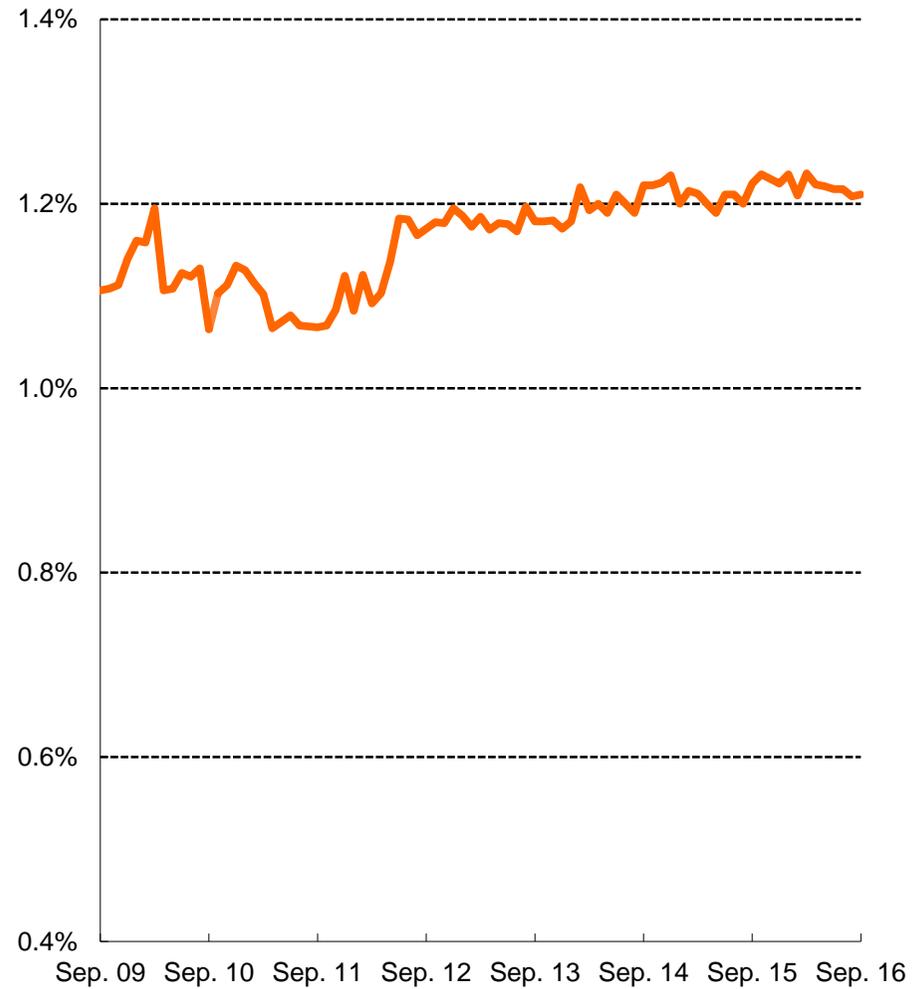
\* Extending loans to funds based on commitments from investors

# International business – overseas loans

Balance\*1



Spread\*2

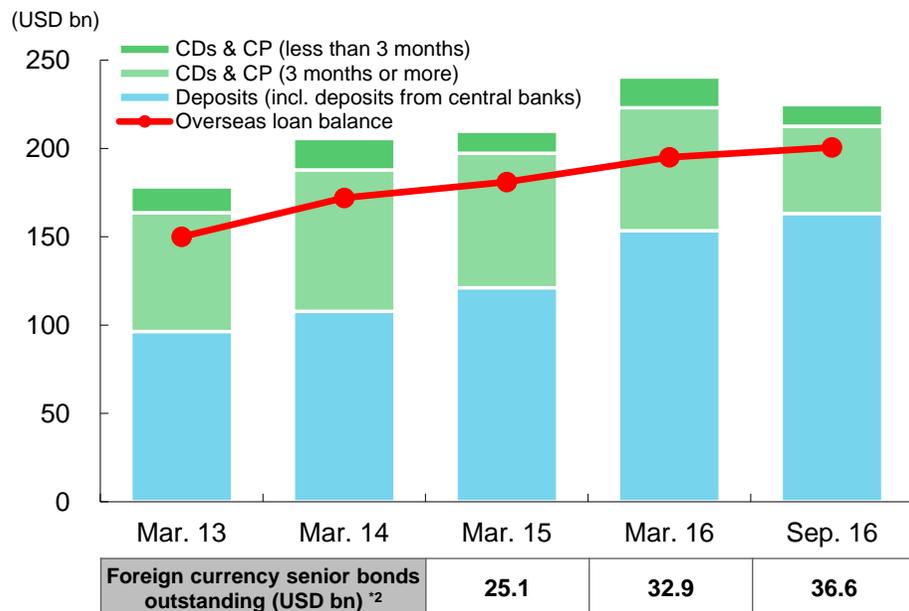


\*1 Includes trade bills. Managerial accounting basis, translated into USD at respective period-end exchange rates. Sum of SMBC, SMBC Europe and SMBC (China)

\*2 Managerial accounting basis. Average loan spread of existing loans on a monthly basis. Sum of SMBC, SMBC Europe and SMBC (China)

# International business – SMBC / SMFG foreign currency funding

## SMBC overseas deposit & loan balance\*1



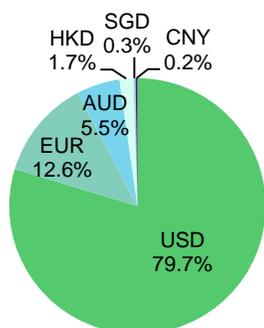
## Foreign currency funding by region

Region (Main currency)	Major capital markets funding tool
Japan: SMFG (USD)	SEC Registered
Japan: SMBC (USD)	Global MTN Programme (USD 50 bn) 3(a)(2)
Japan: SMFG/SMBC (USD/EUR/GBP/AUD/HKD)	Euro MTN Programme (JPY 1,500 bn equivalent) RegS
Europe (USD/EUR/GBP)	Euro CP Programme (EUR 10 bn) Euro CD
US (USD)	US Domestic CP Programme (USD 15 bn) US Domestic CD
Australia (USD/AUD)	Debt Issuance Programme (USD 8 bn) Australian Domestic CD
Hong Kong (HKD)	CD Programme (HKD 15 bn)
Singapore (SGD)	CD Programme (SGD 5 bn)

## SMBC / SMFG long-term capital markets funding\*3

(Outstanding amount)

Total: USD 48.2 bn



Outstanding amount		
USD	38.4 bn	--
EUR	5.8 bn	= USD 6.1 bn
AUD	3.6 bn	= USD 2.6 bn
HKD	6.4 bn	= USD 0.8 bn
SGD	0.2 bn	= USD 0.1 bn
CNY	0.8 bn	= USD 0.1 bn

## Recent deals (Senior unsecured)

- Oct. 19, 2016 / SMFG / USD / 3.5bn / 5y FIX at 2.442%, 5y FRN at 3ML+114bp, 10y FIX at 3.010%, SMBC / USD / 1.0bn / 2y FIX at 1.762%, 2y FRN at 3ML+67bp
- Jun. 15, 2016 / SMFG / EUR / 1.5bn / 10y FIX at 1.546%
- Oct. 20, 2015 / SMBC / USD / 500mn / 5y FIX at 2.45% / Green Bonds
- Sep. 8, 2015 / SMBC / EUR / 1.5bn (includes re-opening 500mn on Nov.12) / 2y FRN at Euribor+30bp / Private Placement
- May 28, 2015 / SMBC / USD / 655mn / 30NC10 FIX at 4.30% / Formosa

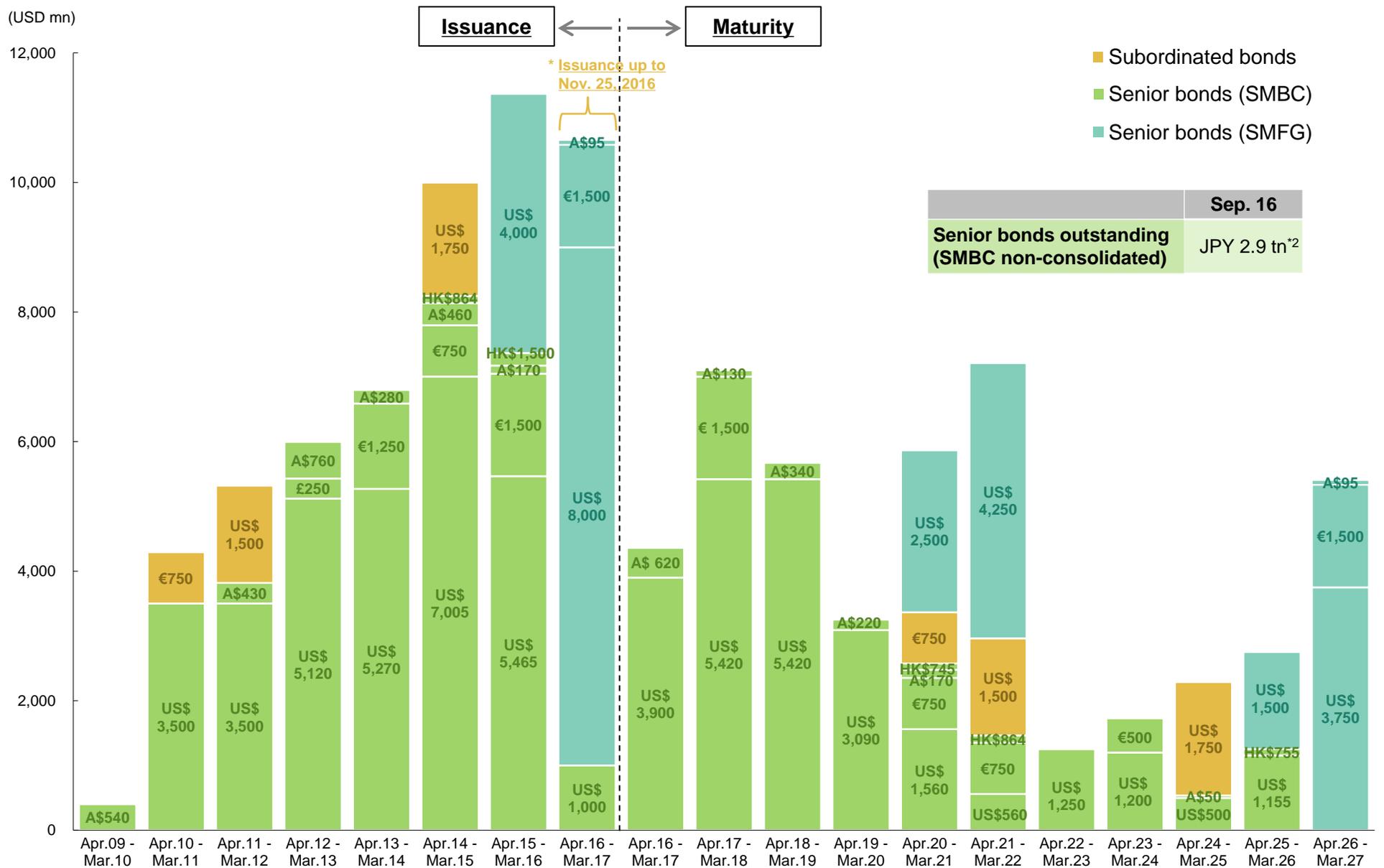
\*1 Includes trade bills. Managerial accounting basis, translated into USD at respective period-end exchange rates. Sum of SMBC, SMBC Europe and SMBC (China)

\*2 Bonds issued by SMBC and SMFG

\*3 Issuance with original maturity of two years or more as of Nov. 25, 2016, issue date basis. Translated into USD at the exchange rates as of Nov. 25, 2016

# International business –

## SMBC / SMFG capital markets funding profile\*1



\*1 Excludes JPY funding, certificate of deposits and transferable deposits. For the callable bonds, 1<sup>st</sup> call dates are regarded as their maturity dates, while there is no assurance they will be redeemed at such time. Issuance with original maturity of two years or more as of Nov. 25, 2016, issue date basis. Translated into USD at the exchange rate as of Nov. 25, 2016 \*2 Including JPY denominated bonds

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## TLAC requirements

# ■ Key points of TLAC requirements and senior notes of SMFG

## Anticipated TLAC and capital buffer requirements

- Anticipated TLAC and capital buffer requirements for SMFG are effectively 17% of risk-weighted assets (“RWA”) from 2019 and 18% from 2022<sup>\*1</sup>
  - As the Japanese Deposit Insurance Fund Reserves fulfill the requirements, the Financial Services Agency of Japan (“FSA”) plans to allow Japanese G-SIBs to count 2.5% of RWA from 2019 and 3.5% of RWA from 2022 as external TLAC<sup>\*2</sup>
- Total capital ratio stood at 17.45%<sup>\*3</sup> as of Sep. 2016
- The SPE resolution strategy is basically considered to be the preferred resolution strategy<sup>\*4</sup>

## Safeguards before incurring losses at PoNV

- Senior notes may incur losses depending on recovery value through court-administered insolvency proceedings of SMFG which is expected to commence subsequent to point of non-viability (“PoNV”)
  - Before senior notes incur losses, all Basel III eligible AT1 and Tier 2 instruments will be fully<sup>\*5</sup> written down upon PoNV in accordance with their terms
- PoNV will be reached upon a suspension of payment or having negative net worth<sup>\*6</sup>
  - Prior reaching to PoNV, SMFG will need to implement a recovery plan upon reaching certain regulatory capital level to remain viable
  - Also SMFG will be required to meet various capital requirements, a breach of which will result in certain corrective measures<sup>\*7</sup>

<sup>\*1</sup> Please see the next page for assumptions and calculations. Final TLAC standards (“Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution, Total Loss-Absorbing Capacity (TLAC) Term Sheet”) published by the FSB also include a minimum requirement based on a leverage ratio denominator basis

<sup>\*2</sup> On Apr. 15, 2016, the FSA released its approach to introduce the TLAC framework in Japan (the “FSA’s Approach”). (<http://www.fsa.go.jp/en/news/2016/20160415-1/01.pdf>)

<sup>\*3</sup> SMFG consolidated Basel III total capital ratio on a transitional basis

<sup>\*4</sup> Under the FSA’s Approach. SPE resolution strategy indicates a single point of entry resolution strategy in which resolution powers are applied to the top level entity of a banking group by a single national resolution authority

<sup>\*5</sup> Except for the amounts that have become due and payable prior to the occurrence of PoNV

<sup>\*6</sup> PoNV will be deemed to have been reached when the Prime Minister of Japan, following deliberation by Japan’s Financial Crisis Response Council pursuant to the Deposit Insurance Act (“DIA”), confirms (*nintei*) that “specified Item 2 measures (*tokutei dai nigo sochi*),” which are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the DIA, as then in effect, need to be applied to a financial institution under circumstances where its liabilities exceed or are likely to exceed its assets, or it has suspended or is likely to suspend payment of its obligations

<sup>\*7</sup> In addition, in Japan, safeguards designed to prevent systemic disruption including capital injection are available prior to PoNV and there is a history of such capital injections 23

# Anticipated TLAC and capital buffer requirements for SMFG\*1

- On Apr. 15, 2016, the FSA released the FSA's Approach regarding TLAC framework in JAPAN

## TLAC and capital buffer requirements for SMFG

## Highlights of TLAC requirements

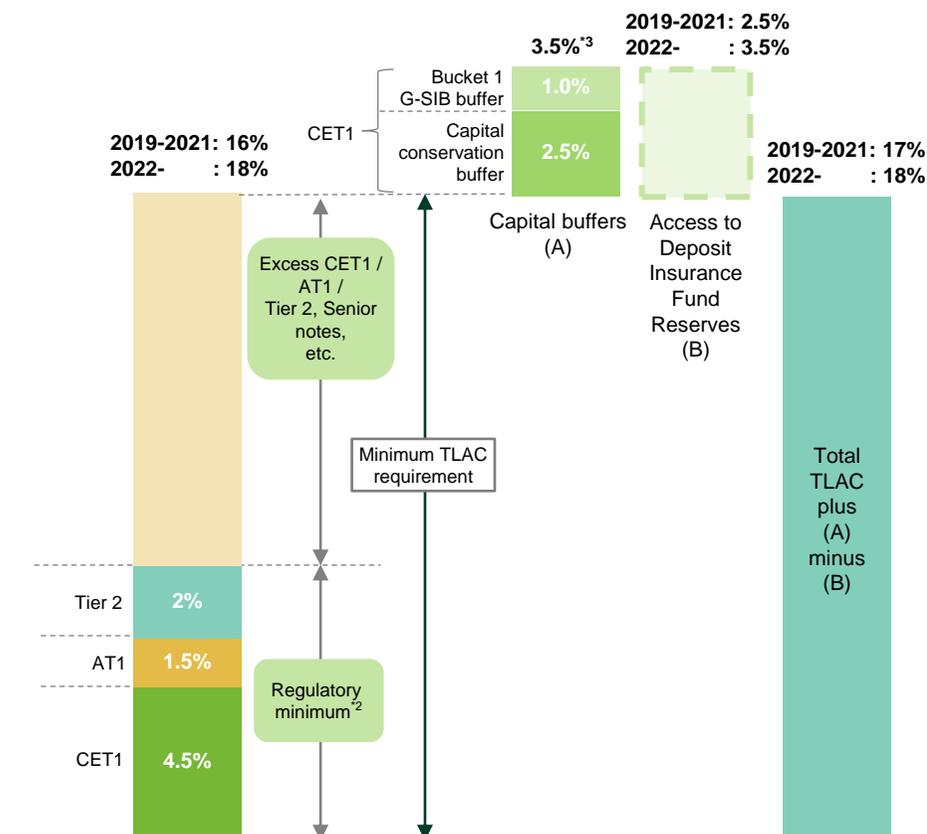
### Minimum external TLAC requirements

	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
Plus capital buffers*3	19.5%	21.5%
<b>Factoring treatment of access to Deposit Insurance Fund Reserves</b>	<b>17.0%</b>	<b>18.0%</b>
Minimum external TLAC requirements (Leverage ratio denominator basis)	6%	6.75%

- Based on current calculations, we expect that the TLAC requirements based on RWA will be more constraining than requirements based on the leverage ratio denominator

### Contribution of Japanese Deposit Insurance Fund Reserves

- The FSA plans to allow Japanese G-SIBs to count the amount equivalent to 2.5% of RWA from Mar. 2019 and 3.5% of RWA from Mar. 2022 as external TLAC



\*1 Based on the FSB's final TLAC standards released in Nov. 2015 and the FSA's Approach.

The FSA's Approach remains subject to change based on future discussions among international regulators

\*2 Under current capital requirements

\*3 Excludes countercyclical buffer. As for G-SIB buffer, SMFG was allocated to bucket 1 (1.0%) according to the list published by the FSB in Nov. 2015

# Meeting TLAC requirements

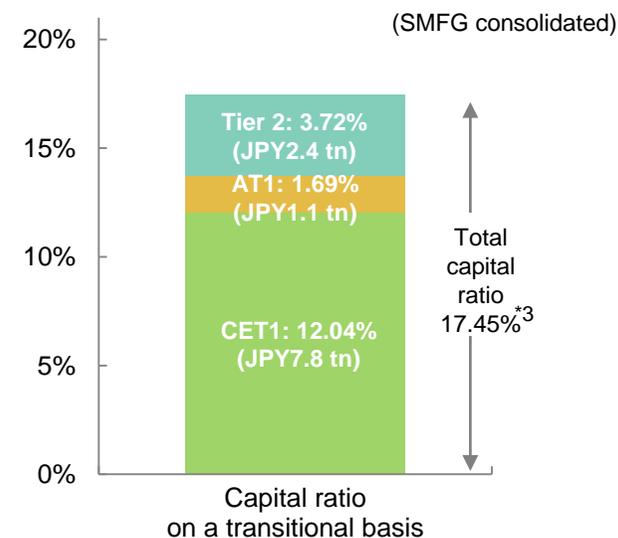
<b>TLAC senior</b>	<ul style="list-style-type: none"> <li>Under the SPE resolution strategy, which is basically considered as the preferred resolution strategy*<sup>1</sup>, senior unsecured debt instruments issued by holding company are expected to count as “external TLAC”</li> <li>SMBC has been increasing capital markets funding, which demonstrates the potential funding capacity for SMFG</li> </ul>
<b>Tier 2 capital</b>	<ul style="list-style-type: none"> <li>Aim to fill buckets of 1.5% AT1 and 2.0% Tier 2 capital through regular refinancing with Basel III eligible instruments issued by SMFG to achieve an efficient capital structure</li> </ul>
<b>AT1 capital</b>	
<b>CET1 capital</b>	<ul style="list-style-type: none"> <li>Aim to secure CET1 ratio of at least around 10% on a fully loaded basis</li> <li>Prepare for the tightening of international financial regulations and downside risks in the economy</li> </ul>
<b>RWAs</b>	<ul style="list-style-type: none"> <li>Closely monitoring regulatory developments that may increase RWAs</li> </ul>

## Issuance amount of unsecured debt\*<sup>2</sup>

(USD bn)	FY3/2015	FY3/2016	1H, FY3/2017
SMBC / SMFG senior	\$8.7	\$11.5	\$6.4
of which SMFG senior	-	\$4.0	\$6.4
		Total \$10.4*	
SMFG AT1 / Tier 2	\$3.1	\$5.3	\$2.5

\* 1.6% of RWA as of Sep. 2016

## Capital ratio as of Sep. 2016



\*<sup>1</sup> Under the FSA's Approach. SPE resolution strategy indicates a single point of entry resolution strategy in which resolution powers are applied to the top level entity of a banking group by a single national resolution authority

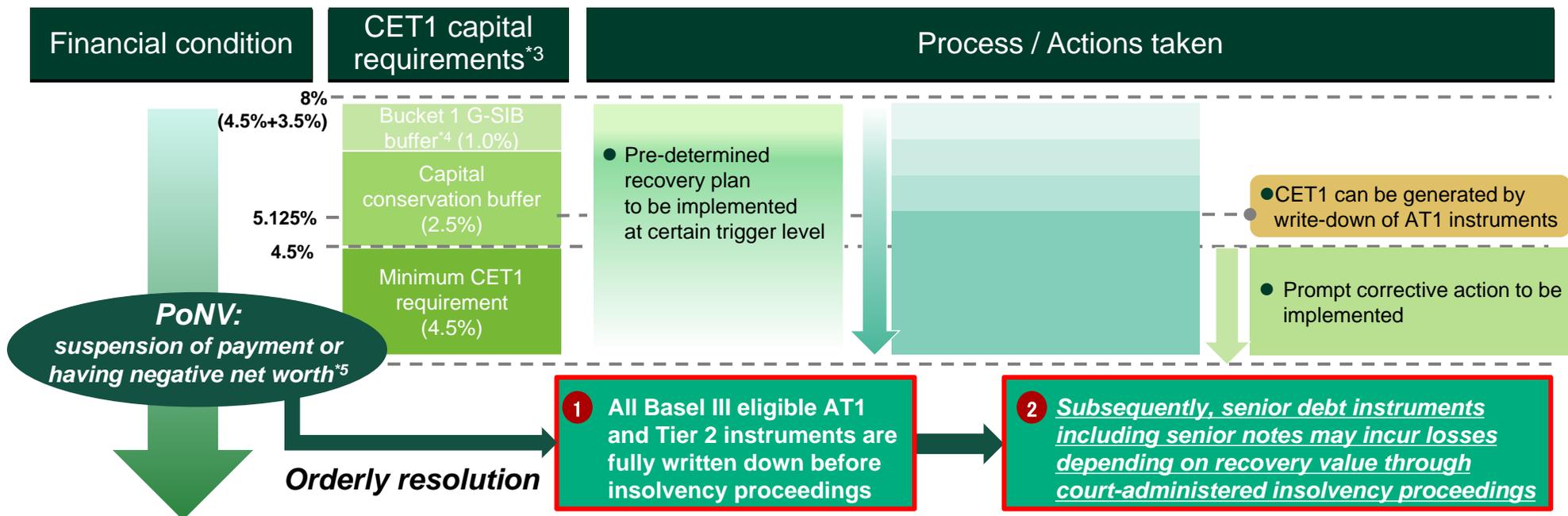
\*<sup>2</sup> Translated into USD at the exchange rate as of Mar. 31, 2015 (FY3/2015), as of Mar. 31, 2016 (FY3/2016), as of Sep. 30, 2016 (1H, FY3/2017)

\*<sup>3</sup> This is total capital ratio on a transitional basis. Since TLAC requirements in Japan have not yet been finalized, the calculation for TLAC ratio may be different from the one for total capital ratio, hence there is a possibility that some items in total capital may not be included in TLAC capital

# Safeguards before incurring losses at PoNV

## - capital requirement-based corrective measures

- Senior notes may incur losses during orderly resolution which is expected to be commenced subsequent to PoNV\*1
- All Basel III eligible AT1 and Tier 2 instruments will be fully\*2 written down upon PoNV pursuant to their terms before senior notes incur losses and AT1 / Tier 2 investors will not be able to claim written down amounts in the liquidation proceedings
- Prior to reaching PoNV, SMFG will need to implement a recovery plan to remain viable. Also SMFG will be required to meet various capital requirements, a breach of which will result in certain corrective measures

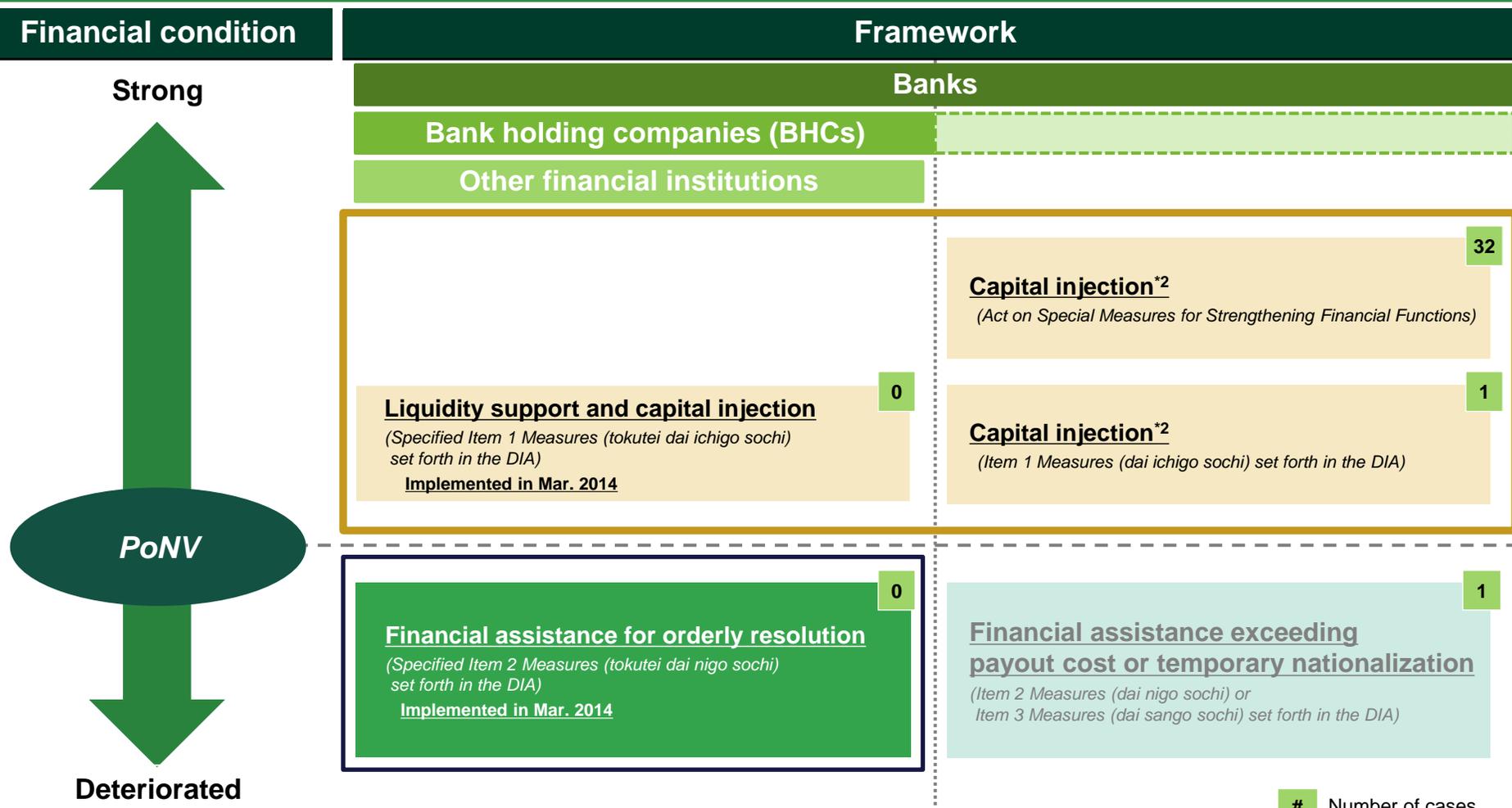


\*1 Based on a possible model of Japanese G-SIB's resolution under the SPE resolution strategy as set out in the FSA's Approach \*2 Except for the amounts that have become due and payable prior to the occurrence of PoNV \*3 Excludes countercyclical buffer \*4 As for G-SIB buffer, SMFG was allocated to bucket 1 (1.0%) according to the list published by the FSB in Nov. 2015 \*5 PoNV will be deemed to have reached when the Prime Minister of Japan, following deliberation by Japan's Financial Crisis Response Council pursuant to the DIA, confirms (*ninte*) that "specified Item 2 measures (*tokutei dai nigo sochi*)", which are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the DIA, as then in effect, need to be applied to a financial institution under circumstances where its liabilities exceed or are likely to exceed assets, or it has suspended or is likely to suspend payment of obligations

# Safeguards before incurring losses at PoNV

## - safeguards to prevent systemic disruption

- In Japan, safeguards designed to prevent systemic disruption including capital injection are available prior to PoNV\*1
- The Mar. 2014 amendments to the DIA expanded the scope of institutions eligible for the safeguards to include financial holding companies and other financial institutions



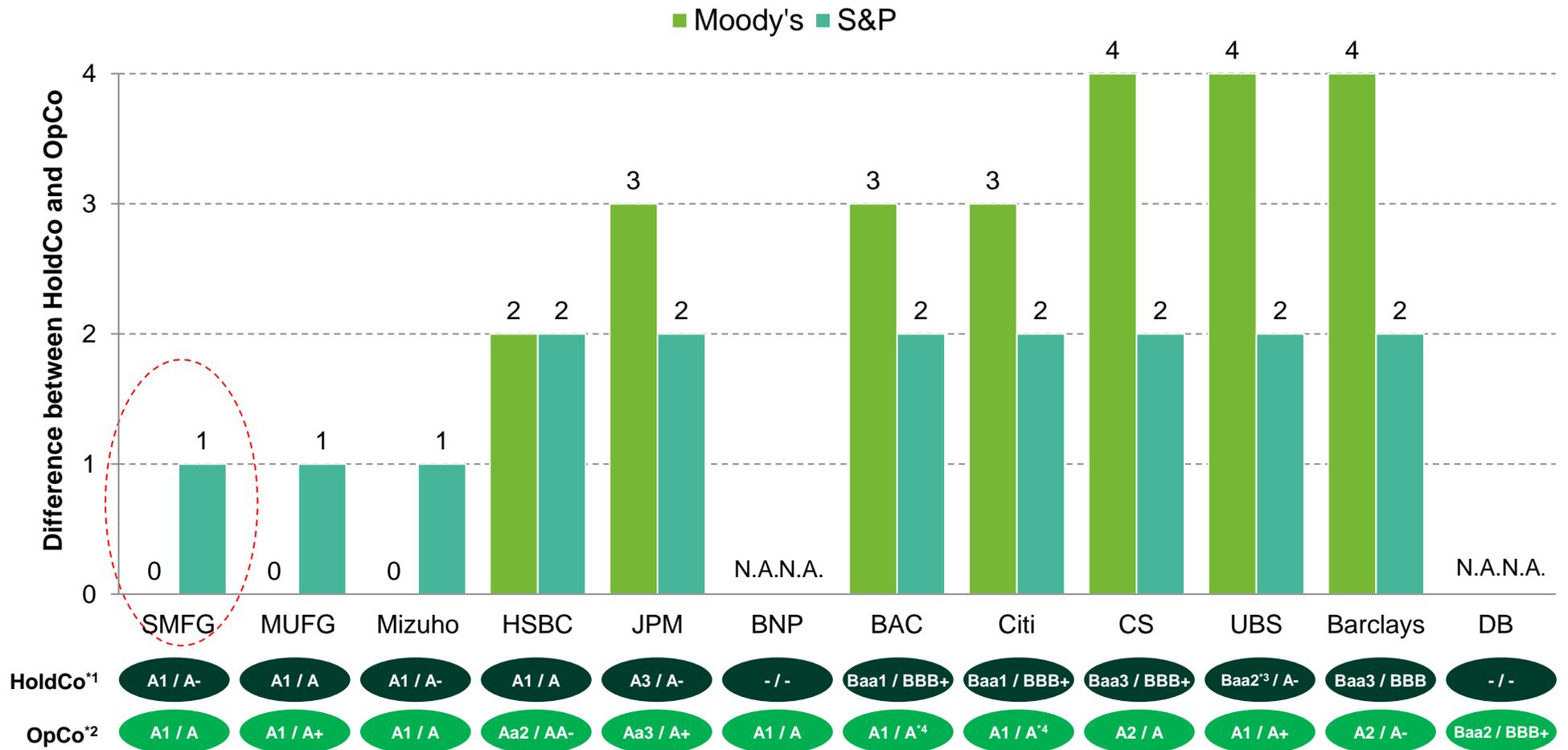
\*1 There is no assurance that any such measures would be applied in any given case

\*2 Capital injection may be made through BHCs

# Number of cases

# Credit ratings of G-SIBs

Credit ratings of selected G-SIBs (as of Nov. 25, 2016)



\*1 Senior unsecured ratings (if not available, long-term Issuer Ratings for Moody's and long-term Issuer Credit Ratings for S&P)

\*2 Senior unsecured ratings of SMBC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., HSBC Bank plc, JPMorgan Chase Bank NA, BNP Paribas SA, Bank of America NA, Citibank NA, Credit Suisse AG, UBS AG, Barclays Bank plc and Deutsche Bank AG, respectively

\*3 BACKED senior unsecured rating of UBS Group Funding Jersey guaranteed by UBS Group AG

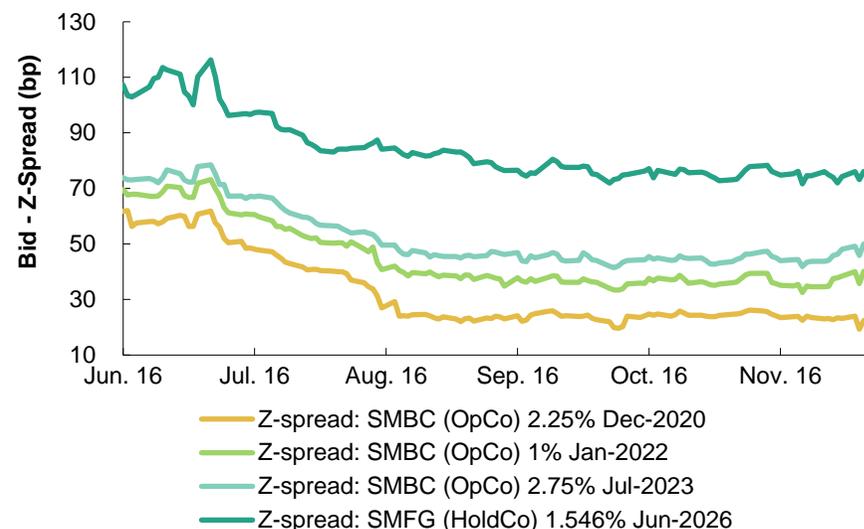
\*4 Under review for possible upgrade

# SMFG EUR denominated senior notes

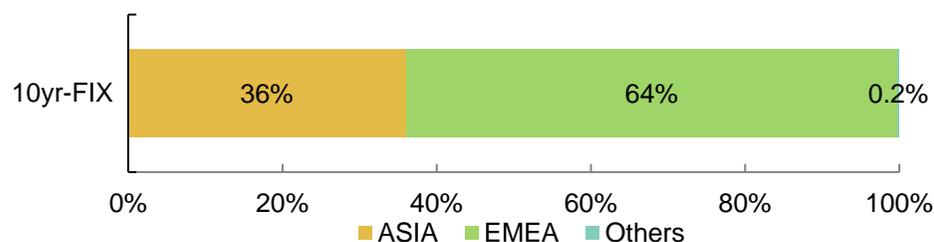
## Transaction summary

	10-year Senior Fixed Rate Notes
Issuer	Sumitomo Mitsui Financial Group, Inc.
Securities Offered	Senior Notes (the "Notes")
Regulatory Treatment	It is expected that the Notes will count as "external TLAC" as defined in the FSB's final TLAC standards*1 when the regulation is implemented in Japan
Maturity	10 years
Amount	EUR 1,500mn
Coupon	1.546%
Spread	MS+105bp
Ratings	A1 (Moody's) / A- (S&P)
Listing	Luxembourg Stock Exchange's Euro MTF Market
Pricing Date	Jun. 7, 2016
Format	Regulation S

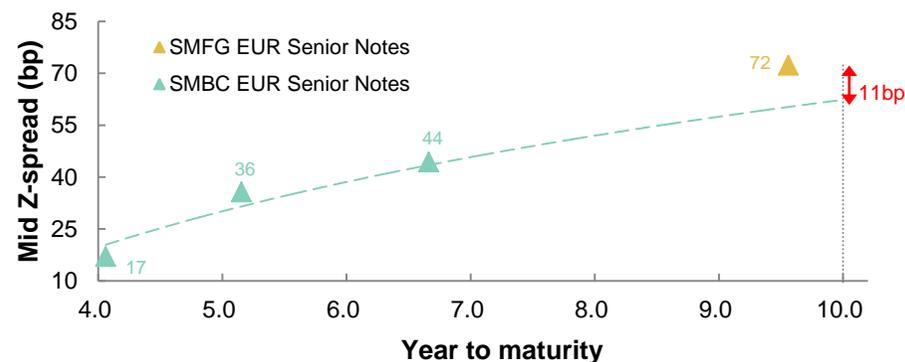
## Secondary performance\*2



## Geographical breakdown of allocation



## SMFG/SMBC credit curve (EUR Z-spread)\*2



\*1 Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution, TLAC Term Sheet published by the FSB on Nov. 9, 2015. TLAC requirements have not yet been adopted or proposed in Japan and there is no assurance that such TLAC requirements will be the same as the FSB's final TLAC standards or that Senior Notes will qualify as TLAC under such requirements

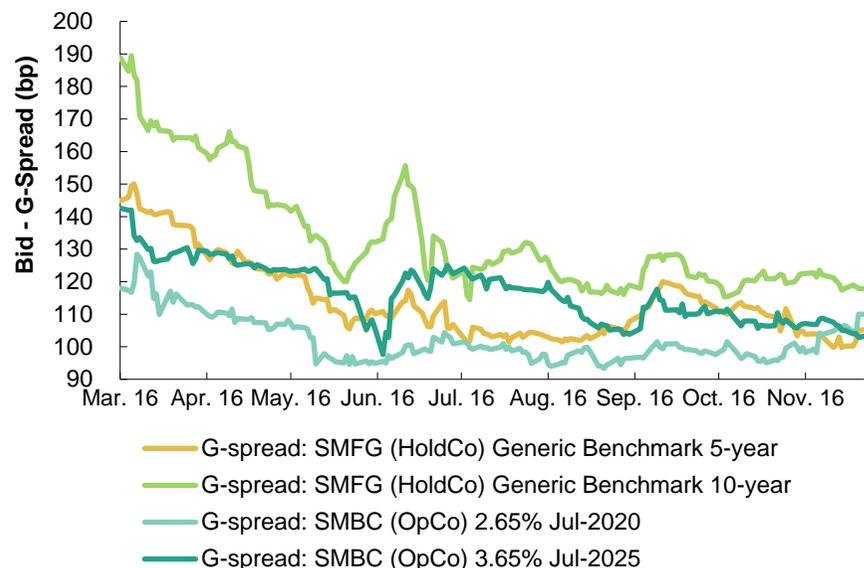
\*2 Source: Bloomberg, as of Nov. 25, 2016

# SMFG USD denominated senior notes

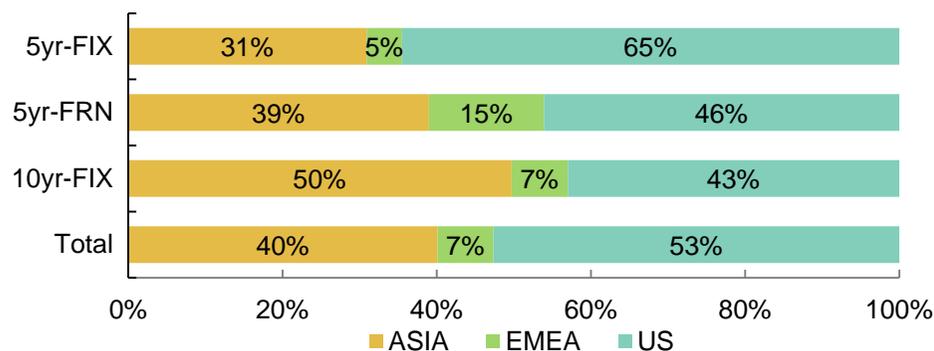
## Transaction summary

	5-year Senior Fixed Rate Notes	5-year Senior Floating Rate Notes	10-year Senior Fixed Rate Notes
<b>Issuer</b>	Sumitomo Mitsui Financial Group, Inc.		
<b>Securities Offered</b>	Senior Notes (the "Notes")		
<b>Regulatory Treatment</b>	It is expected that the Notes will count as "external TLAC" as defined in the FSB's final TLAC standards*1 when the regulation is implemented in Japan		
<b>Maturity</b>	5 years		10 years
<b>Amount</b>	\$1,500mn	\$500mn	\$1,500mn
<b>Coupon</b>	2.442%	US\$3m Libor + 114bp	3.010%
<b>Spread</b>	UST+115bp	US\$3m Libor + 114bp	UST+125bp
<b>Ratings</b>	A1 (Moody's) / A- (S&P)		
<b>Listing</b>	Luxembourg Stock Exchange's Euro MTF Market		
<b>Pricing Date</b>	Oct. 11, 2016		
<b>Format</b>	SEC Registered		

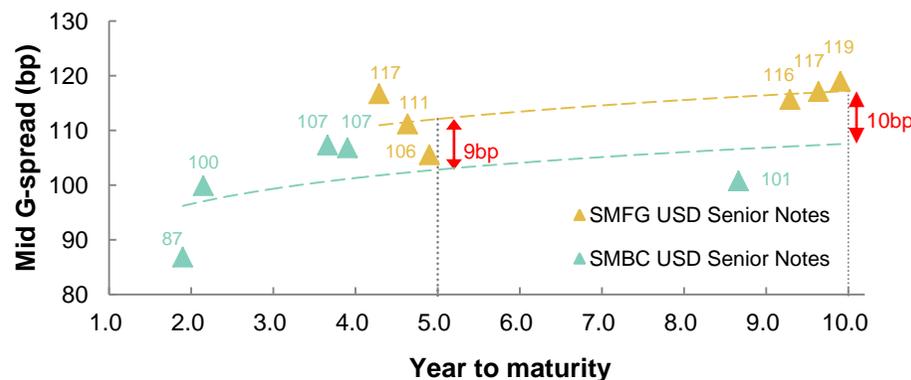
## Secondary performance\*2



## Geographical breakdown of allocation



## SMFG / SMBC credit curve (USD G-spread)\*2



\*1 Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution, TLAC Term Sheet published by the FSB on Nov. 9, 2015. TLAC requirements have not yet been adopted or proposed in Japan and there is no assurance that such TLAC requirements will be the same as the FSB's final TLAC standards or that Senior Notes will qualify as TLAC under such requirements

\*2 Source: Bloomberg, as of Nov. 25, 2016

# Appendix

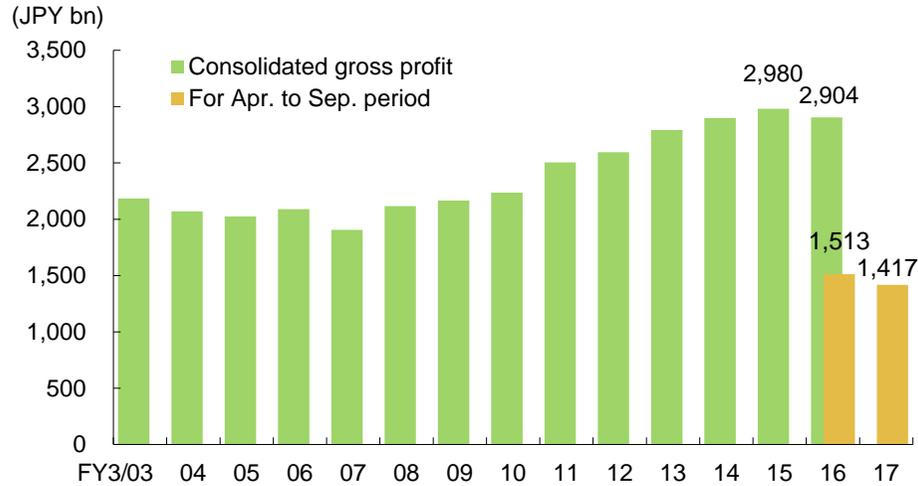
# Trend of bottom line profits

Net income / Profit attributable to owners of parent (SMFG consolidated)

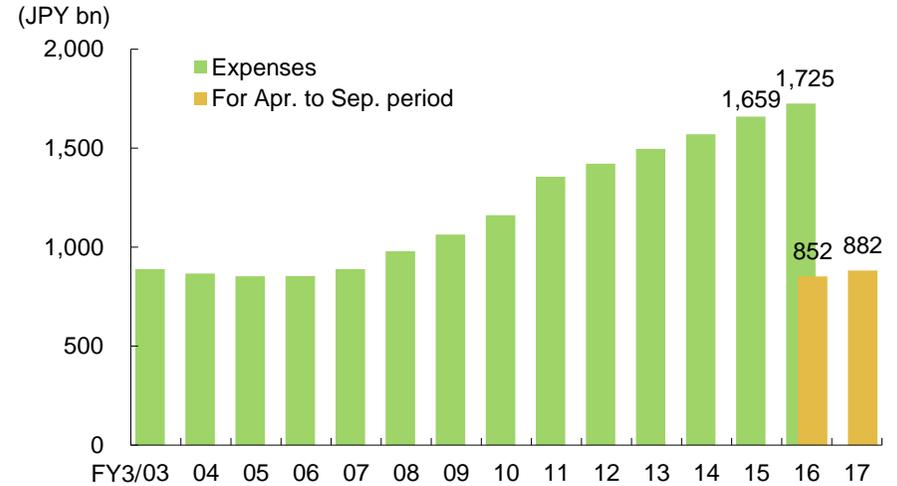


# Trend of major income components – SMFG consolidated

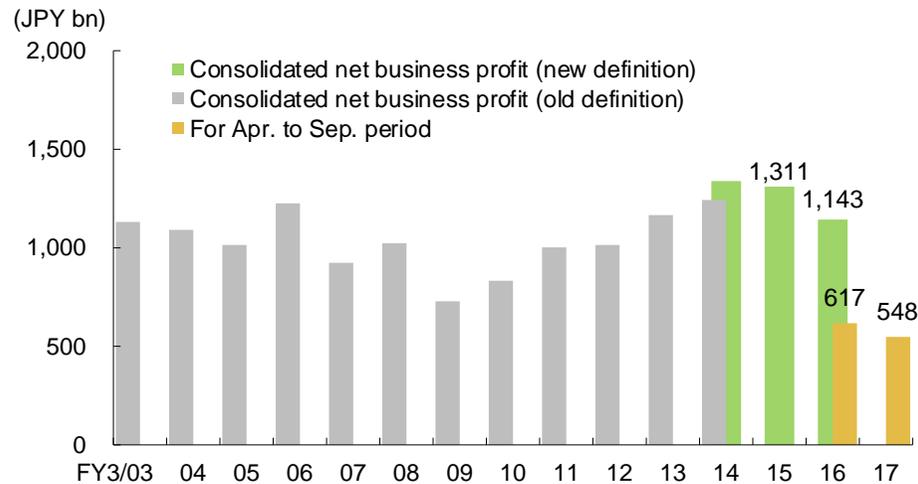
## Consolidated gross profit



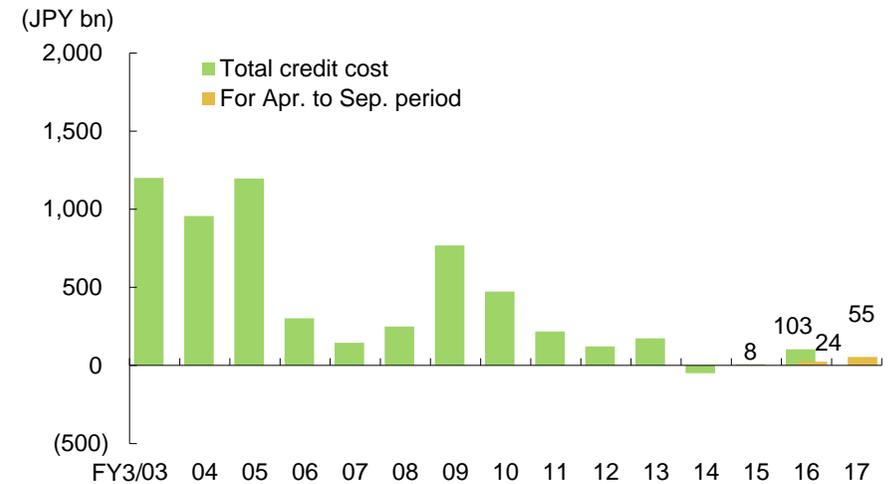
## General and administrative expenses



## Consolidated net business profit\*



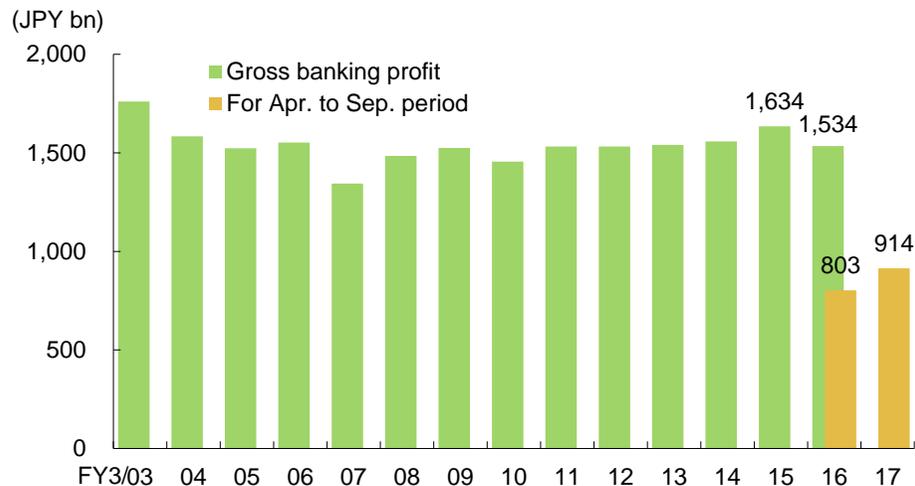
## Total credit cost



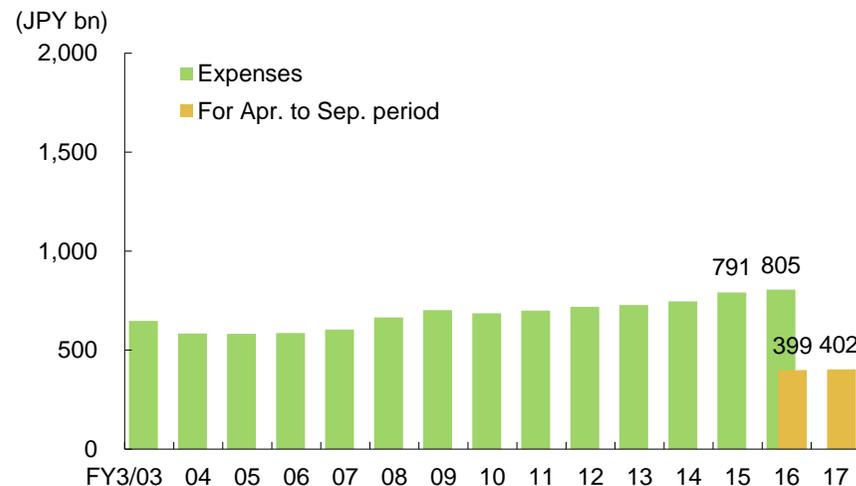
\* We have changed the definition of "Consolidated net business profit" from the fiscal year ended March 31, 2015. The figure for the fiscal year ended March 31, 2014 has been adjusted retrospectively

# Trend of major income components – SMBC non-consolidated

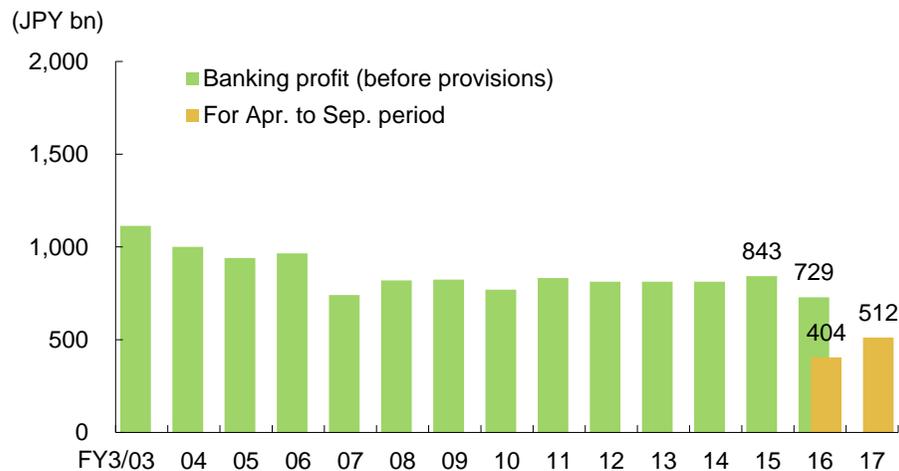
## Gross banking profit



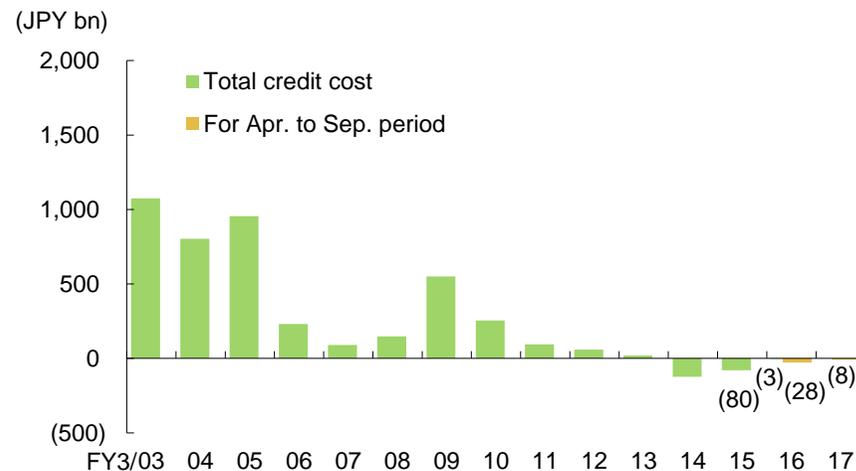
## Expenses



## Banking profit (before provisions)



## Total credit cost



# Capital and risk-weighted assets, SMFG consolidated

## Capital ratio (transitional basis)

		(JPY bn)	Mar. 31, 2016	Sep. 30, 2016 <i>Preliminary</i>
	<b>CET1</b>		<b>7,796.5</b>	<b>7,832.7</b>
	of which:			
	Total stockholders' equity related to common stock		7,351.8	7,608.4
	Accumulated other comprehensive income <sup>*1</sup>		875.7	727.3
	Regulatory adjustments related to CET1 <sup>*1</sup>		(646.4)	(718.9)
Tier 1 capital			9,031.7	8,934.3
	of which:			
	AT1 capital instruments		300.0	300.0
	Eligible Tier 1 capital instruments (grandfathered) <sup>*3</sup>		962.0	928.9
	Regulatory adjustments <sup>*1, *2</sup>		(244.9)	(283.1)
Tier 2 capital			2,204.3	2,419.5
	of which:			
	Tier 2 capital instruments		655.1	883.6
	Eligible Tier 2 capital instruments (grandfathered) <sup>*3</sup>		1,220.6	1,165.5
	Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount <sup>*2</sup>		345.7	322.4
	Regulatory adjustments <sup>*1, *2</sup>		(137.1)	(81.9)
Total capital			11,235.9	11,353.9
Risk-weighted assets			66,011.6	65,049.9
<b>CET1 ratio</b>			<b>11.81%</b>	<b>12.04%</b>
Tier 1 ratio			13.68%	13.73%
Total capital ratio			17.02%	17.45%

## Leverage ratio (transitional basis)

	(JPY bn)	Mar. 31, 2016	Sep. 30, 2016 <i>Preliminary</i>
<b>Leverage ratio</b>		<b>4.61%</b>	<b>4.71%</b>
Leverage exposure		195,762.4	189,341.6

## LCR (transitional basis)

Average Jul. – Sep. 2016
<b>118.7%</b>

\*1~3 Subject to transitional arrangements. Regulatory adjustments of Tier 1 and Tier 2 include items that are either phased-in or phased-out as described in \*1 and \*2 below Percentages below indicate the treatment as of Mar. 31, 2016 / Sep. 30, 2016

\*1 60% of the original amounts are included \*2 60% phase-out is reflected in the figures \*3 Cap is 60%

# Financial highlights – IFRS\*

## Income statement data

	(JPY bn)	FY3/2015	FY3/2016
Net interest income		1,411.5	1,441.5
Net Fee and commission income		873.5	900.3
Net Trading income		127.8	462.7
Other operating income		919.6	883.8
Total operating income		3,332.4	3,688.2
Net operating income		3,242.3	3,539.9
Profit before tax		1,132.9	1,325.7
Net profit		723.0	952.8

## Statement of financial position data

	(JPY bn)	FY3/2016
Total assets		180,172.7
Loans		88,862.4
Deposits		125,940.8
Total equity		11,042.1

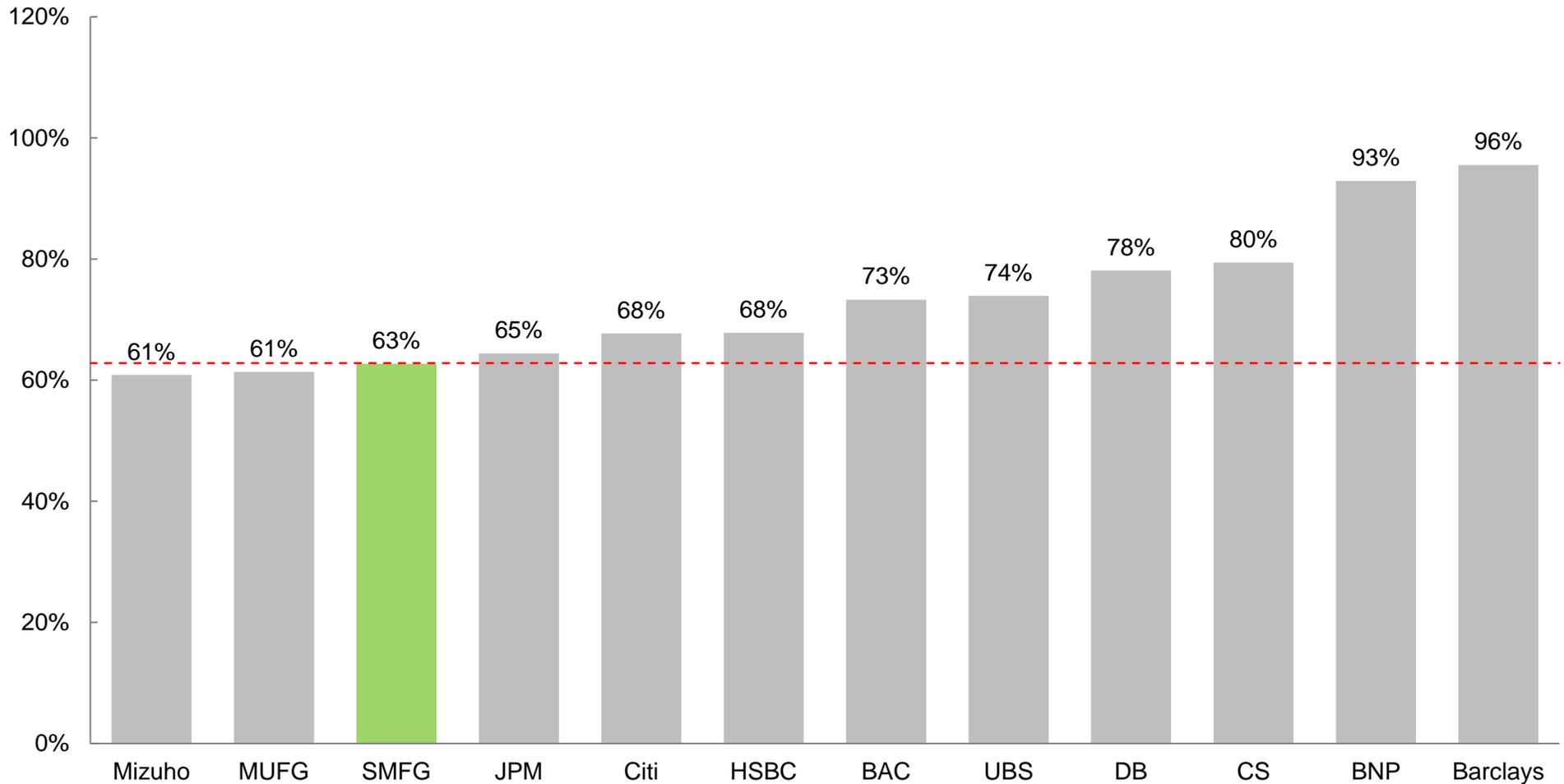
\* SMFG consolidated

## Reconciliation with Japanese GAAP\*

	(At and for FY3/2016, JPY bn)	Total equity	Net profit
IFRS		11,042.1	952.8
Differences arising from different accounting for:	Scope of consolidation	119.2	3.1
	Derivative financial instruments	133.7	(173.1)
	Investment securities	(256.8)	(56.6)
	Loans and advances	25.4	35.2
	Investments in associates and joint ventures	(86.2)	(53.4)
	Property, plant and equipment	(9.3)	(1.3)
	Lease accounting	(0.5)	1.5
	Defined benefit plans	(32.2)	(6.6)
	Deferred tax assets	(35.4)	51.2
	Foreign currency translation	-	(61.7)
Others	(151.2)	(27.0)	
Tax effect of the above	1.4	96.6	
Japanese GAAP		10,447.7	755.1

# Liquidity – supported by a sticky domestic deposit base

Loan-to-deposit ratio\*



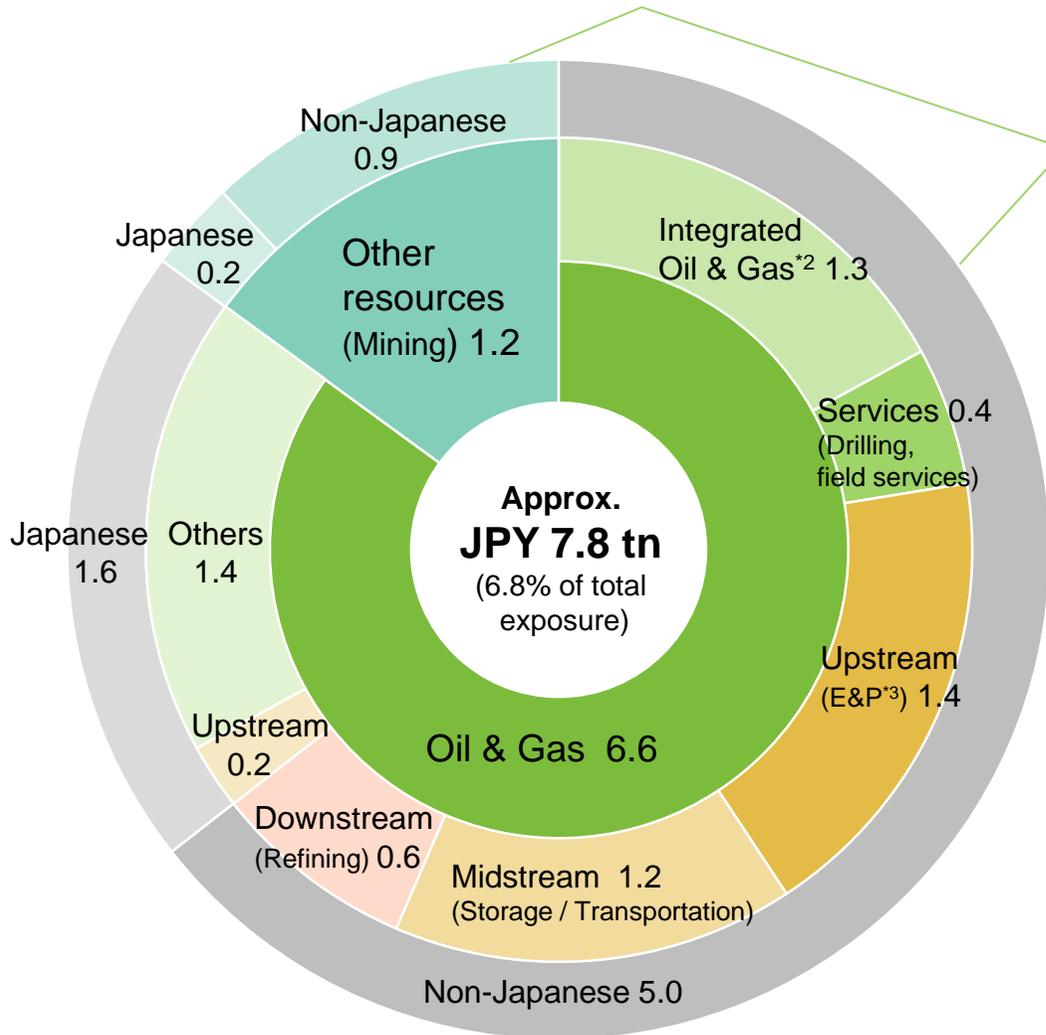
\* Based on each company's disclosure. As of Sep. 30, 2016 on a consolidated basis.

# Obligor grading system

Obligor grade		Definition	Borrower category
Domestic (C&I), etc.	Overseas (C&I), etc.		
J1	G1	Very high certainty of debt repayment	Normal borrowers
J2	G2	High certainty of debt repayment	
J3	G3	Satisfactory certainty of debt repayment	
J4	G4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment	
J5	G5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of significant changes in economic trends or business environment	
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems	
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish / unstable business, or financial problems	Borrowers requiring caution
J7R	G7R	(Of which substandard borrowers)	Substandard borrowers
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially bankrupt borrowers
J9	G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Effectively bankrupt borrowers
J10	G10	Legally or formally bankrupt	Bankrupt borrowers

\* Commercial / Industrial

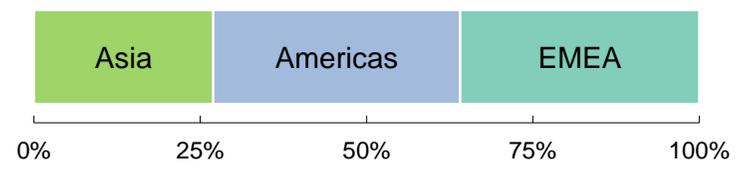
# ■ Exposure to resources related sectors\*<sup>1</sup> (as of Sep. 30, 2016)



Non-Japanese exposure to oil and gas / other resources: JPY 6.0 tn

- 83% is classified as “1-3”<sup>\*4</sup> in our internal rating
- NPLs to drawn amount: 1.7% mainly consist of “Services,” “Upstream” and “Other resources (Mining)”

● By Region



\*1 Loans, commitment lines, guarantees, investments, etc. Sum of SMBC, SMBC Europe and SMBC (China)  
 \*2 Majors, state-owned oil companies, etc. \*3 Exploration & Production  
 \*4 Certainty of debt repayment is in the range of Very high - Satisfactory

# Initiatives for negative interest rate policy

## Control deposit balance

- Lowered interest rates
  - Ordinary deposits 0.001% since Feb. 16<sup>th</sup>
  - Time deposits 0.01% since Mar. 1<sup>st</sup>
- Initiatives against inflow of large funds from corporations (especially financial institutions)
  - Charge fees for correspondent accounts of foreign banks

## Promote shifts from savings to investment

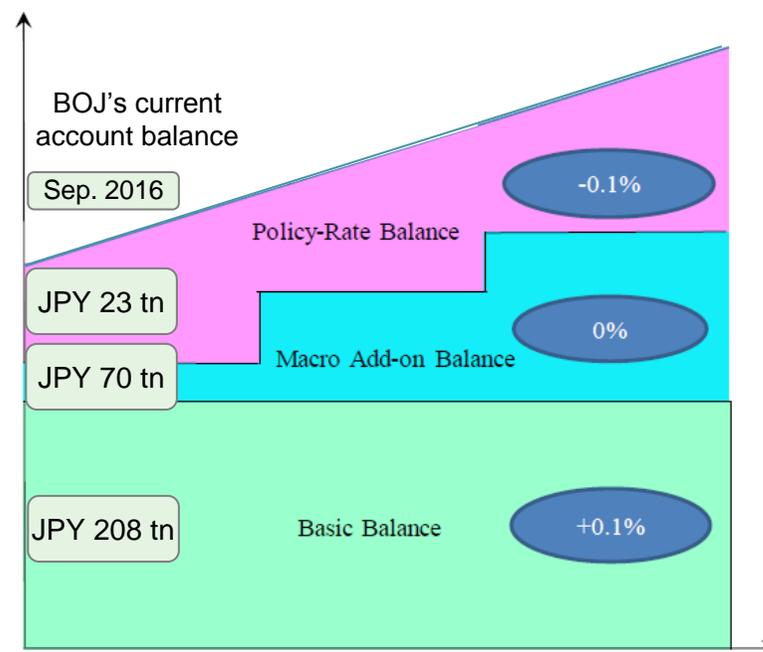
- Foreign deposits; raised interest rates, launched marketing campaigns
- Increase sales of wrap accounts and low risk and low return investment products

## Diversify revenue sources Initiatives to secure loan margin

- Strengthen commission business
- Expand non-banking business
- Initiatives to increase high value-added loans by providing solutions

## BOJ's negative interest rate policy\*

- Introduction of “Quantitative and Qualitative Monetary Easing with a Negative Interest Rate” (Feb.2016)<sup>\*1</sup>



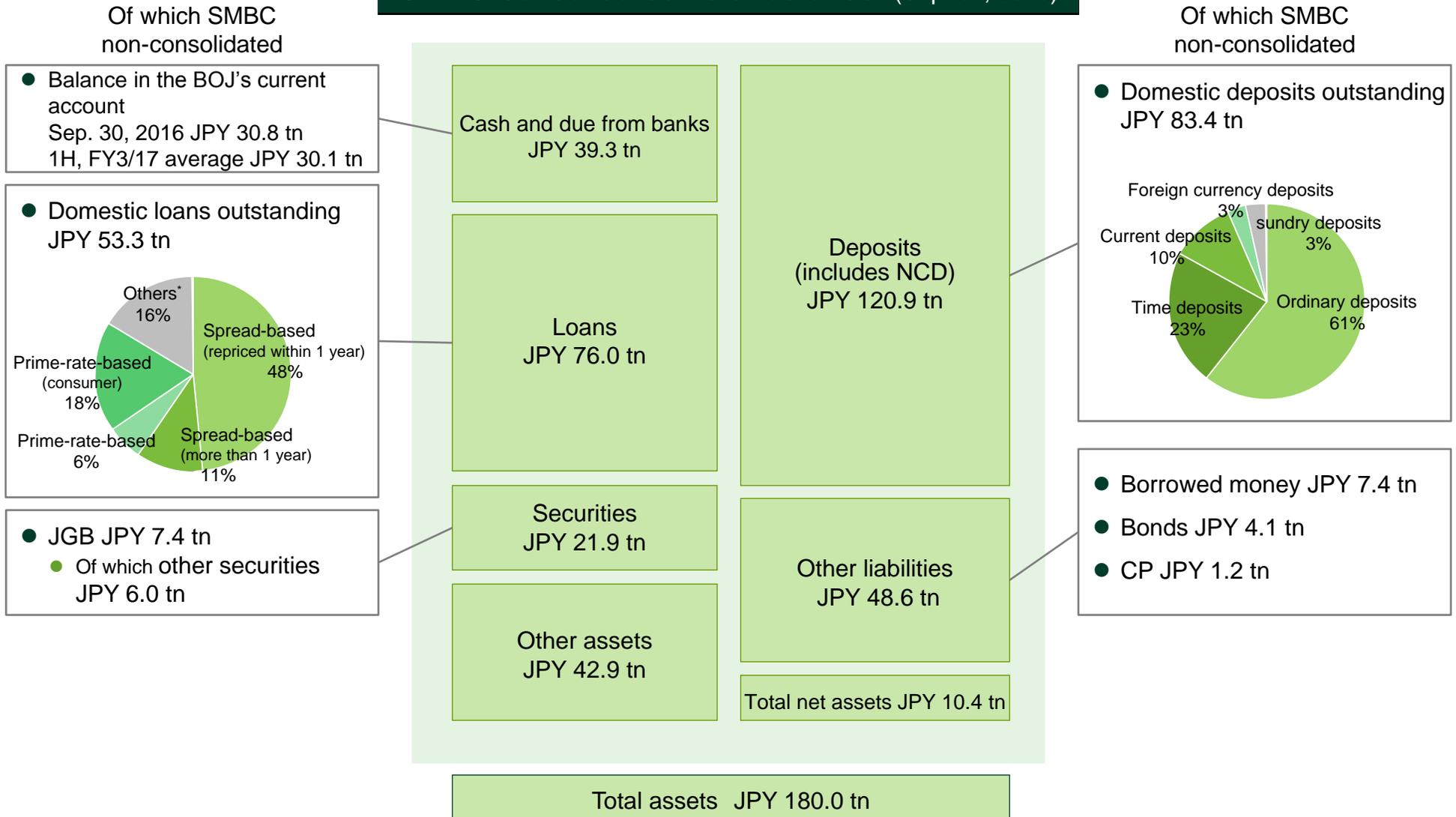
- Introduction of “Quantitative and Qualitative Monetary Easing with Yield Curve Control” (Sep.2016)<sup>\*2</sup>
  - “Yield curve control”
  - “Inflation-overshooting commitment”

\*1 Source: The Bank of Japan (“Key Points of Today’s Policy Decisions” on Jan. 29, 2016)  
 “BOJ Current Account Balances by Sector (Sep. 2016)” on Oct. 17, 2016 for BOJ’s current account balance

\*2 Source: The Bank of Japan (“New Framework for Strengthening Monetary Easing: “Quantitative and Qualitative Monetary Easing with Yield Curve Control” on Sep. 21, 2016)

# Balance sheet

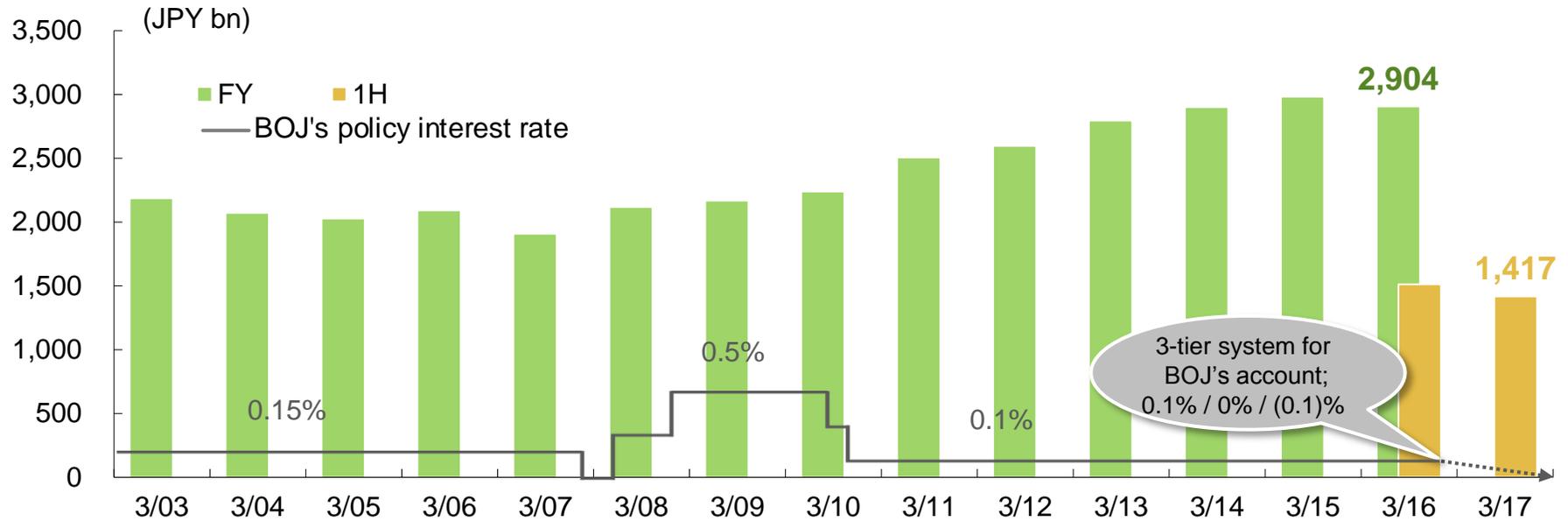
## SMFG consolidated balance sheet (Sep. 30, 2016)



\* Loans denominated in foreign currencies, overdraft, etc.

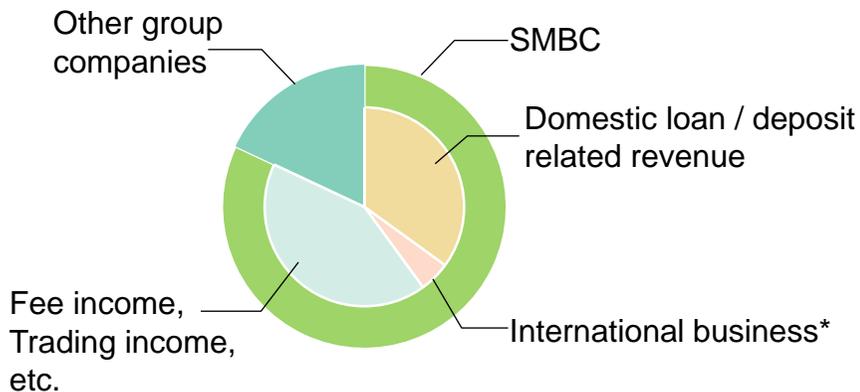
# Diversified revenue sources

## SMFG's consolidated Gross profit



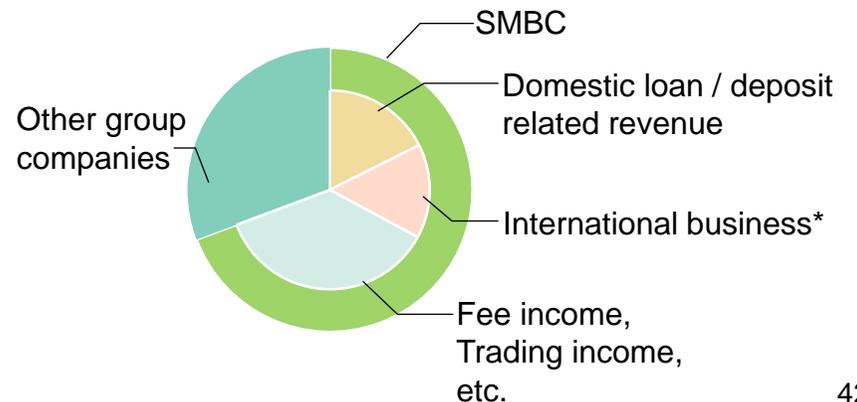
## Illustrative breakdown of contribution

FY3/03



\* Includes major overseas banking subsidiaries

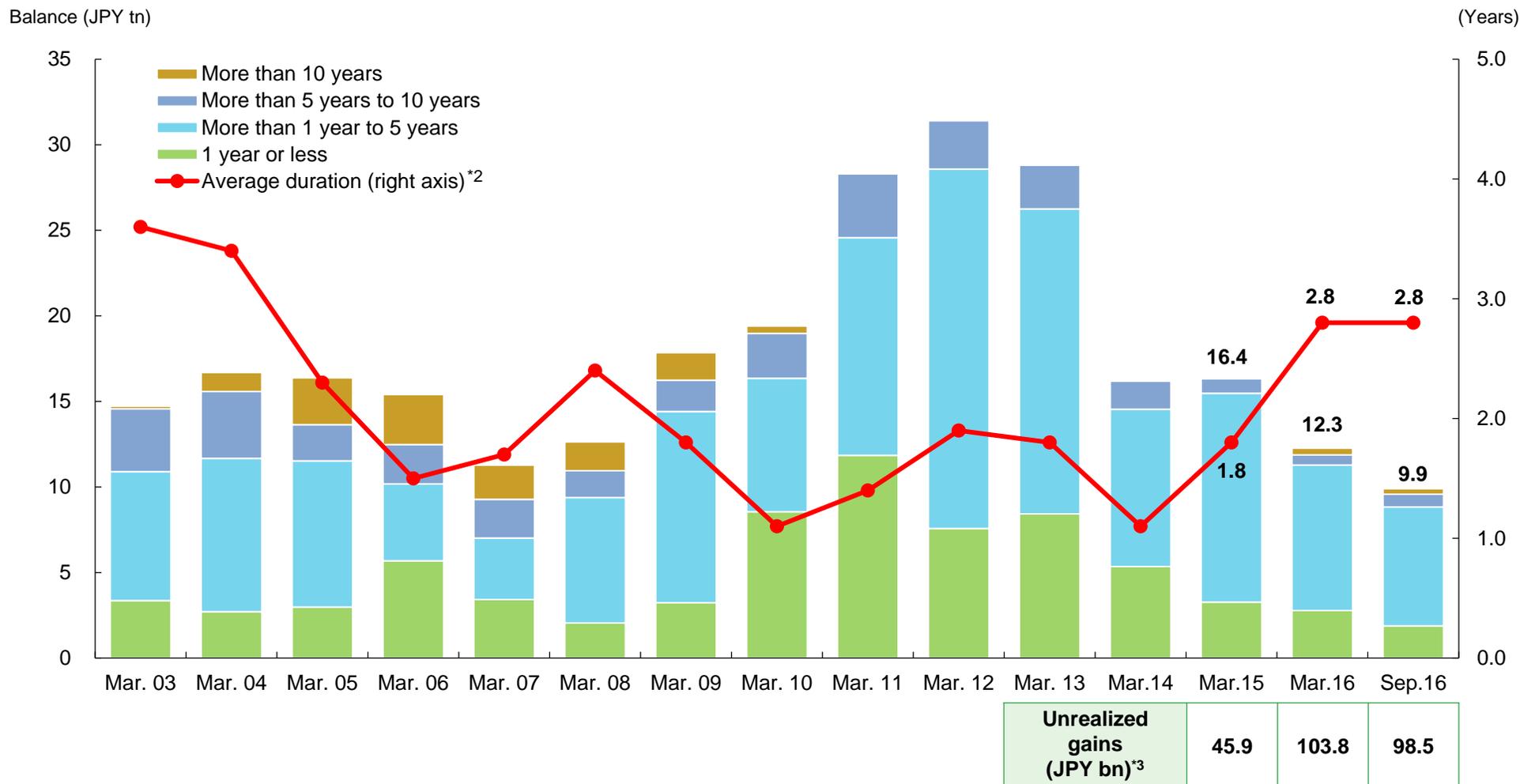
1H, FY3/17



# Bond portfolio

## Yen bond portfolio\*1

(SMBC non-consolidated)



\*1 Total balance of other securities with maturities and bonds classified as held-to-maturity; total of JGBs, Japanese local government bonds and Japanese corporate bonds

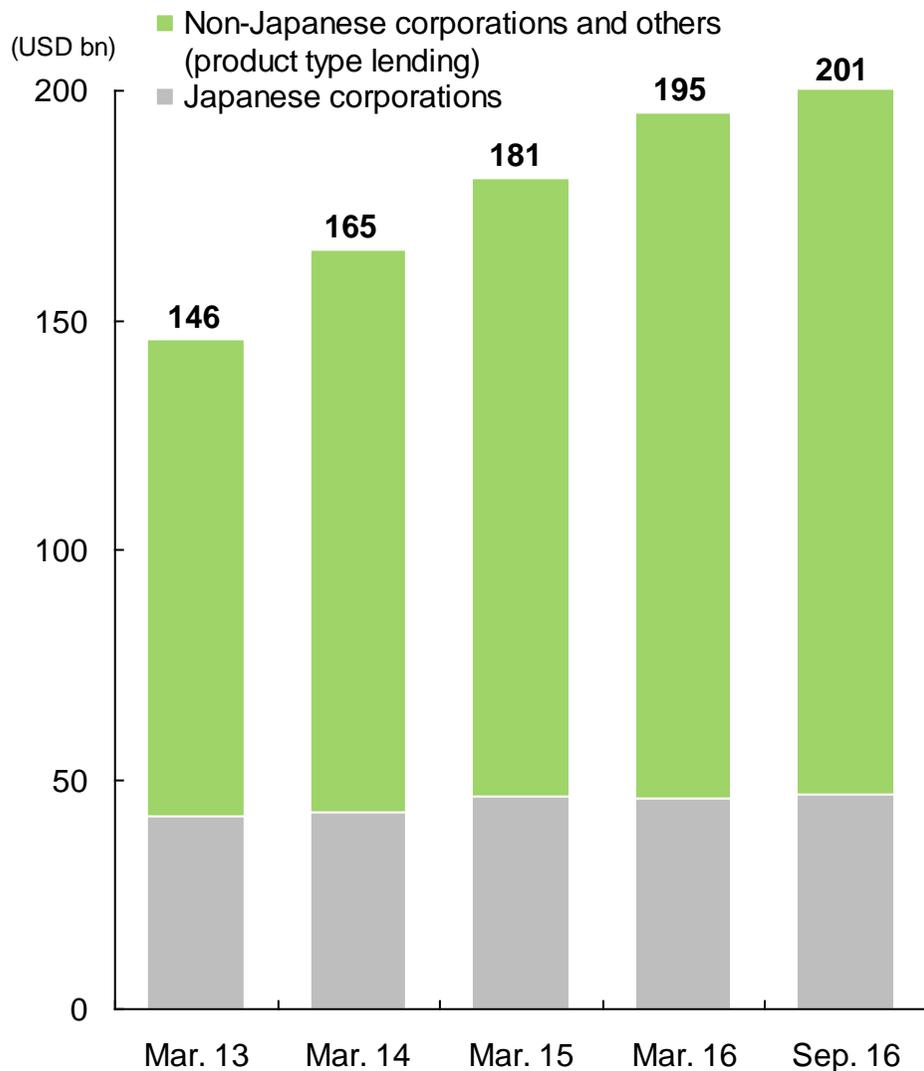
\*2 Excludes bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds. Duration of 15-year floating rate JGBs is regarded as zero.

\*3 15-year floating-rate JGBs have been evaluated at their reasonably estimated price from Mar. 2009

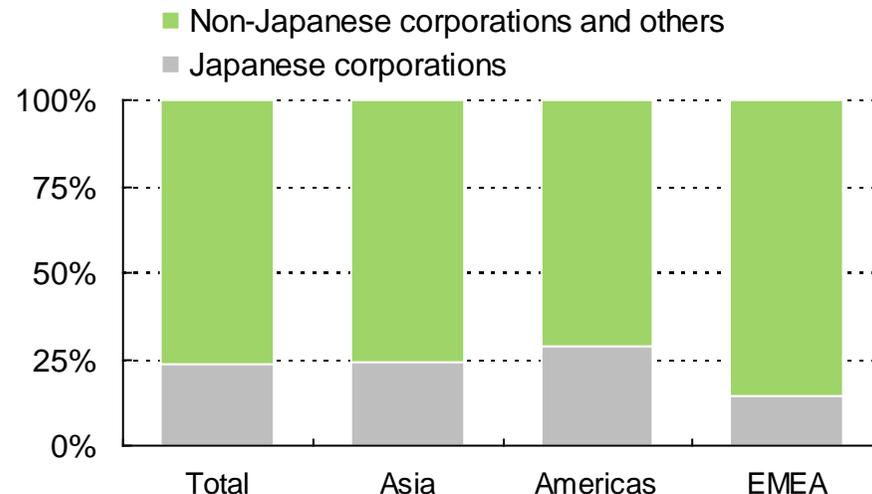
# Overseas loan balance classified by borrower type

(Geographic classification based on booking office)

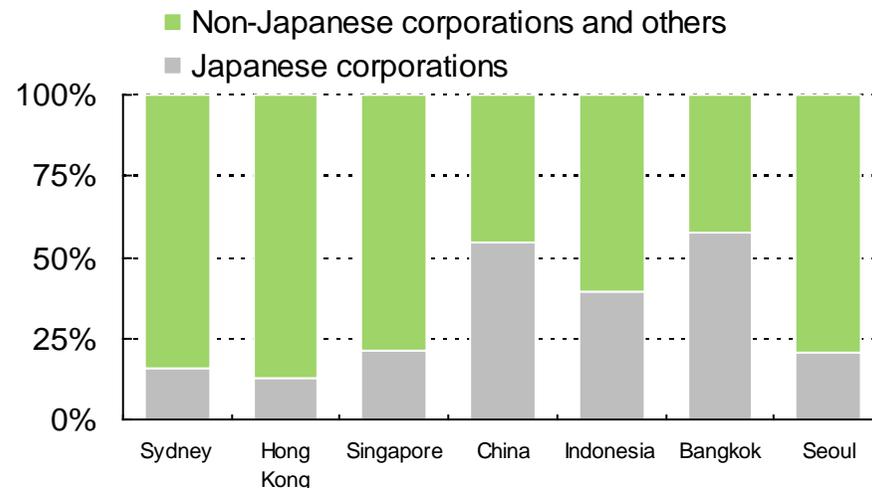
## Total\*1



## By region (Sep. 2016)\*1



## Major marketing channels in Asia (Sep. 2016)\*1, 2



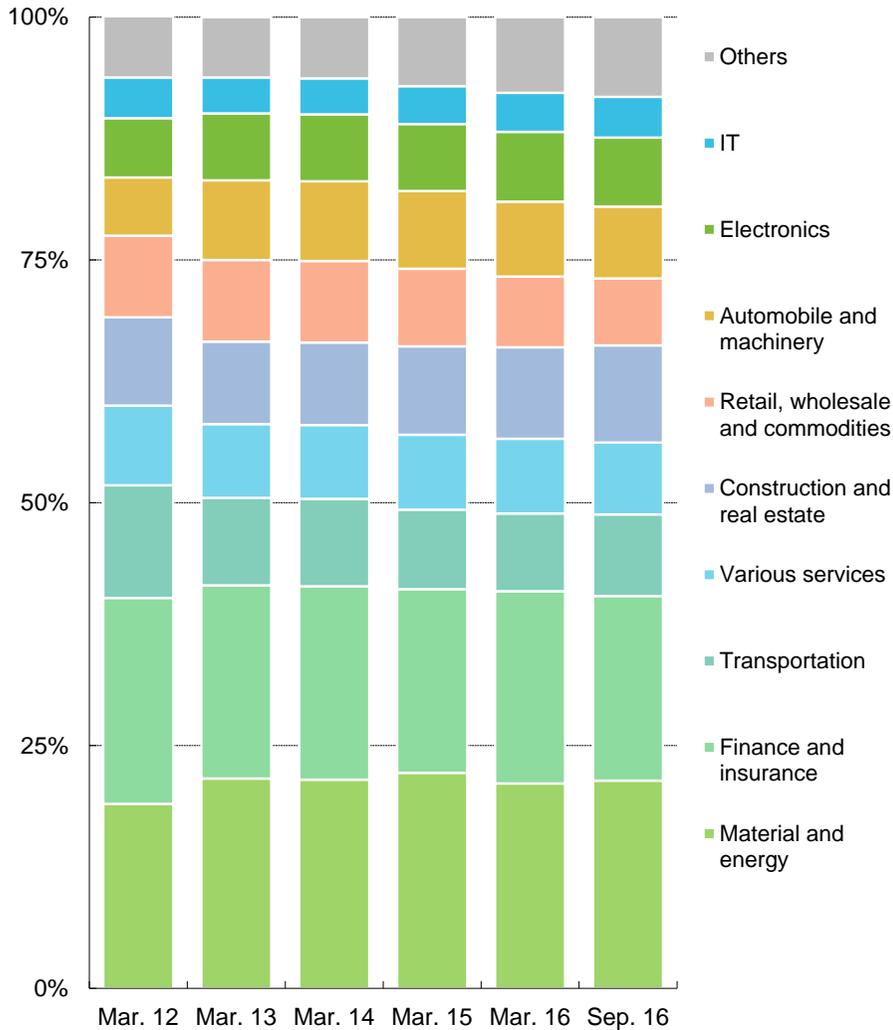
\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China). Includes trade bills after Mar. 2015

\*2 Sum of SMBC and SMBC Indonesia

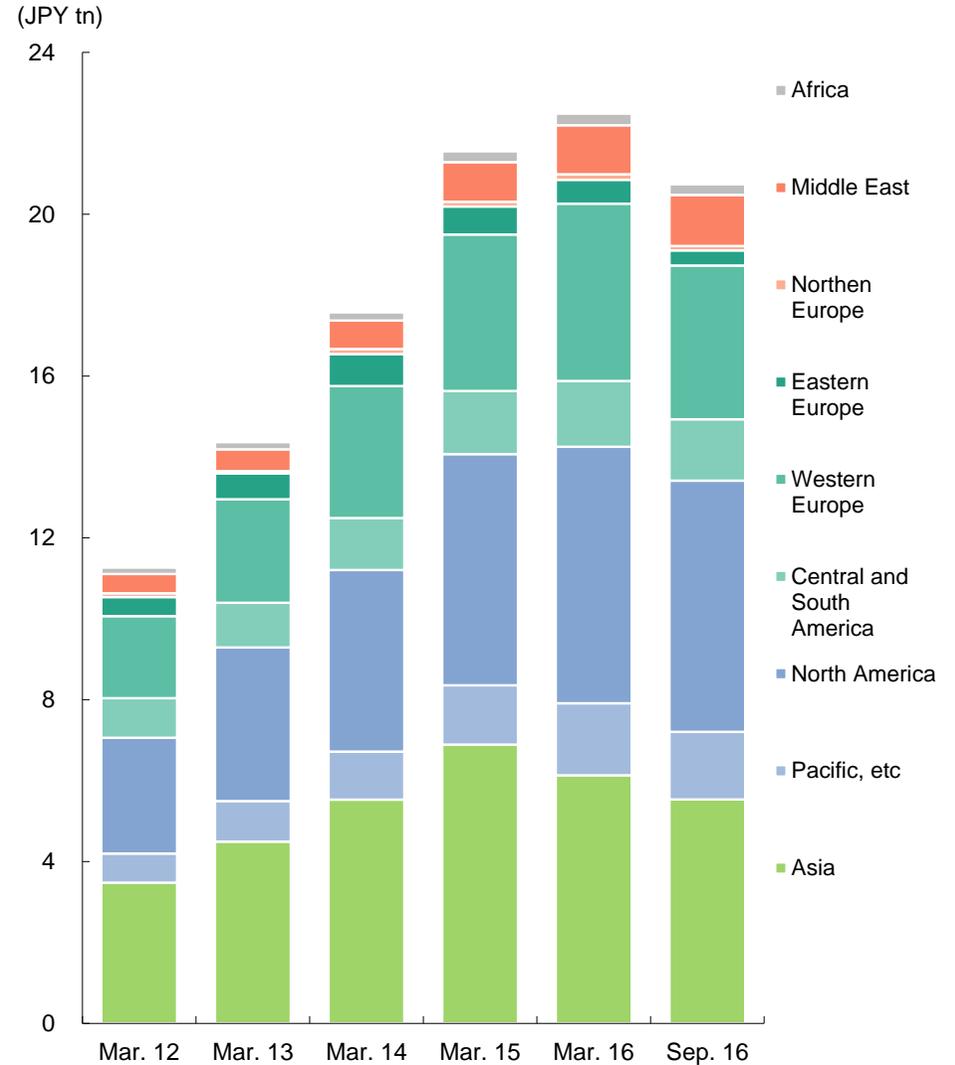
# Overseas loan balance classified by industry and domicile

(Geographic classification based on domicile of borrowers)\*

By industry



By domicile

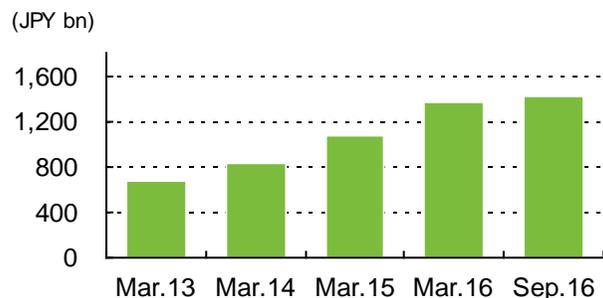


\* Managerial accounting basis, translated into JPY at respective period-end exchange rates. Sum of SMBC, SMBC Europe and SMBC (China). Before direct reduction

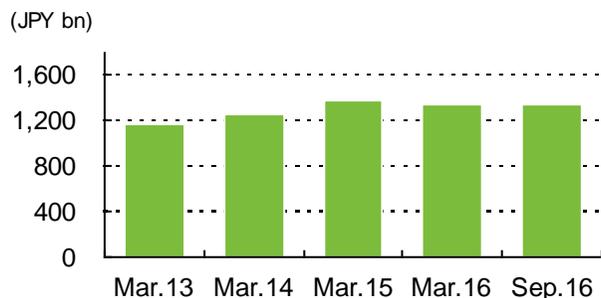
# Loan balance in Asian countries/areas

(Geographic classification based on borrowers' domicile)\*

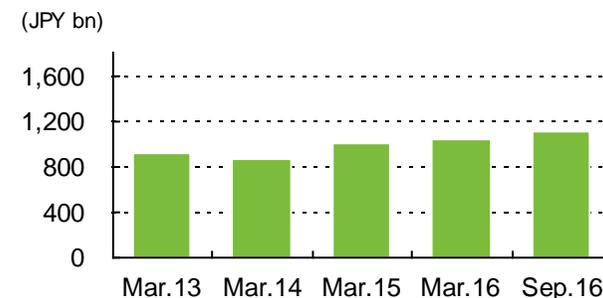
## Australia



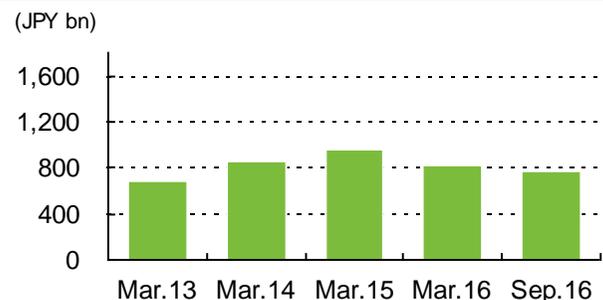
## Hong Kong



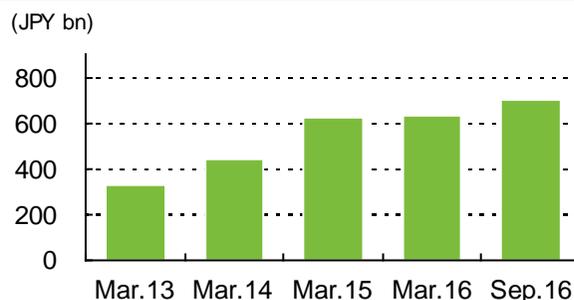
## Singapore



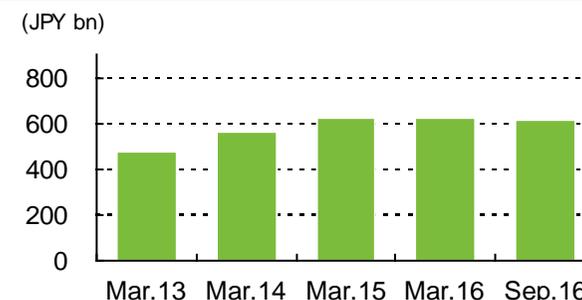
## China



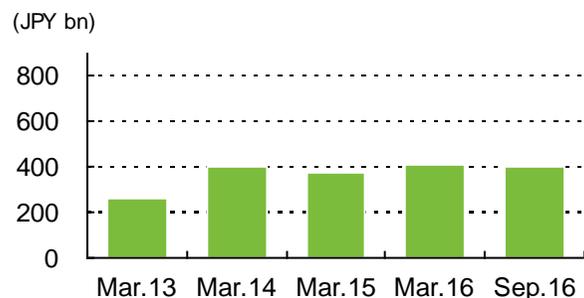
## Indonesia



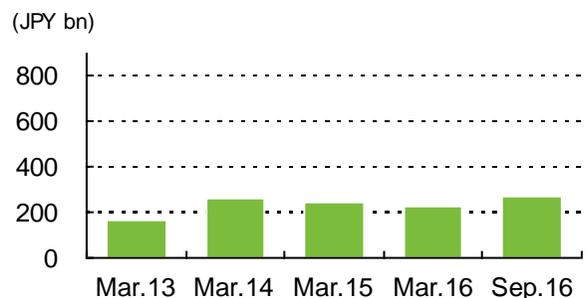
## Thailand



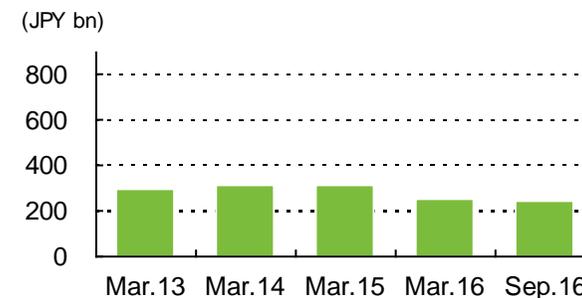
## India



## Taiwan



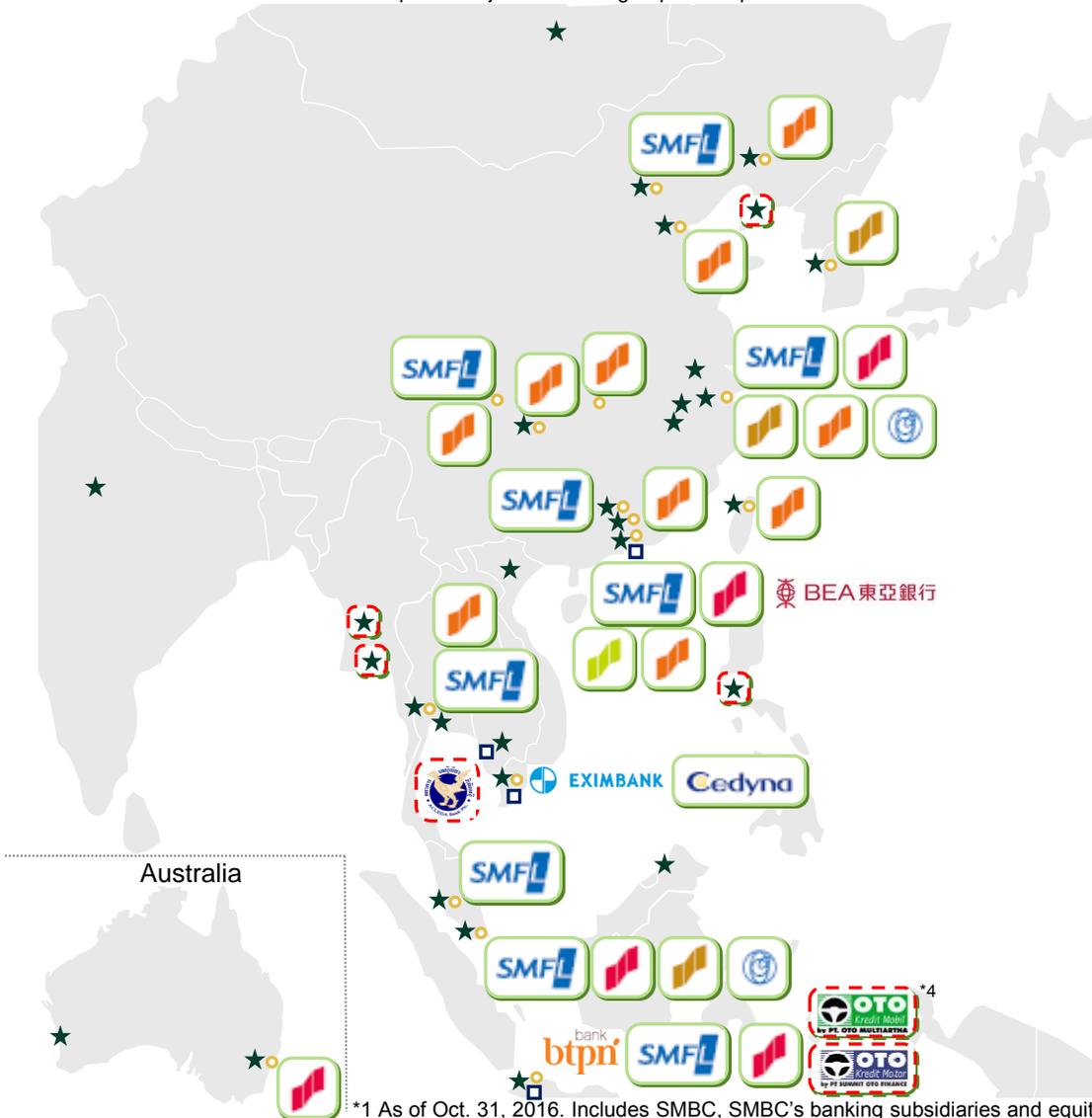
## Korea



\* Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Indonesia  
Loan balances are translated into JPY from each country's local currency at the exchange rate of Sep. 30, 2016

# SMFG's network in Asia

- ★: Banking business offices
- : Overseas offices of SMFG group companies excluding banking business offices
- : Equity method affiliates
- Red dotted outline indicates offices opened or joined SMFG group after Apr. 2015



SMBC SUMITOMO MITSUI BANKING CORPORATION	Banking	< Asia and Oceania > 14 countries/areas, 40 offices* <sup>1</sup>
Sumitomo Mitsui Finance and Leasing	Leasing	<ul style="list-style-type: none"> <li>• Beijing</li> <li>• Shanghai</li> <li>• Chengdu</li> <li>• Guangzhou</li> <li>• Hong Kong</li> <li>• Bangkok</li> <li>• Kuala Lumpur</li> <li>• Singapore</li> <li>• Jakarta</li> </ul>
SMBC NIKKO	Securities	<ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Sydney</li> <li>• Singapore</li> <li>• Jakarta</li> </ul>
	M&A advisory	<ul style="list-style-type: none"> <li>• Shanghai</li> <li>• Hong Kong</li> <li>• Singapore</li> <li>• Jakarta</li> </ul>
SMBC FRIEND SECURITIES	Market research	• Hong Kong
SUMITOMO MITSUI CARD COMPANY, LIMITED	Prepaid card services	• Seoul* <sup>2</sup>
	Consulting	• Shanghai
	Market research	• Singapore
Cedyna	Auto loans	• Ho Chi Minh* <sup>3</sup>
SMBC CONSUMER FINANCE	Consumer finance	<ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Shenzhen</li> <li>• Shenyang</li> <li>• Tianjin</li> <li>• Chongqing</li> <li>• Chengdu</li> <li>• Wuhan</li> <li>• Shanghai</li> <li>• Bangkok</li> </ul>
	Loan management and collection	• Taipei
The Japan Research Institute, Limited	Consulting	• Shanghai
	System integration	<ul style="list-style-type: none"> <li>• Shanghai</li> <li>• Singapore</li> </ul>

\*1 As of Oct. 31, 2016. Includes SMBC, SMBC's banking subsidiaries and equity method affiliates. Excludes offices planned to be closed

\*2 Prepaid cards targeted at travelers to Korea from Japan offered through an alliance with Hana SK Card Co., Ltd. since Nov. 2012

\*3 Expanded auto loan business through alliance with Vietnam Eximbank since May 2013

\*4 SMBC made OTO/SOF equity method affiliates in Mar. 2016

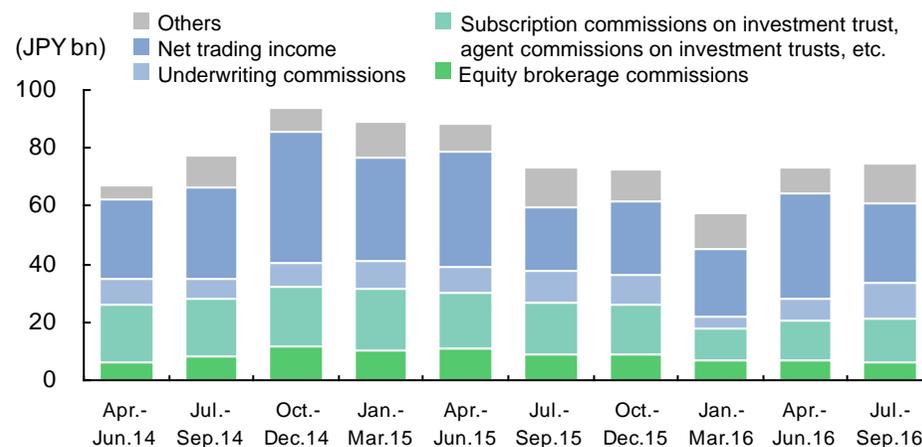
# SMBC Nikko Securities / Reorganization of group companies

## SMBC Nikko Securities

### Financial results (consolidated)

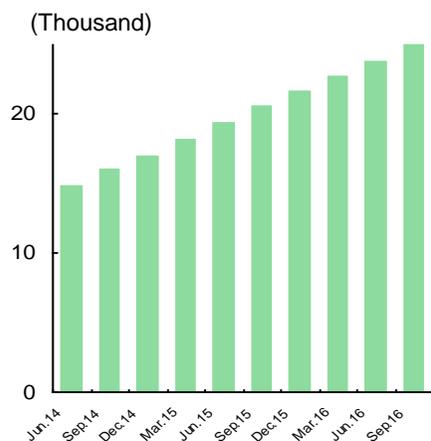
(JPY bn)	FY3/16	1H, FY3/17	YOY change
<b>Net operating revenue</b>	292.8	149.1	(13.2)
<b>SG&amp;A expenses</b>	(241.5)	(119.5)	+4.8
<b>Ordinary income*1</b>	55.8	31.5	(9.0)
<b>Profit attributable to owners of parent*1</b>	42.1	22.0	(7.4)

### Net operating revenue

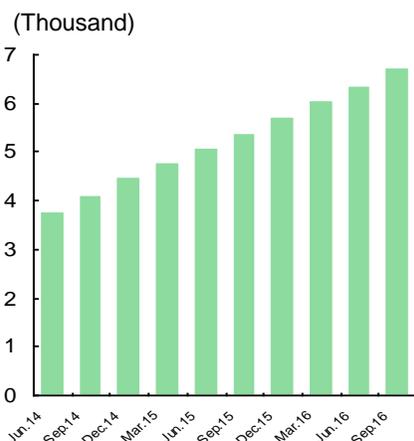


### Bank-securities collaboration\*2

#### Asset Management



#### Investment banking



### Reorganization of group companies

#### Merger of securities subsidiaries

Target of merger: Jan. 2018



SMBC NIKKO



SMBC FRIEND SECURITIES

#### Consolidation of asset management company

Increased stakes to 60%



Sumitomo Mitsui Asset Management



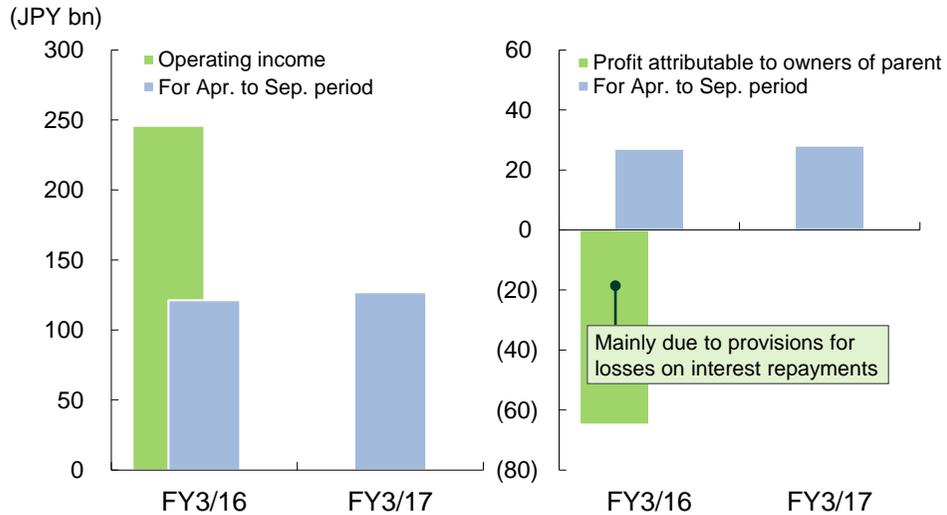
SMFG group's managerial resources

\*1 Includes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG) etc.

\*2 Accumulated no. of cases via referral / intermediary services from SMBC to SMBC Nikko

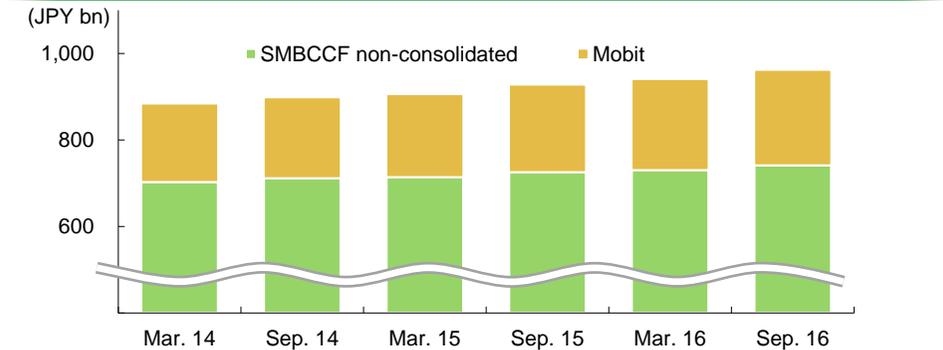
# SMBC Consumer Finance (“SMBCCF”)

## Consolidated operating income and Profit attributable to owners of parent

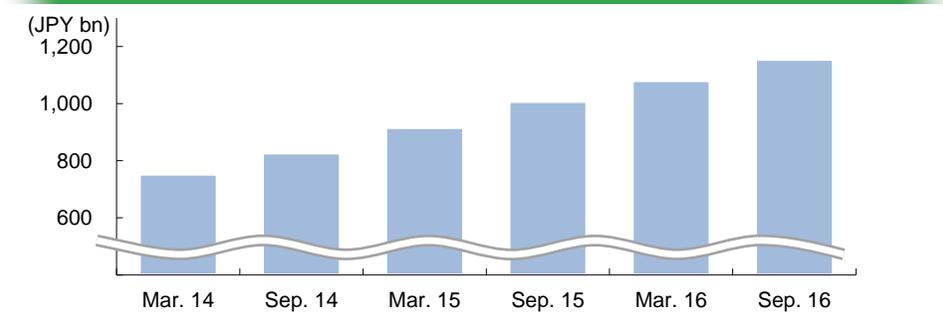


## Financing / loan guarantee business

### Consumer loans outstanding (domestic)

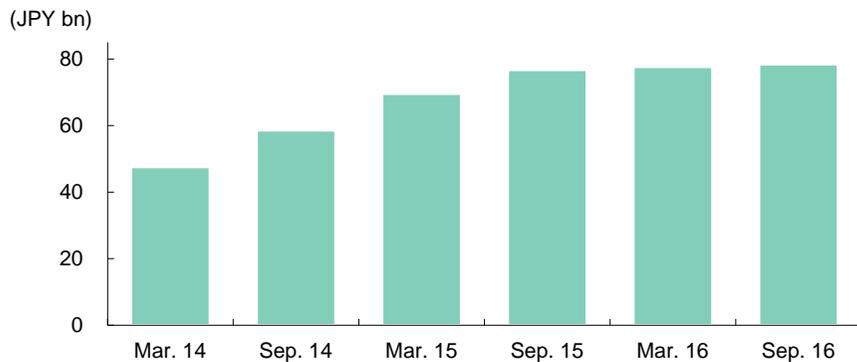


### Loan guarantee amount

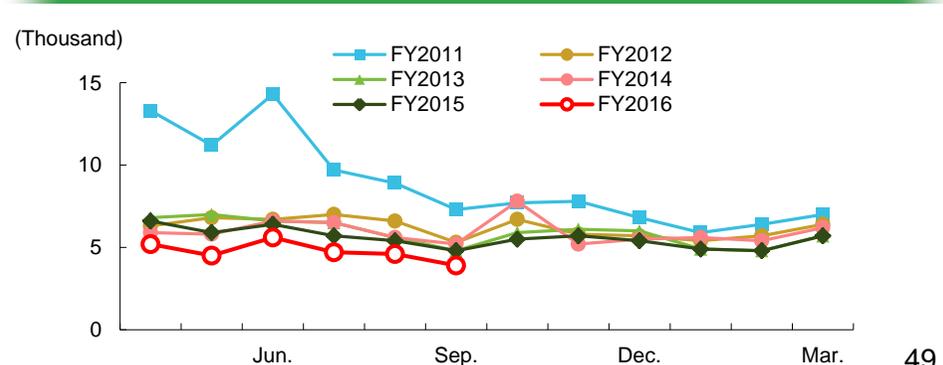


## Overseas business

### Consumer loans outstanding (overseas)\*



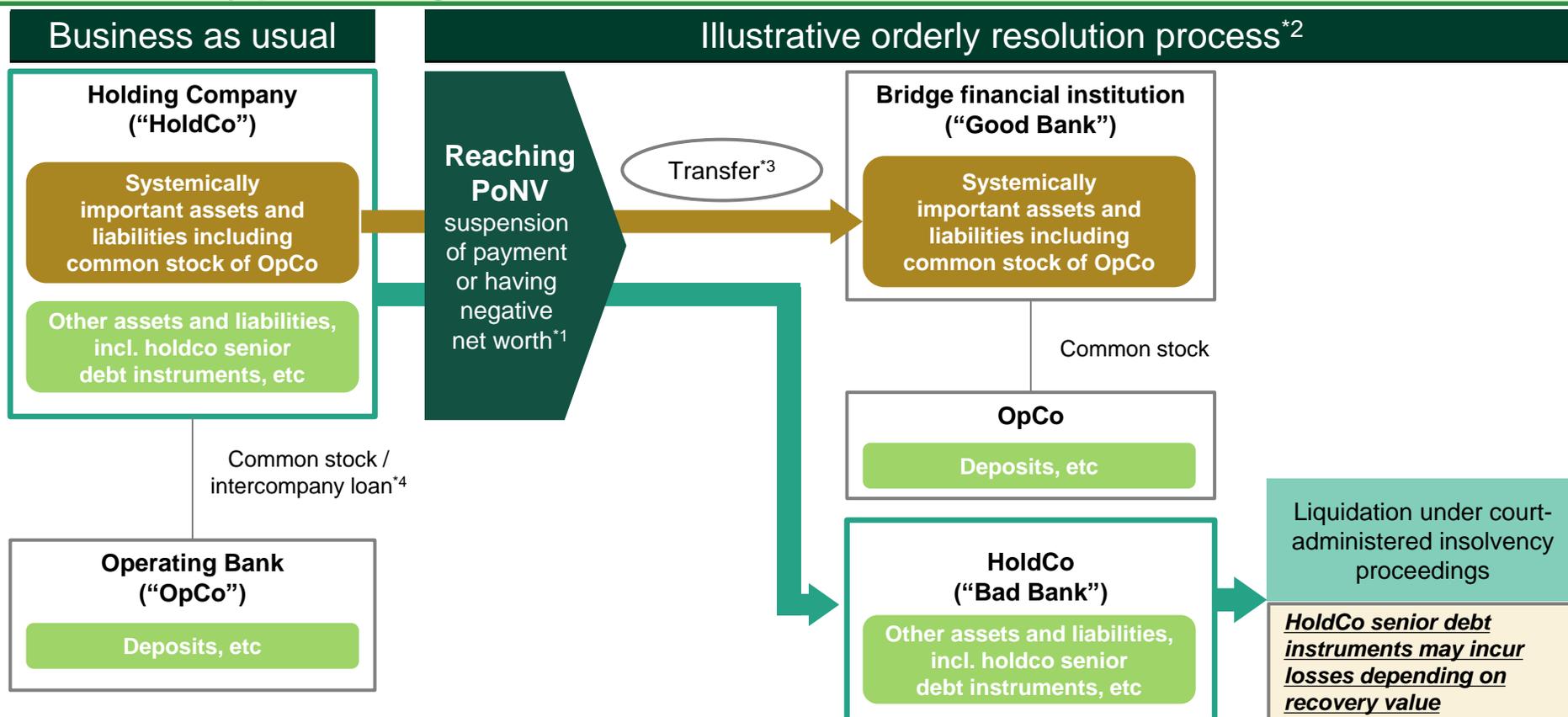
### No. of interest refund claims



\* Aggregate of overseas subsidiaries. Translated into JPY at respective period-end exchange rates

# Orderly resolution regime in Japan

- An orderly resolution is expected to be commenced subsequent to PoNV<sup>\*1</sup> after SMFG absorbs losses incurred by its material subsidiaries
- Senior notes may incur losses depending on recovery value through court-administered insolvency proceedings



\*1 PoNV will be deemed to have been reached when the Prime Minister of Japan, following deliberation by Japan's Financial Crisis Response Council pursuant to the DIA, confirms (*nintei*) that "specified Item 2 measures (*tokutei dai nigo sochi*)," which are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the DIA, as then in effect, need to be applied to a financial institution under circumstances where its liabilities exceed or are likely to exceed its assets, or it has suspended or is likely to suspend payment of its obligations

\*2 Based on a possible model of Japanese G-SIB's resolution under the SPE resolution process, as stated in the FSA's Approach

\*3 Transfer of business, assets and/or liabilities under special supervision by or under special control of the Deposit Insurance Company of Japan

\*4 According to the FSA's Approach, domestic material subsidiaries including OpCo could be subject to internal TLAC requirements depending on its size and risk of exposures. Losses incurred at the material subsidiaries would be absorbed by the HoldCo through internal TLAC with certain involvement of the authority in order to implement the orderly resolution

# Precedents of public sector support and resolution

Framework <sup>*1*2</sup>	Precedents	Date	Amount (JPY bn)
Act on Special Measures for Strengthening Financial Functions <i>Capital injection</i>	Recent precedents of banks		
	Howa Bank	Mar. 2014	16.0
	Jimoto Holdings (Kirayaka Bank) <sup>*3</sup>	Dec. 2012	30.0
	Tohoku Bank	Sep. 2012	10.0
	77 Bank	Dec. 2011	20.0
	Tsukuba Bank	Sep. 2011	35.0
	Jimoto Holdings (Sendai Bank) <sup>*3</sup>	Sep. 2011	30.0
	Other precedents of banks before 2011	-	304.5 (12 cases)
	Precedents of credit associations ( <i>Shinkumi / Shinkin</i> )	-	213.1 (14 cases)
			Total 658.6 (32 cases)
Article 102, Paragraph 1 of the DIA	Item 1 measures <i>Capital injection</i>	Resona Bank	Jun. 2003 1,960.0
	Item 2 measures <i>Financial assistance exceeding payout cost</i>	N.A.	N.A. N.A.
	Item 3 measures <i>Temporary nationalization</i>	Ashikaga Bank	Nov. 2003 N.A. <sup>*4</sup>

PoNV

\*1 There is no assurance that any such measures would be applied in any given case

\*2 There is also a newly established framework under Article 126-2, paragraph 1 of the DIA although there is no precedent of such framework being applied thus far

\*3 Names of financial institutions in parentheses refer to the entities that effectively received capital injection

\*4 The Deposit Insurance Company of Japan acquired all the shares of the bank against nil consideration

# Public sector support and PoNV in Japan

Framework*1		Systemic risk	Subject entities	Conditions	PoNV	No. of cases
Framework for banks	Act on Special Measures for Strengthening Financial Functions <i>Capital injection</i>	Not required	Banks (Capital injection may be made through BHC)	No suspension of payment of deposits and not having negative net worth	No	32
	Article 102, Paragraph 1 of the DIA	Required (Credit system in Japan or in a certain region)	Banks only	Undercapitalized	No	1
				Suspension of payment of deposits or having negative net worth*2	Yes*4	-
				Suspension of payment of deposits and having negative net worth*2		1
Framework for financial Institutions	Article 126-2, Paragraph 1 of the DIA	Required (Financial system such as financial market in Japan)	Financial institutions including banks and BHCs	Not having negative net worth	No	-
				Suspension of payment or having negative net worth*3	Yes*4	-

\*1 There is no assurance that any such measures would be applied in any given case

\*2 Including the likelihood of a suspension of payment of deposits

\*3 Including the likelihood of a suspension of payment or negative net worth

\*4 Specified in Q&A published by the FSA on Mar. 6, 2014

# Meeting international financial regulations

		Regulations	Contents of regulation	Effective	Current status	
G20	G-SIFI regulation and supervision	G-SIB surcharge	Required for additional loss absorption capacity above the Basel III minimum	2016	Under phased implementation	
		Adequacy of loss-absorbing capacity (TLAC)	Required to hold loss absorbing capacity, which consists of eligible liabilities and regulatory capital, on both a going concern and gone concern basis	2019	Finalised at the FSB in Nov. 2015	
		Recovery and Resolution Plan	SMFG Group Recovery Plan	Implemented	Submitted	
			ISDA Protocol: Stays on early termination rights following the start of resolution proceedings of derivatives counterparty	Implemented	Adhered	
	Prudential regulation	Basel III	Capital requirement	Required to raise the level and quality of capital and enhance risk coverage under Basel III	2013	Under phased implementation
				Fundamental review of trading book (Strengthened capital standards for market risk)	2019	Finalised at BCBS in Jan. 2016
				Revisions to the Standardised Approaches	TBD	Consultation for credit/operational risk commenced in Dec. 2015/Mar. 2016
				Constraints on the use of internal model approaches	TBD	Consultation commenced in Mar. 2016
				Capital floors	TBD	Consultation commenced in Dec. 2014
				Review of the Credit Valuation Adjustment (CVA) risk framework	TBD	Consultation commenced in Jul. 2015
				Interest-rate risk in the banking book	2018	Finalised at BCBS in Apr. 2016
		Leverage ratio requirement	Non-risk-based measure based on "on-and off-accounting balance sheet items" against Tier 1 capital. Minimum requirement: 3% (on a trial basis)	2018	Consultation for revisions to the framework including additional requirements for G-SIBs commenced in Apr. 2016	
		Minimum standards for liquidity (LCR/NSFR)	LCR: Required to have sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. >=100% needed	2015	Under phased implementation	
			NSFR: Required to maintain a sustainable maturity structure of assets and liabilities >=100% needed	2018	Finalised at BCBS in Oct. 2014	
	Large exposure regulation	Tightening of exposure limit to a single borrower (25% of Tier 1) and expansion of scope of applicable exposure type, etc.	Jan. 2019	Partly implemented in Dec. 2014		
	Financial market / Financial system reform	OTC derivatives markets reforms	<ul style="list-style-type: none"> <li>Centralizing of OTC derivatives clearing</li> <li>Margin requirement for non-centrally cleared derivatives</li> </ul>	Dec. 2012 Sep. 2016	Scope of application being expanded Under phased Implementation	
Regulation of shadow banking system		Strengthen the oversight and regulation of the shadow banking system such as MMFs, repos and securitizations	TBD	Discussion underway on five specific areas		
Limitation on banking activities / Ring fencing regulation		Requirements for foreign banking organizations (FBO Rule)	Jul. 2016	Final regulation published		
		Ring-fenced banks prohibited from providing certain services and required to be isolated from the rest of the financial group in UK and EU	TBD	UK: Enacted in Dec. 2013, EU: Proposal published in Jan. 2014		

US

EU

# Ongoing major regulatory discussions

Regulations		Contents	Schedule	Finalised at the FSB or BCBS*	Domestic regulation	
Capital requirement	Credit risk	Revisions to the Standardised Approach	<ul style="list-style-type: none"> <li>Seeks to improve the standardised approach for credit risk, including reducing reliance on external credit ratings; increasing risk sensitivity; reducing national discretions; strengthening the link between the standardised approach and the internal-rating based (IRB) approach; and enhancing comparability of capital requirements across banks</li> </ul>	<ul style="list-style-type: none"> <li>Under consultation (comment period closed in Mar. 2016)</li> <li>Comprehensive data collection and analysis will be made through the QIS in early 2016</li> </ul>	Unfinished	Unfinished
		Review of the CVA risk framework	<ul style="list-style-type: none"> <li>Seeks to review the credit valuation adjustment (CVA) risk framework to capitalize the risk of future changes in CVA that is an adjustment to the fair value of derivatives to account for counterparty's credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Under consultation (comment period closed in Oct. 2015)</li> <li>Targeted to be finalized in mid-2016</li> </ul>	Unfinished	Unfinished
	Market risk	IRRBB (Interest-rate risk in the banking book)	<ul style="list-style-type: none"> <li>Adoption of enhanced Pillar 2 approach; (i) more extensive guidance on the expectations for a bank's IRRBB management process, (ii) enhanced disclosure requirements, (iii) an updated standardized framework and (iv) a stricter threshold for identifying outlier banks</li> </ul>	<ul style="list-style-type: none"> <li>Finalized in Apr. 2016</li> </ul>	Finished	Unfinished
	Operational risk	Revisions to the Standardised Measurement Approach	<ul style="list-style-type: none"> <li>Use of the Business Indicator (BI), a proxy of size of business, and the loss data for risk weighted assets calculation is proposed. Termination of the Advanced Measurement Approaches (AMA) is also proposed</li> </ul>	<ul style="list-style-type: none"> <li>Under consultation (comment period closed in Jun. 2016)</li> <li>Targeted to be finalized through 2016</li> </ul>	Unfinished	Unfinished
	Overall	Constraints on the use of internal model approaches	<ul style="list-style-type: none"> <li>Constraints on the use of the internal ratings based approach to credit risk; (i) applying the standardised approach to exposures to financial institutions, large corporates and equities, (ii) applying the F-IRB approach for exposures to medium sized corporates, (iii) applying the standardized approach or the IRB supervisory slotting approach for specialized lending, or (iv) applying or raising floors to PDs/LGDs and revising the estimation methods</li> </ul>	<ul style="list-style-type: none"> <li>Under consultation (comment period closed in Jun. 2016)</li> <li>Targeted to be finalized through 2016</li> </ul>	Unfinished	Unfinished
		Capital floors based on standardised approaches	<ul style="list-style-type: none"> <li>Replacement of the Basel I-based transitional capital floor with a permanent floor based on revised standardised approaches</li> <li>The design and calibration is now considered. The floor could be calibrated in the range of 60% to 90%</li> </ul>	<ul style="list-style-type: none"> <li>Under consultation (comment period closed in Mar. 2015)</li> <li>Targeted to be finalized through 2016</li> </ul>	Unfinished	Unfinished
Leverage ratio requirement	Leverage ratio	<ul style="list-style-type: none"> <li>A minimum requirement of 3% to be introduced in 2018</li> <li>Public disclosure requirement started in Jan. 2015</li> <li>Additional requirements for G-SIBs and revisions including credit conversion factors for off-balance sheet items are proposed in Apr. 2016</li> </ul>	<ul style="list-style-type: none"> <li>The additional requirements for G-SIBs to be finalized through 2016</li> <li>Scheduled to be implemented in 2018</li> </ul>	Finished in part	Finished in part	
G-SIFI regulation	TLAC (total loss-absorbing capacity)	<ul style="list-style-type: none"> <li>Minimum requirement of (i) 16% of RWA (19.5% including capital buffer as for SMFG) and 6% of the Basel III Tier 1 leverage ratio denominator as from 2019, (ii) 18% of RWA (21.5% including capital buffer as for SMFG) and 6.75% of the Basel III Tier 1 leverage ratio denominator as from 2022</li> <li>Should be issued and maintained by resolution entities</li> <li>An access to credible ex-ante commitments to recapitalise a G-SIB in resolution may count toward a firm's TLAC as 2.5% RWA as from 2019 and 3.5% as from 2022</li> </ul>	<ul style="list-style-type: none"> <li>Finalized in Nov. 2015</li> </ul>	Finished	Unfinished	

\* Basel Committee on Banking Supervision

# Revision to the Standardised Approach for credit risk / Capital floors

## Revision to the Standardised Approach for credit risk\*

Exposures	Current risk weights	Proposed revision of risk weights (Dec. 2014)	Proposed revision of risk weights (Dec. 2015)
Corporate exposures	• From 20% to 150% by reference to the external credit ratings	• From 60% to 300% based on a corporate's revenue and leverage	• From 20% to 150% by reference to the external credit ratings; unrated corporate of 100%; SME of 85%
Specialised lending	• 100%	• Project finance, Object finance, commodities finance, income-producing real estate finance: 120% • Exposures to land acquisition, development and construction finance: 150%	• A) From 20% to 150% by reference to the external credit ratings • B) If unrated, project finance: pre-operational phase 150%; operational phase 100%, object and commodity finance: 120%
Bank exposures	• From 20% to 150% according to the sovereign rating or the bank's credit rating	• From 30% to 300% based on the bank's CET1 ratio and a net non-performing assets ratio	• From 20% to 150% according to the bank's external ratings
Retail exposures	• 75% for exposures that meet the regulatory retail criteria	• 75% for exposures that meet the regulatory retail criteria	• 75% for exposures that meet the regulatory retail criteria
Exposures secured by residential real estate	• 35%	• From 25% to 100% based on the loan-to-value (LTV) ratio; preferential risk weights for loans with debt service coverage (DSC) ratio of 35% or less	• RW will be determined based on the exposure's LTV ratio from 25% to 75%, when repayment is not materially dependent on cash flows generated by property
Exposures secured by commercial real estate	• 100%	• A) No recognition of the real estate collateral, treating the exposure as unsecured with a national discretion for a preferential 50% risk weight: or; B) From 75% to 120% based on the LTV ratio	• Whether repayment is materially dependent on cash flow generated by property A) No: From 60% to 85% (SMEs) B) Yes: From 80% to 130%
Subordinated debt, equity and other capital instruments	• Either 100% or 250% when issued by banks or securities firms; no distinct treatment when issued by corporates	• Sub debts and capital instruments other than equities: 250% • Publicly traded equity: 300% • Other equity: 400%	• Sub debts and capital instruments other than equities: 150% • Equity holdings: 250%
Off-balance sheet exposures	• Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 0% CCF • Commitment with a maturity under one year: 20% CCF, over one year: 50% CCF	• Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 10% CCF • Commitment other than above: 75% CCF	• Retail Commitment that a bank may cancel unconditionally, or effectively provide automatic cancellation due to the deterioration of borrower: 10-20% CCF • Commitments, regardless of the underlying facility: 50-75% CCF

## Capital floors

### Current framework

- For banks using the internal rating-based (IRB) approach for the credit risk and/or an advanced measurement approach (AMA) for operational risk

(The simplified framework for Japanese banks shown below)

(i) RWA based on IRB approach and/or AMA

compare

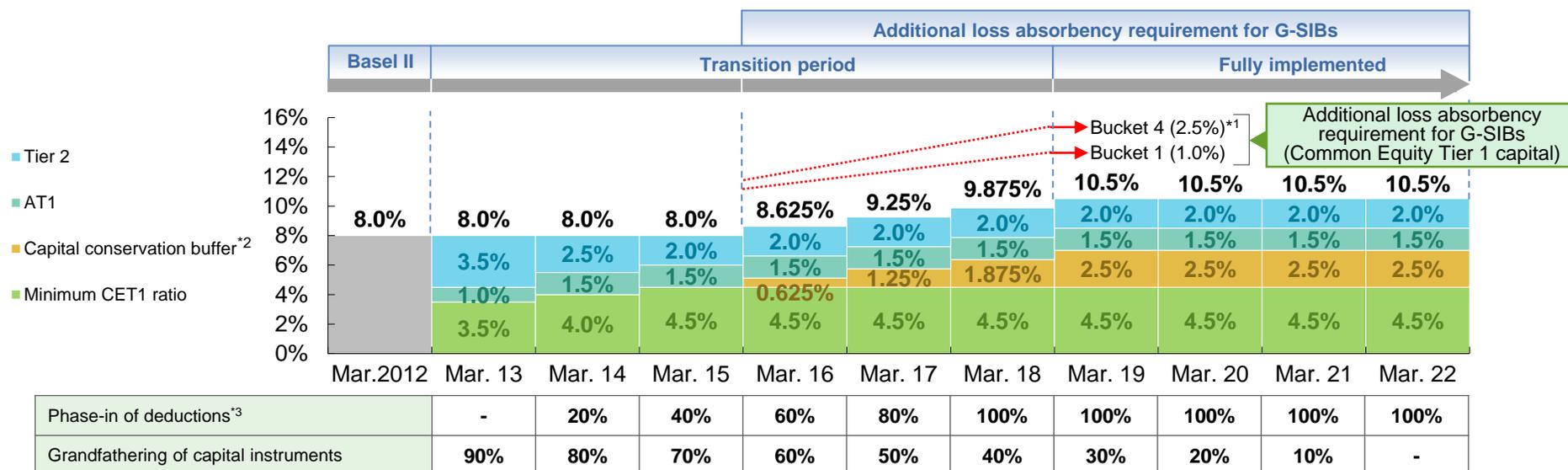
(ii) 80% of RWA based on the most recent approach before migration to the IRB approach and/or AMA (e.g. (i) AIRB/(ii) FIRB, (i) FIRB/(ii) Basel I)

- If (i) is less than (ii), the bank should add the amount of difference to (i) when calculating its RWA

\* The credit risk standardised approach treatment for sovereigns, central banks and public sector entities are not within the scope of the proposals. It will be considered as part of a broader and holistic review of sovereign-related risks

# Application of Basel III

- Capital requirements and liquidity coverage ratio have been phased-in in line with international agreements
- Domestic regulations on leverage ratio and net stable funding ratio are being finalized according to their adoption schedule



## Leverage ratio and liquidity rules (Schedule based on final documents by BCBS, and domestic regulations)<sup>\*4</sup>

Leverage ratio	Mar. 2015 domestic regulation finalised	Mar. 2015: Start disclosure ( <i>minimum: 3%</i> ) 2015 through 1 <sup>st</sup> half 2017: <i>Final adjustments to definition and calibration</i> <sup>*5</sup> Jan. 2018: <i>Migration to pillar 1</i>										
Liquidity coverage ratio (LCR)	Oct. 2014 domestic regulation finalised	Phased-in from Mar. 2015										
		<table border="1"> <tr> <td>Mar. 2015</td> <td>Jan. 2016</td> <td>Jan. 2017</td> <td>Jan. 2018</td> <td>Jan. 2019</td> </tr> <tr> <td>60%</td> <td>70%</td> <td>80%</td> <td>90%</td> <td>100%</td> </tr> </table>	Mar. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	60%	70%	80%	90%	100%
Mar. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019								
60%	70%	80%	90%	100%								
Net stable funding ratio (NSFR)	Oct. 2014 finalised at BCBS	Oct. 2014: <i>Final document published</i> Jan. 2018: <i>Full implementation</i>										

\*1 With an empty bucket of 3.5% to discourage further systemicness

\*2 Countercyclical buffer ("CCyB") omitted in the chart above; if applied, expected to be phased-in in the same manner as the capital conservation buffer. In accordance with the CCyB set by each country, Japanese banks may have to meet additional capital requirements depending on the exposures in those countries

\*3 Including amounts exceeding limit for deferred tax assets, mortgage servicing rights and investment in capital instruments of unconsolidated financial institutions

\*4 Draft on other domestic rules to be applied after 2016, such as the NSFR, will be published in due course. Timeline based on BCBS documents is in italic

\*5 Additional requirements for G-SIBs and revisions including credit conversion factors for off-balance sheet items were proposed in Apr. 2016

# Credit ratings of G-SIBs by Moody's / S&P – Holding companies\*1

Nov. 2016*2					
Moody's		S&P			
Aaa				AAA	
Aa1				AA+	
Aa2				AA	
Aa3				AA-	
A1	<b>SMFG</b> <ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC</li> <li>Mizuho</li> </ul>	<ul style="list-style-type: none"> <li>MUFG</li> <li>Standard Chartered</li> <li>State Street</li> </ul>		A+	
A2	<ul style="list-style-type: none"> <li>Wells Fargo</li> </ul>		<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC</li> <li>MUFG</li> </ul>	<ul style="list-style-type: none"> <li>State Street</li> <li>Wells Fargo</li> </ul>	A
A3	<ul style="list-style-type: none"> <li>Goldman Sachs</li> <li>JPMorgan</li> </ul>	<ul style="list-style-type: none"> <li>Morgan Stanley</li> </ul>	<b>SMFG</b> <ul style="list-style-type: none"> <li>ING</li> <li>JPMorgan</li> </ul>	<ul style="list-style-type: none"> <li>Mizuho</li> <li>UBS</li> </ul>	A-
Baa1	<ul style="list-style-type: none"> <li>Bank of America</li> <li>Citigroup</li> </ul>	<ul style="list-style-type: none"> <li>ING</li> </ul>	<ul style="list-style-type: none"> <li>Bank of America</li> <li>Citigroup</li> <li>Credit Suisse</li> </ul>	<ul style="list-style-type: none"> <li>Goldman Sachs</li> <li>Morgan Stanley</li> <li>Standard Chartered</li> </ul>	BBB+
Baa2	<ul style="list-style-type: none"> <li>UBS*3</li> </ul>		<ul style="list-style-type: none"> <li>Barclays</li> </ul>		BBB
Baa3	<ul style="list-style-type: none"> <li>Barclays</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> </ul>	<ul style="list-style-type: none"> <li>RBS</li> </ul>		BBB-
Ba1	<ul style="list-style-type: none"> <li>RBS</li> </ul>				BB+

\*1 Rating are Long-term issuer ratings (if not available, Senior unsecured ratings for Moody's)

\*2 As of Nov. 25, 2016

\*3 BACKED senior unsecured rating of UBS Group Funding Jersey guaranteed by UBS Group AG

# Credit ratings of G-SIBs by Moody's – Operating banks\*<sup>1</sup>

	Apr. 2001		Jul. 2007		Nov. 2016* <sup>2</sup>	
Aaa			<ul style="list-style-type: none"> <li>Bank of America</li> <li>Bank of New York Mellon</li> <li>Citibank</li> <li>JPMorgan Chase Bank</li> </ul>	<ul style="list-style-type: none"> <li>Royal Bank of Scotland</li> <li>UBS</li> <li>Wells Fargo Bank</li> </ul>		
Aa1	<ul style="list-style-type: none"> <li>Bank of America</li> <li>Crédit Agricole</li> </ul>	<ul style="list-style-type: none"> <li>UBS</li> <li>Wells Fargo Bank</li> </ul>	<ul style="list-style-type: none"> <li>Banco Santander</li> <li>Barclays Bank</li> <li>BNP Paribas</li> <li>Crédit Agricole</li> <li>Credit Suisse</li> <li>Deutsche Bank</li> </ul>	<ul style="list-style-type: none"> <li>HSBC Bank</li> <li>ING Bank</li> <li>Nordea Bank</li> <li>Société Générale</li> <li>State Street Bank &amp; Trust</li> </ul>		
Aa2	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>Barclays Bank</li> <li>Citibank</li> <li>HSBC Bank</li> </ul>	<ul style="list-style-type: none"> <li>ING Bank</li> <li>JPMorgan Chase Bank</li> <li>Royal Bank of Scotland</li> <li>State Street Bank &amp; Trust</li> </ul>	<p><b>SMBC</b></p> <ul style="list-style-type: none"> <li>BPCE(Banque Populaire)</li> <li><b>BTMU</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Mizuho Bank</b></li> <li>UniCredit</li> </ul>	<ul style="list-style-type: none"> <li>Bank of New York Mellon</li> <li>HSBC Bank</li> </ul>	<ul style="list-style-type: none"> <li>Wells Fargo Bank</li> </ul>
Aa3	<ul style="list-style-type: none"> <li>Banco Santander</li> <li>BNP Paribas</li> <li>BPCE(Banque Populaire)</li> </ul>	<ul style="list-style-type: none"> <li>Deutsche Bank</li> <li>Société Générale</li> <li>UniCredit</li> </ul>	<ul style="list-style-type: none"> <li>Goldman Sachs Bank</li> </ul>	<ul style="list-style-type: none"> <li>Morgan Stanley Bank</li> </ul>	<ul style="list-style-type: none"> <li>JPMorgan Chase Bank</li> <li>Nordea Bank</li> </ul>	<ul style="list-style-type: none"> <li>Standard Chartered Bank</li> <li>State Street Bank &amp; Trust</li> </ul>
A1	<ul style="list-style-type: none"> <li>Credit Suisse</li> </ul>		<ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> </ul>	<ul style="list-style-type: none"> <li>China Construction Bank</li> <li>ICBC</li> </ul>	<p><b>SMBC</b></p> <ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of America</li> <li>Bank of China</li> <li>BNP Paribas</li> <li><b>BTMU</b></li> <li>China Construction Bank</li> <li>Citibank</li> </ul>	<ul style="list-style-type: none"> <li>Crédit Agricole</li> <li>Goldman Sachs Bank</li> <li>ICBC</li> <li>ING Bank</li> <li><b>Mizuho Bank</b></li> <li>Morgan Stanley Bank</li> <li>UBS</li> </ul>
A2	<ul style="list-style-type: none"> <li><b>BTMU</b></li> </ul>	<ul style="list-style-type: none"> <li>Standard Chartered Bank</li> </ul>	<ul style="list-style-type: none"> <li>Standard Chartered Bank</li> </ul>		<ul style="list-style-type: none"> <li>Barclays Bank</li> <li>BPCE (Banque Populaire)</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse</li> <li>Société Générale</li> </ul>
A3	<p><b>SMBC</b></p>	<ul style="list-style-type: none"> <li><b>Mizuho Bank</b></li> </ul>			<ul style="list-style-type: none"> <li>Banco Santander</li> </ul>	<ul style="list-style-type: none"> <li>Royal Bank of Scotland</li> </ul>
Baa1	<ul style="list-style-type: none"> <li>Agricultural Bank of China</li> <li>Bank of China</li> </ul>	<ul style="list-style-type: none"> <li>China Construction Bank</li> <li>ICBC</li> </ul>			<ul style="list-style-type: none"> <li>UniCredit</li> </ul>	
Baa2					<ul style="list-style-type: none"> <li>Deutsche Bank</li> </ul>	

\*1 Rating are Long-term issuer ratings (if not available, Senior unsecured ratings. If none of them are available, Long-term deposit ratings)

\*2 As of Nov. 25, 2016

# Credit ratings of G-SIBs by S&P – Operating banks\*1

	Apr. 2001		Jul. 2007		Nov. 2016*2	
AAA			•Wells Fargo Bank			
AA+	•UBS		•Bank of America •BNP Paribas	•Citibank •UBS		
AA	•Barclays Bank •Crédit Agricole •Credit Suisse	•Deutsche Bank •JPMorgan Chase Bank •State Street Bank & Trust	•Banco Santander •Barclays Bank •HSBC Bank •ING Bank	•JPMorgan Chase Bank •Royal Bank of Scotland •Société Générale •State Street Bank & Trust		
AA-	•Bank of America •Bank of New York Mellon •BNP Paribas •Citibank •HSBC Bank	•ING Bank •Royal Bank of Scotland •Société Générale •Wells Fargo Bank	•Bank of New York Mellon •Crédit Agricole •Credit Suisse	•Deutsche Bank •Morgan Stanley Bank •Nordea Bank	•Bank of New York Mellon •HSBC Bank •Nordea Bank	•State Street Bank & Trust •Wells Fargo Bank
A+	•Banco Santander	•UniCredit	<b>SMBC</b> •BTMU •Mizuho Bank	•Standard Chartered Bank •UniCredit	•BTMU •JPMorgan Chase Bank	•UBS
A	•Standard Chartered Bank				<b>SMBC</b> •Agricultural Bank of China •Bank of America •Bank of China •BNP Paribas •BPCE (Banque Populaire) •China Construction Bank •Citibank •Crédit Agricole	•Credit Suisse •Goldman Sachs Bank •ICBC •ING Bank •Mizuho Bank •Morgan Stanley Bank •Société Générale •Standard Chartered Bank
A-	•BTMU				•Banco Santander	•Barclays Bank
BBB+	<b>SMBC</b>	•Mizuho Bank	•Bank of China •China Construction Bank	•ICBC	•Deutsche Bank	•Royal Bank of Scotland
BBB						
BBB-					•UniCredit	
BB+	•Bank of China •China Construction Bank	•ICBC				

\*1 Long-term issuer ratings of operating banks

\*2 As of Nov. 25, 2016

# CSR (Corporate Social Responsibility)

In order to fulfill our role as a global financial group that supports the sustainable growth of society, we will promote initiatives on CSR activities that focus on the topics of “Environment”, “Next Generation”, and “Community”

## Environment

- Reduce environmental impact
- Manage environmental risks
- Promote environmental businesses
- Engage in environmental conservation activity etc.

- Our 8 major group companies obtained ISO14001 certification
- Issued green bond (SMBC)
- Promote our SMBC Environmental Assessment Loan
- Exhibit our “Eco-products”



Exhibition of our “Eco-products”

## Next Generation

- Contribute to improvement of financial and career education
- Cultivate human resources in emerging countries
- Promote workforce diversity
- Establish a better work-life balance etc.

- Contribute to raise financial knowledge tailored for different generations,
- Cultivate human resources in Asian countries such as Indonesia
- Promote our SMBC Nadeshiko Loans/Bonds



“Natsuyasumi Kodomo Ginko Tankentai”  
(Practicing counting paper money)

## Community

- Engage in community-based activities led by executive and employee
- Support for the elderly and people with disabilities
- Solve social issues by collaborating with NGOs and NPOs
- Support the restoration efforts etc.

- Training sessions for universal manner and cognitive impairment supporters
- Voluntary activities led by executive and employee of our group companies
- Volunteer activities at the areas damaged by the Kumamoto Earthquakes, leveraging our experience from the Tohoku recovery support effort



Volunteer activities at the areas damaged by the Kumamoto Earthquakes

# CSR (Corporate Social Responsibility) (cont'd)

## Recognition and accreditation for SMFG CSR initiatives

### SRI Indexes on which SMFG is listed



### CSR awards and certifications

#### ● Kids Design Award \*1

- Environmental magazine JUNIOR SAFE received the Kids Design Award in the category of designs that develop children's creativity and shape their future at the Tenth Kids Design Award



#### ● "Kurumin" certification for the next generation\*2

- "Kurumin" certification awarded by prefectural labor bureaus to companies recognized to be taking active steps to support the development of the next generation.

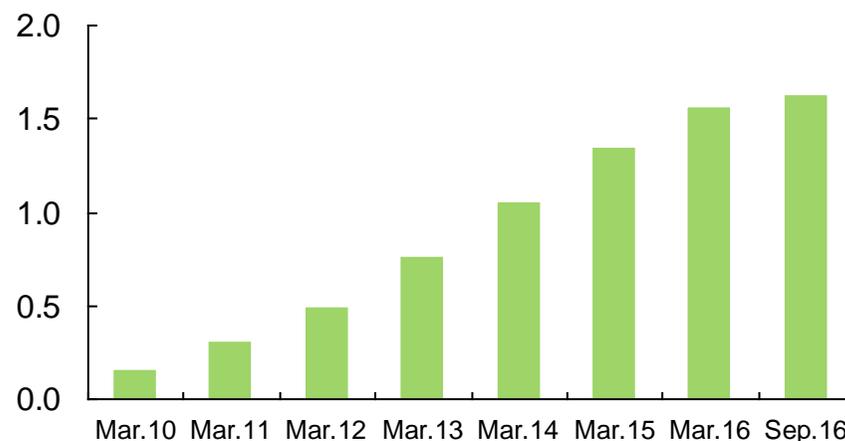


\*1 Recipient company: SMFG

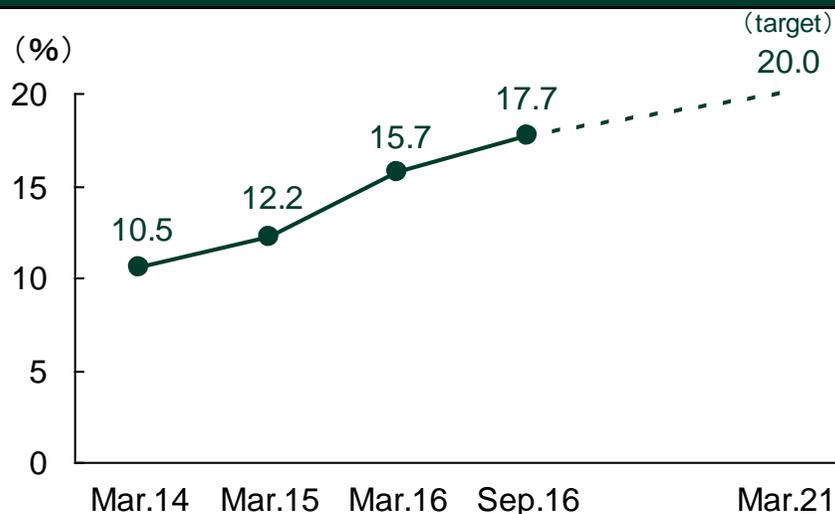
\*2 Recipient company: SMBC, SMBC Nikko Securities, Sumitomo Mitsui Card Company, Cedyne, SMBC Consumer Finance, Japan Research Institute, The Minato Bank, Kansai Urban Banking Corporation

## SMBC assessment loans and private placement bonds

(JPY tn)

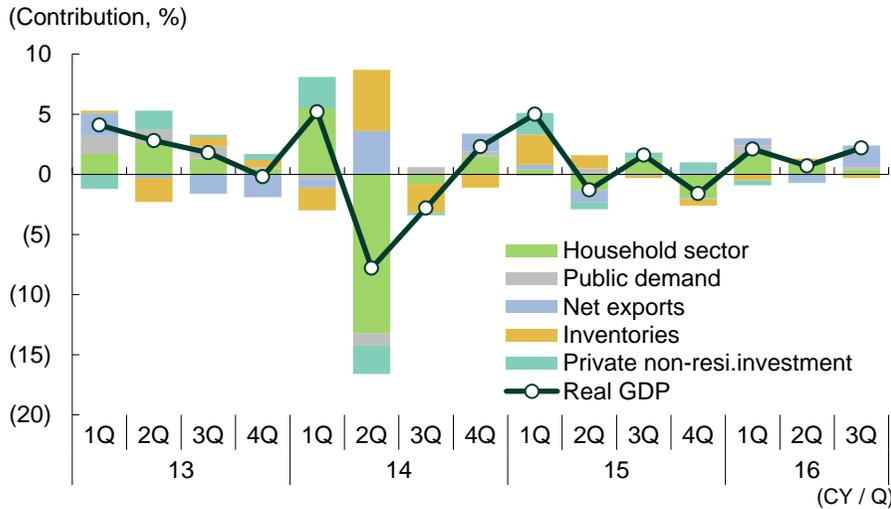


## Ratio of female managers (SMBC)

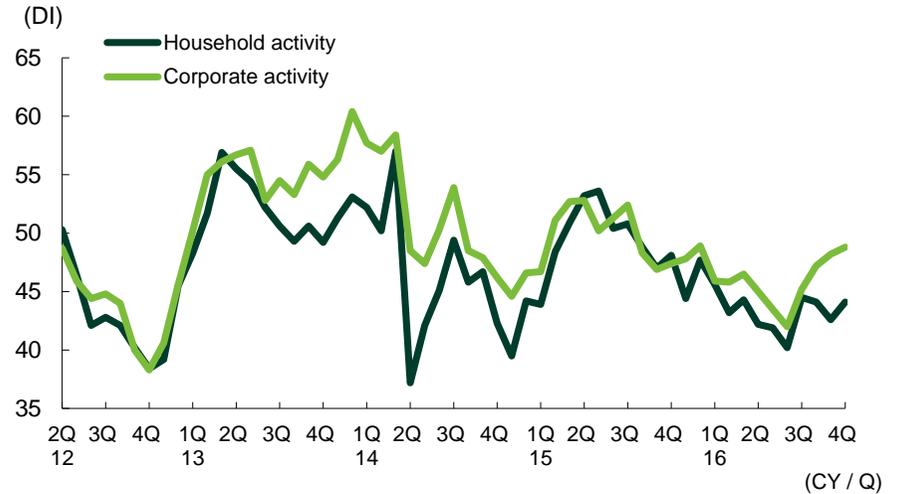


# Current Japanese economy

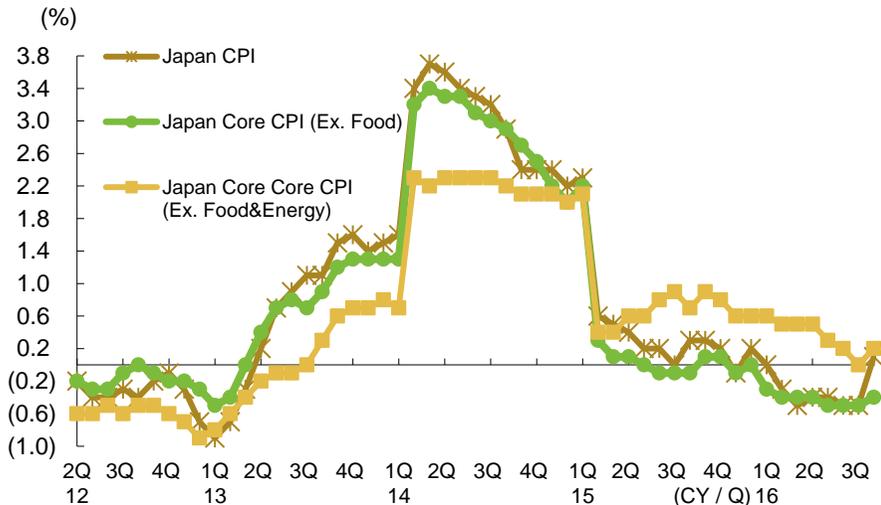
## Real GDP growth rate (annualized QOQ change)\*1



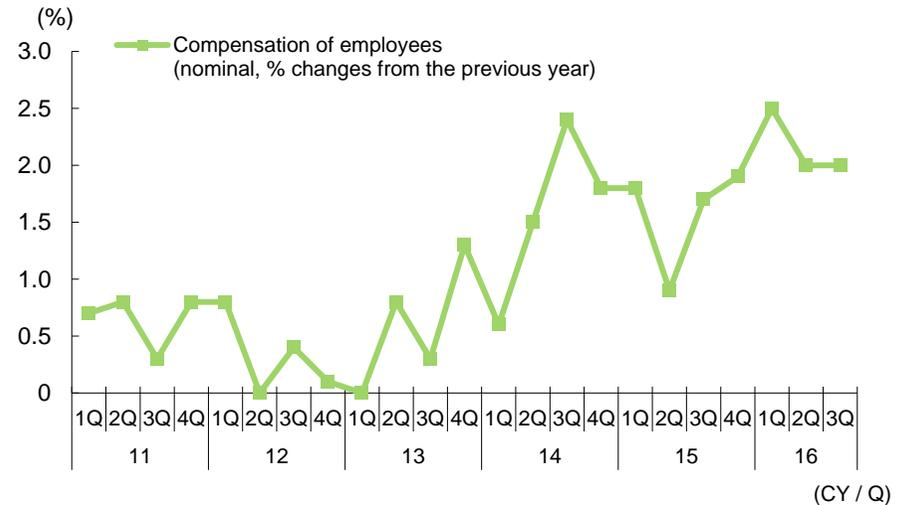
## Economy watchers survey\*2



## Consumer price index (YOY change)\*3



## Compensation of employees\*4



\*1 Source: Cabinet Office. Seasonally adjusted series. Household sector = Private consumption + Private residential investment, Public demand = Government consumption + Public investment, Inventories = Change in private and public inventory

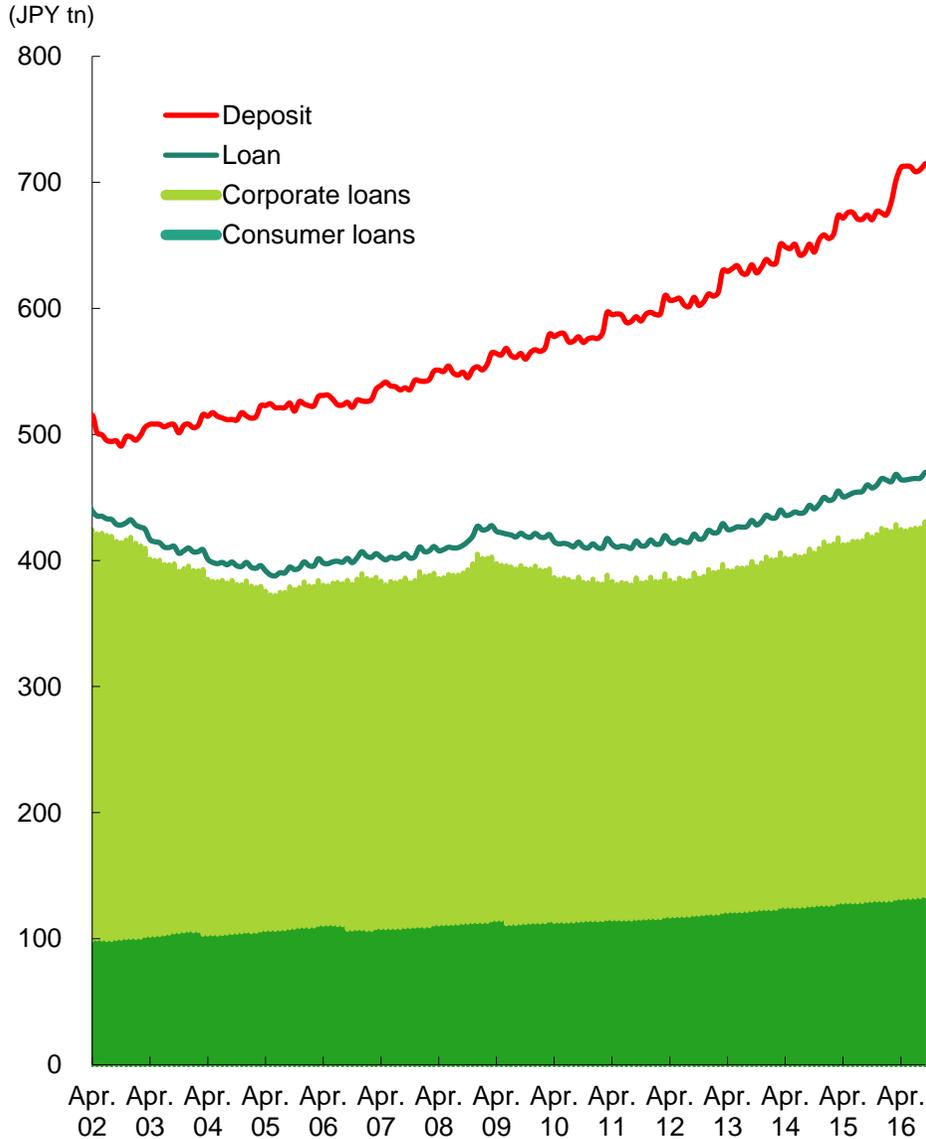
\*2 Source: Cabinet Office. Diffusion index for current economic conditions

\*3 Source: Statistics Bureau & SMBC Nikko. Core CPI: All items, less fresh foods. Core Core CPI: All item, less food (less alcoholic beverages) and energy

\*4 Source: Cabinet Office

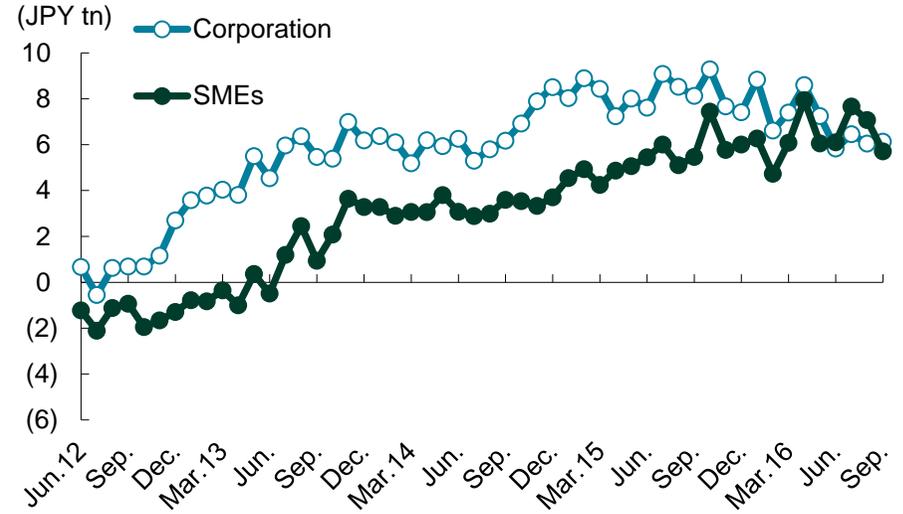
# Trends of loan and deposit balance in Japan\*1

## Loan and deposit balance of domestic banks

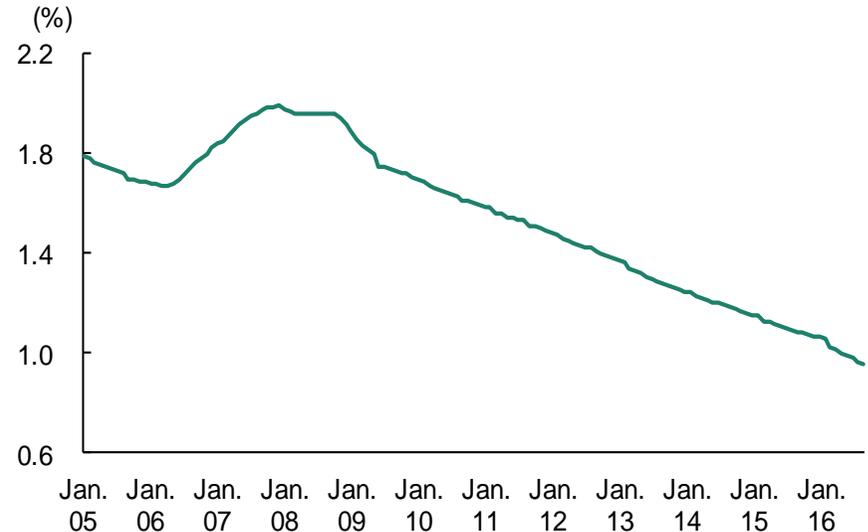


\*1 Source: Bank of Japan "Deposits and Loans Market \*2 Period end balance \*3 Stock basis

## YOY increase / decrease of loan balance\*2



## Average loan spread of domestic banks\*3



# Japanese national wealth

Balance sheet of Japan (as of Dec. 2014, JPY tn)<sup>\*1</sup>

Closing assets	9,684	Closing liabilities plus net worth	9,684
<b>Households</b>	<b>2,727</b>	Households	368
<b>Financial assets</b>	<b>1,696</b>	Non-financial corporations	1,592
Non-financial assets	1,032	Stocks	783
Land	673	Financial corporations	3,374
Non-financial corporations	2,140	To nominal GDP: 247.8%	214
Financial assets	1,119	General government	1,213
Non-financial assets	1,021	<b>Closing liabilities</b>	<b>6,576</b>
Land	270	<b>Net worth</b>	<b>3,109</b>
Financial corporations	3,514	<b>Households</b>	<b>2,359</b>
General government	1,199	Non-financial corporations	548
Financial assets	598	Financial corporations	140
Financial assets	6,943	General government	(14)
Non-financial assets	2,741		

\*1 Source: Cabinet Office

\*2 Source: IMF Stat. The figures shown in the graph are from 2009 to 2015

\*3 Source: Ministry of Finance Japan. As of Dec. 31, 2015

Net international investment position<sup>\*2</sup>

