

# Fixed Income Investor Presentation

November 2018

## 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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## Definitions

- Consolidated : SMFG consolidated
- Non-consolidated : SMBC non-consolidated
- Net business profit : Before provision for general reserve for possible loan losses
- Expenses (non-consolidated) : Excludes non-recurring losses
- SMFG : Sumitomo Mitsui Financial Group
- SMBC : Sumitomo Mitsui Banking Corporation
- SMBC Trust : SMBC Trust Bank
- SMFL : Sumitomo Mitsui Finance and Leasing
- SMBC Nikko : SMBC Nikko Securities
- SMCC : Sumitomo Mitsui Card Company
- SMBCCF : SMBC Consumer Finance
- SMAM : Sumitomo Mitsui Asset Management
- SMBC AC : SMBC Aviation Capital

● Exchange rates (TTM)	Mar.18		Sep.18	
	USD	JPY 106.25	JPY 113.58	
	EUR	JPY 130.73	JPY 132.15	


## Results

- Key credit messages
- 1H, FY3/2019 financial results
- Balance sheet and loan balance
- Loans
- Diversified revenue sources
- Asset quality
- Reduction of strategic shareholdings

## Funding & TLAC

- Foreign currency funding
- Foreign currency assets and funding
- Issuance and redemptions (senior unsecured)
- Issuance summary
- TLAC requirements
- Credit ratings of selected G-SIBs
- Capital

## Key credit messages

<b>Strong and diversified earnings capability</b>	<p>(Consolidated, unless otherwise indicated, 1H, FY3/2019) (FY3/2018)</p> <p><b>USD 6.9 bn</b> SMFG's profit attributable to owners of parent*</p>	<p>Global Markets Int'l RT WS</p> <p>Breakdown of consolidated net business profit by business unit</p> 
<b>Sound loan portfolio</b>	<p><b>0.71%</b> SMFG NPL ratio</p>	<p><b>0.46%</b> SMBC NPL ratio (non-consolidated)</p>
<b>Robust liquidity</b>	<p><b>58.0%</b> Loan to deposit ratio</p>	<p>(average Jul. – Sep. 2018)</p> <p><b>132.8%</b> LCR</p>
<b>Sound capital position</b>	<p><b>14.92%</b> CET1 ratio (Fully-loaded basis)</p>	<p><b>19.75%</b> Total capital ratio</p>
<b>High credit ratings</b>	<p><b>A1 / A1</b> SMBC/SMFG Moody's rating</p>	<p>(As of Oct. 31, 2018)</p> <p><b>A / A-</b> SMBC/SMFG S&amp;P rating</p>

\* Converted into USD at period-end exchange rate

# 1H, FY3/2019 financial results

(JPY bn)		FY3/18	1H, FY3/19	YoY change
SMFG (Consolidated)	Consolidated gross profit	2,981.1	1,460.0	USD 12.9bn (5.8)
	General and administrative expenses <Overhead ratio>	1,816.2 60.9%	852.5 58.4%	(42.1) (2.6)%
	Equity in gains (losses) of affiliates	39.0	33.0	+2.8
	Consolidated net business profit	1,203.8	640.4	USD 5.6bn +39.1
	Total credit cost	94.2	5.0	(29.1)
	Gains (losses) on stocks	118.9	51.9	+0.5
	Other income (expenses)	(64.5)	(7.1)	(4.0)
	Ordinary profit	1,164.1	680.2	USD 6.0bn +64.7
	Extraordinary gains (losses)	(55.3)	(5.0)	(1.5)
	Income taxes	270.5	161.5	+20.7
	Profit attributable to owners of parent	734.4	472.6	USD 4.2bn +52.5
	ROE	8.8%	10.7%	+0.6%
SMBC (Non-consolidated)	Gross banking profit	1,427.9	704.4	USD 6.2bn (4.7)
	Expenses	810.8	402.5	(1.3)
	Banking profit	617.2	301.9	USD 2.7bn (3.4)
	Total credit cost	(26.7)	(56.3)	(30.8)
	Gains (losses) on stocks	127.7	49.3	(0.7)
	Ordinary profit	755.3	408.3	USD 3.6bn +39.8
	Net income	577.0	300.9	USD 2.6bn +16.4

## YoY changes

**Consolidated gross profit** increased by JPY 48 bn driven by the steady performance of each business unit, excluding the impact from the deconsolidation of the Kansai regional banks.

**G&A expenses** decreased by JPY 42.1 bn mainly due to the deconsolidation of the regional banks. Despite excluding this impact, it remained nearly flat as a result of group-wide cost control initiatives.

**Equity in gains of affiliates** increased as a result of gains on share exchange from the deconsolidation of the regional banks (approx. JPY 13 bn), despite the loss of gains on sales of a subsidiary at The Bank of East Asia recorded in the previous year (approx. JPY (8) bn.)

**Total credit cost** decreased mainly due to the reversal of credit cost from large borrowers at SMBC.

**Gains on stocks** remained flat due to the gains on sales of strategic shareholdings (approx. JPY 44 bn.)

## Impact from the deconsolidation of the regional banks (1H, FY3/19)

(JPY bn)			
Consolidated gross profit	(54)	Consolidated net business profit	+1
G&A expenses	(41)	Profit attributable to owners of parent	+11
Equity in gains (losses) of affiliates	+14		

\* Converted into USD at period-end exchange rate

# Balance sheet and loan balance

## Balance sheet (as of Sep. 30, 2018)

(Consolidated)

### Total assets : JPY 207.0 tn

Cash and due from banks  
**JPY 56.1 tn**

Loans  
**JPY 75.9 tn**

Securities  
**JPY 25.1 tn**

JGB  
**JPY 6.9 tn**

Other assets  
**JPY 49.9 tn**

Deposits,  
negotiable  
certificates  
of deposits (NCD)  
**JPY 130.9 tn**

Other liabilities  
**JPY 64.4 tn**

Total net assets  
**JPY 11.8 tn**

Total stockholders' equity  
**JPY 8.9 tn**

Loan to deposit ratio	58.0%
Risk-weighted assets	JPY 63.6 tn
ROE (Denominator: Total stockholders' equity)	10.7%

## Loan balance

(Non-consolidated)

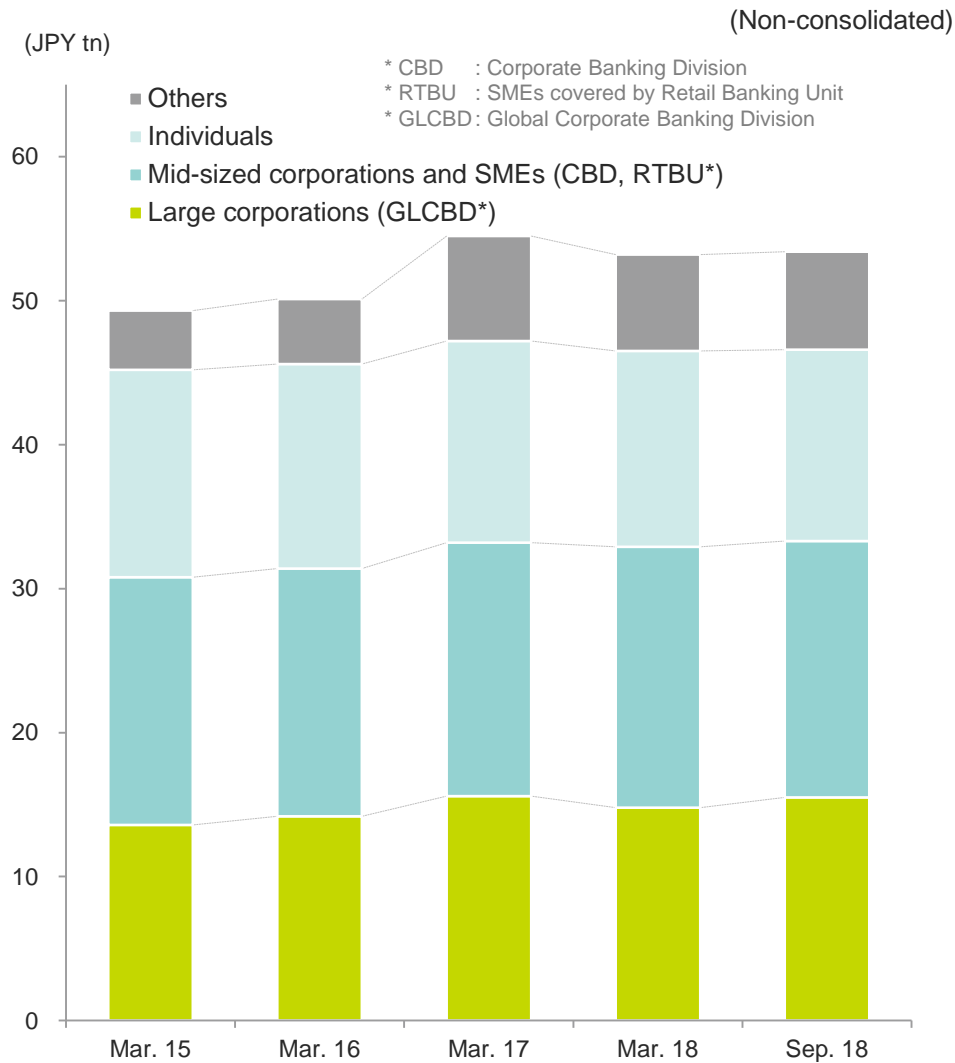
(JPY tn)



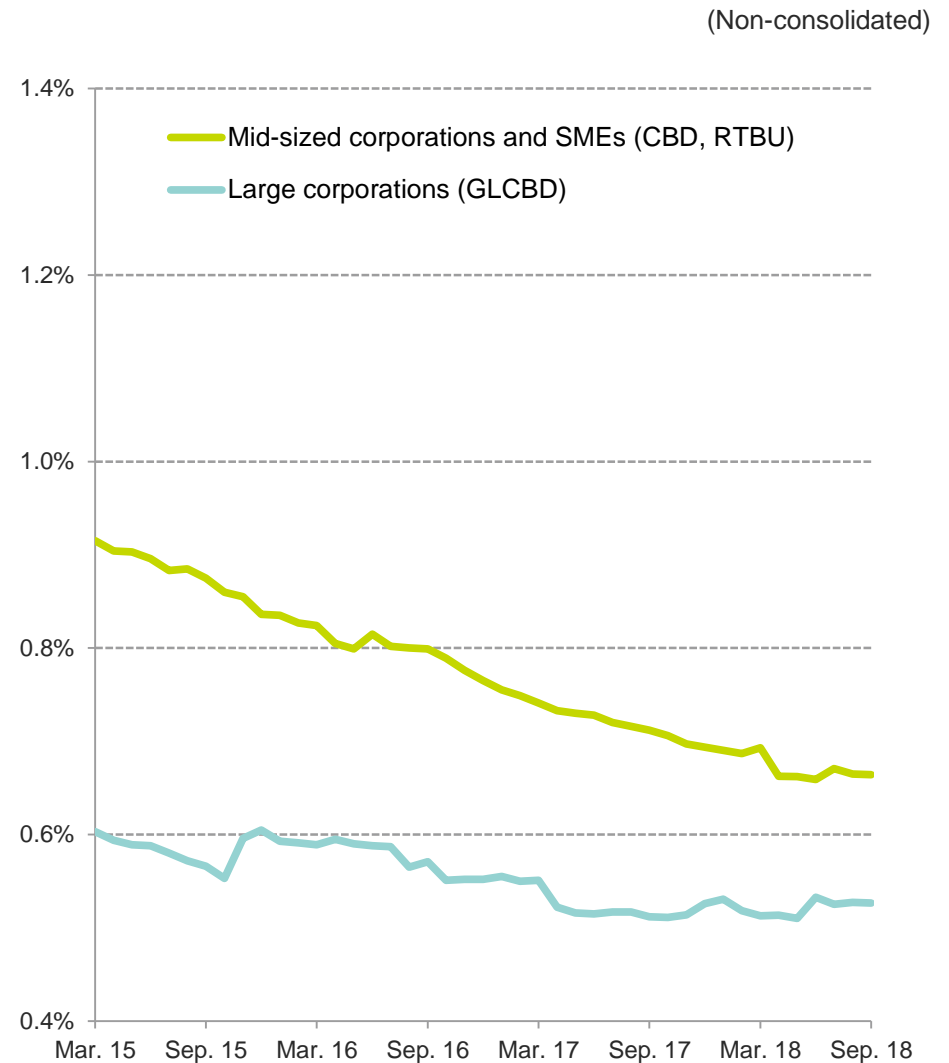
\*1 Of which loans to the Japanese government, etc. and SMFG: Mar. 17: JPY 3.5 tn; Mar. 18: JPY 2.8 tn; Sep. 18: JPY 2.8 tn

# Domestic loans

## Balance<sup>\*1</sup>



## Spread<sup>\*1, 2</sup>



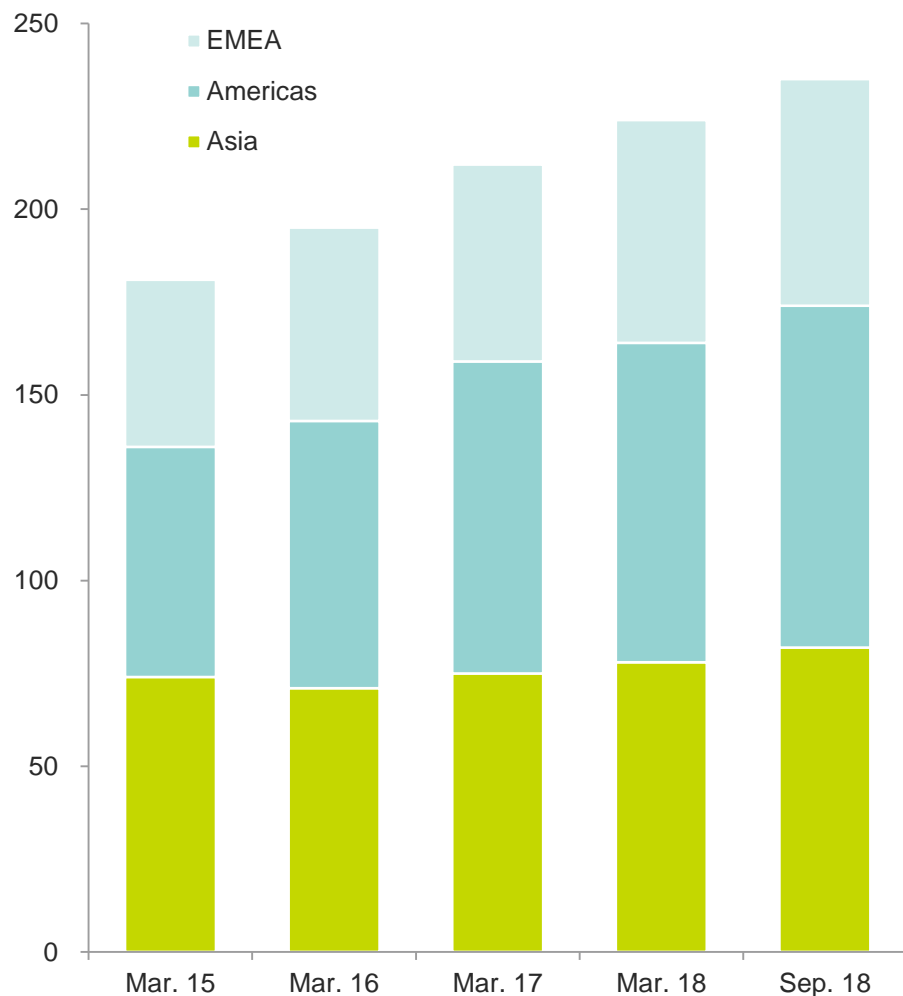
\*1 Managerial accounting basis

\*2 Monthly average loan spread of existing loans

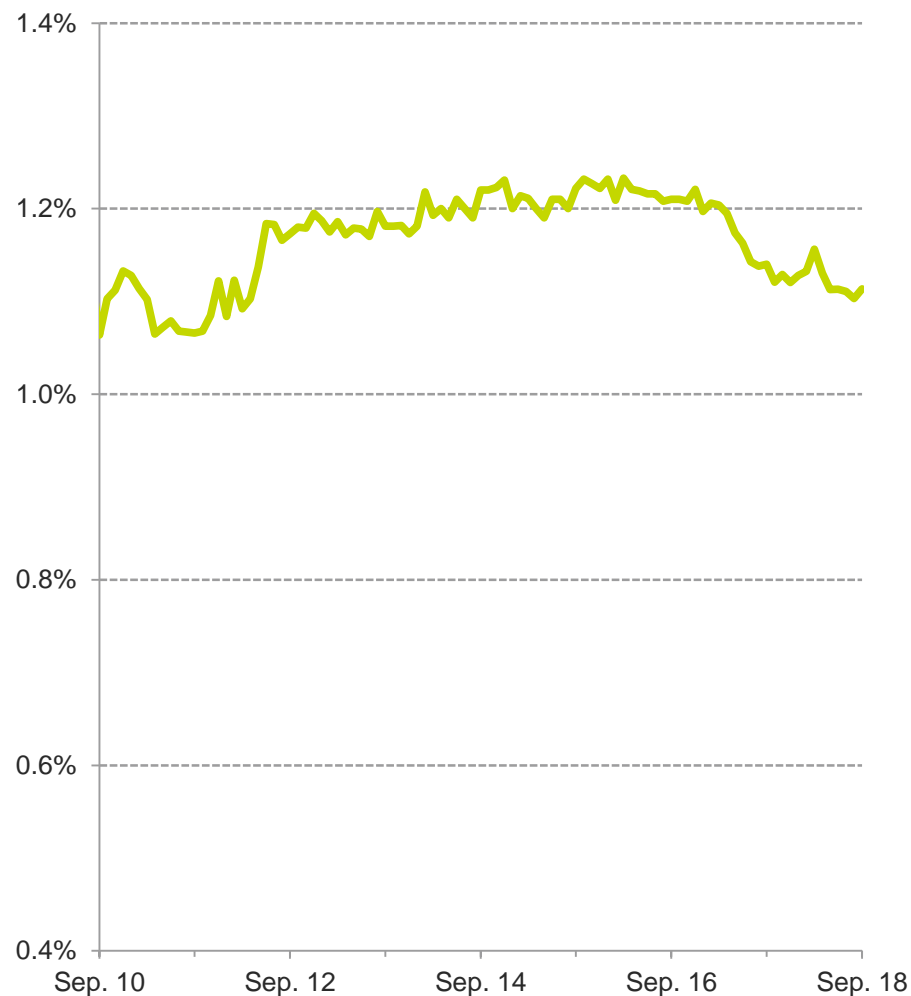
# Overseas loans

Balance<sup>\*1,2</sup>

(USD bn)



Spread<sup>\*3</sup>



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

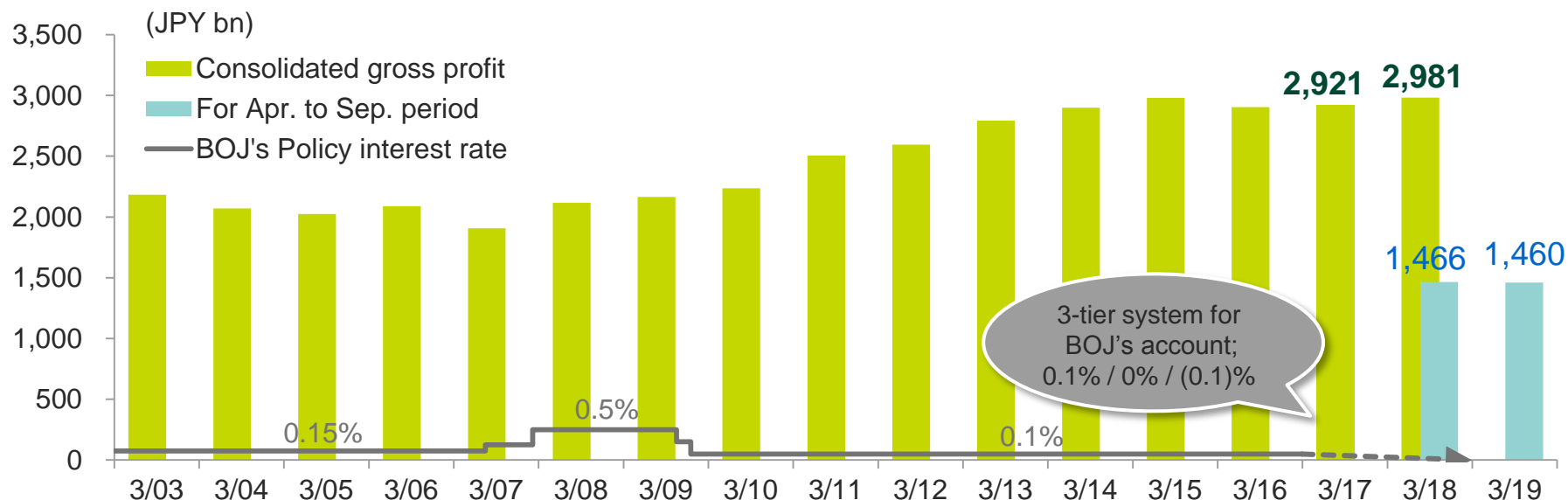
\*2 Balance since Mar. 2017 includes balance of SMBC Canada Branch which was newly opened in Nov. 2016 and took over business of wholly-owned subsidiary SMBC of Canada

\*3 Managerial accounting basis. Average loan spread of existing loans on a monthly basis. Sum of SMBC, SMBC Europe and SMBC (China)



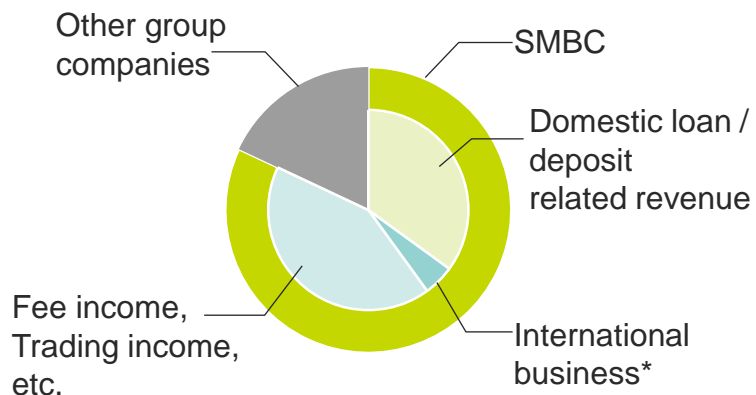
## Diversified revenue sources

### SMFG's consolidated Gross profit

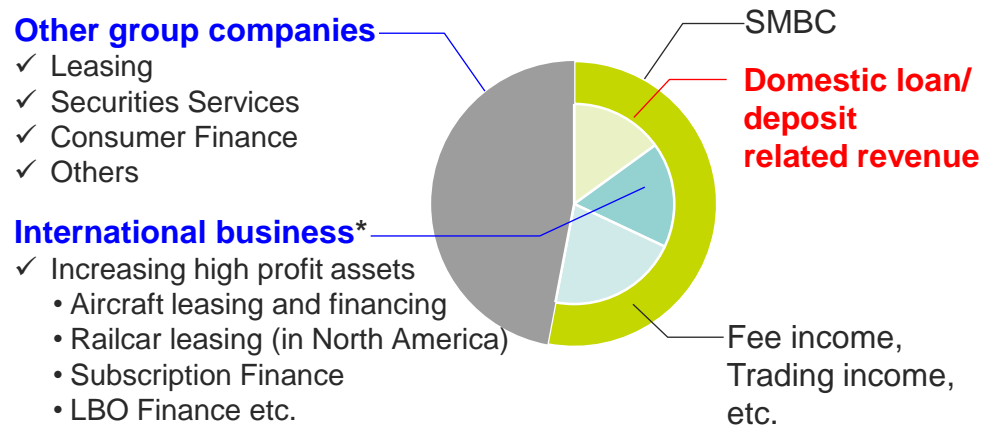


### Illustrative breakdown of contribution

FY3/03



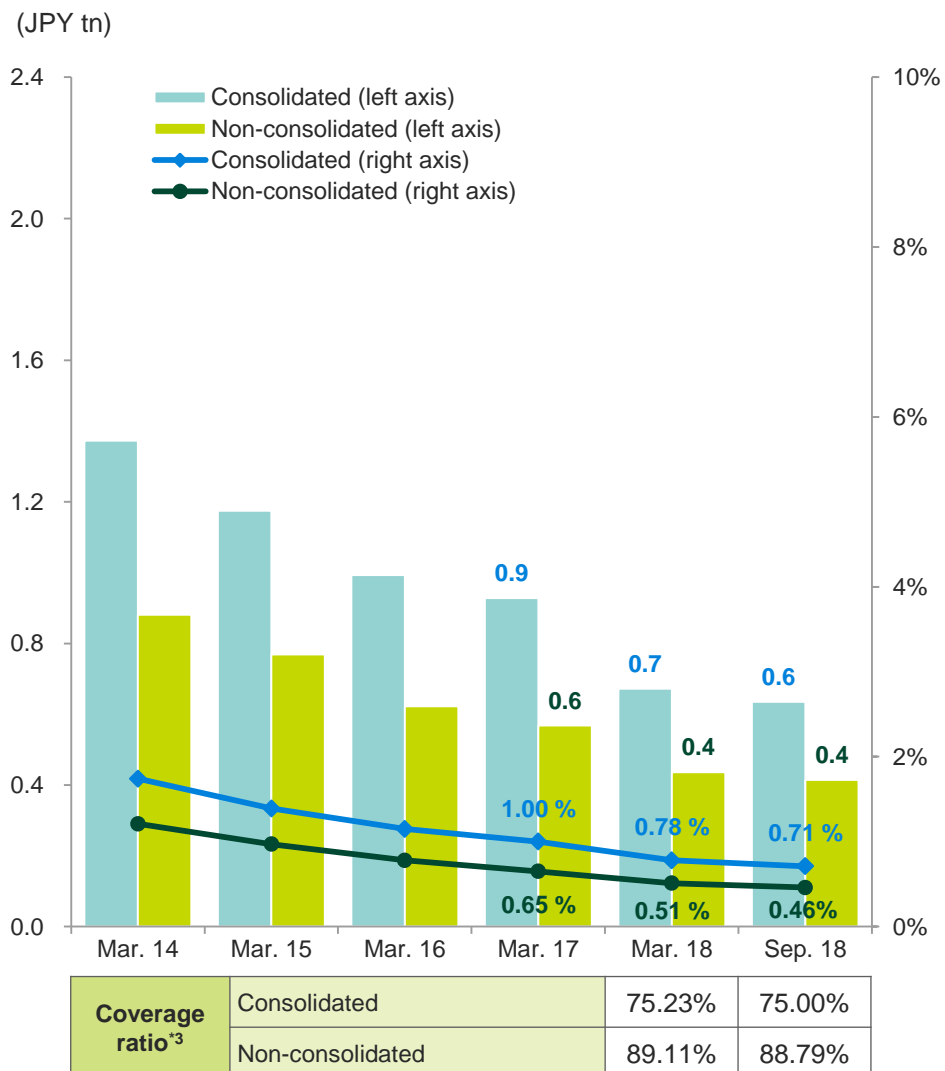
FY3/18



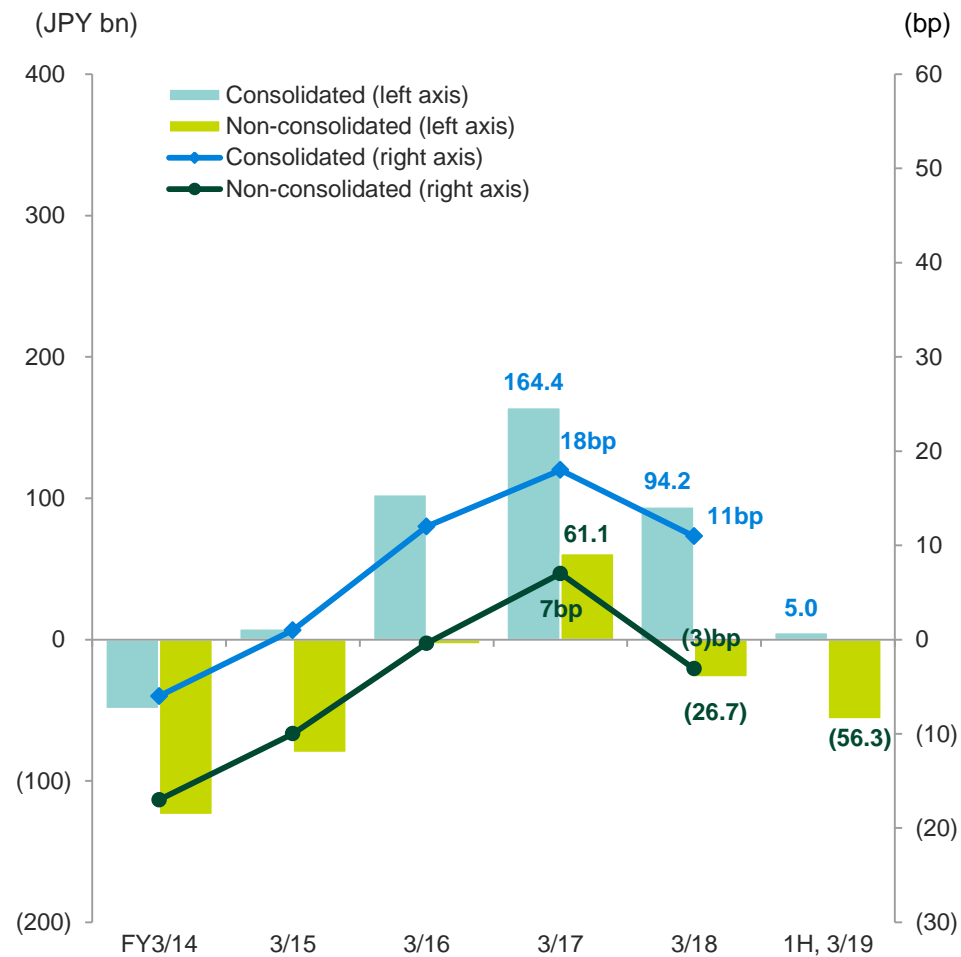
\* Includes major overseas banking subsidiaries

# Asset quality – solid loan portfolio

## NPLs and NPL ratio\*1



## 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

## Securities classified as other securities\*

(Consolidated)

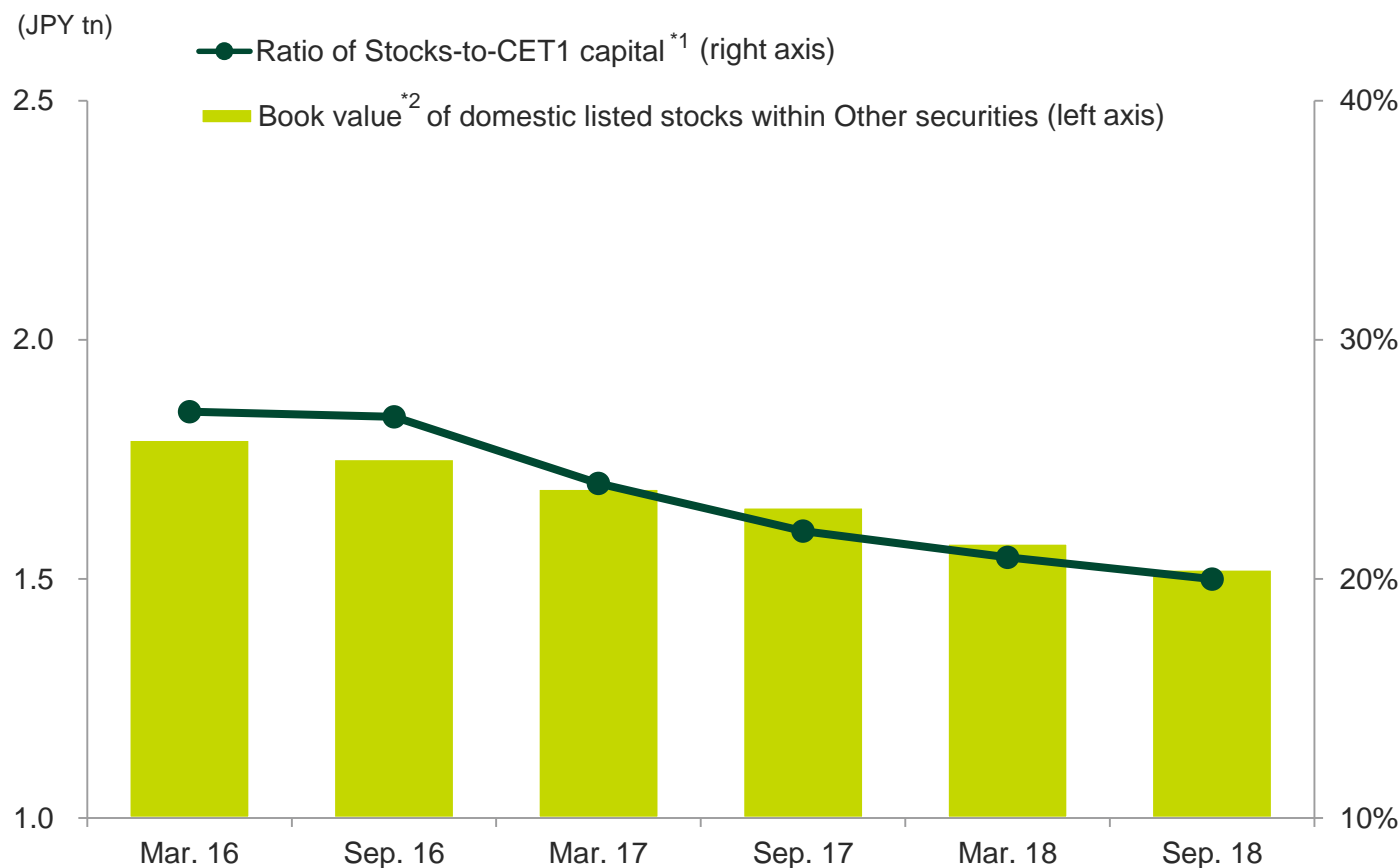


\* Includes negotiable certificates of deposit classified as "Cash and due from banks," and beneficiary claims on loan trust classified as "Monetary claims bought," in addition to "Securities" stated in the consolidated balance sheets.

## 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 (Consolidated basis)



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

<sup>\*2</sup> Same meaning as acquisition cost

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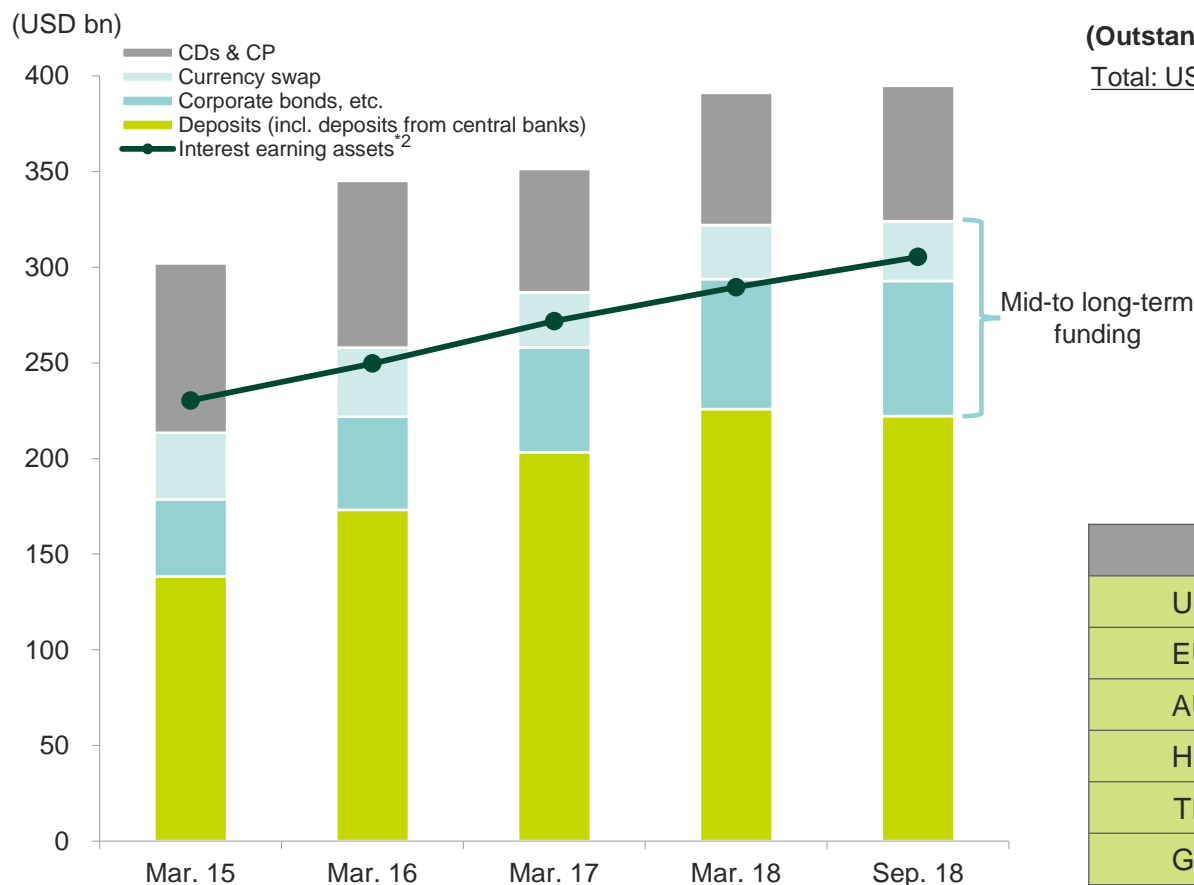
## Funding & TLAC

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## Foreign currency funding

- Non-JPY interest earning assets are fully funded by non-JPY customer deposit and mid- to long-term funding (corporate bonds, currency swaps, etc.)
- Customer deposit covers approximately 80%

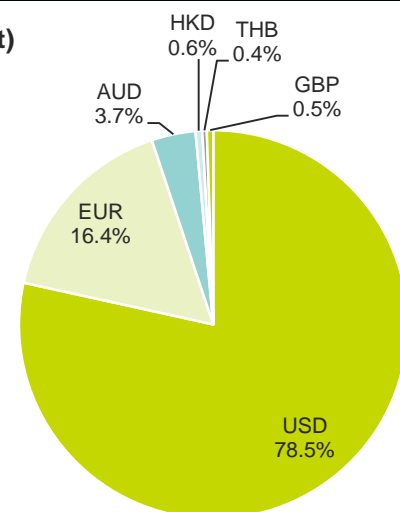
### Foreign currency funding & interest earning assets balance\*1



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

(Outstanding amount)

Total: USD 61.3 bn



Outstanding amount		
USD	48.1 bn	--
EUR	8.7 bn	= USD 10.1 bn
AUD	3.1 bn	= USD 2.2 bn
HKD	2.7 bn	= USD 0.3 bn
THB	7.5 bn	= USD 0.2 bn
GBP	0.3 bn	= USD 0.3 bn

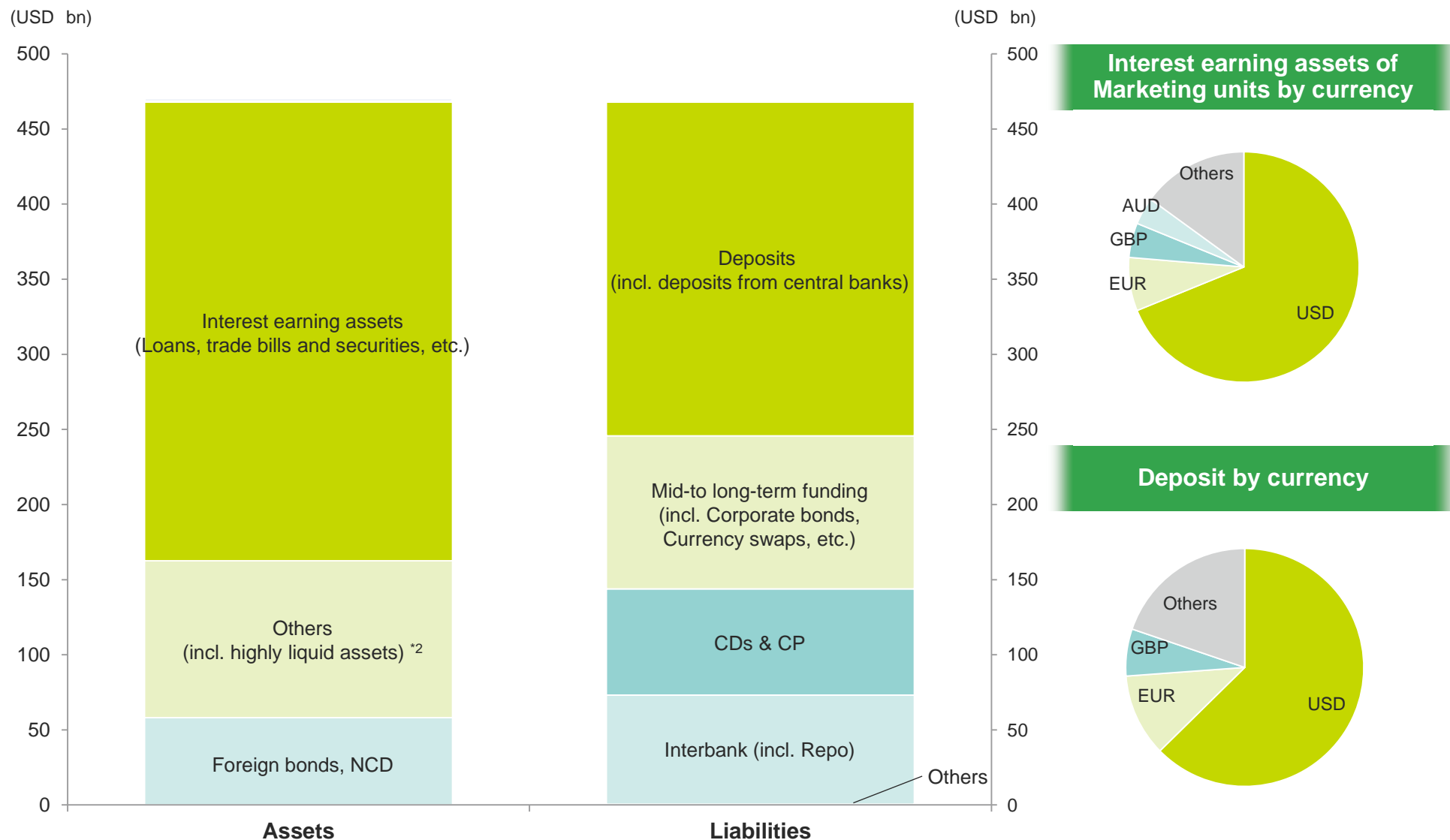
\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)

\*2 Sum of loans, trade bills, and securities

\*3 Excludes JPY funding, certificate of deposits and transferable deposits. Among all bonds priced by Sep. 30, 2018, only includes issuance with original maturity of two years or more and tap its issue as of Sep. 30, 2018. Translated into USD at the exchange rates as of Sep. 30, 2018

# Foreign currency assets and funding

## Non-JPY balance sheet items\*<sup>1</sup> (as of Sep. 30, 2018)



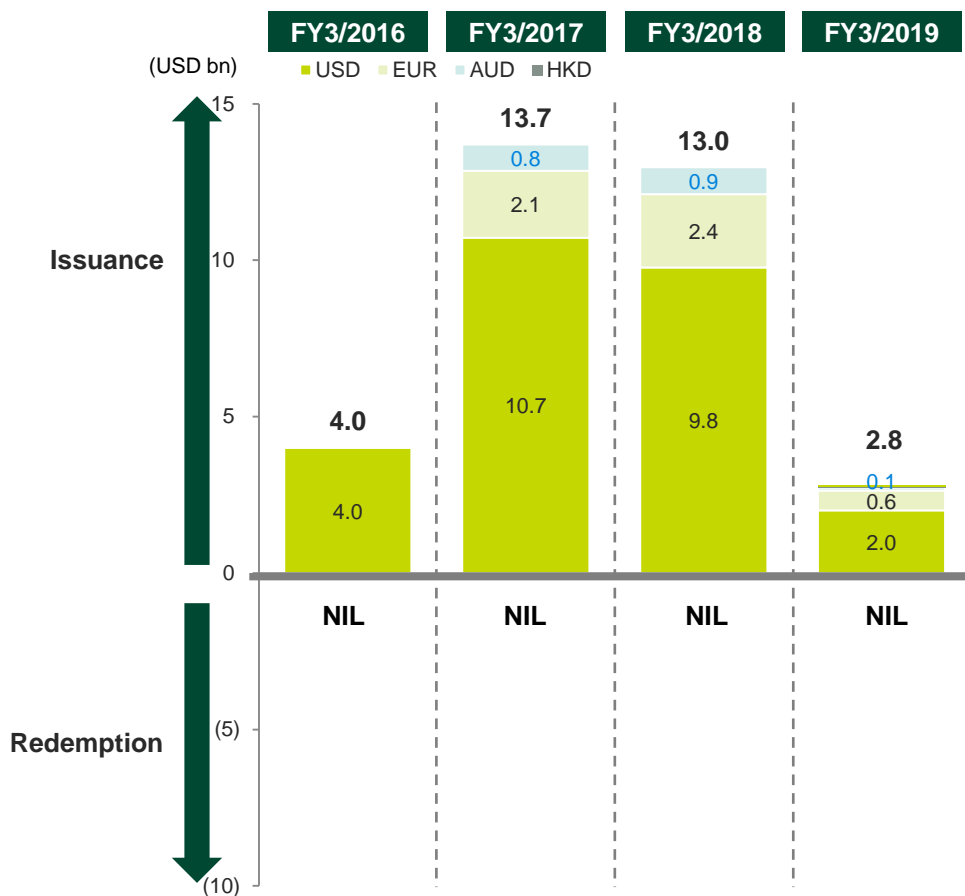
\*<sup>1</sup> Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)

\*<sup>2</sup> Deposit placed with central banks, etc.

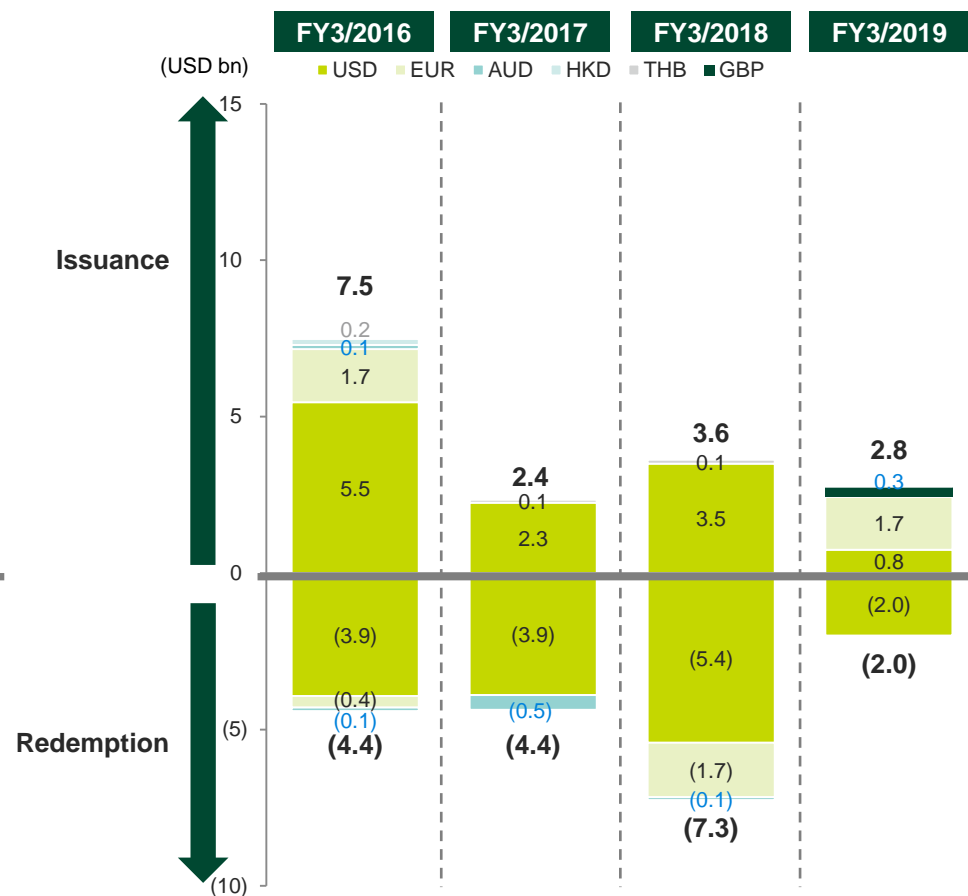
## Issuance and redemptions (senior unsecured)

- SMFG is the issuing entity for TLAC senior bonds with longer maturities
- SMBC issues shorter term senior bonds based on its funding needs

### SMFG issuance and redemptions



### SMBC issuance and redemptions

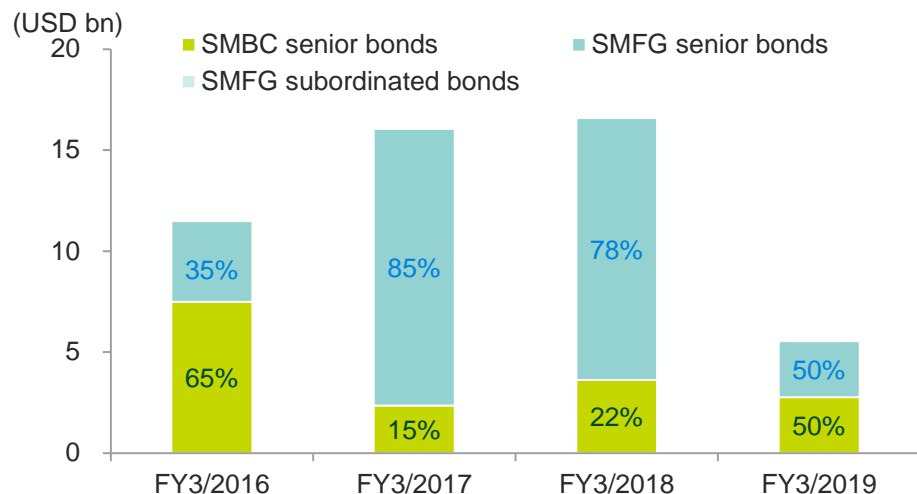


\* Excludes JPY funding, certificate of deposits and transferable deposits. All redemptions were at maturity other than for callable bonds, which were redeemed at their respective 1st call dates, while there is no assurance they will be redeemed at such time. Among all bonds priced by Sep. 30, 2018, only includes issuance with original maturity of two years or more and its tap issue as of Sep. 30, 2018. Translated at the exchange rate as of the end of each period

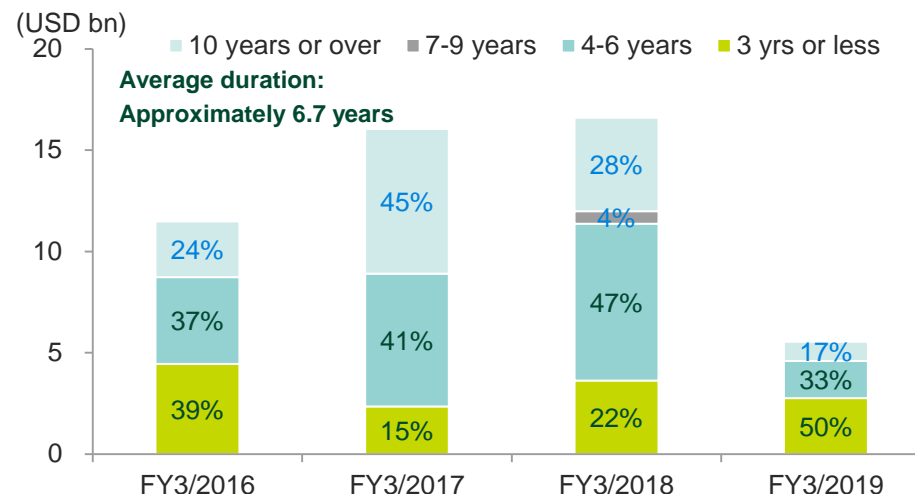


# Issuance summary

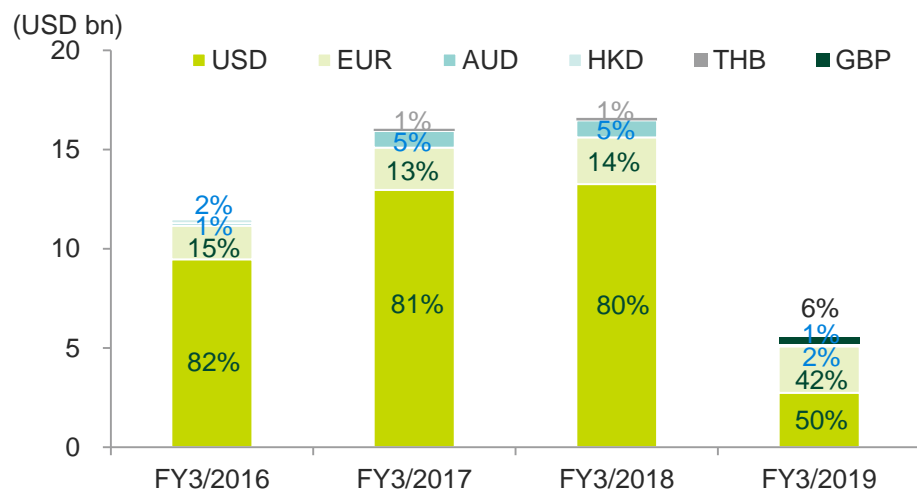
## By entity/security type\*



## By term\*



## By currency\*



## Recent deals (excl. Subordinated bonds)

- SMFG/USD
  - Oct. 16, 2018 / USD2.5bn / 5y FIX at 3.936%, 5y FRN at 3ML+80bp, 10y FIX at 4.306%
- SMBC/USD
  - Oct. 16, 2018 / USD1.0bn / 2y FRN at 3ML+37bp
  - Apr. 24, 2018 / USD750mn / 2y FRN at 3ML+40bp / Re-open
- SMFG/EUR
  - Jul. 23, 2018 / EUR500mn / 5y FIX at 0.819%
  - Oct. 11, 2017 / EUR500mn / 7y FIX at 0.934% / Green Bond
- SMBC/EUR
  - Nov. 6, 2018 / EUR1.0bn / 5y FIX at 0.550% / Covered Bond
- SMFG/Others
  - Feb. 9, 2018 / SMFG / USD265mn / 30NC10 Per 5y FIX at 4.2% / Formosa
  - Sep. 7, 2017 / SMFG / AUD750mn / 5.5y FIX at 3.604%, 5.5y FRN at BBSW+120bp

\* Excludes JPY funding, certificate of deposits and transferable deposits. Among all bonds priced by Sep. 30, 2018, only includes issuance with original maturity of two years or more and its tap issue as of Sep. 30, 2018. Translated at the exchange rate as of the end of each period

# TLAC requirements

## TLAC and capital buffer requirements for SMFG

### Minimum external TLAC requirements

	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
+ ) capital buffers <sup>*1</sup>	+3.5%	+3.5%
- ) Contribution of Japanese Deposit Insurance Fund Reserves	-2.5%	-3.5%
<b>Effective required level of minimum external TLAC (RWA basis)</b>	<b>17.0%</b>	<b>18.0%</b>
Minimum external TLAC requirements (Leverage ratio denominator basis)	6%	6.75%
Plus leverage ratio buffer <sup>*1</sup>	n.a.	7.25%

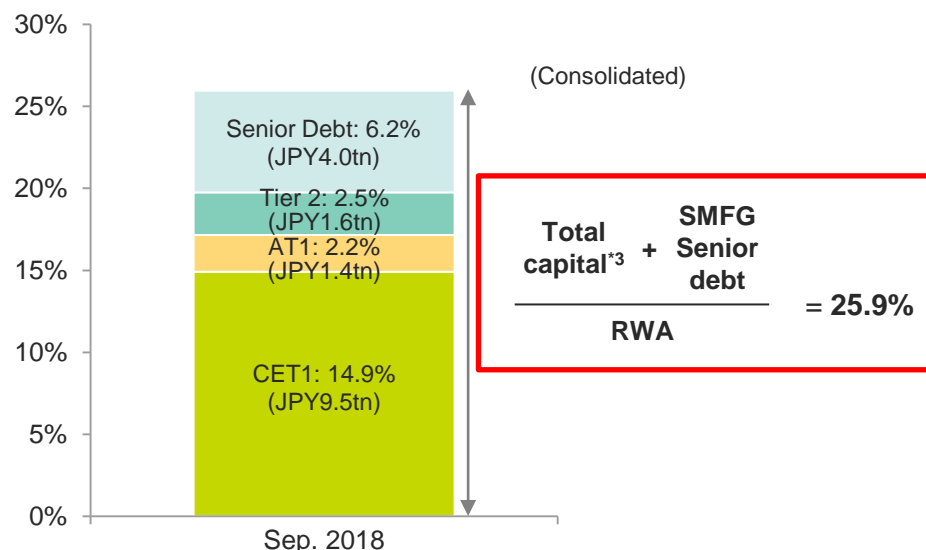
- Based on current calculations, we expect that the TLAC requirements based on RWA, post-Basel III reforms basis, will be more constraining than requirements based on the leverage ratio denominator

### 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

## Meeting TLAC requirement

### Total capital plus SMFG senior debt to RWA<sup>\*2</sup>



### Issuance amount of SMFG senior unsecured bonds

(JPY tn/USD bn)	FY3/2017	FY3/2018	1H, FY3/2019
Issuance amount through the period <sup>*4</sup>	¥1.5 / \$13.7	¥1.4 / \$13.0	¥0.3 / \$2.8

<sup>\*1</sup> Excludes countercyclical buffer for RWA requirements. As for the G-SIB buffer, SMFG was allocated to bucket 1 according to the list published by the FSB in Nov. 2018

<sup>\*2</sup> This figure is only a simple calculation shown therein and doesn't indicate the actual TLAC ratio on any implementation date

<sup>\*3</sup> Transitional basis. We expect the calculation for TLAC ratio, when the TLAC requirements in Japan are finalized, will differ from the one for total capital ratio.

For example, some items in total capital will not be included in TLAC capital and vice versa

<sup>\*4</sup> Translated at the exchange rate as of the end of each period

# Credit ratings of selected G-SIBs

OpCo senior notes / Excluded liabilities\*<sup>1</sup>

TLAC eligible senior notes\*<sup>2</sup>

● — ● Notch Difference

(As of Oct. 31, 2018)

## Moody's

	SMFG	Mizuho	MUFG	BAC	Citi	JPM	Barclays	HSBC	DB* <sup>3</sup>	BNP* <sup>3</sup>	CS	UBS* <sup>4</sup>
Aa2												
Aa3												
A1	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●		● — ●		● — ●	● — ●	● — ●
A2				● — ●	● — ●	● — ●	● — ●	● — ●		● — ●	● — ●	● — ●
A3				● — ●	● — ●				● — ●	● — ●	● — ●	● — ●
Baa1					● — ●		● — ●		● — ●	● — ●		
Baa2									● — ●		● — ●	
Baa3							● — ●		● — ●			

## S&P

	SMFG	Mizuho	MUFG	BAC	Citi	JPM	Barclays	HSBC	DB* <sup>3</sup>	BNP* <sup>3</sup>	CS	UBS
AA												
AA-								● — ●				
A+				● — ●	● — ●	● — ●		● — ●				● — ●
A	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●		● — ●	● — ●	● — ●
A-	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●	● — ●			● — ●	● — ●	● — ●
BBB+					● — ●		● — ●		● — ●		● — ●	
BBB							● — ●		● — ●			
BBB-									● — ●			

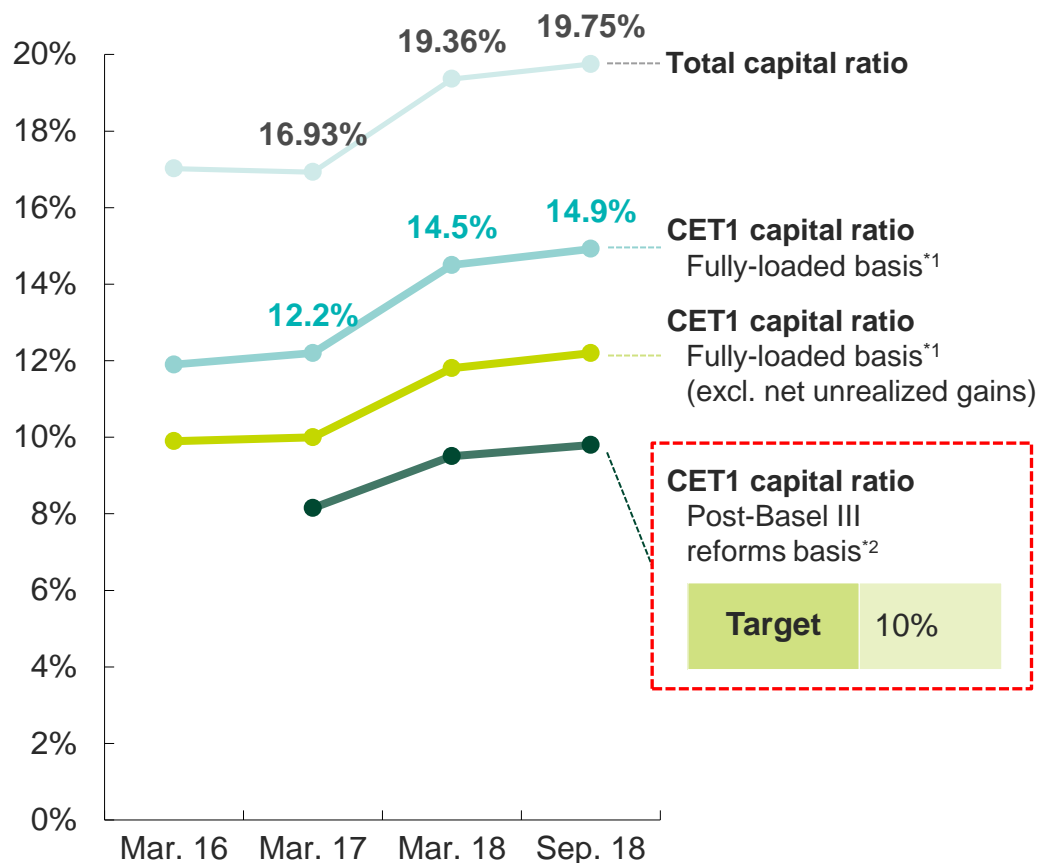
\*1 Ratings of OpCo senior unsecured notes

\*2 TLAC eligible senior unsecured note ratings

\*3 For DB and BNP, OpCo senior notes and TLAC eligible senior notes mean preferred senior notes and Non-preferred senior notes, respectively

\*4 Backed senior unsecured rating of UBS Group Funding (Switzerland) guaranteed by UBS Group AG for TLAC eligible senior notes

## Capital ratios



Risk-weighted assets (RWAs)	JPY 70.6 tn	JPY 63.5 tn	JPY 63.6 tn
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## Capital strategy

<b>Tier 2 capital</b>	JPY 1.6 tn (2.5%) (as of Sep. 18)	<ul style="list-style-type: none"><li>● Aim to maintain 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>AT 1 capital</b>	JPY 1.4 tn (2.2%) (as of Sep. 18)	
<b>CET 1 capital</b>	<ul style="list-style-type: none"><li>● CET 1 capital ratio target (Post-Basel III reforms basis): 10%</li><li>● CET 1 capital ratio improvement through reorganization of group operations<ul style="list-style-type: none"><li>● Turned Kansai Urban Banking Corporation and THE MINATO BANK to equity method affiliates</li><li>● Turning SMFL to an equity method affiliate*3</li></ul></li></ul>	

## Recent deals (Subordinated)

- SMFG/Tier 2 capital/JPY
  - Mar. 16, 2018 / JPY100bn / 10yFIX at 0.585% / Retail
- SMFG/Tier 2 capital/USD
  - Apr. 2, 2014 / USD1.75bn / 10y FIX at 4.436%
- SMFG/AT1 capital/JPY
  - Dec. 19, 2017 / JPY150bn / PerpNC10 first 10yrs at 1.29%, thereafter 6M¥L+104bp

\*1 Based on the definition applicable for Mar.19

\*2 CET1 ratio that (a) includes the impact of RWA inflation expected post the Basel III reforms and (b) is calculated with CET1 excluding net unrealized gains on other securities and RWA excluding RWA associated with net unrealized gains on stocks

\*3 Subject to regulatory approval and other conditions

# Appendix

# SMFG / SMBC overview

		SMFG (Consolidated)	SMBC (Non-consolidated)
(FY3/2018)		✓ <b>Global banking group</b> originated in Japan	✓ <b>Core operating entity</b> within SMFG franchise
<b>Market Capitalization</b> *1 (TSE:8316, NYSE:SMFG)		(As of Oct. 31, 2018) JPY <b>6.2</b> tn / USD <b>54.5</b> bn	unlisted (wholly-owned by SMFG)
<b>B/S</b>	Assets	JPY <b>199</b> tn / USD <b>1,873</b> bn	JPY <b>171</b> tn / USD <b>1,609</b> bn
	Loans	JPY <b>73</b> tn / USD <b>687</b> bn	JPY <b>74</b> tn / USD <b>695</b> bn
	Deposits*2	JPY <b>116</b> tn / USD <b>1,096</b> bn	JPY <b>110</b> tn / USD <b>1,038</b> bn
	Loans/Deposits	<b>57.1%</b>	<b>60.8%</b>
<b>P/L</b>	Gross Profit	JPY <b>2,981</b> bn / USD <b>28.1</b> bn <i>Consolidated gross profit</i>	JPY <b>1,428</b> bn / USD <b>13.4</b> bn <i>Gross banking profit</i>
	Net Income	JPY <b>734</b> bn / USD <b>6.9</b> bn <i>Profit attributable to owners of parent</i>	JPY <b>577</b> bn / USD <b>5.4</b> bn <i>Net income</i>
<b>CET1 ratio</b>		<b>14.5%</b>	—
<b>NPL ratio</b>		<b>0.78%</b>	<b>0.51%</b>
<b>Ratings</b> (Moody's / S&P)		<b>A1 / A-</b> (As of Oct. 31, 2018)	<b>A1 / A</b> (As of Oct 31, 2018)
<b>Business Franchise</b>		✓ <b>Holds top-tier companies</b> in banking, leasing, securities services, consumer finance, and other business  ✓ <b>129</b> overseas offices in <b>40</b> countries and regions*3	✓ <b>441</b> domestic branches ✓ <b>27 million</b> retail accounts ✓ <b>80,000</b> corporate loan clients

\*1 Exchange rate as of Oct. 31, 2018 is USD 1.00 = JPY 113.26

\*2 Excludes negotiable certificates of deposits \*3 Excludes offices planned to be closed

# Group structure\*1

## Sumitomo Mitsui Financial Group

Consolidated total assets JPY 207 tn

Consolidated CET1 ratio 14.92 %

Credit ratings	Moody's	S&P	Fitch	R&I	JCR
	A1/P-1	A- / -	A/F1	A+ / -	AA- / -

## Sumitomo Mitsui Banking Corporation

Assets JPY 178 tn

Deposits JPY 113 tn

Loans JPY 76 tn

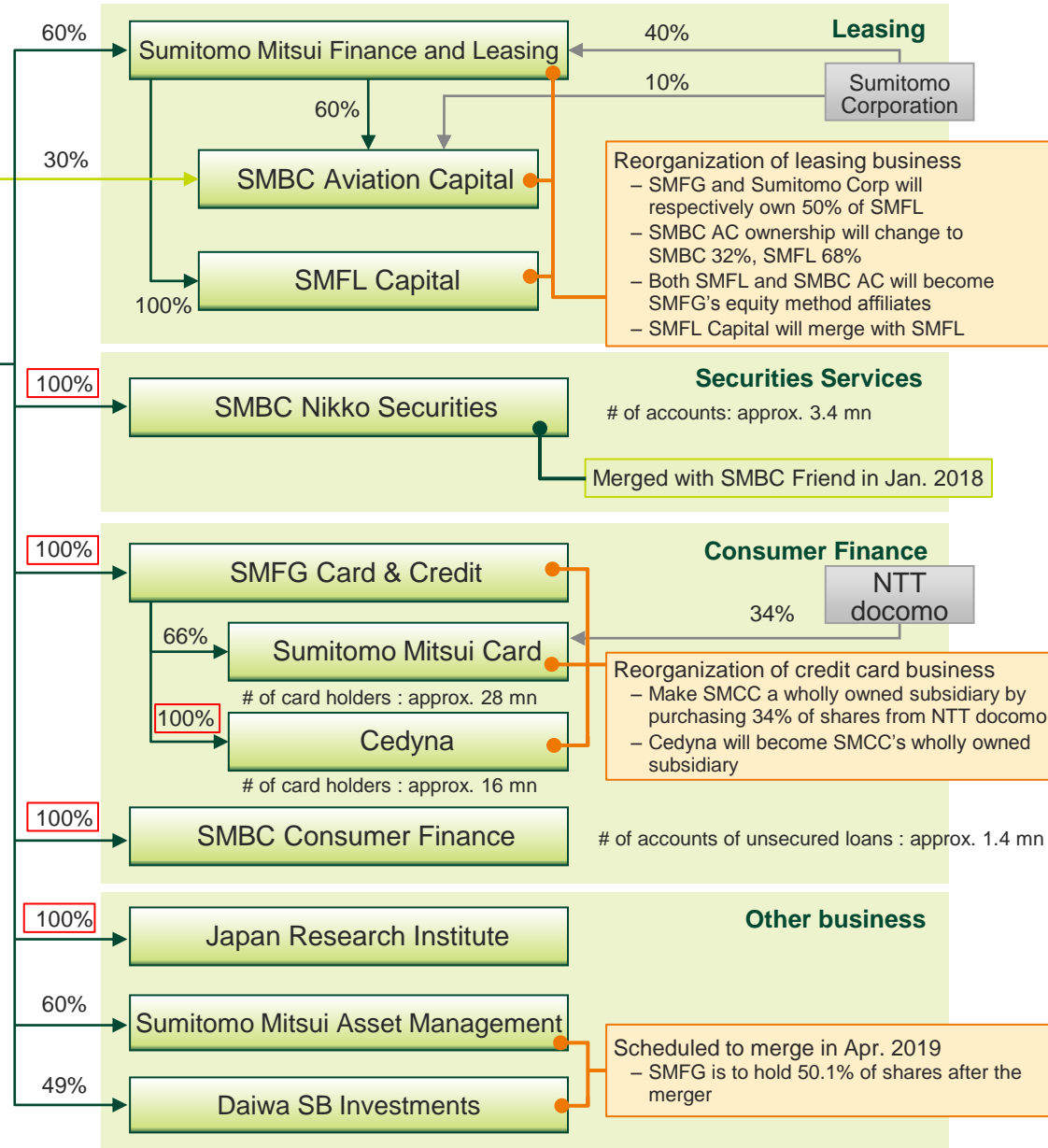
# of retail accounts approx. 28 mn

# of corporate loan clients approx. 78,000

Credit ratings	Moody's	S&P	Fitch	R&I	JCR
	A1/P-1	A/A-1	A/F1	AA-/a-1+	AA/J-1+

SMBC Trust Bank

Acquired Citibank Japan's retail banking business in Nov. 2015



## SMBC Group Next Stage

To achieve sustainable growth by combining the Group's strengths with more focused business management

### Core Policy

1

#### Discipline

*Disciplined business management*

- Transformation of business/asset portfolio and quality of earnings base
- Improve productivity and efficiency

2

#### Focus

*Focus on our strengths to generate growth*

- Focus on Seven Core Business Areas

3

#### Integration

*Integration across the Group and globally to achieve sustainable growth*

- Management that maximizes business potential
- Digitalization
- ESG

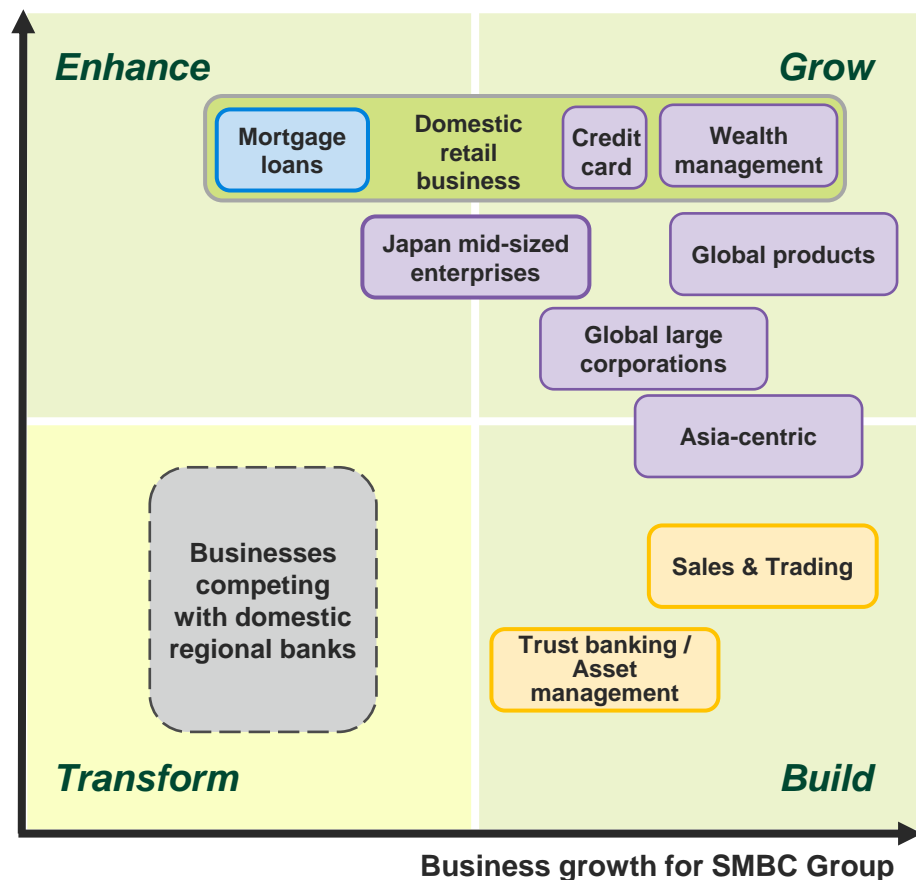


# Transformation of business/asset portfolio

- Prioritize business fields when allocating resources to enhance capital efficiency
- Announced and executed group reorganization measures to transform business/asset portfolio

## Business portfolio transformation

SMBC Group's competitive advantage



## Review of group operations

- Merger of SMBC Nikko and SMBC Friend
- Deconsolidation of Kansai Urban Banking Corporation and THE MINATO BANK
- Yahoo! JAPAN consolidated The Japan Net Bank
- Change of shareholder composition of POCKET CARD
- Reorganization of the joint leasing partnership of SMFL
- Merger of BTPN and SMBC Indonesia
- Merger of SMAM and Daiwa SB Investments
- Making SMCC a wholly owned subsidiary

Completed

Completed

Completed

Completed

Nov. 2018

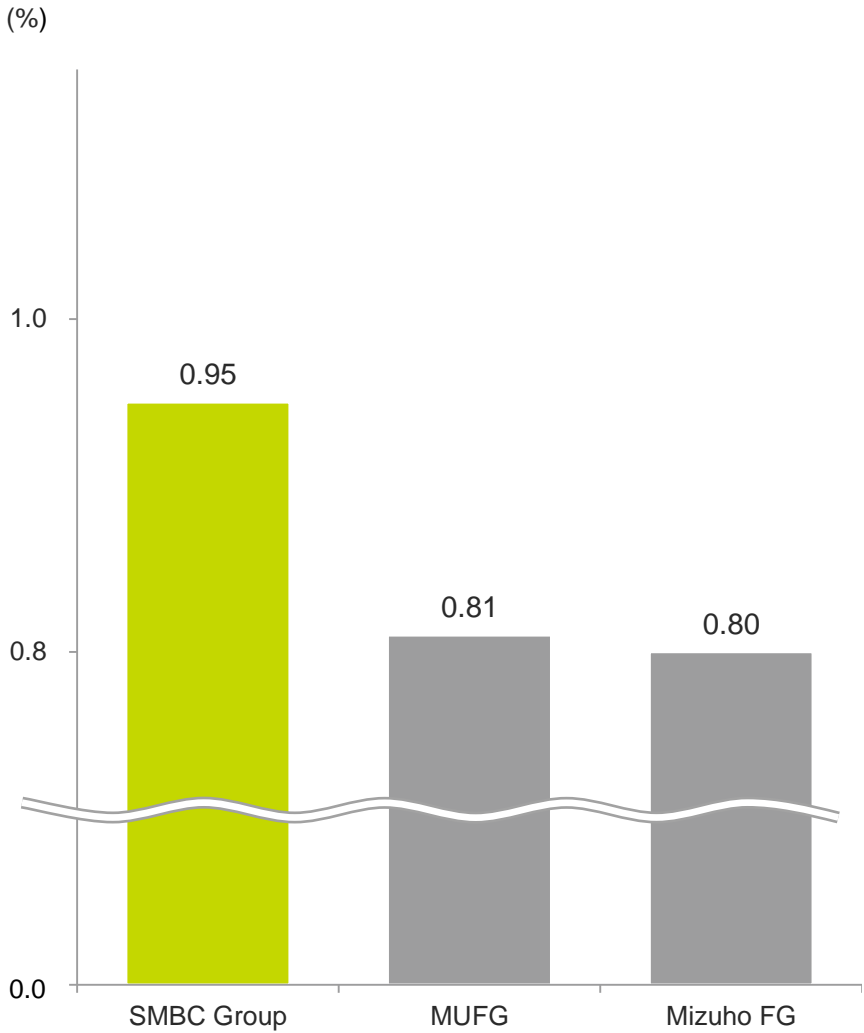
2H, FY3/19

Apr. 2019

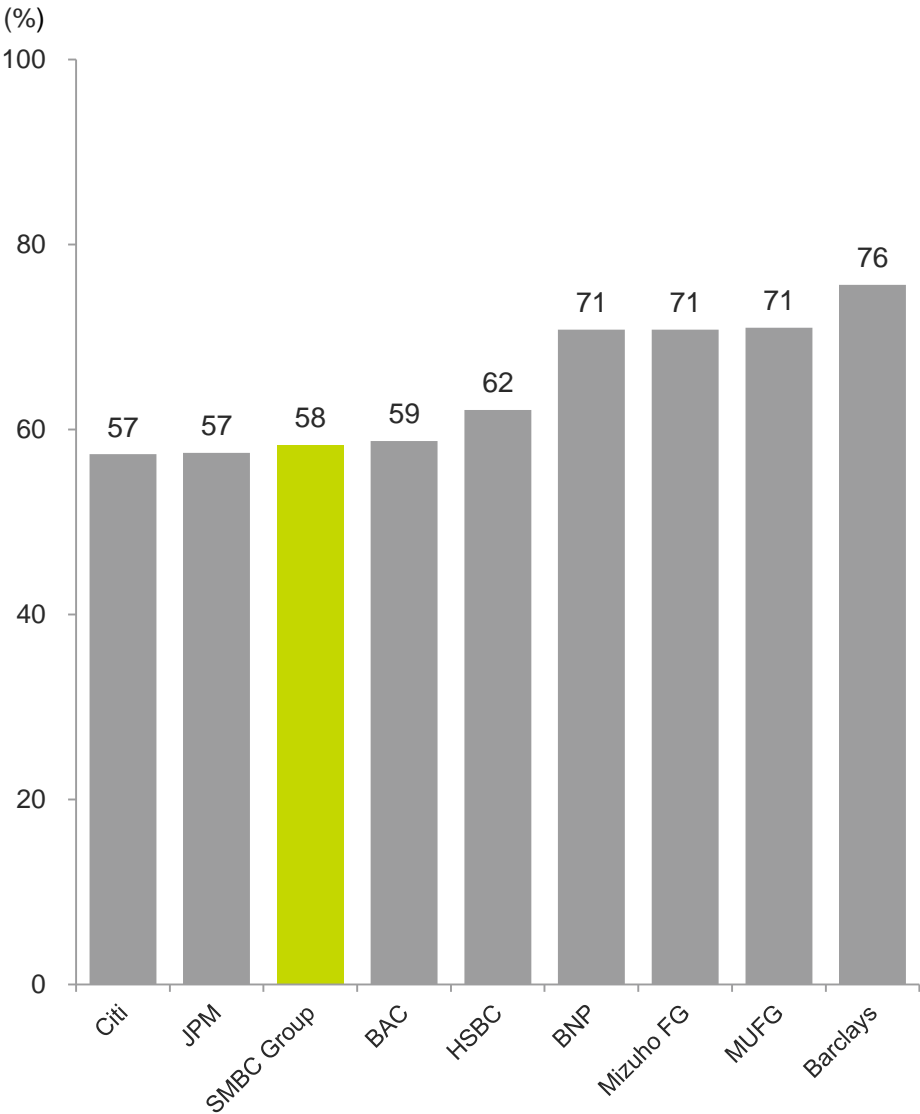
Apr. 2019

# Sources of profitability

Domestic loan-to-deposit spread\*<sup>1</sup>



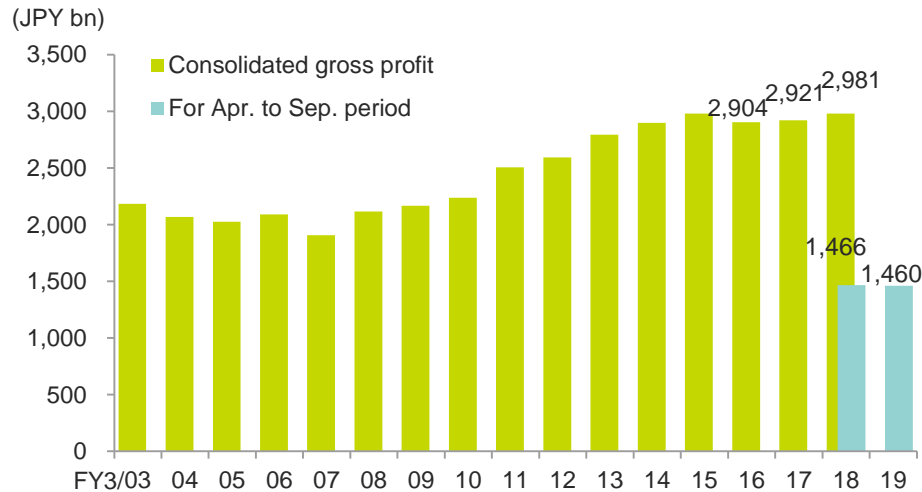
Overhead ratio\*<sup>2</sup>



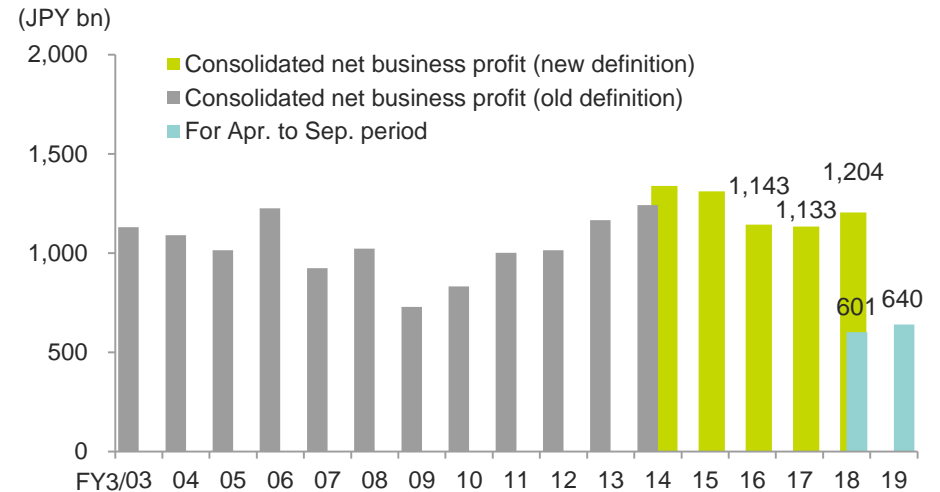
\*<sup>1</sup> Based on each company's 1H, FY3/19 disclosure. The figures shown in the graph are non-consolidated figures of: SMBC for SMFG, MUFG Bank for MUFG and Mizuho Bank for Mizuho FG  
\*<sup>2</sup> Based on each company's disclosure on a consolidated basis. G&A expenses (for Japanese banks, includes non-recurring losses of subsidiary banks) divided by top-line profit (net of insurance claims).  
1H, FY3/19 results for SMFG, MUFG and Mizuho FG, 3Q, FY12/18 results for the others

# Trend of major income components – Consolidated

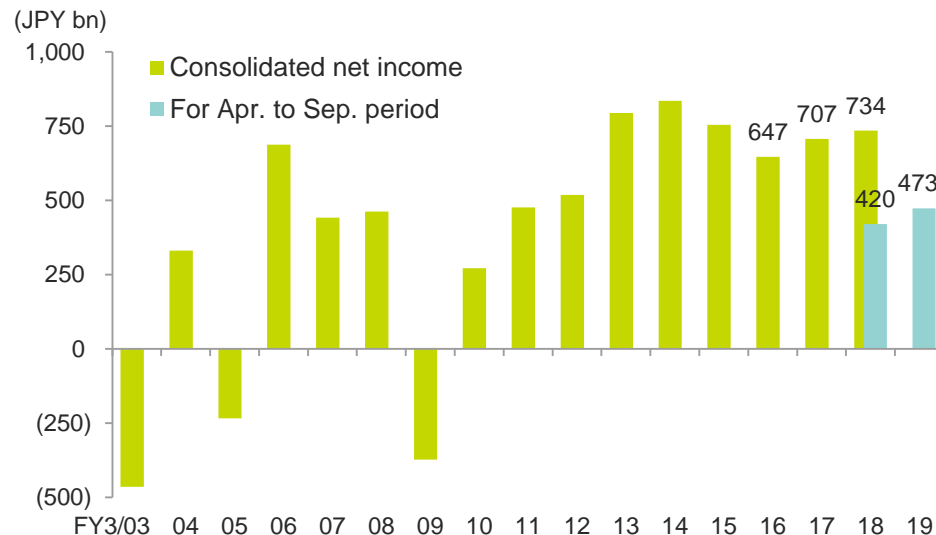
## Consolidated gross profit



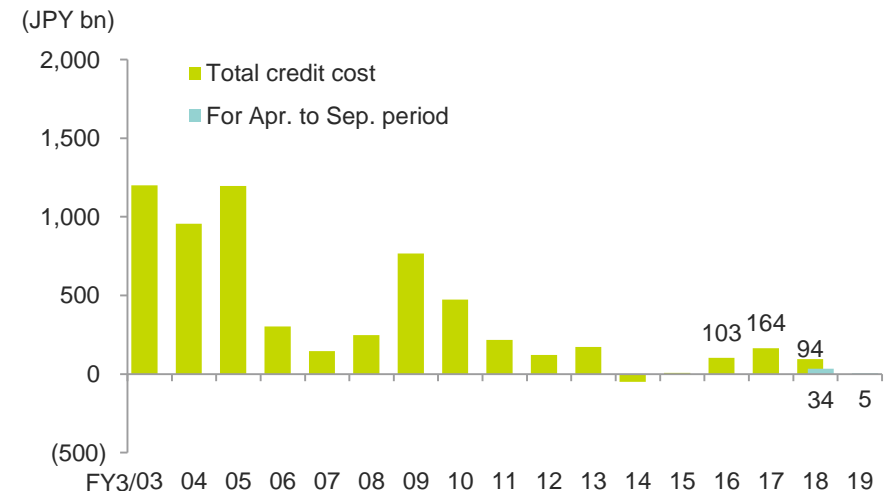
## Consolidated net business profit\*



## Net income / Profit attributable to owners of parent



## 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

## Capital and risk-weighted assets – Consolidated

### Capital ratio (transitional basis)

		(JPY bn)	Mar. 31, 2018	Sep. 30, 2018 Preliminary
	<b>CET1</b>		<b>9,217.4</b>	<b>9,497.6</b>
	of which:	Total stockholders' equity related to common stock	8,510.1	8,796.0
		Accumulated other comprehensive income	1,753.4	1,746.0
		Regulatory adjustments related to CET1	(1,049.3)	(1,047.3)
Tier 1 capital			10,610.2	10,922.9
of which:	AT1 capital instruments		599.8	600.0
	Eligible Tier 1 capital instruments (grandfathered)*		650.3	586.6
	Regulatory adjustments		(81.6)	(0.0)
Tier 2 capital			1,693.9	1,649.7
of which:	Tier 2 capital instruments		993.4	1,002.6
	Eligible Tier 2 capital instruments (grandfathered)*		625.4	566.4
	Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount		-	-
	Regulatory adjustments		(50.0)	(50.0)
Total capital			12,304.1	12,572.6
Risk-weighted assets			63,540.3	63,630.2
<b>CET1 ratio</b>			<b>14.50%</b>	<b>14.92%</b>
Tier 1 ratio			16.69%	17.16%
Total capital ratio			19.36%	19.75%

### Leverage ratio (transitional basis)

	(JPY bn)	Mar. 31, 2018	Sep. 30, 2018 Preliminary
<b>Leverage ratio</b>		<b>5.01%</b>	<b>4.94%</b>
Leverage exposure		211,718.1	220,964.1

### LCR

Average Jul. – Sep. 2018
<b>132.8%</b>

\* Cap is 40%, Subject to transitional arrangements.

## Financial highlights – IFRS\*

### Income statement data

	(JPY bn)	FY3/2017	FY3/2018
Net interest income		1,397.9	1,410.1
Net Fee and commission income		884.8	952.5
Net Trading income		184.0	270.5
Other operating income		881.2	1,179.2
Total operating income		3,347.9	3,812.3
Net operating income		3,134.9	3,675.5
Profit before tax		880.4	1,119.0
Net profit		740.6	889.6

### Statement of financial position data

	(JPY bn)	FY3/2017	FY3/2018
Total assets		191,151.0	192,175.6
Loans		95,273.8	85,129.1
Deposits		130,295.3	128,461.5
Total equity		11,887.3	12,495.8

### Reconciliation with Japanese GAAP

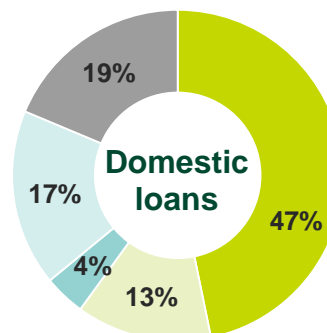
	(At and for FY3/2018, JPY bn)	Total equity	Net profit
IFRS		12,495.8	889.6
Differences arising from different accounting for:	Scope of consolidation	129.0	16.0
	Derivative financial instruments	104.9	20.7
	Investment securities	(355.7)	(68.8)
	Loans and advances	61.2	33.5
	Investments in associates and joint ventures	(61.8)	1.6
	Property, plant and equipment	(11.4)	(1.0)
	Lease accounting	3.5	0.5
	Defined benefit plans	65.1	13.2
	Deferred tax assets	(84.6)	(35.1)
	Foreign currency translation	-	(12.7)
	Classification of equity and liability	(603.5)	(14.1)
	Others	(128.8)	15.4
	Tax effect of the above	(0.8)	(6.1)
Japanese GAAP		11,612.9	838.3

# Balance sheet

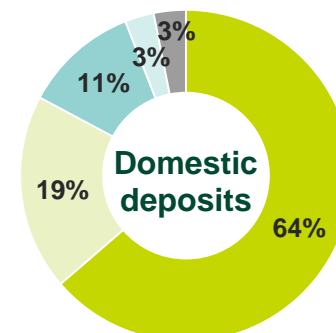
## Consolidated B/S

	Sep.18	vs Mar.18
	(JPY tn)	
<b>Total assets</b>	<b>207.0</b>	<b>+7.9</b>
o/w Cash and due from banks	56.1	+2.4
o/w BOJ's current account balance <sup>*1</sup>	44.9	+3.3
o/w Loans	75.9	+3.0
o/w Domestic loans <sup>*1</sup>	53.4	+0.2
o/w Large corporations <sup>*2</sup>	15.5	+0.6
Mid-sized corporations & SMEs <sup>*2</sup>	17.8	(0.1)
Individuals <sup>*2</sup>	13.3	(0.2) <sup>*3</sup>
o/w Securities	25.1	(0.6)
o/w Other securities	24.8	(0.6)
o/w Stocks	3.9	(0.0)
JGBs	6.9	(2.3)
Foreign bonds	9.0	+1.8
<b>Total liabilities</b>	<b>195.2</b>	<b>+7.8</b>
o/w Deposits	119.4	+2.9
o/w Domestic deposits <sup>*1</sup>	94.4	+1.5
Individuals	46.2	+0.9
Corporates	48.1	+0.6
o/w NCD	11.5	+0.3
<b>Total net assets</b>	<b>11.8</b>	<b>+0.2</b>
<b>Loan to deposit ratio</b>	<b>58.0%</b>	

## Composition of loans and deposits<sup>\*1</sup>



- Spread-based (repriced within 1 year)
- Spread-based (more than 1 year)
- Prime-rate-based
- Prime-rate-based(consumer)
- Others  
(Loans denominated in foreign currencies, overdraft, etc.)



- Ordinary deposits
- Time deposits
- Current deposits
- Foreign currency deposits
- Others (Sundry deposits, etc.)

(Ref) Non-JPY B/S items<sup>\*2,4</sup>

Interest earning assets	Deposits (incl. deposits from central banks)
Others (consists mainly of highly liquid assets)	medium- to long-term funding (incl. corporate bonds, currency swaps, etc.)
Foreign bonds, NCD	CDs & CP
	Interbank (incl. Repo)

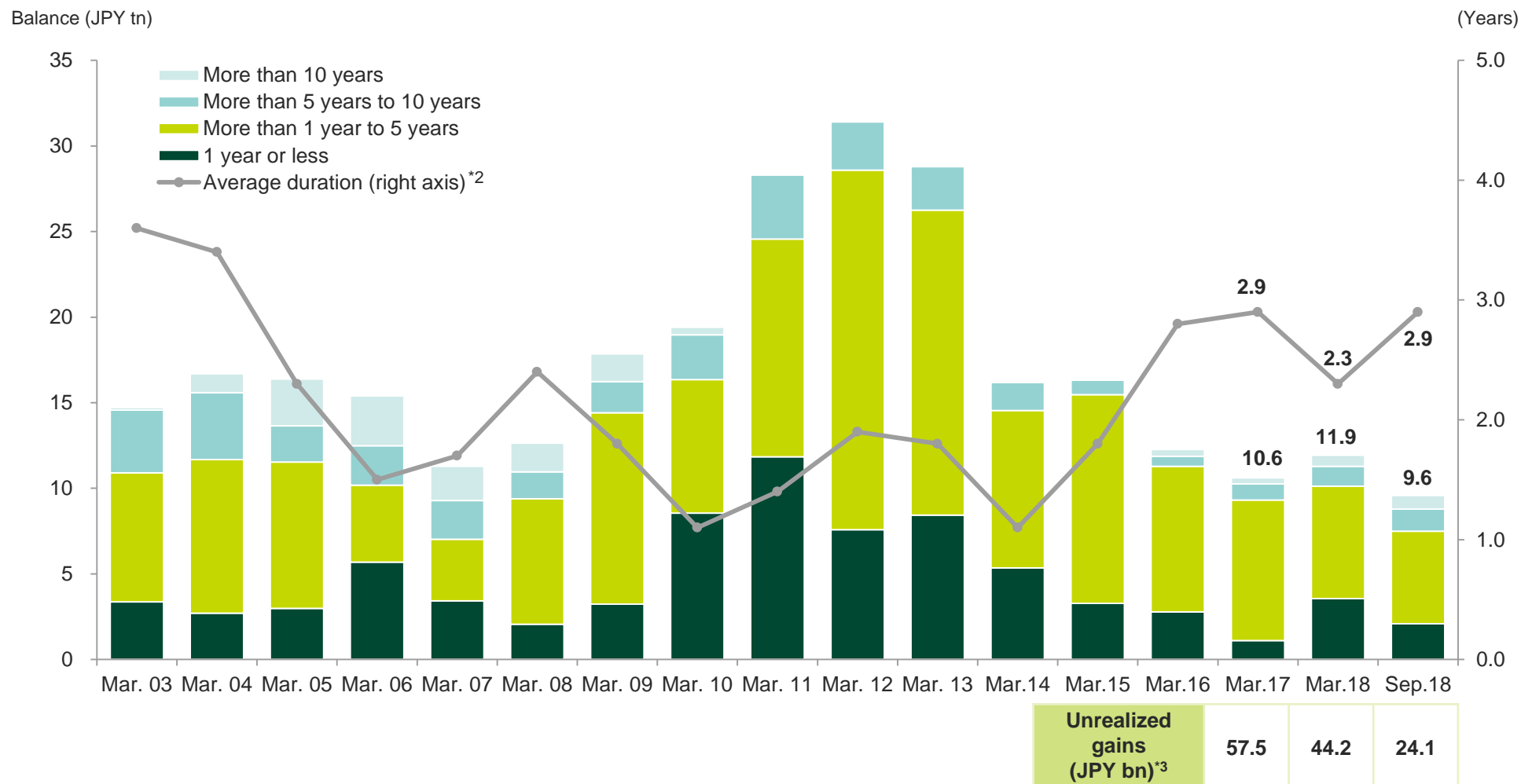
## Assets / Liabilities

<sup>\*1</sup> Non-consolidated <sup>\*2</sup> Managerial accounting basis <sup>\*3</sup> After adding back the portion of housing loans securitized in 1H, FY3/19 of approx. JPY 122.5 bn

<sup>\*4</sup> Sum of SMBC, SMBC Europe, and SMBC (China)

## Yen bond portfolio \*1

(Non-consolidated)



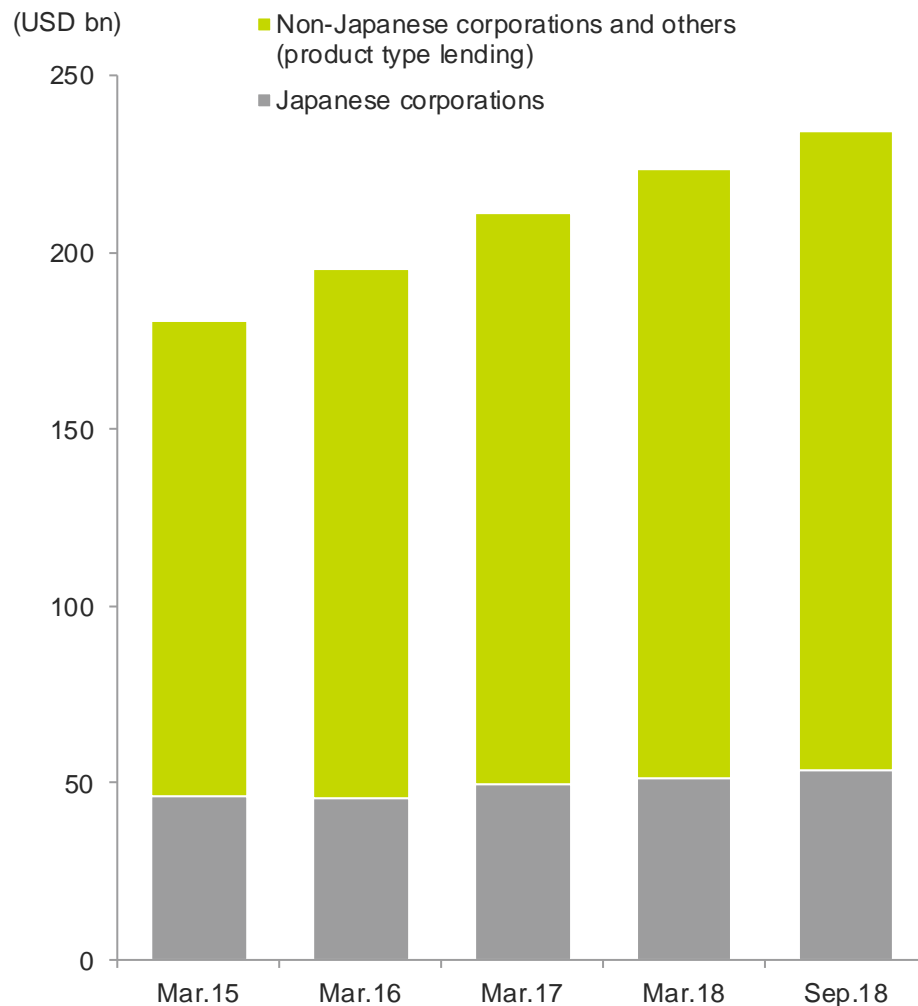
\*1 Total balance of other securities with maturities and bonds classified as held-to-maturity; total of JGBs, Japanese local government bonds and Japanese corporate bonds

\*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.

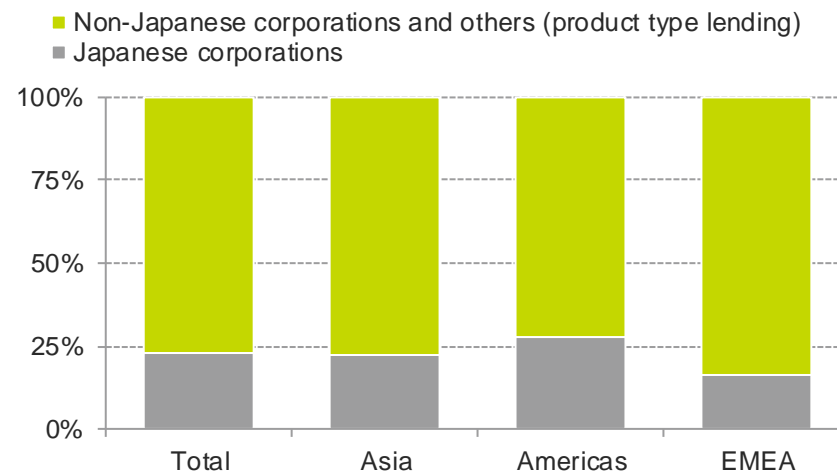
\*3 15-year floating-rate JGBs have been evaluated at their reasonably estimated price from Mar. 2009

# Overseas loan balance classified by borrower type\*1

## Total



## By region (Sep.18)



## Major marketing channels in Asia (Sep.18) \*2



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

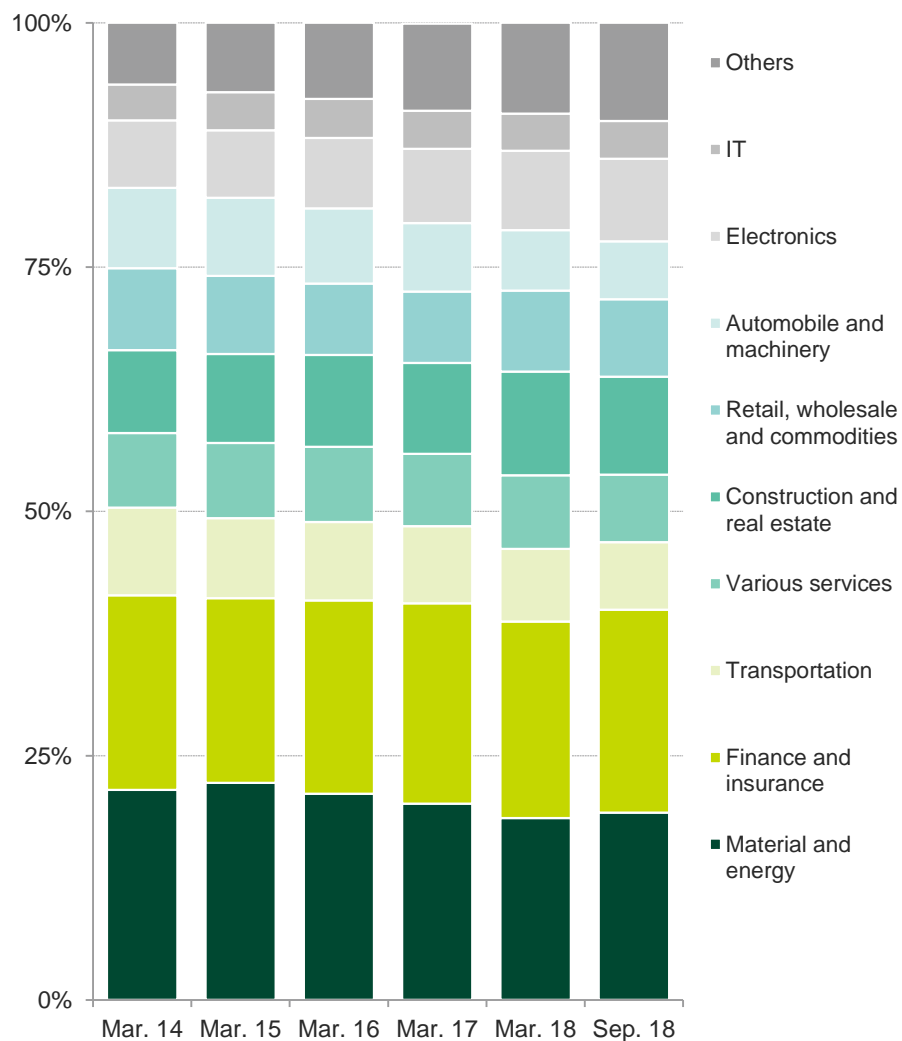
\*2 Sum of SMBC and SMBC Indonesia for Indonesia



# Overseas loan balance classified by industry and domicile

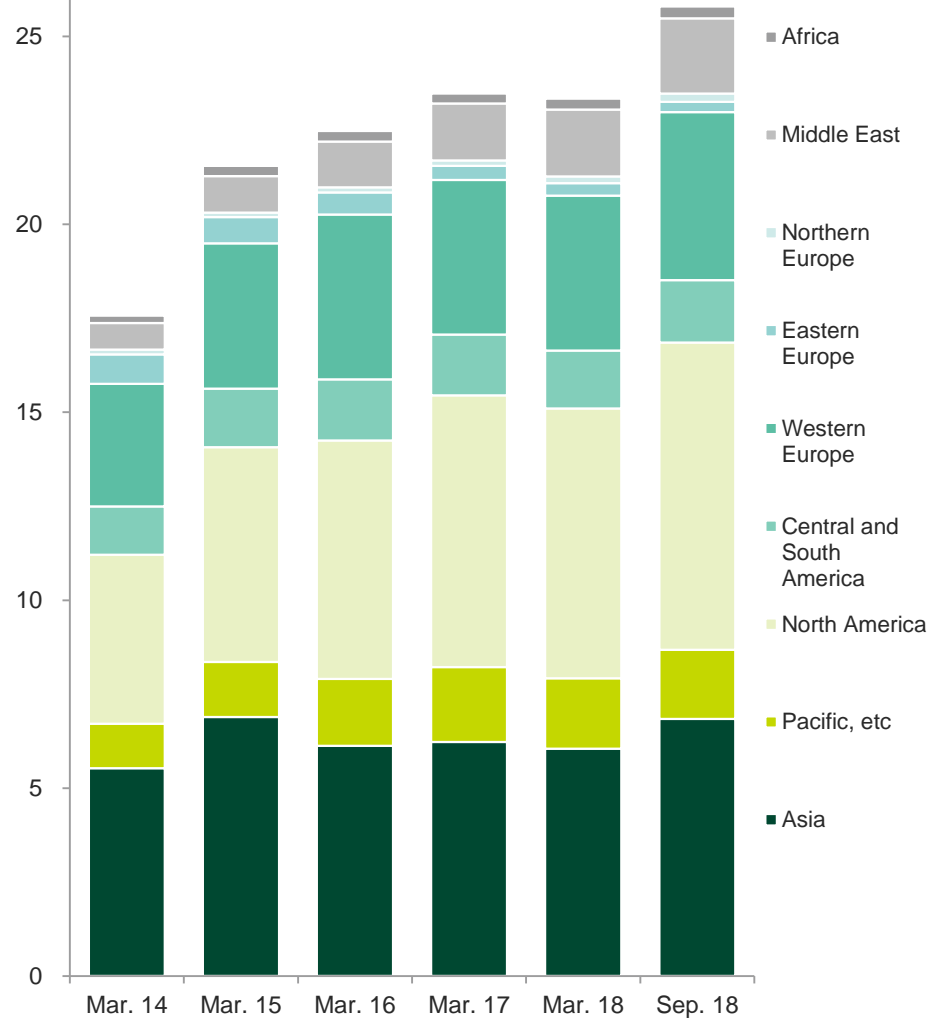
(Geographic classification based on domicile of borrowers)\*

## By industry



## By domicile

(JPY tn)



# Japanese and non-Japanese corporate exposures\*1

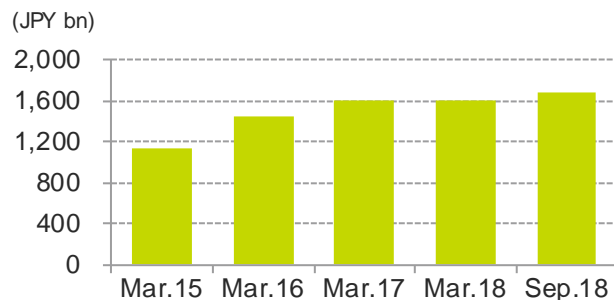


\*1 Managerial accounting basis.

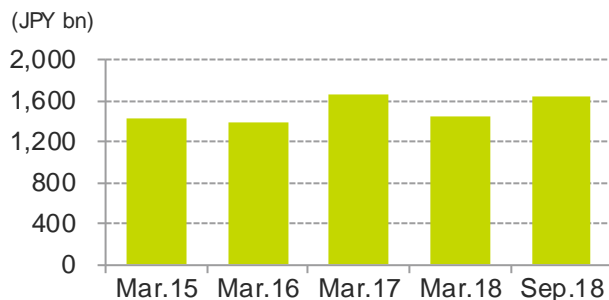
Exposure = loans + acceptances and guarantees + Foreign exchanges + private placement + suspense payments + undrawn commitments+ derivatives, etc.  
 Exclude the exposure to SMFG consolidated subsidiaries, retail customers in Japan, Japanese government, etc., and Specialized Lending

## Loan balance in Asian countries/areas \*1

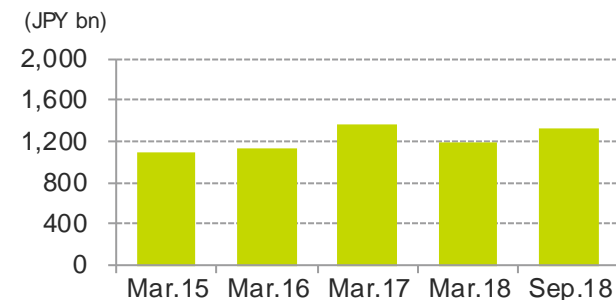
### Australia



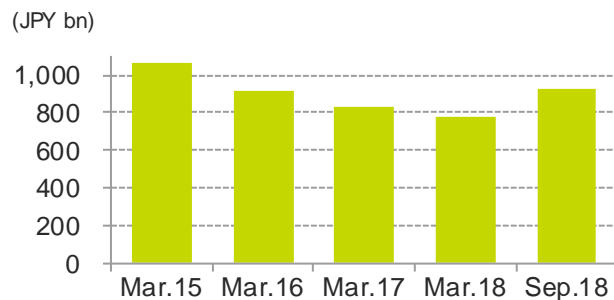
### Hong Kong



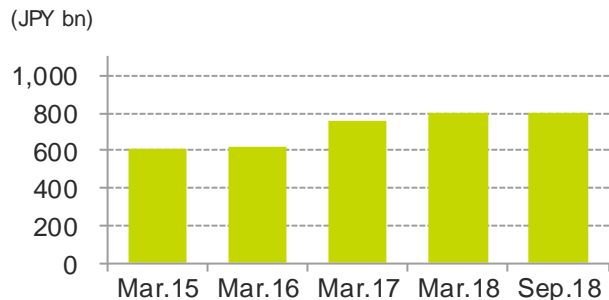
### Singapore



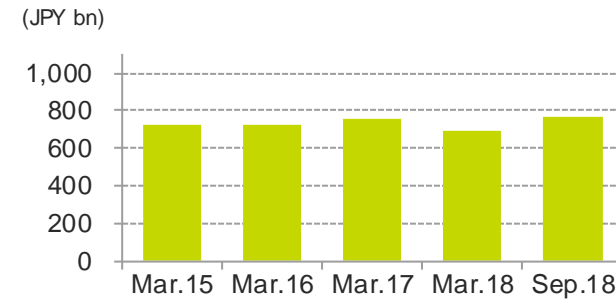
### China



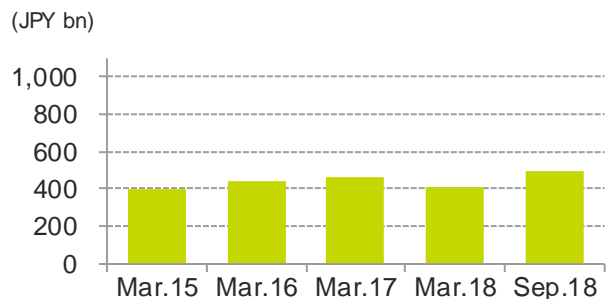
### Indonesia



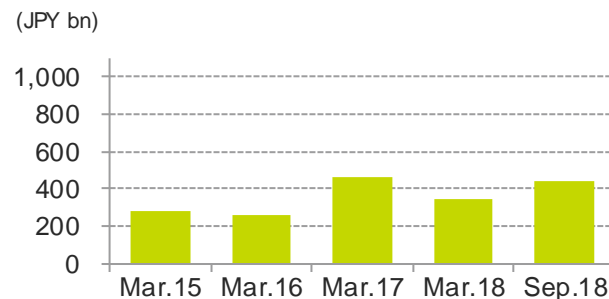
### Thailand



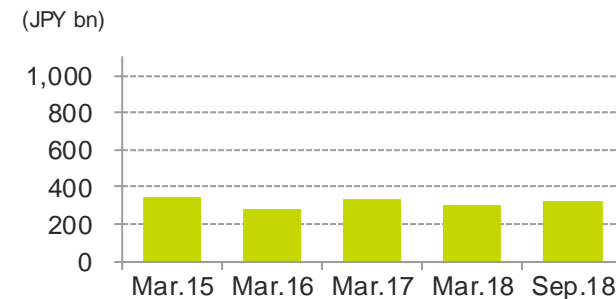
### India



### Taiwan



### Korea

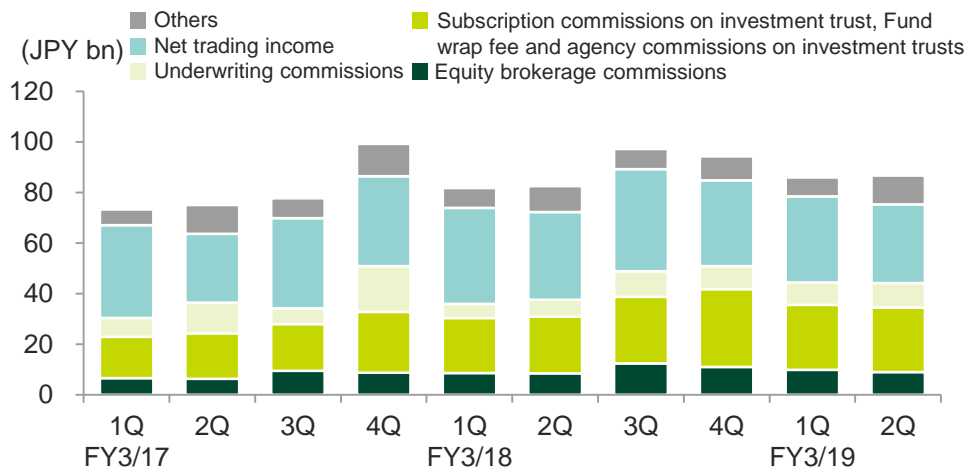


\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and SMBC Indonesia. Loan balances are translated into JPY at the exchange rate of Sep. 2018

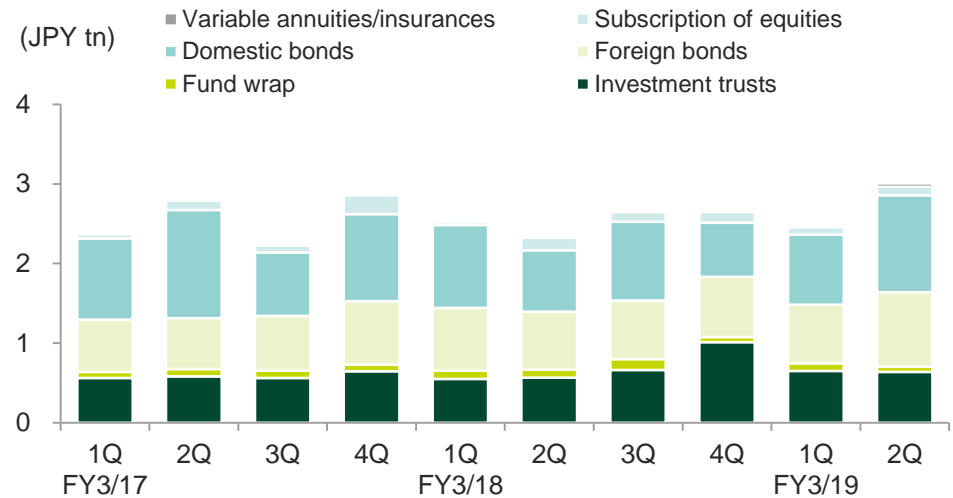
## Financial results (consolidated)

(JPY bn)	FY3/18	1H, FY3/19	YoY
<b>Net operating revenue</b>	357.3	173.5	+8.7
<b>SG&amp;A expenses</b>	267.6	140.8	16.1
<b>Ordinary income</b>	94.9	36.2	(5.6)
<b>Profit attributable to owners of parent</b>	63.7	27.9	(0.9)

## Net operating revenue



## Product sales



## League table (Apr. 2018 - Sep. 2018) \*1

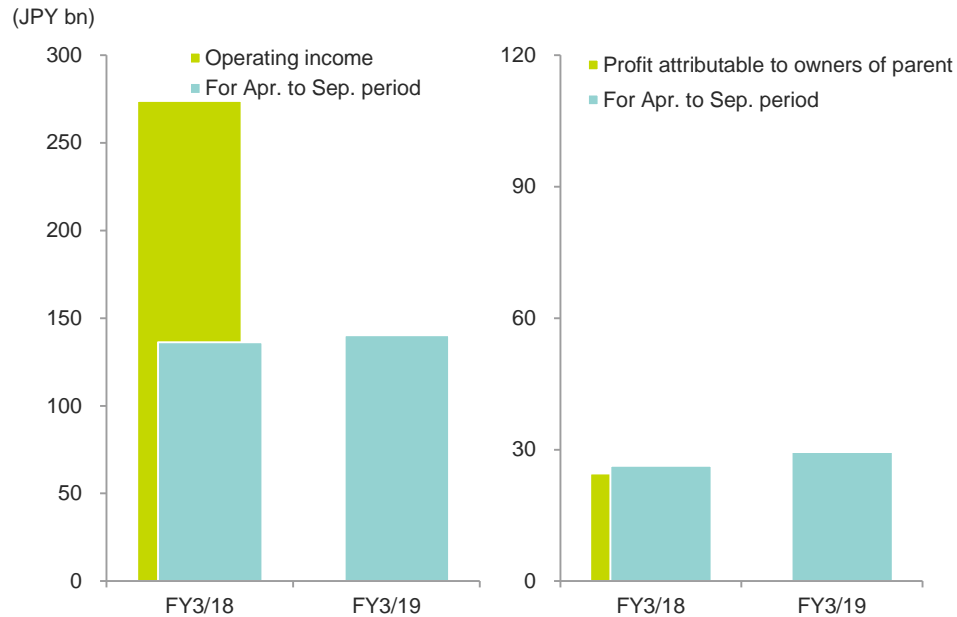
		Rank	Mkt share
SMBC Nikko	<b>Global equity &amp; equity-related (book runner, underwriting amount)*2</b>	#3	13.4%
	<b>JPY denominated bonds (lead manager, underwriting amount)*3</b>	#3	18.7%
	<b>Japanese corporate bonds (lead manager, underwriting amount)</b>	#3	18.1%
SMBC Group	<b>IPO (lead manager, No. of deals)*4</b>	#3	19.6%
	<b>Financial advisor (M&amp;A, No. of deals)*5</b>	#1	4.5%
	<b>Financial advisor (M&amp;A, deal volume)*5</b>	#10	29.5%

\*1 Source: SMBC Nikko, based on data from Thomson Reuters \*2 Japanese corporate related only. Includes overseas offices

\*3 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds

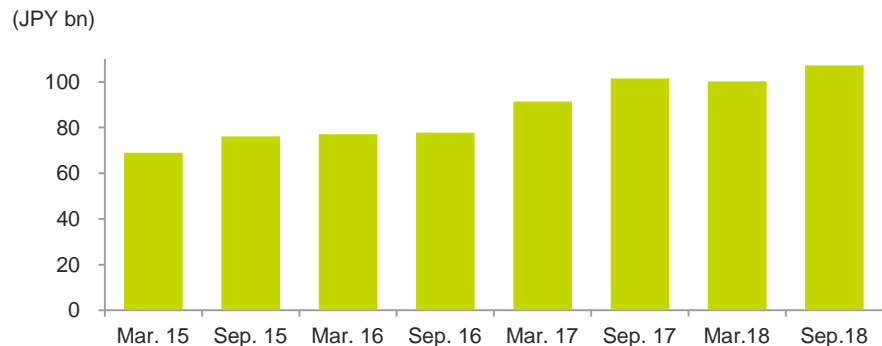
\*4 Excludes REIT IPO. Includes overseas offices \*5 Japanese corporate related only

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



## Overseas business

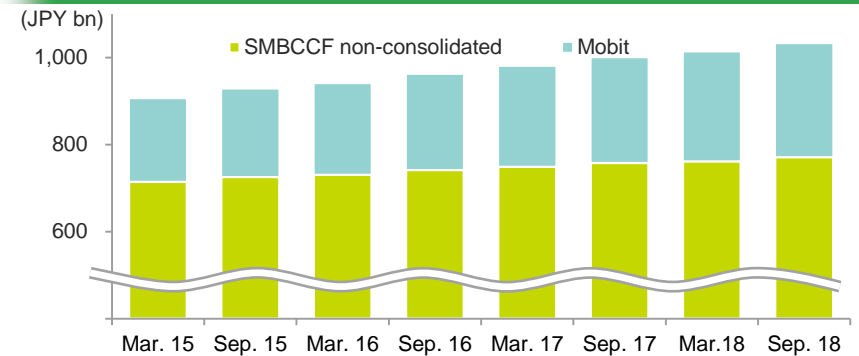
### Consumer loans outstanding (overseas)\*



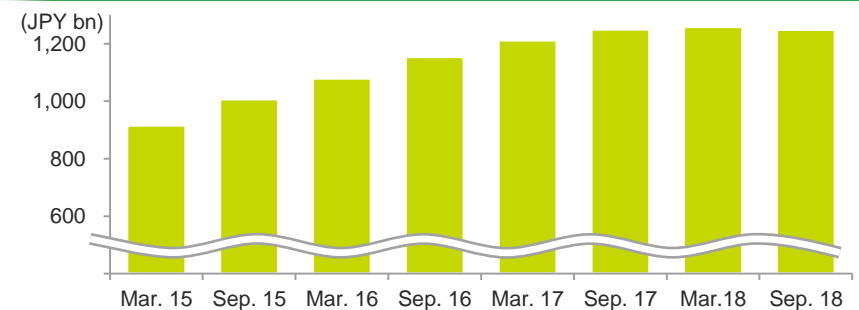
\* Aggregate of overseas subsidiaries. Translated into JPY at respective period-end exchange rates

## Financing / loan guarantee business

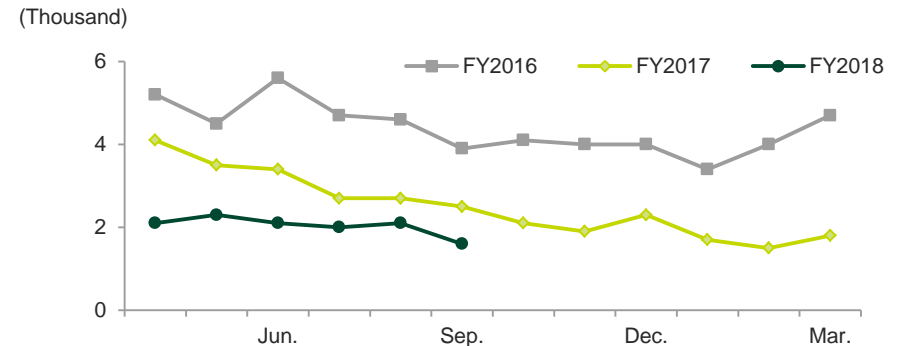
### Consumer loans outstanding (domestic)



### Loan guarantee amount

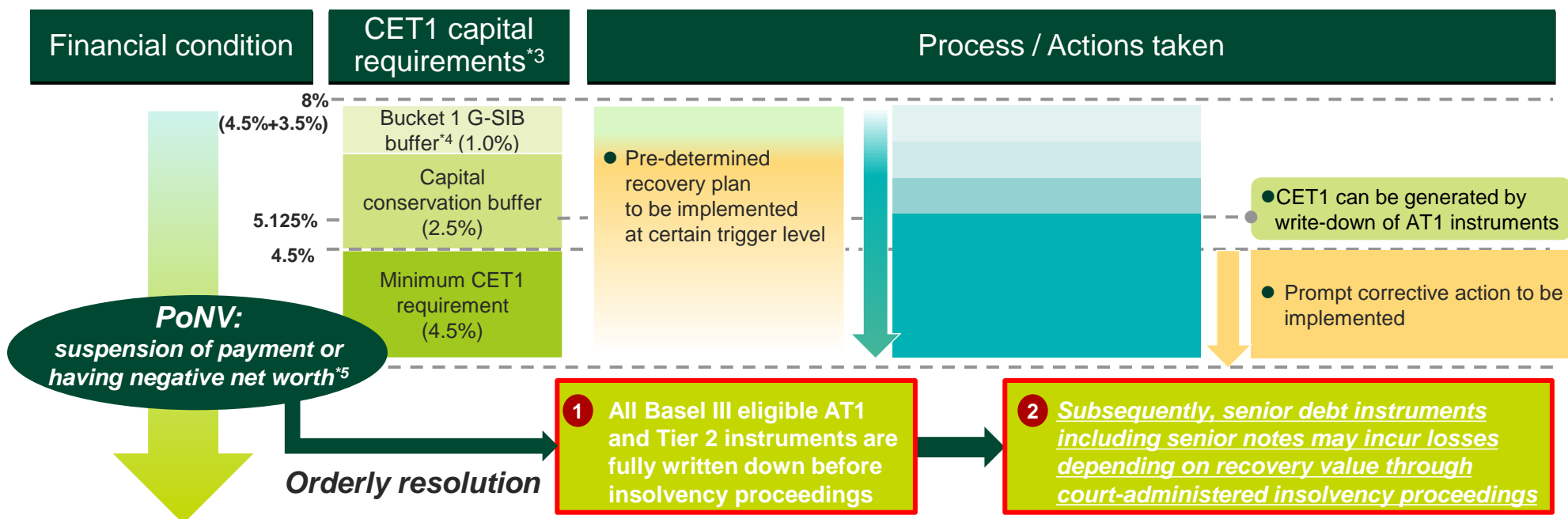


### No. of interest refund claims



## Safeguards before incurring losses at PoNV - capital requirement-based corrective measures

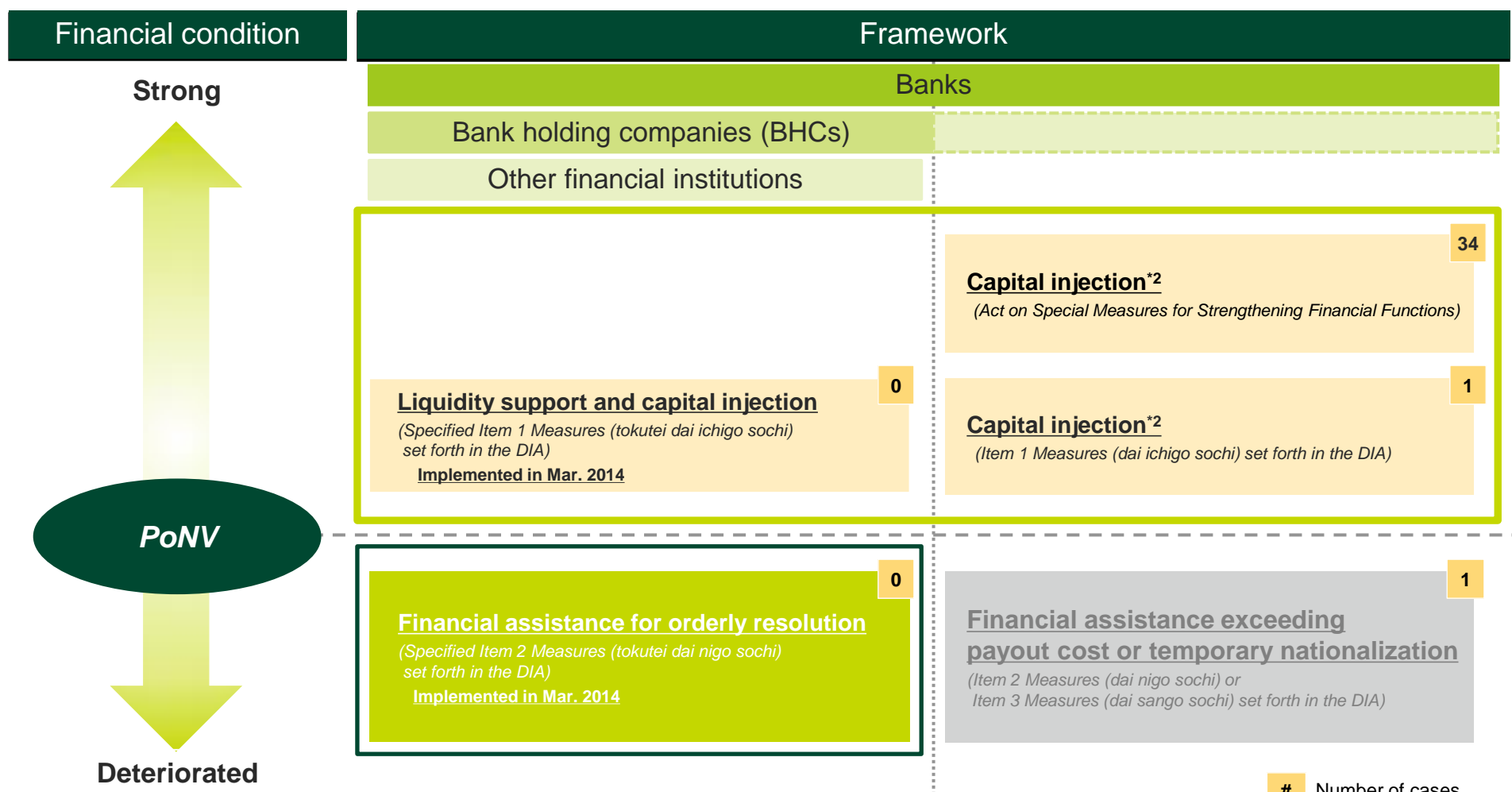
- Senior notes may incur losses during orderly resolution which is expected to be commenced subsequent to PoNV\*1
- All Basel III eligible AT1 and Tier 2 instruments will be fully\*2 written down upon PoNV pursuant to their terms before senior notes incur losses and AT1 / Tier 2 investors will not be 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. SMFG will also 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 to Introduce the TLAC Framework" published in Apr. 2016 and revised in Apr. 2018 ("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. 2017 \*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 (*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 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

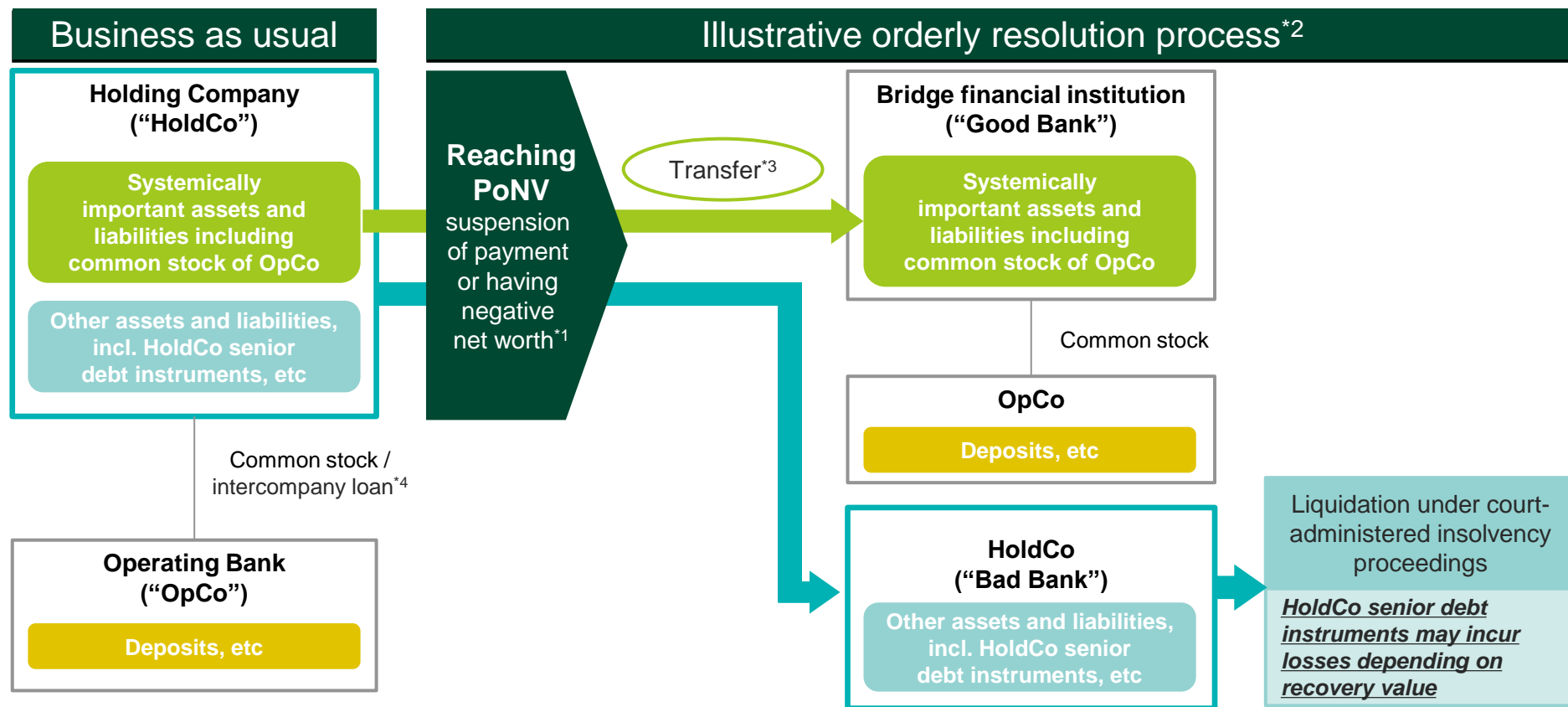


\*1 There is no assurance that any such measures would be applied in any given case

\*2 Capital injection may be made through BHCs

# 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\*<sup>2</sup>
- Senior notes may incur losses depending on recovery value through court-administered insolvency proceedings



\*<sup>1</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 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>2</sup> Based on a possible model of Japanese G-SIB's resolution under the SPE resolution process, as stated in the FSA's Approach

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

\*<sup>4</sup> 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> )	-	229.3 (16 cases)
			Total 674.8 (34 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.
	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 point of non-viability in Japan

Framework		Systemic risk	Subject entities	Conditions	Point of non-viability
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* <sup>1</sup> and not having negative net worth	No
Article 102 of Deposit Insurance Act (DIA)	Item 1 measures <i>Capital injection</i>	Required (Credit system in Japan or in a certain region)	Banks only	Undercapitalized	No
	Item 2 measures <i>Financial assistance exceeding payout cost</i>			Suspension of payment of deposits or having negative net worth	Yes* <sup>3</sup>
	Item 3 measures <i>Nationalization</i>			Suspension of payment of deposits and having negative net worth	
Introduced in Mar. 2014  Article 126-2 of DIA	Specified Item 1 measures <i>Liquidity support Capital injection</i>	Required (Financial system such as financial market in Japan)	Financial institutions including banks and BHCs	Not having negative net worth	No
	Specified Item 2 measures <i>Supervision or control and Financial assistance for orderly resolution</i>			Suspension of payment or having negative net worth* <sup>2</sup>	Yes* <sup>3</sup>

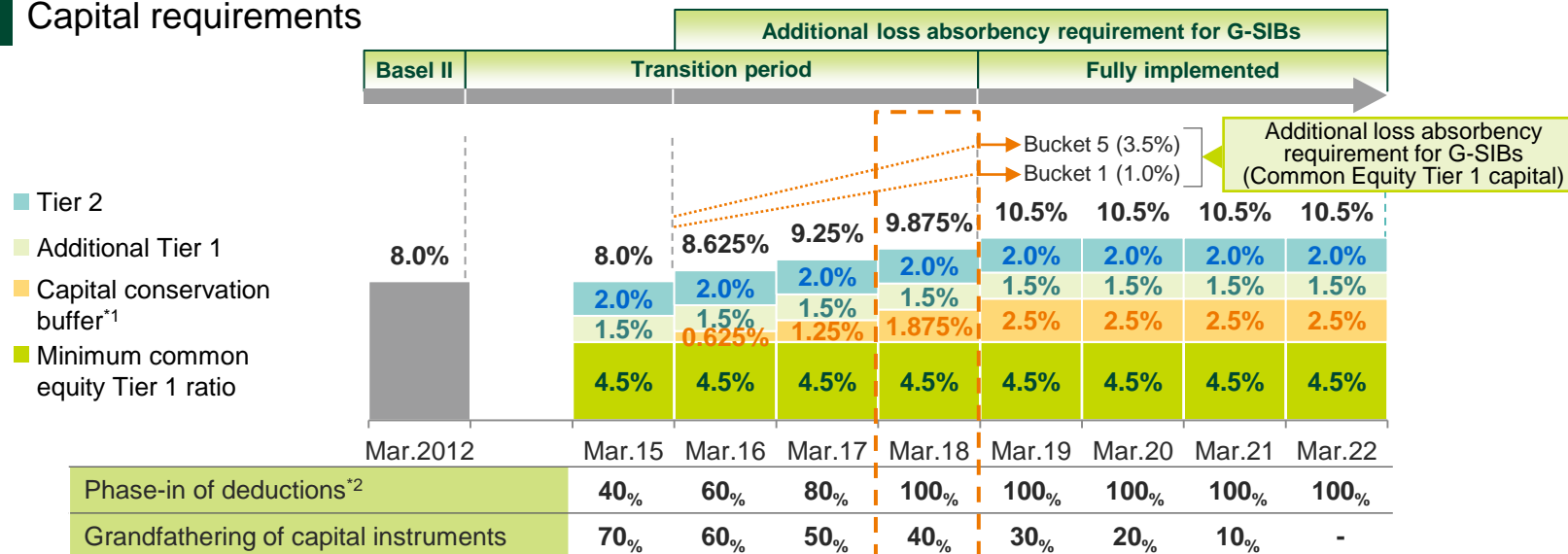
\*1 Including the likelihood of a suspension of payment of deposits

\*2 Including the likelihood of a suspension of payment or negative net worth

\*3 Specified in Q&A published by FSA on March 6, 2014

# Application of Basel III

## Capital requirements



		2022	2023	2024	2025	2026	2027
RWA* <sup>3</sup>	Revised standardized approach and internal ratings-based framework for credit risk	Implementation					
	Revised credit valuation adjustment (CVA) framework						
	Revised market risk framework						
	Revised operational risk framework						
	Output floor	50%	55%	60%	65%	70%	72.5%

## Leverage ratio and liquidity rules

	2015	2016	2017	2018	2019	2020	2021	2022
Leverage ratio* <sup>3</sup>	Disclosure			Implemen tation				
Revised leverage ratio* <sup>3, 4</sup>								Implemen tation
Liquidity coverage ratio (LCR)	60%	70%	80%	90%	100%			
Net stable funding ratio (NSFR) * <sup>3</sup>				Implemen tation				

\*<sup>1</sup> Countercyclical buffer (CCyB) omitted in the chart above; if applied, phased-in in the same manner as the Capital conservation buffer

\*<sup>2</sup> Including amounts exceeding limit for deferred tax assets, mortgage servicing rights and investment in capital instruments of unconsolidated financial institutions

\*<sup>3</sup> Scheduled based on final documents by BCBS (implementation in Japan TBD) \*<sup>4</sup> Revised exposure definition and G-SIB buffer

# ESG: Environment, Society

- Started to investigate and analyze climate-related impact according to TCFD.  
Revised credit policy for businesses associated with environmental and social risk
- Included in all ESG indices selected by GPIF

## Environment

### Task Force on Climate-related Financial Disclosures (TCFD)

- Set up a working group to respond to the final report “Recommendations of the Task Force on Climate-related Financial Disclosures” (by Financial Stability Board)
- Analyze and quantify data of climate-related impact according to TCFD and plan to disclose its progress as required

### Revision of credit policy

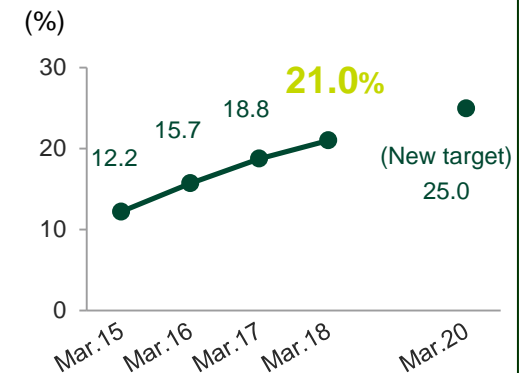
- Coal-fired power plants
  - Provide financial support only to coal-fired power plants that use USC or more advanced technologies\*1
  - For projects where the Japanese government or Multilateral Development Banks support or we have already committed to will be considered as exceptions
- Palm oil plantation developments
  - Not provide financial support to Palm Oil plantation companies that are involved in illegal logging and/or human rights violations
- Deforestation
  - Not provide financial support to deals that are involved in illegal logging and/or land clearing activities

\*1 Ultra-supercritical (i.e., with a steam pressure >240 bar and ≥5931°C steam temperature) or Emissions < 750 g CO2/kWh

## Society

### Diversity & Inclusion

- SMBC achieved the original target of female managers ratio, “20% by Mar. 21” ahead of schedule
- Set a new target of “25% by Mar. 20”



- SMBC received Top Gold Rating on PRIDE index evaluation for LGBT-related initiatives for the second consecutive year
- Amended employment regulation regarding same-sex partnership



### Included in ESG indices selected by GPIF



FTSE Blossom Japan

MSCI



MSCI



2018 Constituent  
MSCI Japan ESG  
Select Leaders Index

2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)



## ESG: Governance

- Strengthen the monitoring function by the seven outside directors who have various knowledge and experience
- Appointed SMBC Group Global Advisors in August 2018

### Board of Directors

**Internal Director  
(executive)**  
7 directors

**Internal Director  
(non-executive)**  
3 directors



**Outside Director**  
7 directors

#### Expertise

Management	3
Finance/accounting	1
Law	2
Diplomacy	1

- Outside director
- Internal director (executive)
- Internal director (non-executive)
- Outside experts
- Chairman

#### Internal Committees

Nomination	
Compensation	
Audit	
Risk (optional)	

### SMBC Group Global Advisors

- Appointed to provide advice on political, economic, and business issues around the world

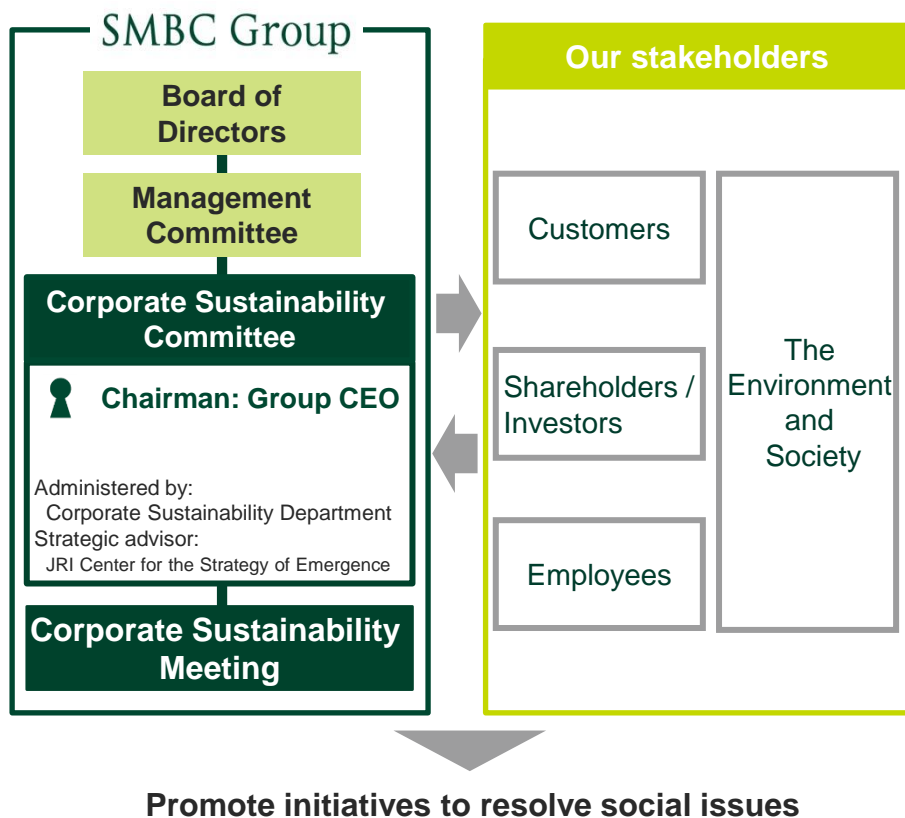
Name	Key Appointments
<b>Dr. Andreas Dombret</b>	A member of the Executive Board, Deutsche Bundesbank ('10-'18) Vice Chairman Europe, Bank of America ('05-'09)
<b>Dr. Robert D. Hormats</b>	Vice Chairman, Kissinger Associates ('13-Present) United States Under Secretary of State ('09-'13)
<b>Mr. Andrew N. Liveris</b>	Executive Chairman, DowDuPont Inc. ('17-'18) Chairman and CEO, The Dow Chemical Company ('06-'17)
<b>Mr. Cesar V. Purisima</b>	Secretary of Finance of the Republic of the Philippines ('10-'16) Secretary of Trade and Industry of the Republic of the Philippines ('04-'05)
<b>Sir David Wright</b>	Vice Chairman, Barclays Capital ('03-'17) British Ambassador to Japan ('96-'99)
<b>Mr. Joseph Yam</b>	A member of the Executive Council, Hong Kong SAR ('17-Present) Chief Executive of the Hong Kong Monetary Authority ('93-'09)



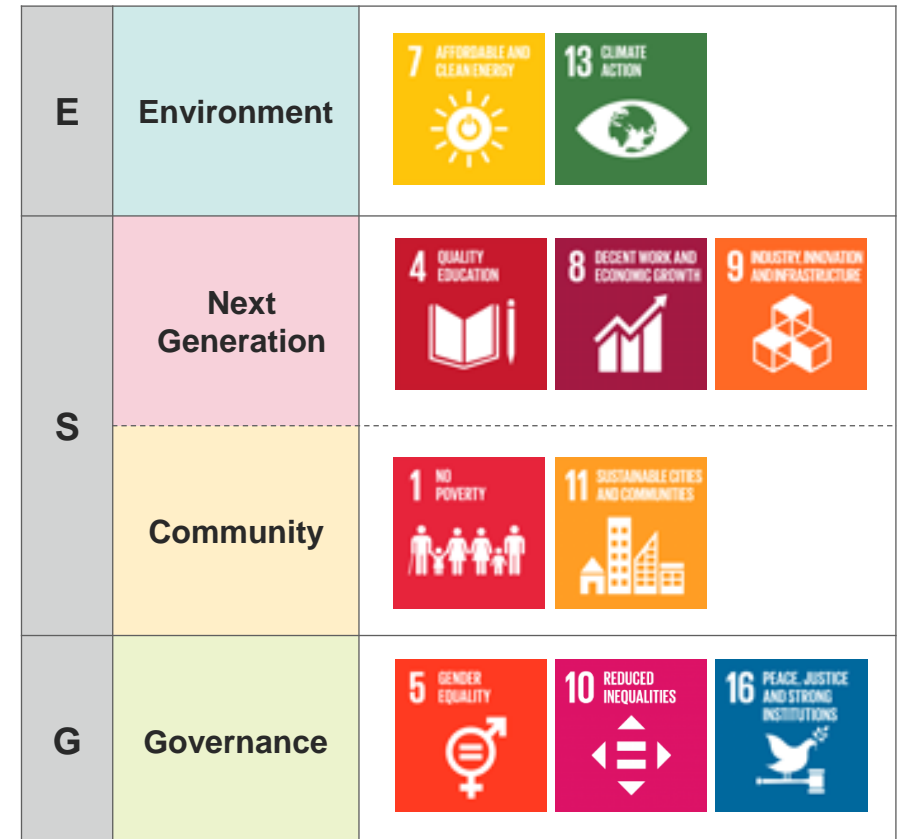
# ESG: Sustainability management

- Established “Corporate Sustainability Committee” chaired by the Group CEO
- Promote initiatives to resolve social issues and achieve the SDGs through business activities with the aim of realizing a sustainable society

## Sustainability management



## Goals to focus on through our business



# Why does SMBC Group issue a Green Bond?

- SMBC Group issues a Green Bond to meet investors' demand towards sustainability

## Deepening SMBC Group's ESG commitment

SMBC Group's mission is "We grow and prosper together with our customers, by providing services of greater value to them"

By issuing a Green Bond, SMBC Group contributes to:

- ✓ The rise of more attention to the role of the financial sector towards the Sustainable Development Goals
- ✓ Especially the fulfillment of Goals 3, 7, 9, 11, 12, 13, 14, and 15



## Leading the green finance market

SMBC Group has been the leading financial group in the green finance market

By issuing a Green Bond, SMBC Group contributes to:

- ✓ Promotion of global renewable energy finance market
- ✓ Broadening of the green market to meet the needs of investors
- ✓ Promotion of environmental business development with its broad resources

## Meeting SMBC Group's stakeholder needs

SMBC Group sees strong demands from stakeholders and the market towards sustainability

By issuing a Green Bond, SMBC Group is able to:

- ✓ Broaden and diversify investor base
- ✓ Deepen communication / dialogue with investors
- ✓ Contribute to mitigating climate-related risks and increasing new investment opportunities for investors

# Track record of SMFG's Green Bond

- 10 projects with EUR 528mn outstanding; allocation and impacts reviewed by Sustainalytics
- Impact reporting indicates estimated CO<sub>2</sub> reduction proportionate to the financing that SMBC provided

## Overview of the issuance

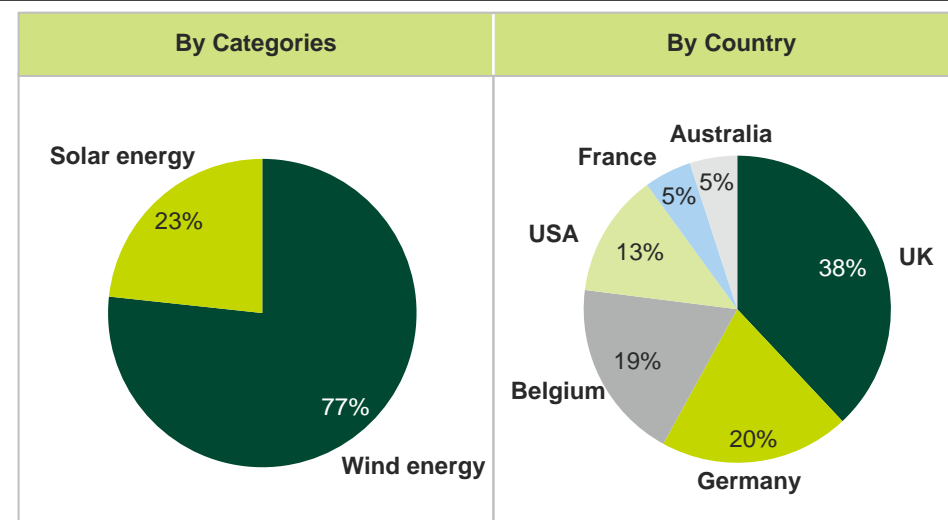
Issuer	Sumitomo Mitsui Financial Group, Inc.
Issue amount	EUR 500mn
Pricing date / Issue date	October 4, 2017 / October 11, 2017
Maturity	7 years
Coupon	0.934%
Rating	A1 (Moody's) / A- (S&P)
Format	Regulation S (Under Euro medium term note program)
Listing	Luxembourg Stock Exchange's Euro MTF market

## Impact reporting (as of March 31 2018)

Asset Area	Sub Category	Capacity (MW)	Estimated CO <sub>2</sub> emissions reduction (tCO <sub>2</sub> )	
				o/w SMBC Group financed
Renewable Energy	Wind power	2,226MW	3,092,065t-CO <sub>2</sub>	272,235 t-CO <sub>2</sub>
	Solar power	899MW	1,091,677t-CO <sub>2</sub>	166,593 t-CO <sub>2</sub>
Total		3,126MW	4,183,742t-CO <sub>2</sub>	438,828 t-CO <sub>2</sub>

## Green Bond Proceed allocation (as of March 31 2018)

Asset Area	Sub Category	Region	Outstanding (EUR mn)
Renewable Energy	Wind energy	Europe	101
	Wind energy	Europe	99
	Wind energy	Europe	73
	Wind energy	Europe	61
	Wind energy	Europe	44
	Wind energy	Europe	27
	Solar energy	Americas	42
	Solar energy	Europe	28
	Solar energy	Americas	28
	Solar energy	Australia	25
Total Use of Proceeds			EUR 528 mn
Percentage of Note Proceeds Funding Eligible Green Projects			105.6%





# Track record of SMBC's Green Bond

- Debut USD 500mn Green Bond in 2015; allocation to 12 projects with USD 539mn outstanding
- Impact reporting indicates estimated CO<sub>2</sub> reduction proportionate to the financing that SMBC provided

## Overview of the issuance

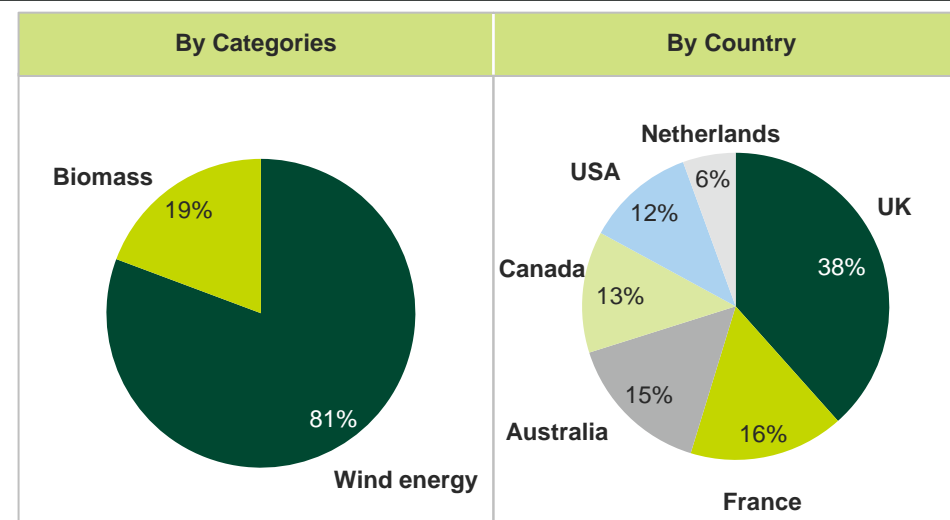
Issuer	Sumitomo Mitsui Banking Corporation
Issue amount	USD 500mn
Pricing date / Issue date	October 14, 2015 / October 20, 2015
Maturity	5 years
Coupon	2.45%
Rating	A1 (Moody's) / A stable (S&P)
Format	Section 3(a)(2)
Listing	Singapore Exchange Securities Trading Limited (SGX)

## Impact reporting (as of March 31 2018)

Asset Area	Sub Category	Capacity (MW)	Estimated CO <sub>2</sub> emissions reduction (tCO <sub>2</sub> )	
				o/w SMBC Group financed
Renewable Energy	Wind power	433,953MW	80,301 t-CO <sub>2</sub>	9,311t-CO <sub>2</sub>
	Biomass	2,576t/pa	3,299,948 t-CO <sub>2</sub>	171,801 t-CO <sub>2</sub>
Total		-	3,380,248 t-CO <sub>2</sub>	181,112 t-CO <sub>2</sub>

## Green Bond Proceed allocation (as of March 31 2018)

Asset Area	Sub Category	Region	Outstanding (EUR mn)
Renewable Energy	Wind energy	Europe	73
	Wind energy	Americas	62
	Wind energy	Europe	54
	Wind energy	Australia	52
	Wind energy	Americas	40
	Wind energy	Europe	34
	Wind energy	Australia	31
	Wind energy	Europe	30
	Wind energy	Europe	30
	Wind energy	Americas	29
	Biomass	Europe	71
	Biomass	Europe	33
Total Use of Proceeds			USD 539 mn
Percentage of Note Proceeds Funding Eligible Green Projects			107.8%



# Key aspects of SMBC Group's Green Bond based on Green Bond Principles 2018

## 1. Use of proceeds

- The net proceeds will be allocated to Eligible Green Projects
  - (a) Renewable energy
  - (b) Energy efficiency
  - (c) Green buildings
  - (d) Clean transportation
  - (e) Pollution prevention & control
- Look back period: 24 months
- Projects categorized as either Category B or C under the Equator Principles

Project category


## 3. Management of proceeds

- Maintain the list of all the Eligible Green Project loans and manage the balance for each Eligible Green Project
- Pending allocation proceeds will be invested in overnight or other short-term financial instruments
- Payment of the principal and interest on the notes will be made from SMBC's general funds and will not be directly linked to the performance of any Eligible Green Project

## 2. Project evaluation and selection

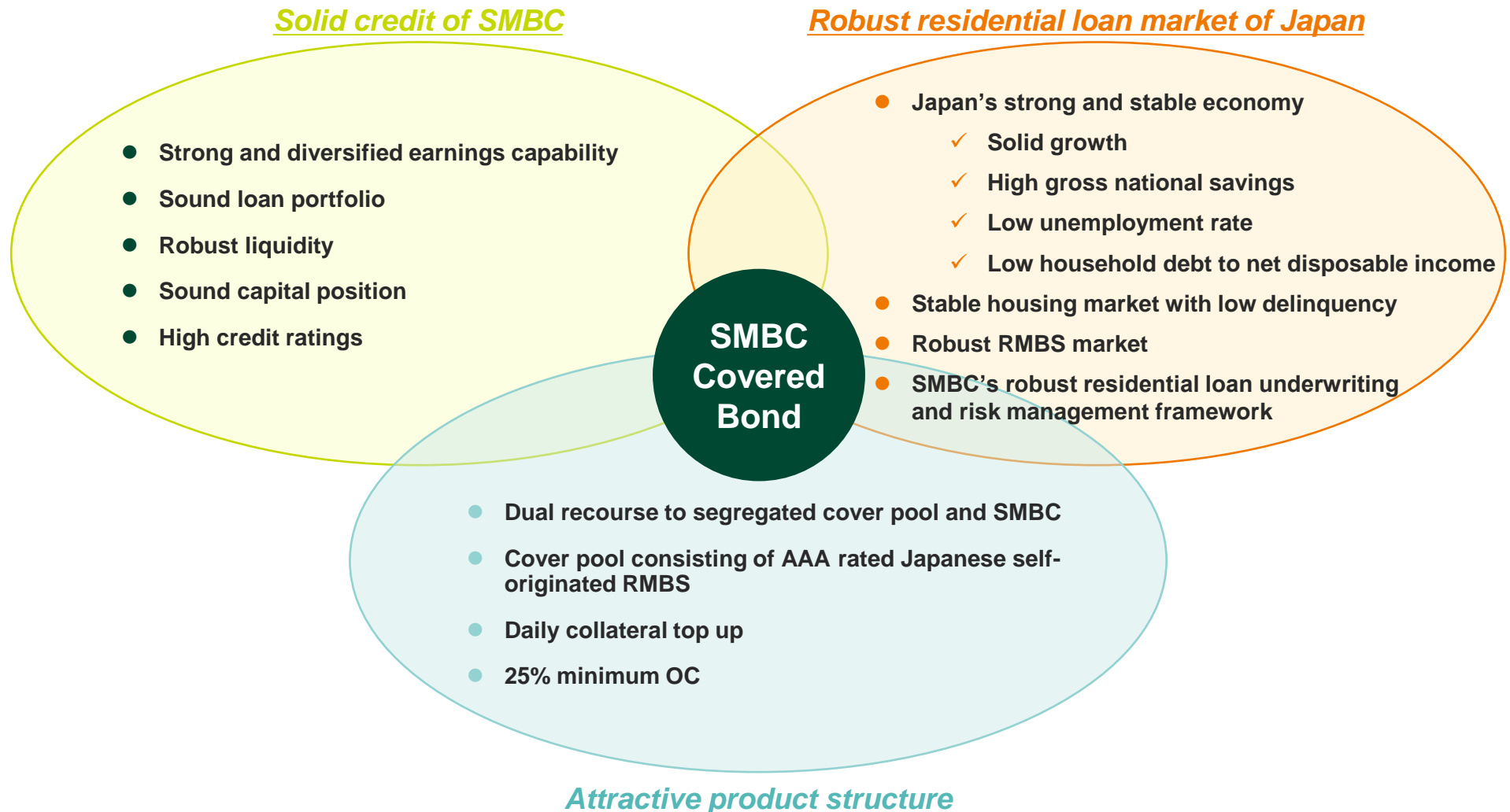
- SMFG's Corporate Treasury Dept. and SMBC's Planning Dept., Treasury Unit worked together with SMFG's Corporate Sustainability Dept. to establish the criteria for Eligible Green Projects
- SMBC's Structured Finance Dept. selects the project pool which meets the criteria
- SMFG's Corporate Treasury Dept. and SMBC's Planning Dept., Treasury Unit decide the eligible projects and allocate net proceeds of the Green Bond to them
- JRI supports the election of criteria for Eligible Green Projects and the selection process as an advisor

## 4. Reporting

- Annually update information on the allocation of the net proceeds to the Eligible Green Projects
  - Project category, current funded amounts, initial funding dates and contractual maturity dates, and
  - Assertions made by SMBC Group's management on the allocation, accompanied by a report from **Sustainalytics** 
- Annually report an estimate of the expected tons of CO<sub>2</sub> emissions equivalent avoided through Renewable Energy Projects, in conjunction with support from **JRI**

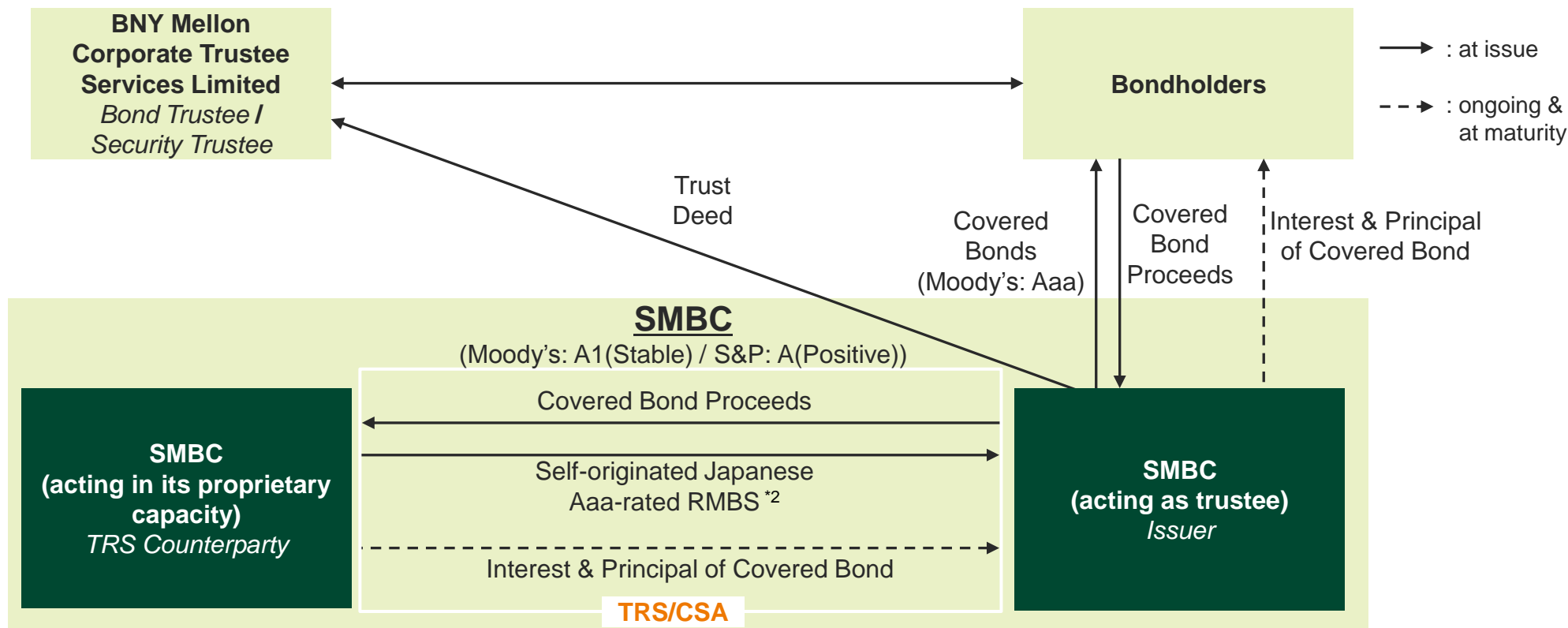
## SMBC covered bond: Investment highlights

- The SMBC Covered Bond Programme offers an opportunity to gain exposure to one of the highest quality asset classes in Japan with a top notch rating
- Historically, Japanese banks have not been active in the secured market due to absence of dedicated covered bond legislation. Our contractual framework will satisfy key covered bond requirements for the investors and will grant SMBC access to broader capital markets to further diversify investor base



# SMBC covered bond: Programme

<b>Issuer / Status of the Bonds</b>	<ul style="list-style-type: none"> <li>SMBC acting as trustee of the Trust<sup>*1</sup></li> <li>Senior secured obligation of the Issuer with recourse to trust property as a segregated 'cover pool' as well as to the property of SMBC acting in its proprietary capacity</li> </ul>
<b>Dual Recourse</b>	<ul style="list-style-type: none"> <li>Cover pool assets are duly segregated in the Trust Account (subject to security interests for Bondholders) in accordance with the Trust Act and do not form part of the assets available to general creditors of SMBC in its proprietary capacity upon insolvency in its proprietary capacity</li> <li>The Trust Act of Japan provides Bondholders with recourse to SMBC's assets available to general creditors, in addition to recourse to the cover pool assets held in the Trust Account</li> </ul>
<b>Total Return Swap ("TRS") / Credit Support Annex ("CSA")</b>	<ul style="list-style-type: none"> <li>TRS and CSA ensure SMBC, as the TRS counterparty, (1) makes payments which effectively match the payment obligations (principal and interest) to Bondholders and (2) meets Asset Coverage Test requirement</li> </ul>



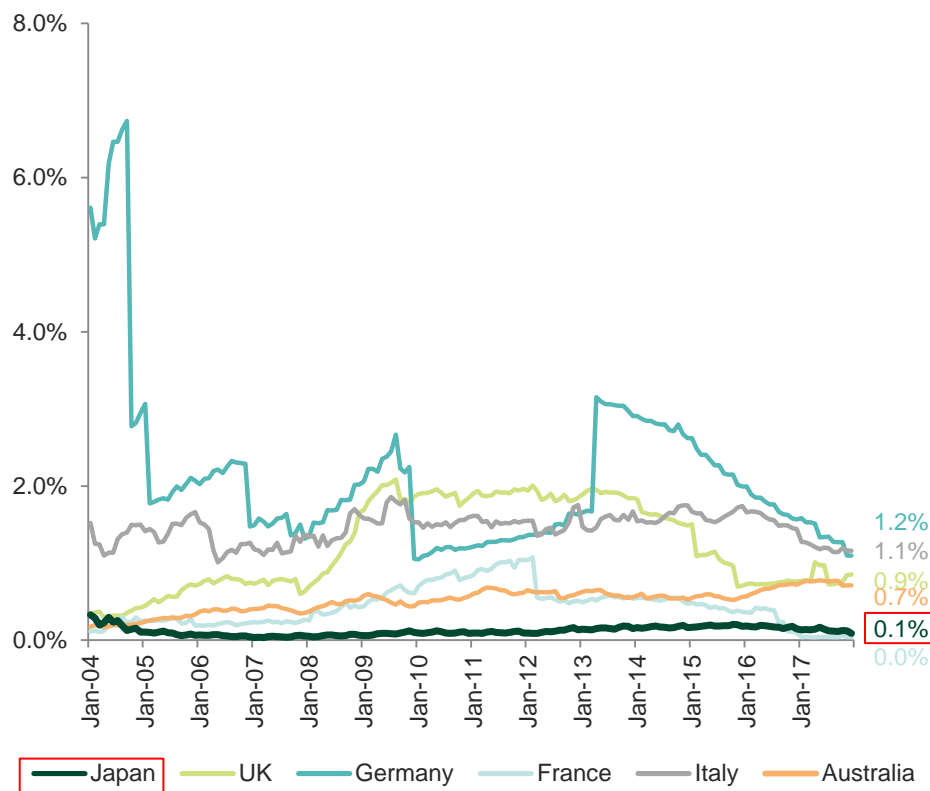
<sup>\*1</sup> SMBC, licensed by Japanese FSA as financial institutions which engage in trust business, acting as trustee on behalf of a specified money trust (*tokutei kinsen shintaku*) No. 0010-377600-0001 (the "Trust")

<sup>\*2</sup> Cover pool assets may include senior tranches Aa-rated RMBS where higher haircut ratio of 20% is applied, JGB and cash

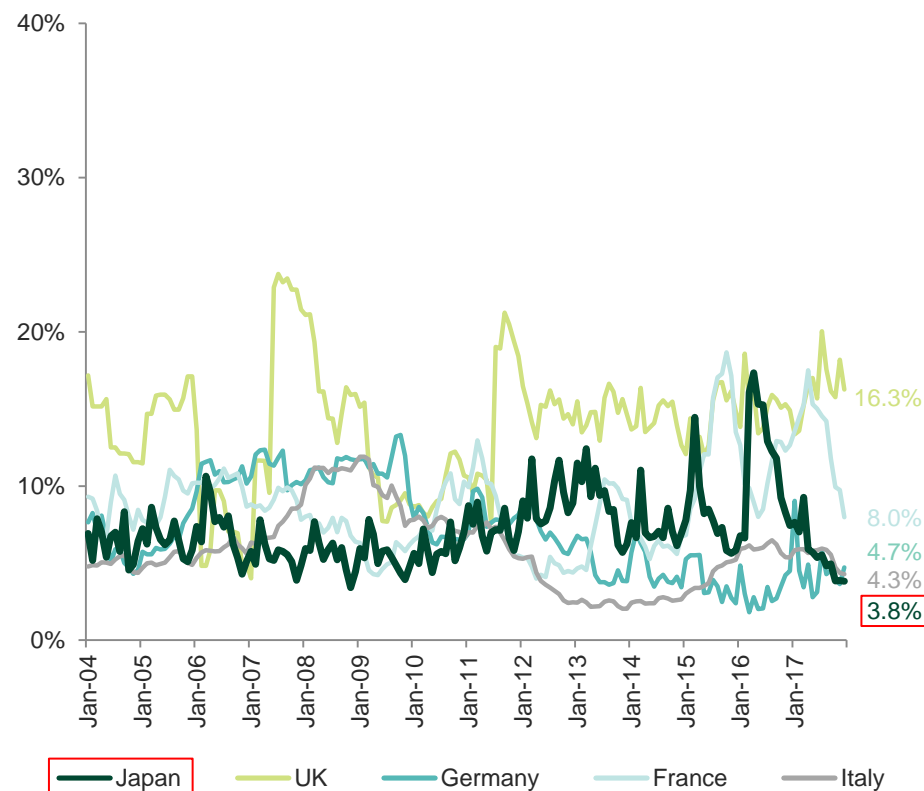
## RMBS market: Historical trend of delinquency and prepayment rate

- Delinquency rate in the Japanese RMBS market has been low supported by the strong job market and stringent underwriting practices
- Current Prepayment rate of Japanese RMBS market is low compared to other developed countries

### RMBS 90+ Days delinquency



### Prepayment rate



Note: Japanese data is calculated based on the formula of "61+ days delinquency ratio (per month) – 61-90 days delinquency ratio (adjusted to per month)", and 61-90 days delinquency ratio (adjusted to per month) is calculated based on the formula of "61-90 days delinquency ratio (per annual) / 12"

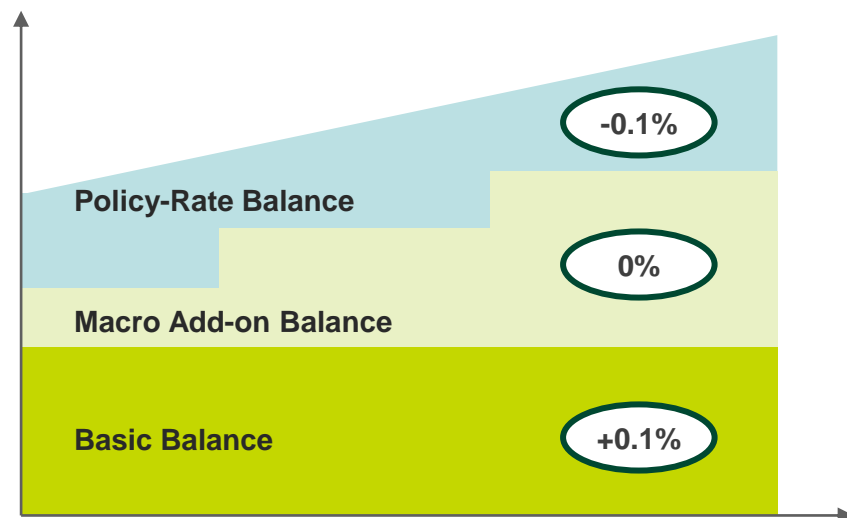
Source: Moody's

# BOJ's monetary policy

## Timeline

<b>Apr. 2013</b>	Introduction of the Quantitative and Qualitative Monetary Easing (QQE)
<b>Oct. 2014</b>	Expansion of QQE
<b>Jan. 2016</b>	Introduction of Negative Interest Rate Policy
<b>Sep. 2016</b>	Introduction of QQE with yield curve control
<b>Jul. 2018</b>	Strengthening the Framework for Continuous Powerful Monetary Easing

## Three-tier system in current accounts at BOJ

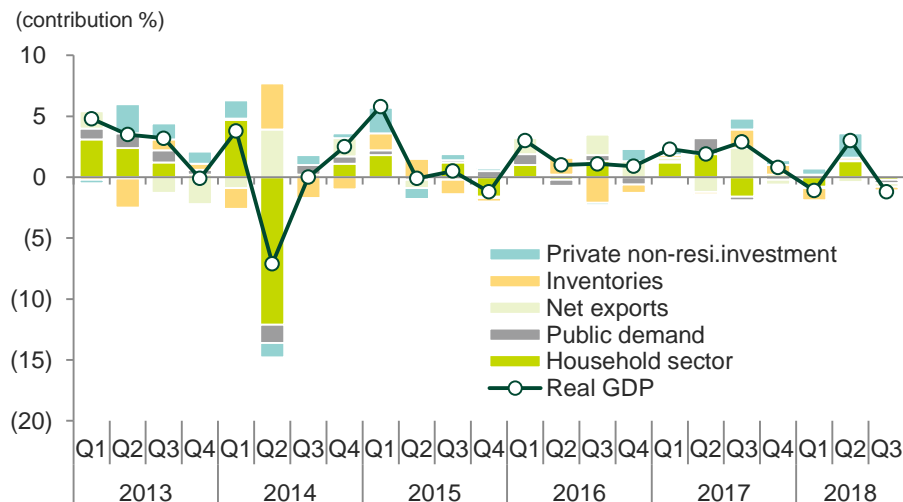


## Jul. 2018 announcement

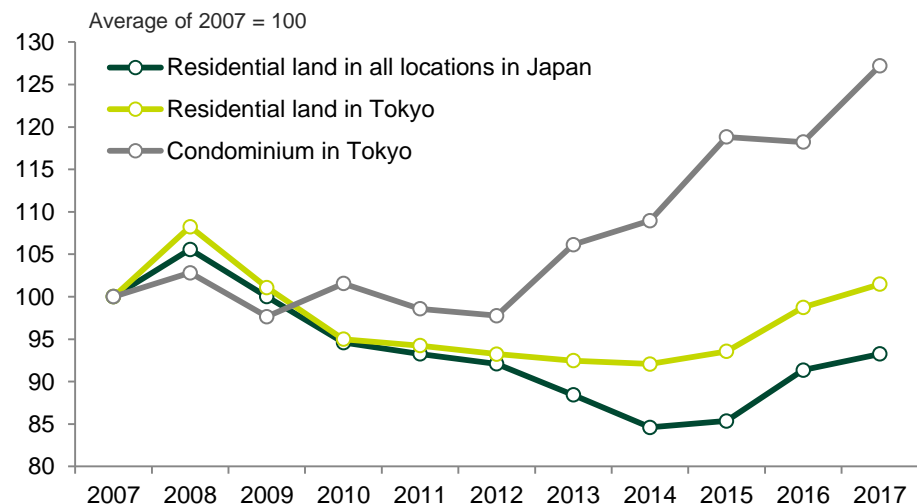
- **Introduction of forward guidance for policy rates**
  - Maintain the current level of low interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices **including the effects of the consumption tax hike scheduled in Oct. 2019**
- **Flexible operation of yield curve control**
  - Continue to purchase JGBs so that 10-year JGB yield will remain at around 0% **with allowing certain volatility of the yields**
  - Conduct JGBs purchases **in a flexible manner** so that their amount outstanding will increase at an annual pace of about JPY 80 tn
- **Flexible operation of asset purchases**
  - Continue to purchase ETFs and J-REITs so that their balances will increase at approximate annual paces of ¥6 trillion and ¥90 billion respectively
  - **Make the buying operation in a flexible manner** depending on market conditions
- **Reduce the Policy-Rate Balance**
  - **Reduce the size of the policy-rate balance** to which a negative interest rate is applied from the current level of about JPY 10 tn on average to about JPY 5 tn. By doing so, the BoJ will be able to alleviate cost pressure on private financial institutions

# Current Japanese economy

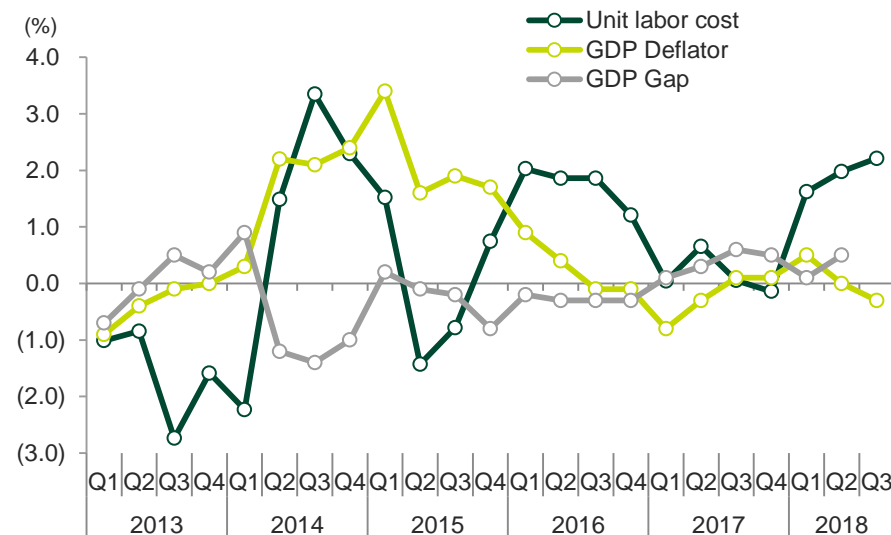
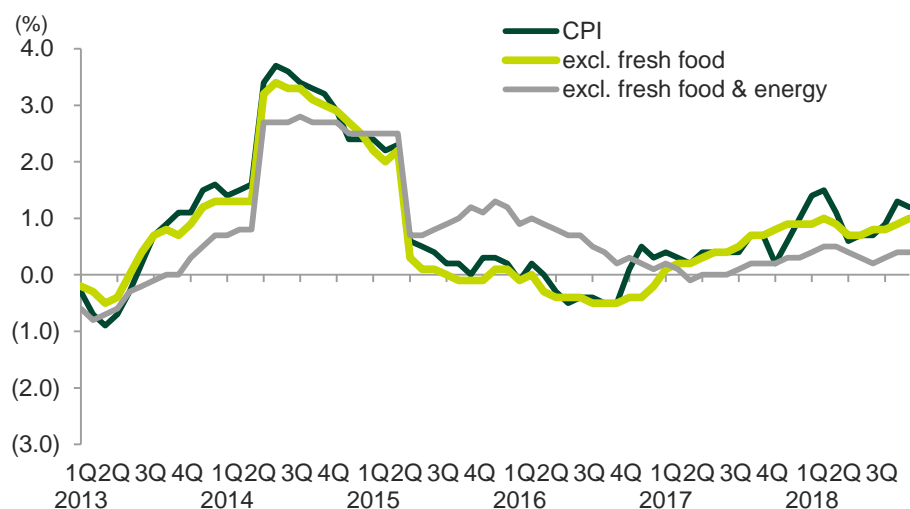
## Real GDP growth rate (annualized QOQ change) \*1



## Price index for residential land and condominiums \*2



## Indicators to measure progress out of deflation \*3



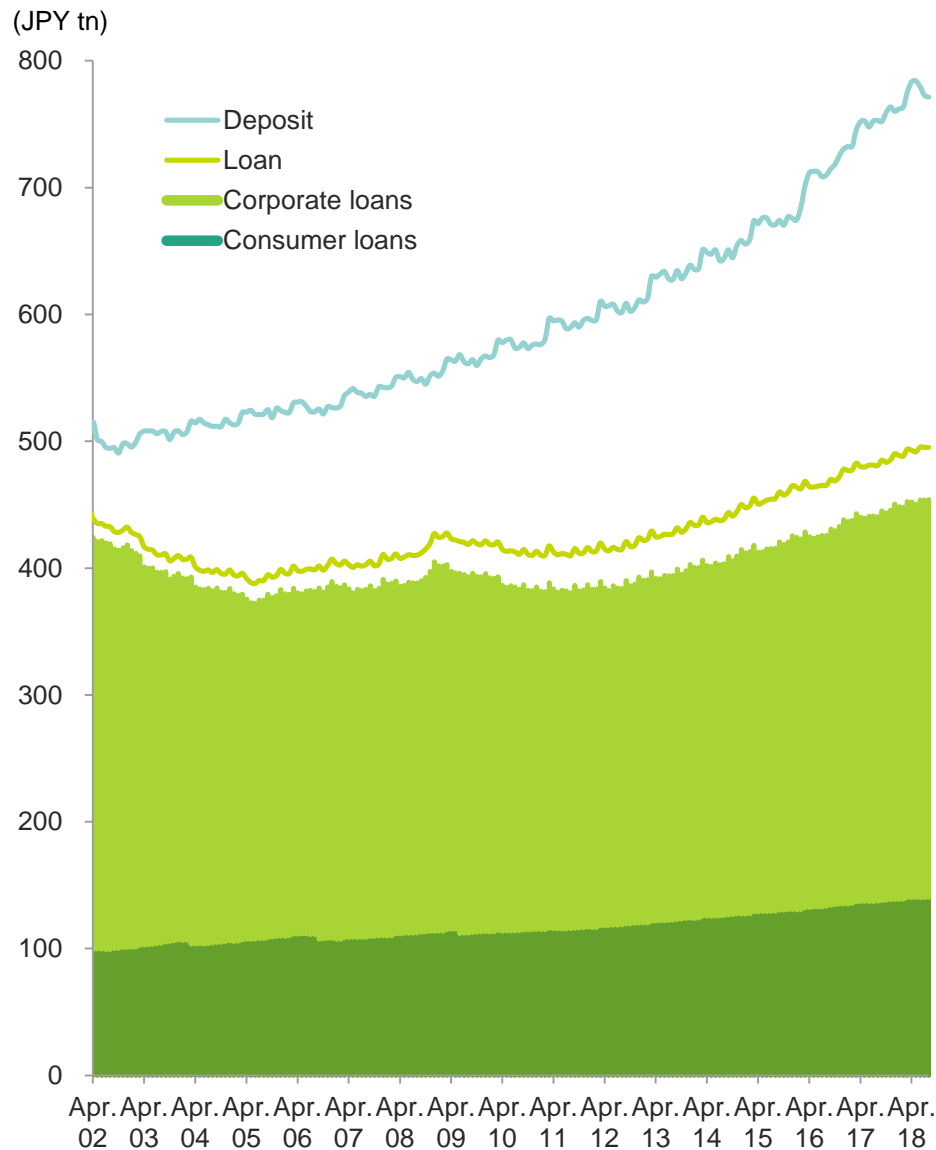
\*1 Source: Cabinet Office. Seasonally adjusted series. Household sector = Private consumption + Private residential investment, Inventories = Change in private and public inventory, Public demand = Government consumption + Public investment

\*2 Source: Ministry of Land, Infrastructure, Transport and Tourism. Real Estate Economic Institute Co., Ltd.

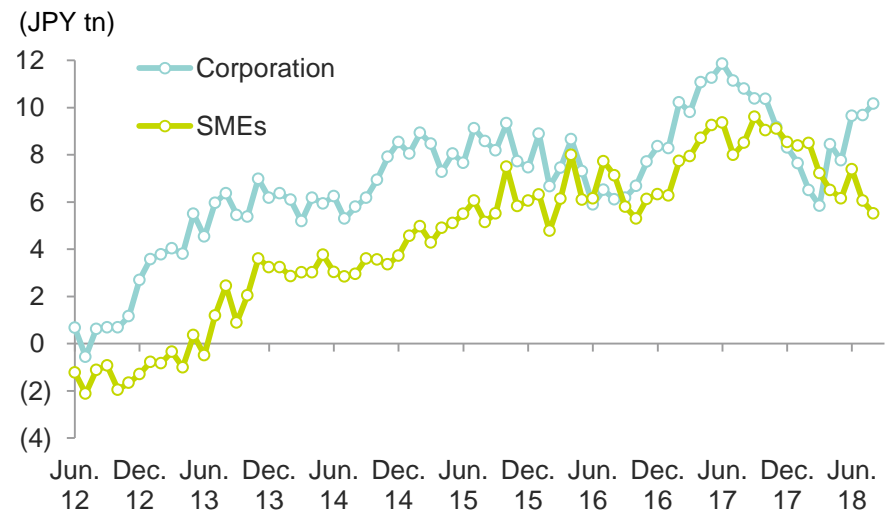
\*3 Source: Statistics Bureau, Cabinet Office and Ministry of Internal Affairs and Communications. Figures excluding GDP Gap are YOY change

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

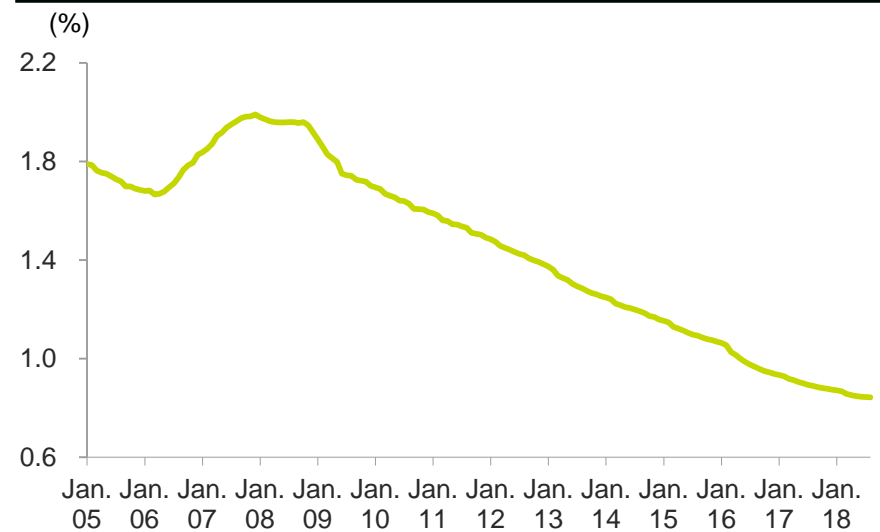
## Loan and deposit balance of domestic banks



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



## Average loan spread of domestic banks\*3



\*1 Source: Bank of Japan "Deposits and Loans Market"

\*2 Period end balance \*3 Stock basis



# Japanese national wealth

Balance sheet of Japan (as of Dec. 2016, JPY tn)<sup>\*1</sup>

Closing assets		10,497	Closing liabilities plus net worth		10,497
<b>Households</b>		<b>2,889</b>	Households		315
Financial assets		1,824	Non-financial corporations		1,749
Non-financial assets		1,065	Stocks		800
Land		703	Financial corporations		3,764
Non-financial corporations		2,251	Stocks		127
Financial assets		1,117	General government		1,285
Non-financial assets		1,134	Closing liabilities		7,146
Land		289	<b>Net worth</b>		<b>3,351</b>
Financial corporations		3,925	Households		2,574
General government		1,302	Non-financial corporations		501
Financial assets		604	Financial corporations		161
Financial assets		7,495	General government		18
Non-financial assets		3,002			

\*1 Source: Cabinet Office

\*2 Source: IMF Stat. The figures shown in the graph are from 2009 to 2016

\*3 Source: Ministry of Finance Japan. As of Dec. 31, 2017

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

