

Investor Presentation

February 2019



SUMITOMO MITSUI
FINANCIAL GROUP

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.

Definitions

- SMFG : Sumitomo Mitsui Financial Group, Inc.
- SMBC : Sumitomo Mitsui Banking Corporation
- SMBC Trust : SMBC Trust Bank
- BTPN : PT Bank BTPN Tbk
- SMFL : Sumitomo Mitsui Finance and Leasing
- SMBC Nikko : SMBC Nikko Securities
- SMBC Friend : SMBC Friend Securities Co. Ltd.
- SMCC : Sumitomo Mitsui Card Company
- SMBCCF : SMBC Consumer Finance
- SMAM : Sumitomo Mitsui Asset Management
- SMBCAC : SMBC Aviation Capital
- 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
- Retail Business Unit (RT) : Domestic retail and SME businesses
SMBC (RT), SMBC Trust (RT), SMBC Nikko (RT),
SMCC, Cedyna, SMBCCF, others
- Wholesale Business Unit (WS) : Domestic large/mid-size corporation business
SMBC (WS), SMBC Trust (WS), SMFL (Domestic), SMBC Nikko (WS), others
- International Business Unit (Inter.) :
SMBC (Inter.), SMBC Trust (Inter.), SMFL (Inter.), SMBC Nikko (Inter.), others
- Global Markets Business Unit (GM) : Market / Treasury related businesses
SMBC (Treasury), SMBC Nikko (Product), others
- Large corporations : Global Corporate Banking Division
- Mid-sized corporations & SMEs : Corporate Banking Division and SMEs covered by Retail Banking Unit
- Exchange rates(TTM)

	Dec.17	Mar.18	Dec.18
USD	JPY113.00	JPY 106.25	JPY 111.02
EUR	JPY134.99	JPY 130.73	JPY 127.01

I. 3Q, FY3/2019 performance and FY3/2019 target

1. Highlights of 3Q, FY3/2019 performance	5
2. Earnings target for FY3/2019	7
3. Breakdown of gross profit	8
4. Loans	9
5. Domestic loans and deposits	10
6. Overseas loans and deposits	11
7. Balance sheet	12
8. Gains (losses) on bonds / bond portfolio	13
9. Expenses	14
10. Credit costs and non-performing loan	15

II. Progress of Medium-Term Management Plan and initiatives going forward

1. Review of the first half of Medium-Term Management Plan and initiatives going forward	17
2. Transformation of business/asset portfolio	18
3. Cost control	19
4. Initiatives by business unit	20
5. Digitalization	30
6. ESG	32

III. Capital policy

1. Capital position	36
2. Basic capital policy	37
3. Shareholder returns	38
4. Strategic shareholdings	39

IV. Key takeaways 40

Appendix

I. 3Q, FY3/2019 performance and FY3/2019 target

1. Highlights of 3Q, FY3/2019 performance

- Consolidated net business profit reached 77% and profit attributable to owners of parent reached 91% of the full-year target

(JPY bn)	1-3Q, FY3/19	YoY	Full-year target
Consolidated gross profit	USD 19.3 bn 2,146.8	(95.2)	
G&A expenses	1,279.5	(72.2)	
Overhead ratio	59.6%	(0.7)%	
Equity in gains (losses) of affiliates	42.5	+2.4	
Consolidated net business profit	USD 8.2 bn 909.8	(20.6)	1,180
Total credit cost	53.0	+1.1	130
Gains (losses) on stocks	81.0	(8.0)	
Ordinary profit	USD 8.4 bn 931.5	(28.1)	1,120
Extraordinary gains (losses)	(7.6)	+2.8	
Income taxes	200.5	(20.8)	
Profit attributable to owners of parent	USD 5.7 bn 637.9	(10.2)	700
ROE	9.6%	(0.7)%	

YoY changes

Consolidated gross profit decreased by JPY 16 bn excluding the impact from the deconsolidation of the Kansai regional banks. Market-related and wealth management businesses were sluggish compared to the 1H results due to the recent deterioration of the market conditions, while overseas business showed a solid performance.

G&A expenses decreased as a result of group-wide cost control initiatives, even excluding the impact from the deconsolidation of the regional banks.

Total credit cost remained almost flat due to the incurrence of credit cost from large non-Japanese borrowers in the 3Q, while reversals from large Japanese borrowers were recorded in the 1H at SMBC.

Gains on stocks decreased because gains on sales of strategic shareholdings declined (JPY 52 bn, YoY JPY (16) bn), offsetting the one time impact from the reorganization of SMFL (JPY +17bn.)

Impact from the deconsolidation of the regional banks (1Q-3Q, FY3/19)

		(JPY bn)
Consolidated gross profit	(79)	Consolidated net business profit (2)
G&A expenses	(62)	Profit attributable to owners of parent +10
Equity in gains (losses) of affiliates	+15	

(Ref.) Performance of the major group companies

SMBC

	1-3Q, FY3/19	YoY	Full-year target
(JPY bn)			
Gross banking profit	1,026.0	(36.3)	
o/w Net interest income	696.3	(13.1)	
o/w Net fees and commissions	238.7	+2.4	
o/w Net trading income + Net other operating income	89.5	(25.6)	
o/w Gains (losses) on bonds	2.6	(19.4)	
Expenses	605.1	(1.3)	
Banking profit	420.9	(35.0)	605
Total credit cost	(30.9)	+4.3	0
Gains (losses) on stocks	58.2	(25.5)	
Ordinary profit	490.0	(68.1)	640
Net income	348.5	(84.2)	460

Other major group companies

(left : results of 1-3Q, FY3/19 / right : YoY)

	(JPY bn)	SMBC Nikko ^{*1}	SMBCCF		SMCC	66%
Gross profit		255.2 (8.4)	201.6	+5.3	173.1	+13.5
Expenses		209.5 +16.5	82.1	+2.0	138.1	+13.0
Net business profit		45.7 (24.9)	119.5	+3.4	34.9	+0.5
Net income		32.3 (15.9)	49.4	+7.5	16.8	+0.3

	(JPY bn)	SMFL 60% ^{*2}	Cedyna	SMBC Trust
Gross profit	141.6	(1.0)	116.8 (2.6)	36.9 +6.3
Expenses	66.6	+2.9	85.7 (0.5)	40.2 +3.0
Net business profit	76.4	(4.2)	31.3 (2.0)	(3.3) +3.3
Net income	46.7	+0.4	14.9 (1.6)	(3.8) +1.6

	(JPY bn)	SMAM 60%
Gross profit	19.6	+1.9
Expenses	13.1	+0.5
Net business profit	6.6	+1.4
Net income	4.4	+0.8

2. Earnings target for FY3/2019

- Revised earnings target based on the first half results (announced November 2018)

		Results	Target	
		FY3/18	FY3/19	vs May target
Consolidated	(JPY bn)			
	Consolidated net business profit	1,203.8	1,180	+25
	Total credit cost	94.2	130	(70)
	Ordinary profit	1,164.1	1,120	+100
Non-consolidated	Profit attributable to owners of parent	734.4	700	-
	Banking profit	617.2	605	-
	Total credit cost	(26.7)	0	(70)
	Ordinary profit	755.3	640	+50
	Net income	577.0	460	+40

Per share information (JPY / share)

Profit attributable to owners of parent	520.67	501.58	-
Dividend	170	170	-

Changes from the May target

Consolidated net business profit

While the first half results exceeded the May target by JPY 85.4 bn, as we expect the market conditions in the second half to be uncertain, the target of consolidated net business profit was revised upward by only JPY 25 bn against the May target.

Total credit cost (consolidated)

Lowered the target by JPY 70 bn because credit cost at SMBC in the first half was lower than the May target.

Profit attributable to owners of parents

Remains the same because income tax is expected to increase, while the target of ordinary profit was revised upward by JPY 100 bn.

(Factors to increase income tax)

- Profit is higher than expected.
- Tax on unrealized gains on assets is expected to be imposed as a result of applying the consolidated tax system to SMCC, which will become a wholly owned subsidiary of SMFG.

3. Breakdown of gross profit

By business units^{*1}

	(JPY bn)	FY3/18	1H, FY3/19	YoY ^{*3}
Consolidated gross profit		2,981.1	1,460.0	(5.8)
o/w SMBC's domestic income		470.0	226.8	(8.1)
on loans and deposits				
International Business Unit's income		261.3	148.1	+10.9
on loans and deposits ^{*2}				
o/w Retail Business Unit		1,311.5	633.0	+2.8
Wealth management business		360.7	170.8	(2.4)
Credit card business		385.2	192.5	+8.3
Income on loans at SMBC		145.0	68.3	(4.5)
Consumer finance business		302.1	152.4	+1.9
o/w Wholesale Business Unit		772.9	383.1	+12.0
Income on loans		177.8	86.8	(3.4)
S Money remittance, electronic banking		64.1	32.1	+1.0
B Foreign exchange		41.9	19.9	+0.4
C Loan syndication		51.6	14.6	(7.8)
Structured finance		31.5	20.8	+13.6
Security business		81.9	40.8	+5.3
Leasing business		122.8	61.6	+0.3
o/w International Business Unit		632.0	338.1	+21.5
Asset related income ^{*2}		403.8	207.8	+2.2
Loan related fees ^{*2}		98.5	53.8	+4.6
Securities business		39.6	20.9	+2.2
Aircraft leasing		45.8	24.0	+0.2
o/w Global markets Business Unit		356.2	200.2	+3.8
o/w SMBC's Treasury Unit		273.4	158.8	+2.5

By accounting items

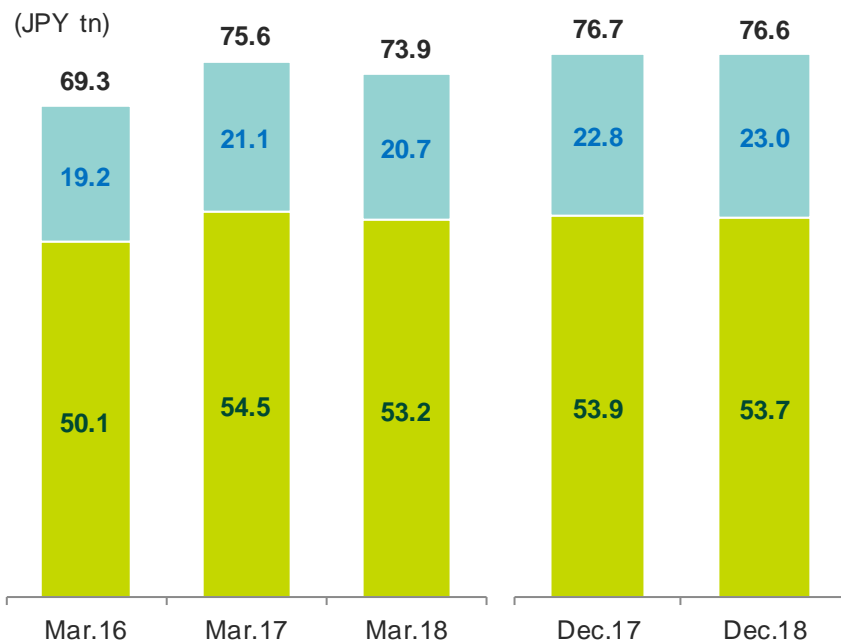
	(JPY bn)	FY3/18	1H, FY3/19	YoY
Consolidated gross profit^{*4}		2,981.1	1,460.0	(5.8)
Net interest income		1,390.2	684.4	(23.7) ^{*5}
o/w SMBC		957.0	485.8	+5.2
Domestic		707.3	332.2	(21.4)
Overseas		249.7	153.6	+26.6
SMBCCF		171.0	88.0	+3.0
Trust fees		3.9	2.2	+0.3
Net fees and commissions		1,066.6	506.6	+22.0 ^{*5}
o/w SMBC		329.9	157.0	+13.1
SMCC		211.0	106.0	+9.0
SMBC Nikko		198.0	101.0	+9.0
Cedyna		107.0	53.0	(0.0)
SMBCCF		70.0	37.0	+2.0
Net trading income		520.3	266.8	(4.4)
+ Net other operating income				
o/w SMBC		139.0	60.6	(22.9)
SMFL		154.0	88.0	+7.0
SMBC Nikko		156.0	70.0	(17.0)

4. Loans^{*1}

Loan balance

Breakdown of change from Dec. 2017 to Dec. 2018

Domestic offices excl. Japan offshore banking accounts excl. loans to the Japanese government, etc. and SMFG	(0.2) (0.0)
Overseas offices and Japan offshore banking accounts after adjustment for changes in exchange rate	+0.2 +0.9
Total	(0.1)



Loans to the Japanese government, etc. and SMFG

JPY 1.3 tn	JPY 3.5 tn	JPY 2.8 tn	JPY 3.0 tn	JPY 2.8 tn
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Domestic loan-to-deposit spread

	1-3Q, FY3/19 (%)	YoY	1Q	2Q	3Q
Interest earned on loans and bills discounted	0.94	(0.04)	0.95	0.95	0.93
Interest paid on deposits, etc.	0.00	(0.00)	0.00	0.00	0.00
Loan-to-deposit spread	0.94	(0.04)	0.95	0.95	0.93

(Ref) Excludes loans to the Japanese government, etc.

Interest earned on loans and bills discounted	0.98	(0.04)	0.99	0.98	0.97
Loan-to-deposit spread	0.98	(0.04)	0.99	0.98	0.97

Average loan balance and spread^{*2}

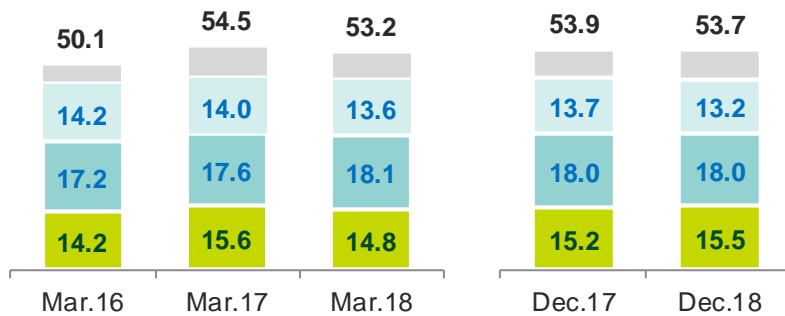
	Balance (JPY tn)		Spread (%)	
	1-3Q, FY3/19	YoY ^{*4}	1-3Q, FY3/19	YoY
Domestic loans	51.9	(0.9)	0.76	(0.02)
Excluding loans to the Japanese government, etc.	49.2	(0.5)	0.79	(0.03)
o/w Large corporations	15.0	(0.5)	0.52	+0.00
Mid-sized corporations & SMEs	17.6	+0.4	0.65	(0.04)
Individuals	13.4	(0.5)	1.43	(0.03)
IBU's interest earning assets ^{*3} (USD bn, %)	293.0	+15.9	1.12	(0.03)

5. Domestic loans and deposits^{*1}

Domestic loan balance^{*2}

(JPY tn)

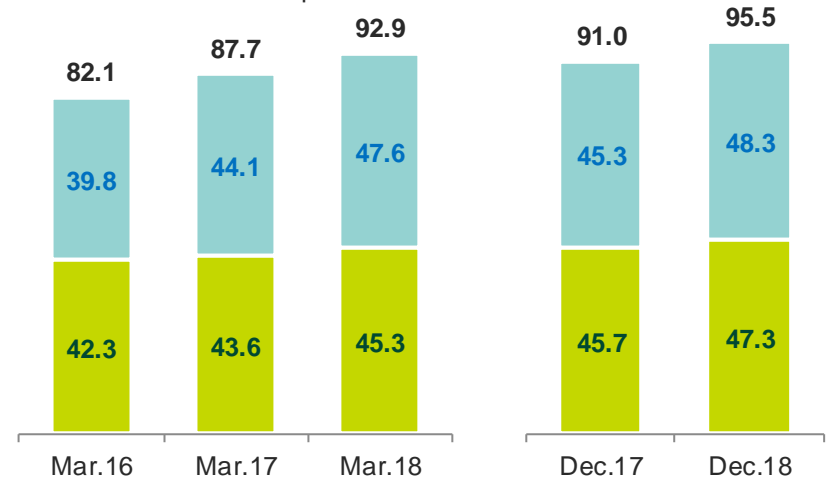
- Individuals
- Mid-sized corporations and SMEs
- Large corporations



Domestic deposit balance

(JPY tn)

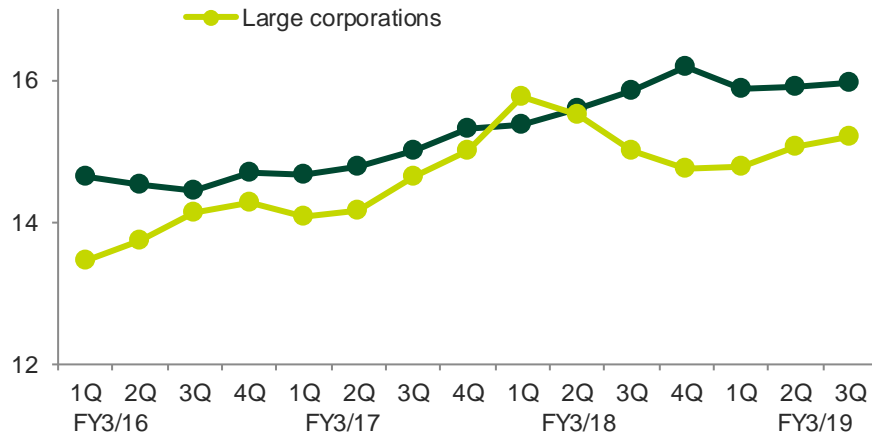
- Individuals
- Corporates



Domestic corporate loan balance^{*2,3}

(JPY tn)

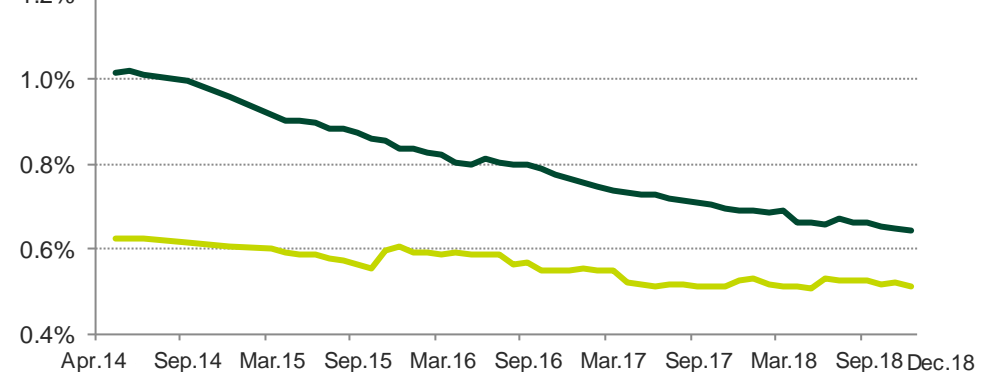
- Mid-sized corporations and SMEs(CBD)
- Large corporations



Domestic corporate loan spread^{*2,4}

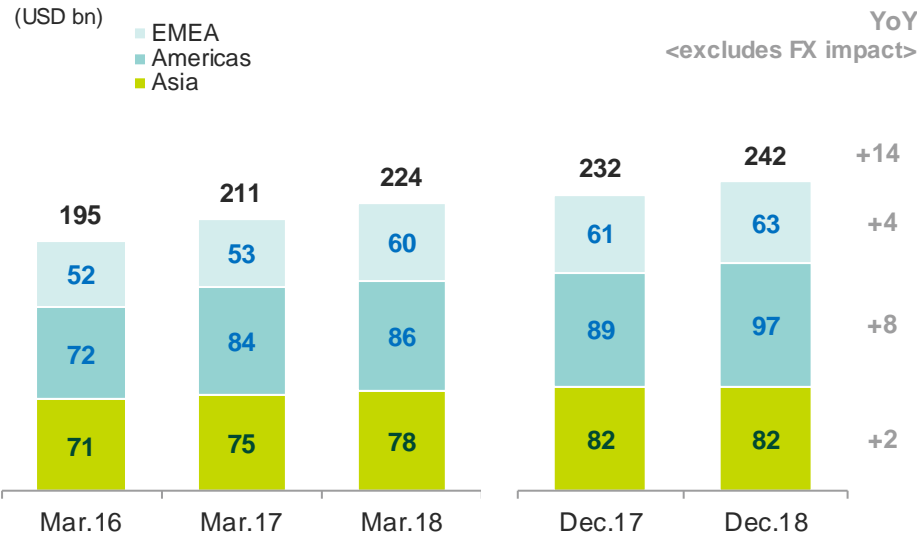
1.4%

- Mid-sized corporations and SMEs
- Large corporations

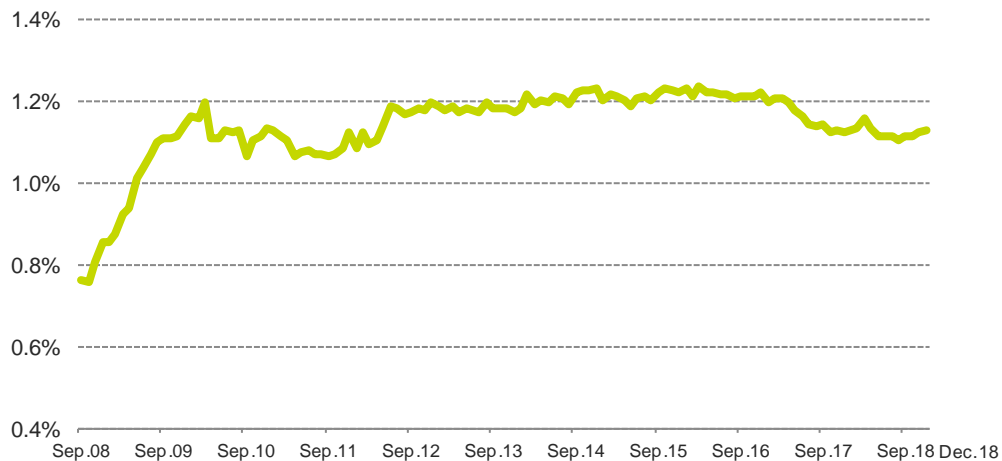


6. Overseas loans and deposits*1

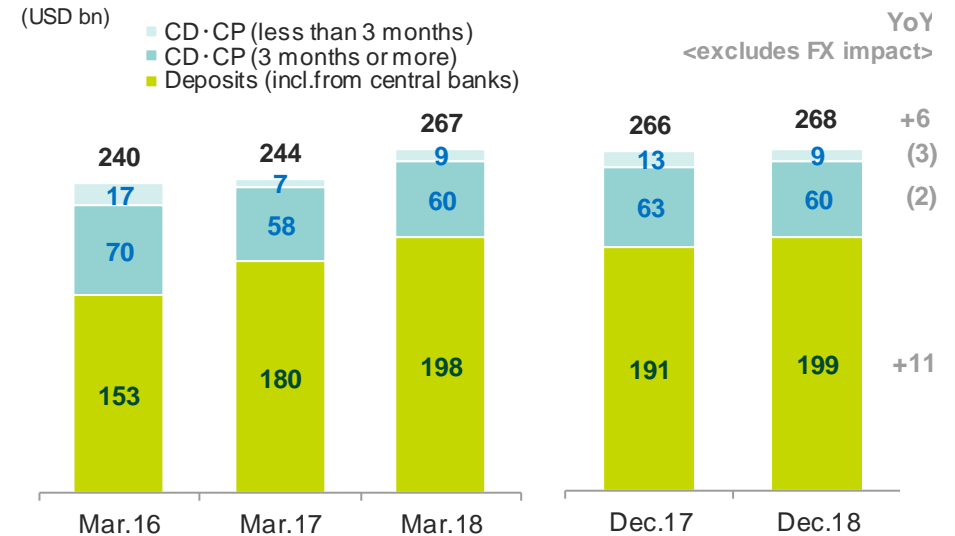
Overseas loan balance (includes trade bills)



Overseas loan spread*2



Overseas deposit balance



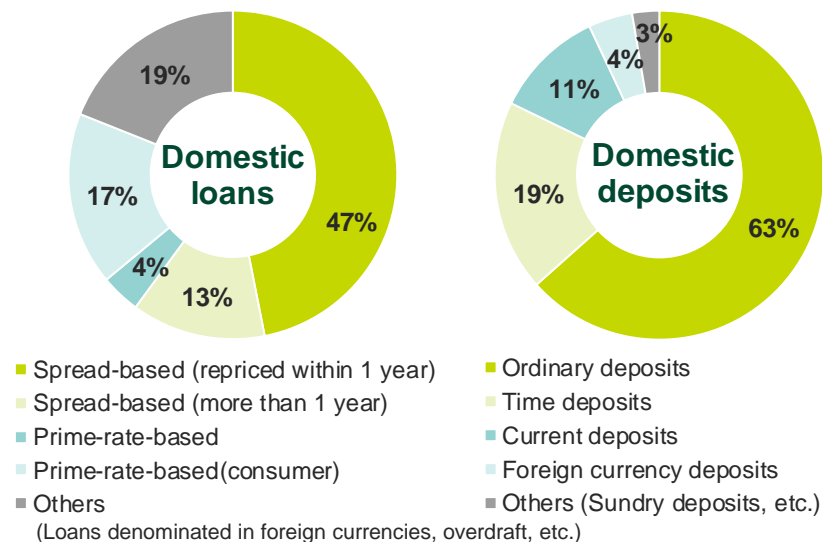
Foreign currency bonds outstanding*3	Senior	44.1	54.2	51.5	60.9
	Subordinated	4.1	4.2	4.1	4.1

7. Balance sheet

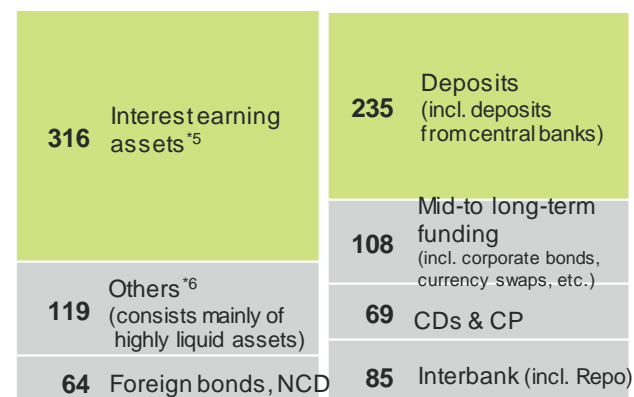
Consolidated B/S

	Dec.18	vs Mar.18
	(JPY tn)	
Total assets	202.0	+3.0
o/w Cash and due from banks	54.2	+0.5
o/w BOJ's current account balance ^{*1}	42.5	+1.0
o/w Loans	77.7	+4.7
o/w Domestic loans ^{*1}	53.7	+0.5
o/w Large corporations ^{*2}	15.5	+0.7
Mid-sized corporations & SMEs ^{*2}	18.0	+0.0
Individuals ^{*2}	13.2	(0.3) ^{*3}
o/w Securities	23.0	(2.7)
o/w Other securities	22.4	(3.0)
o/w Stocks	3.5	(0.4)
JGBs	5.8	(3.4)
Foreign bonds	8.1	+0.9
Total liabilities	190.7	+3.2
o/w Deposits	120.9	+4.4
o/w Domestic deposits ^{*1}	95.5	+2.6
Individuals	47.3	+2.0
Corporates	48.3	+0.7
o/w NCD	10.8	(0.5)
Total net assets	11.3	(0.3)
Loan to deposit ratio	59.0%	

Composition of loans and deposits^{*1}



(Ref) Non-JPY B/S items^{*2,4}



498 Assets / Liabilities

8. Gains (losses) on bonds / bond portfolio

Gains (losses) on bonds (non-consolidated)

	FY3/18	1-3Q, FY3/19	YoY
(JPY bn)			
Gains (losses) on bonds	11.7	2.6	(19.4)
Domestic operations	7.5		
International operations	4.2		

Bond portfolio

		Mar.18		Dec.18	
		Balance sheet amount (JPY tn)	Net unrealized gains (losses)	Balance sheet amount	Net unrealized gains (losses)
Consolidated	Yen-dominated bond	12.2	0.05	8.7	0.04
	o/w JGB	9.6	0.01	6.1	0.01
	Held-to-maturity	0.4	0.00	0.3	0.00
	Others	9.2	0.01	5.8	0.01
	Foreign bonds (other securities)	7.2	(0.16)	8.1	(0.09)
Non-consolidated	Yen-dominated bond	11.9	0.05	8.4	0.04
	o/w JGB	9.3	0.01	5.8	0.01
	Held-to-maturity	0.1	0.00	0.0	0.00
	Others	9.2	0.01	5.8	0.01
	Foreign bonds (other securities)	5.3	(0.14)	6.3	(0.09)

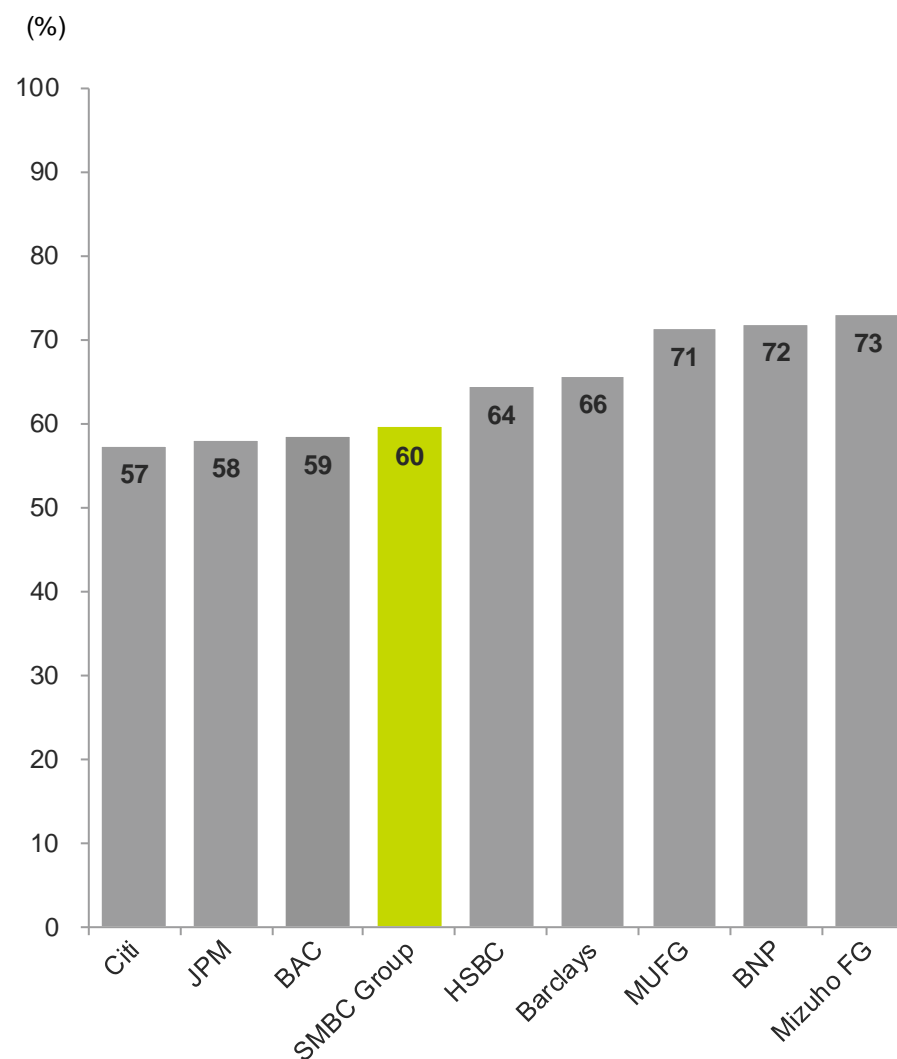
9. Expenses

	1-3Q, FY3/19	YoY
Expenses (consolidated)	1,279.5	(72.2)
Overhead ratio	59.6%	(0.7)%

Major group companies

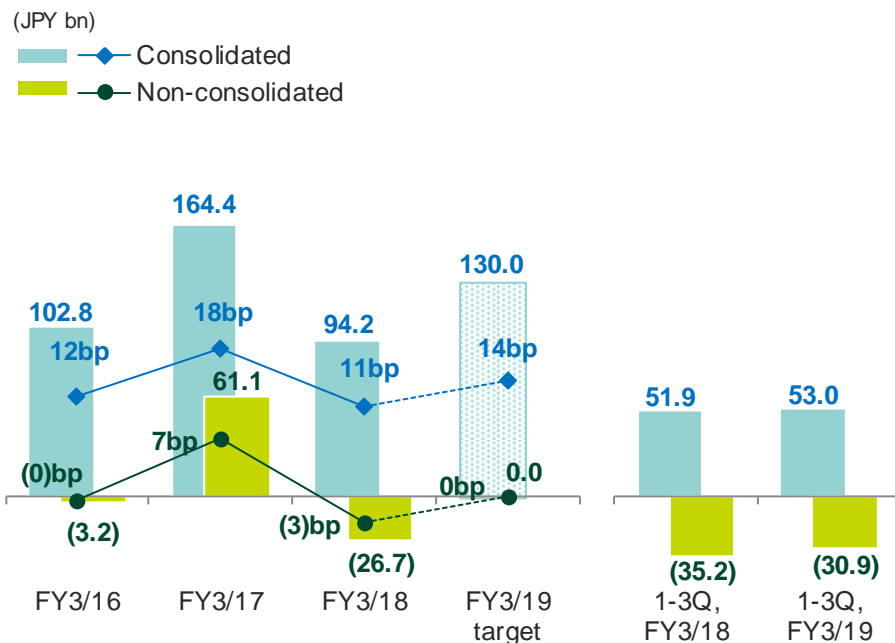
	1-3Q, FY3/19	YoY
SMBC	605.1	(1.3)
SMBC Nikko	209.5	+16.5
SMCC	138.1	+13.0
Cedyna	85.7	(0.5)
SMBCCF	82.1	+2.0
SMFL	66.6	+2.9
SMBC Trust	40.2	+3.0
SMAM	13.1	+0.5

Overhead ratio comparison ^{*1}



10. Credit costs / non-performing loan

Credit costs^{*1}

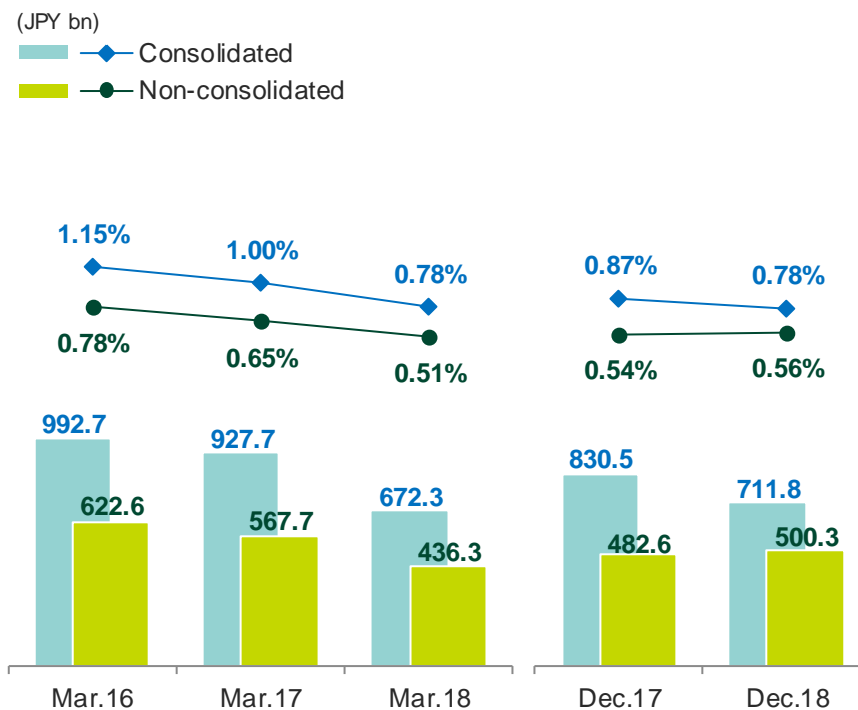


Major group companies

(JPY bn)

	1-3Q, FY3/19	YoY
SMBCCF	60	(3)
SMCC	12	(1)
Cedyna	11	+1

Non-performing loan balance and ratio^{*2}



Total claims

(JPY tn)

	93	86	96	92
Consolidated				
Non-consolidated	87	86	89	90

Claims on borrowers requiring caution^{*3}

	1.6	1.3	1.5	0.8
Non-consolidated				

¹ Total credit cost ratio = Total credit cost / Total claims * ² NPL ratio = NPLs based on the Financial Reconstruction Act (excludes normal assets) / Total claims
^{*3} Excludes claims to Substandard borrowers

II. Progress of Medium-Term Management Plan and initiatives going forward

1. Review of the first half of Medium-Term Management Plan and initiatives going forward

- Made good progress in both strategic initiatives and financial results
- Further accelerate the Medium-Term Management Plan and achieve a healthy balance between enhancing shareholder returns and investing for growth

Review of the first half of the Medium-Term Management Plan (Apr.2017-Sep.2018)

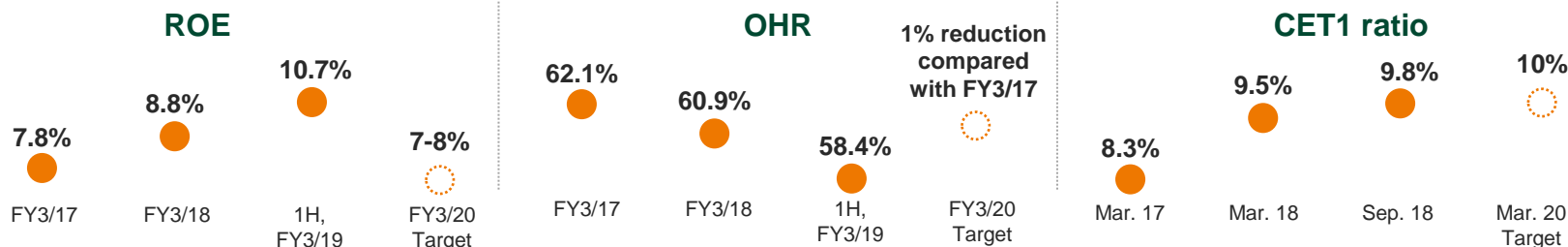
Going forward

Discipline	Group structure	Improving ROE through group reorganization: (a) deconsolidation of regional banks, (b) reorganization of leasing business, credit card business, and asset management business, and (c) consolidation of BTPN, etc.
	Cost control	Cost reduction target JPY 50 bn : total of JPY 33 bn has already been materialized by executing major initiatives
Focus	Retail	Increasing the balance of investment products through the wealth management business Steady progress in branch reorganization
	Wholesale	Transforming profit structure: offset the decline of interest income due to the negative interest rate policy by increasing non-interest income
	International	Improving asset efficiency: achieved KPI for active book runner (securities) and others in the first year
	Global Markets	Steady increase in S&T profits (increased by JPY16 bn in FY3/18)
Integration	Digitalization	Opened innovation centers in Japan and overseas, improved productivity by utilizing AI (AML, etc.)
	Group management	Expanded group-wide collaboration through the business unit system Integrated group management through the CxO system
	ESG/SDGs	Transformed to a Company with Three Committees Achieved the target of female managers ratio ahead of schedule
Capital Policy	Financial soundness	Expect to reach the CET1 ratio target ahead of schedule by controlling assets and accumulating profits
	Shareholder returns	Progressive dividend policy (+JPY 20 in FY3/18), share buyback (JPY 70 bn)

Further accelerate the strategic initiatives














Further enhance shareholder returns
Invest for growth

Financial targets



2. Transformation of business and asset portfolio

- Announced and executed group reorganization measures in a speedy manner
- Improve capital and asset efficiency by optimizing the group structure

Group reorganization	Timing	Bottom-line profit	RWA	Capital and asset efficiency (ROE/RORA)
Merger of SMBC Nikko and SMBC Friend	Completed	 Realize synergies		
Deconsolidation of the Kansai regional banks	Completed	 Approx. (1)% on a consolidated basis	 JPY (4) tn ^{*2}	
Deconsolidation of SMFL	Completed	 Strengthen core business areas	 JPY (3) tn ^{*2}	
Consolidation of BTPN	Completed	 Approx. + JPY 10 bn ^{*1}	 +JPY 0.4 tn ^{*2}	
Merger of SMAM and Daiwa SB	Apr. 2019	 Realize synergies		
Making SMCC a wholly owned subsidiary	Apr. 2019	 Approx. + JPY 10 bn ^{*1}		

3. Cost control: Improving productivity and efficiency

- Out of the JPY 50 bn target, a reduction of JPY 33 bn has already been materialized in the first half of the Medium-Term Management Plan. Made steady progress toward the workload reduction target and controlled the number of employees by curbing the hire of new graduates
- OHR improved to 58.4% in 1H, FY3/19. There are factors including the deconsolidation of SMFL that would raise the OHR in the second half of this fiscal year

Progress of key initiatives

	Target	Materialized
Business reform to improve efficiency	JPY 20bn	JPY 15 bn
Retail branch reorganization	JPY 20bn	JPY 8 bn
Reorganization of group companies	JPY 10bn	JPY 10 bn

Business reform to improve efficiency

- Automated approx. 1.6 mn hours (workload of 800 people) of operation by utilizing RPA on a group-wide basis
⇒ **Three-year plan: 3 mn hours (workload of 1,500 people)**
- The integration and sharing of functions on a group-wide basis are generally progressing as planned

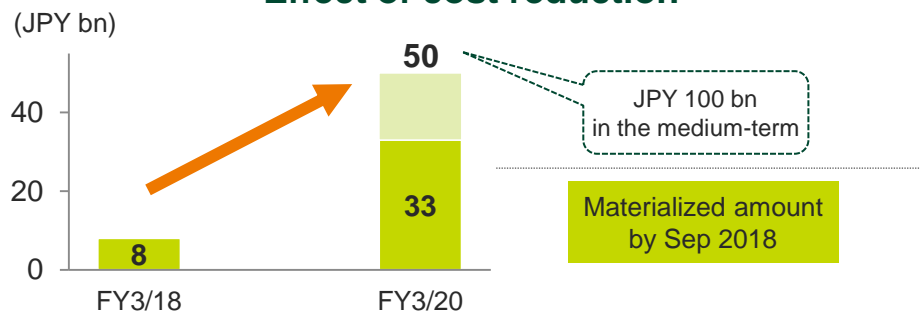
Retail branch reorganization

- Completed transformation of 142 branches to smart branches as well as centralization of back-office operations of 193 branches

Reorganization of group companies

- Further reduce cost by the integration of SMCC and Cedyna

Effect of cost reduction

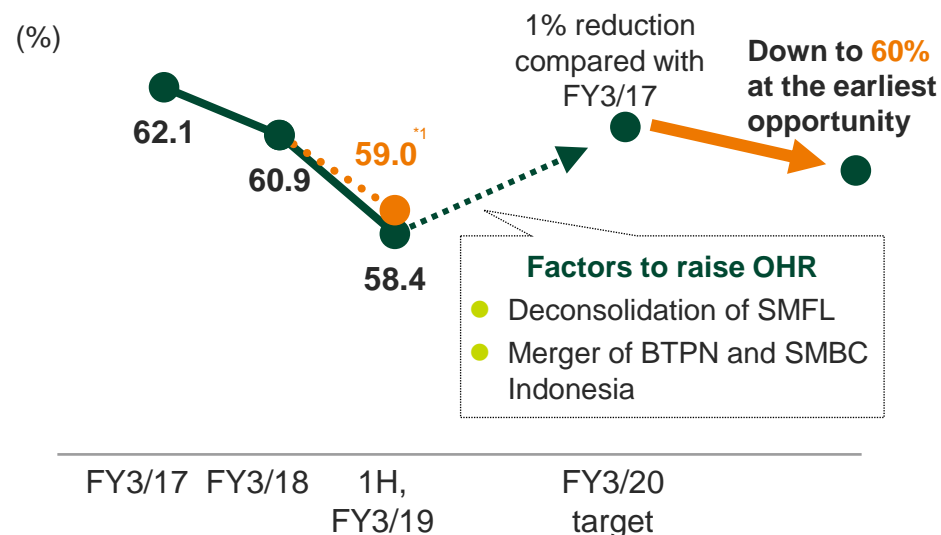


Effect on personnel through key initiatives to improve efficiency

Reduce workload of 4,000 people (generate capacity)

- Reduced workload of 2,100 people as of the end of 1H, FY3/19
- Control the number of employees by curbing the hire of new graduates or by not re-hiring temporary staff

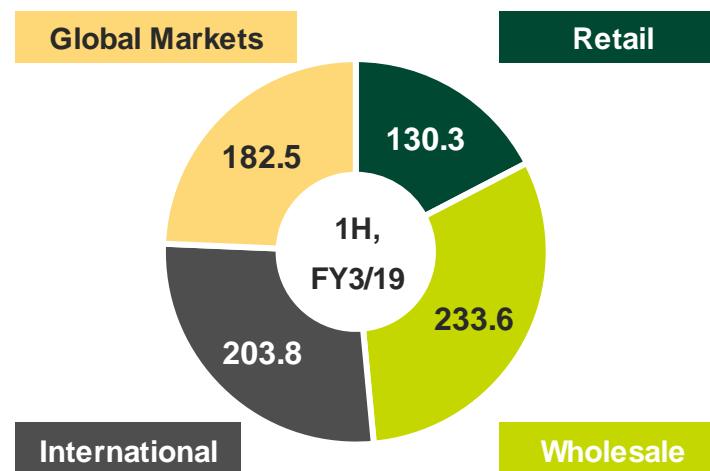
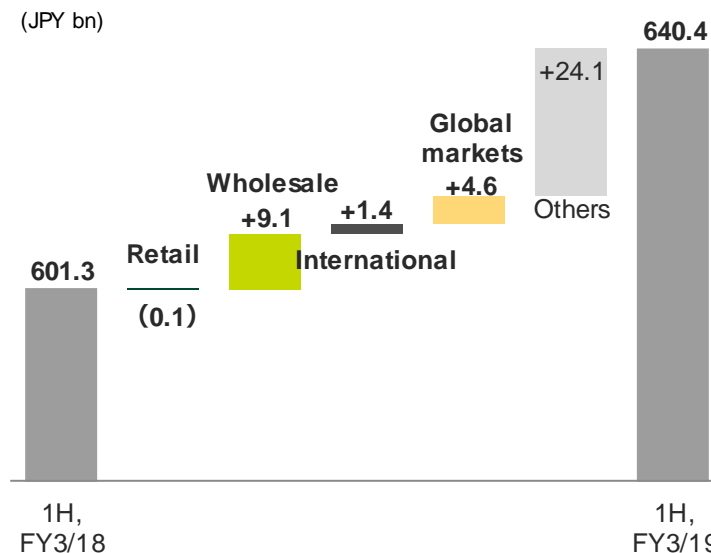
Overhead ratio (OHR)



4. Initiatives by business unit: 1H, FY3/2019 results

	(JPY bn)	FY3/18	1H FY3/19	YoY ^{*1}
Retail	Gross profit	1,311.5	633.0	+2.8
	Expenses	1,027.5	508.7	+3.4
	Overhead ratio	78.3%	80.4%	+0.2%
	Net business profit	299.5	130.3	(0.1)
	ROE^{*2}	7.5%	6.5%	(0.3%)
	RWA_(JPY tn)^{*3}	13.8	12.9	+0.3
Wholesale	Gross profit	772.9	383.1	+12.0
	Expenses	347.8	171.1	+2.3
	Overhead ratio	45.0%	44.6%	(0.8%)
	Net business profit	478.5	233.6	+9.1
	ROE^{*2}	11.4%	13.3%	+2.2%
	RWA_(JPY tn)^{*3}	20.1	19.2	(0.7)
International	Gross profit	632.0	338.1	+21.5
	Expenses	280.7	156.0	+12.3
	Overhead ratio	44.4%	46.1%	+0.7%
	Net business profit	398.2	203.8	+1.4
	ROE^{*2}	10.6%	10.4%	(0.4%)
	RWA_(JPY tn)^{*3}	21.0	21.4	+0.1
Global Markets	Gross profit	356.2	200.2	+3.8
	Expenses	53.9	27.2	+0.2
	Overhead ratio	15.1%	13.6%	(0.2%)
	Net business profit	319.8	182.5	+4.6
	ROE^{*2}	33.5%	38.4%	+2.5%
	RWA_(JPY tn)^{*3}	5.9	5.7	(1.4)

Net business profit



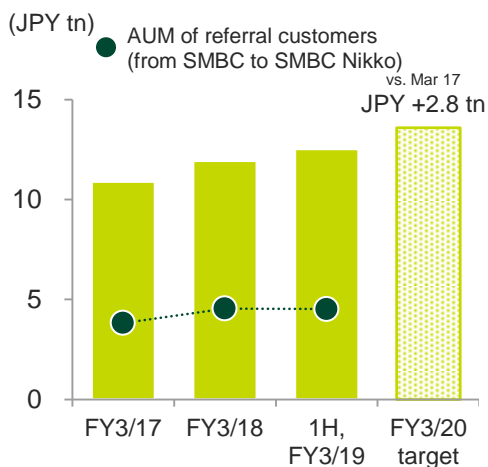
Retail (1) wealth management business, retail branch organization

- Steady increase in the balance of investment products due to the execution of the wealth management strategy. Sales of foreign currency deposits were strong at both SMBC and SMBC Trust (PRESTIA)
- Steady progress in branch reorganization. Some positive effects are already seen such as a decrease in the workload of clerical procedures and an increase in the number of visitors for wealth management consultations

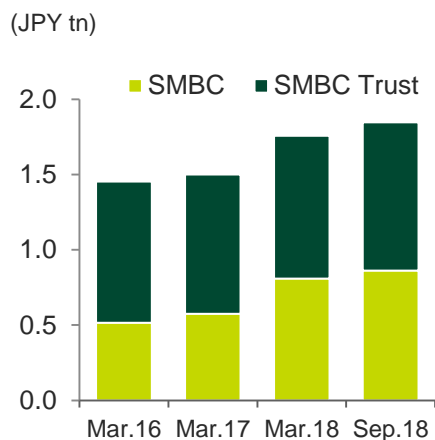
Strengthen the wealth management business

- Balance of fee-based AUM increased steadily
- Sales of foreign currency deposits were strong at both SMBC and PRESTIA by using marketing campaigns

Balance of fee-based AUM (SMBC+SMBC Nikko)

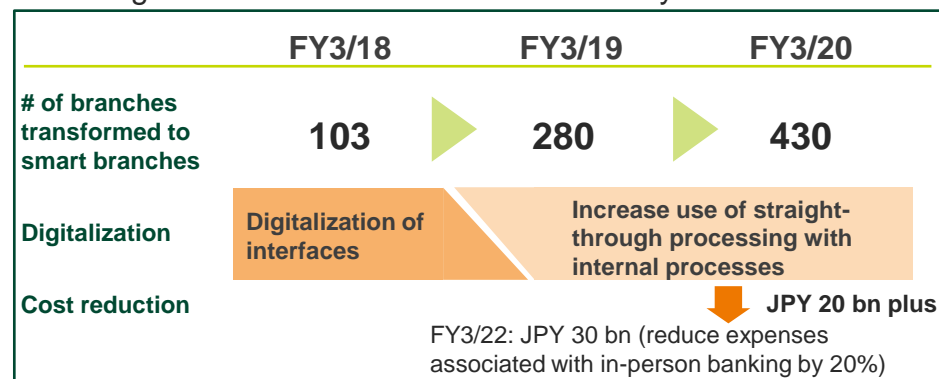


Balance of foreign currency individual deposits (SMBC+SMBC Trust)



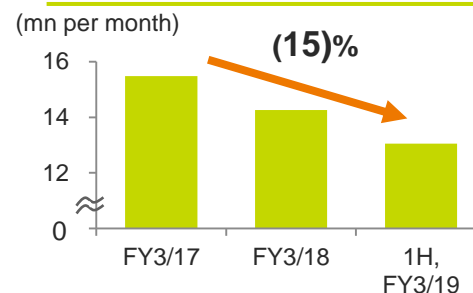
Steady progress in retail branch reorganization

- Transformed 142 branches in total to smart branches. Aiming to transform 280 branches in total by the end of FY3/19

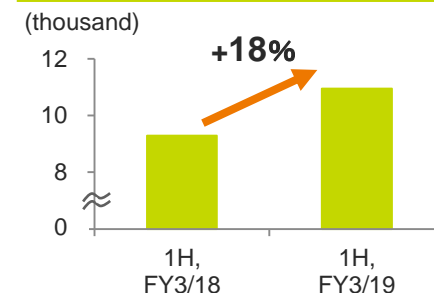


- The sale of investment products to high-net-worth individuals increased while the workload of clerical procedures decreased

of high counter*1 visitors



Sales of investment products to high-net-worth individuals*2

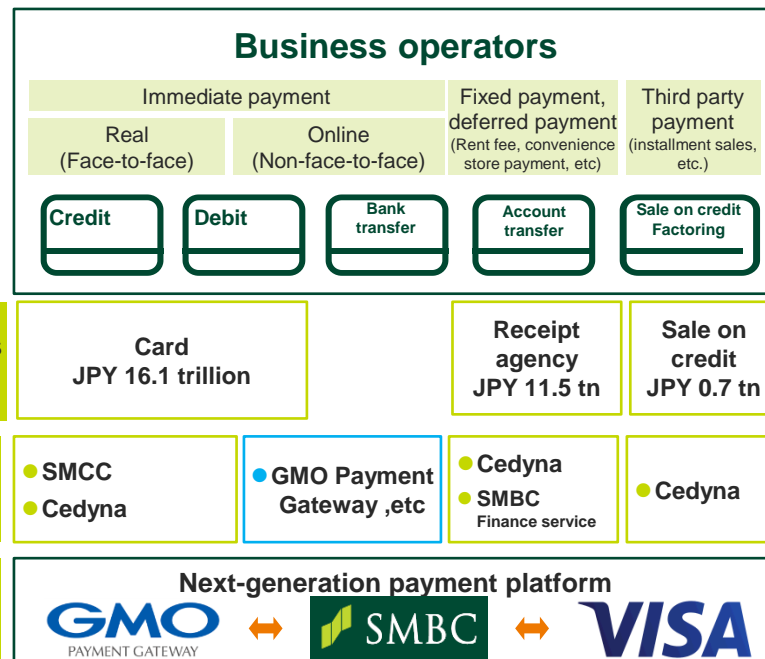


Retail (2) cashless

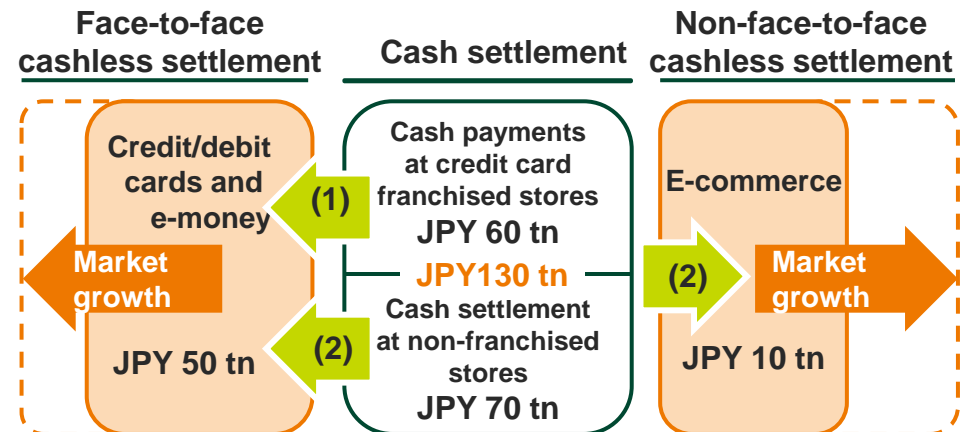
- Aim to become Japan's No.1 all-around payment company by integrating the management of SMCC and Cedyna
- Evolve the cashless payment market in Japan through initiatives that benefit both the business operators and end-users

Integrate management of SMCC and Cedyna

- Make SMCC a wholly owned subsidiary
- Integrate decision-making and financial functions of SMCC and Cedyna
- Aim to provide a comprehensive solution package for business operators as Japan's No.1 all-around payment company



Accelerate cashless payment strategy



Key points of strategy

- (1) Strengthen services for end-users
- (2) Establish a next-generation payment platform

Market size ↑

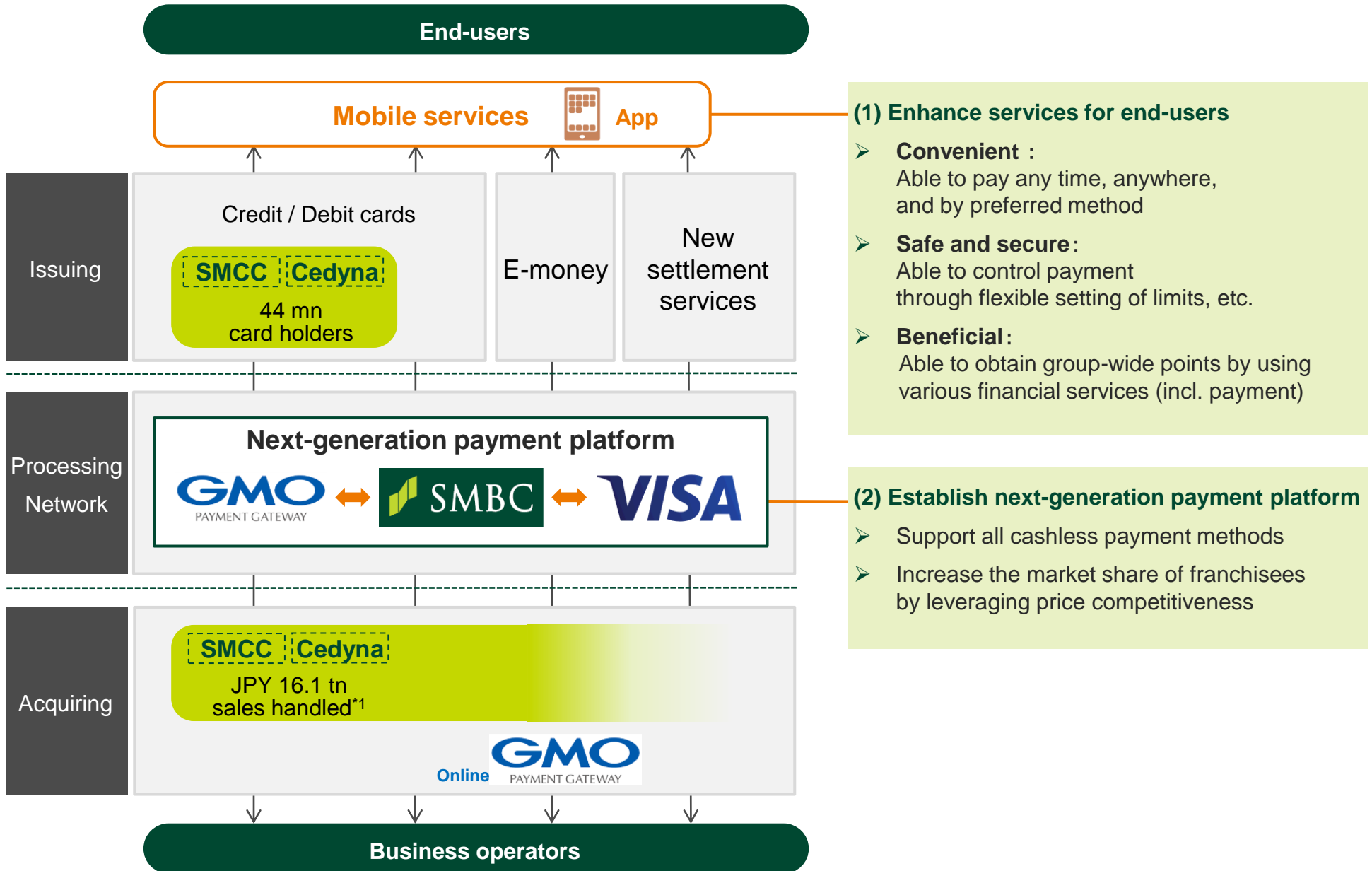
Market share ↑

Amount of sales handled ↑

Fee income ↑

Finance income ↑

(Ref.) Cashless payment strategy



4. Initiatives by business unit:

Wholesale (1) transformation of profit structure

Focus

- Maintain high profitability by leveraging our competitive advantage. The decline of the loan spread is showing signs of bottoming out
- Made good progress in transformation of the profit structure. The decline in interest income was offset by increasing non-interest income

Competitive advantage

Solid customer base

Various solutions on a group-wide basis

Strong relationship with clients

ROE (1H, FY3/19)

13.3%

Domestic Loan Spread

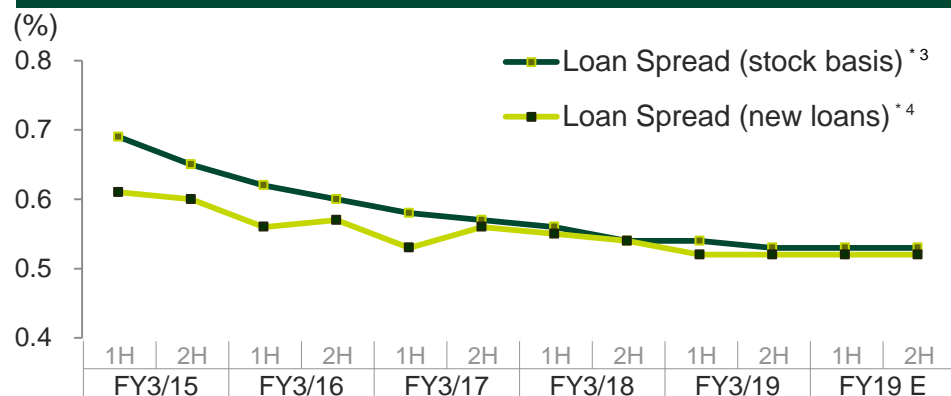
Mid-sized corporations and SMEs^{*1}

✓ **SMBC Group** **65 bp**

✓ Mizuho FG 60 bp

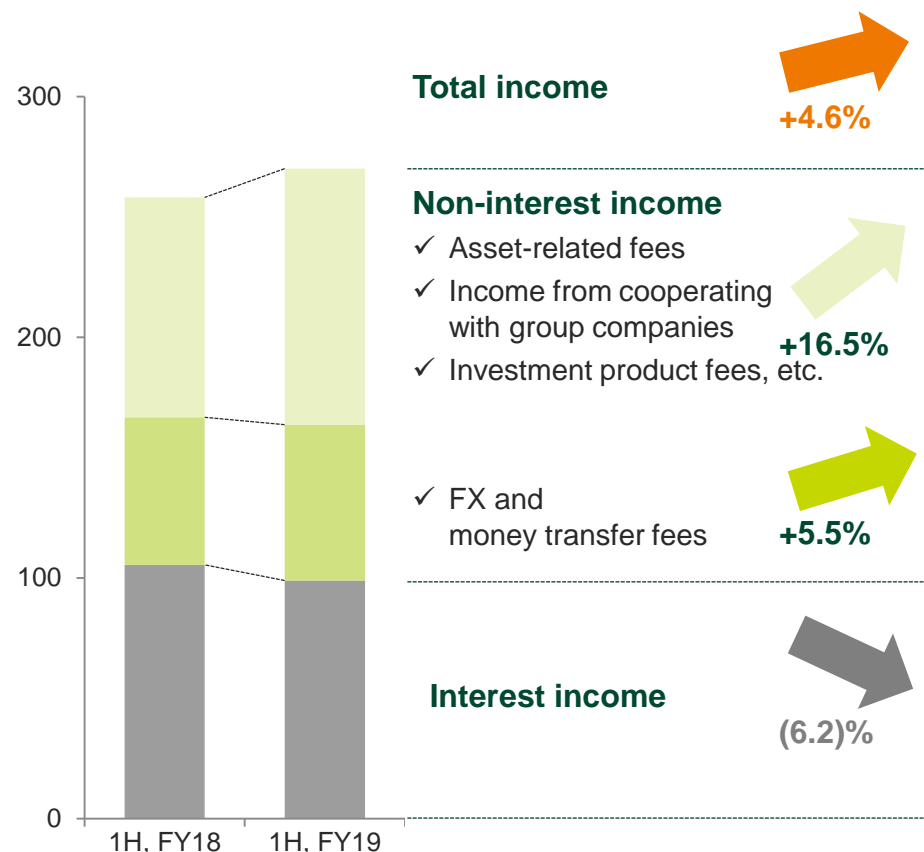
✓ MUFG 57 bp

Domestic corporate loan spread ^{*2}



Transformation of the profit structure^{*5}

(JPY bn)



Wholesale (2) Mid-sized & large corporate business

- Build on our lead position in the Japanese medium-sized enterprise market by offering multi-solutions on a group wide basis
- Leverage group-based and domestic-overseas integrated approaches to large corporate clients

Mid-sized corporate business

- Promote multi-solutions on a group-wide basis

Offering multi-solutions

Become clients' business partner

Venture approach

Turn around solution

Cash management solutions

CRE solutions

Owner approach

Respond to clients' change in environment

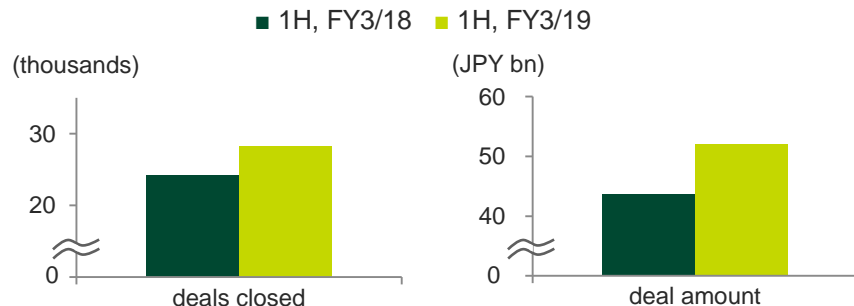
HR Solutions

Digital transformation

Create innovation with clients

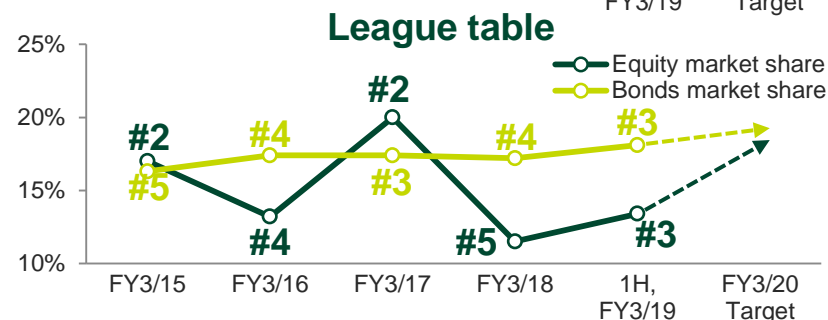
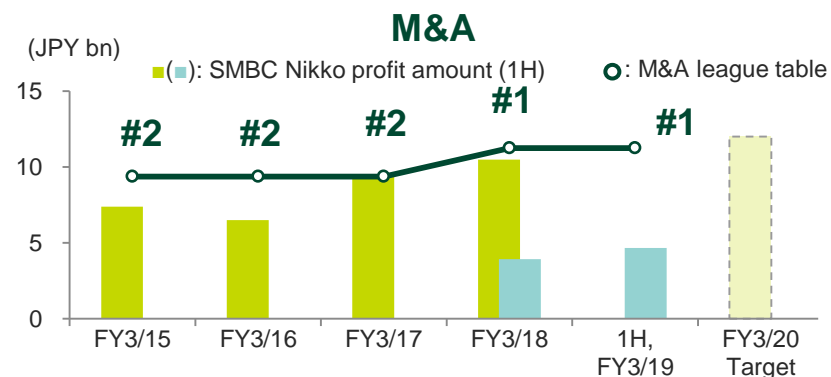
Smart mobility innovation

- Increased clients referrals within the group



Large corporate business

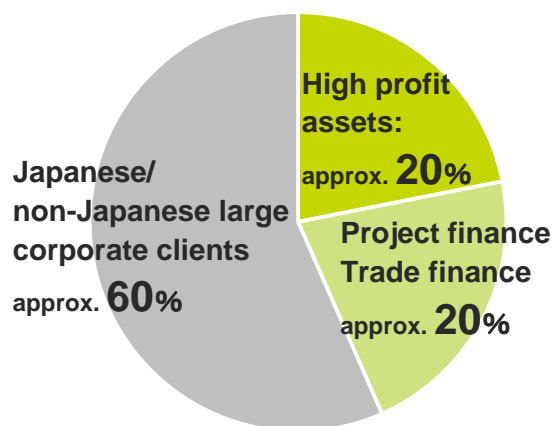
- Strengthen C&I Banking model globally both in Japan and overseas
 - ✓ Formulate cross-functional team in SMBC, SMBC Nikko, SMFL, and SMBC Trust
 - ✓ Promote global initiatives through cross-boarder and cross-business unit collaboration



International (1) improvement of asset efficiency

- Improve asset efficiency by promoting cross-selling and enhancing products where we hold strengths
- Steady increase in non-asset based profit for non-Japanese large corporate clients in Europe and the U.S as well as the number of active book runner transactions of securities

Improve asset efficiency of overseas asset portfolio



Promoting cross-selling

Loans and Deposits
FX derivatives
Financial solutions
M&A

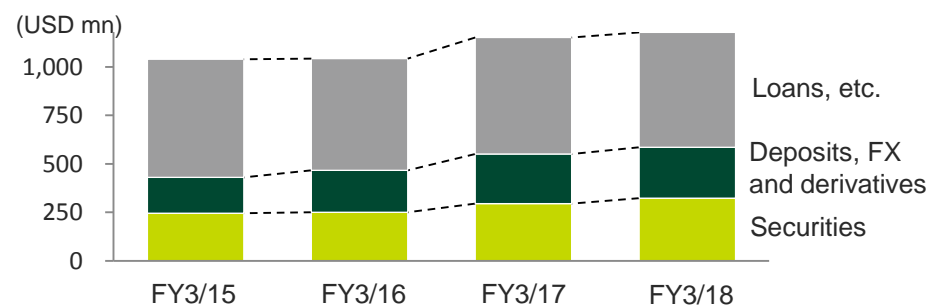
Enhancing products with strengths

#4 global	Aircraft leasing
#5 global	Subscription finance
#3 UK	Middle LBO
#6 North America	Railcar leasing
#3 global	Project finance
#4 ECA	Trade finance

Promote cross-selling

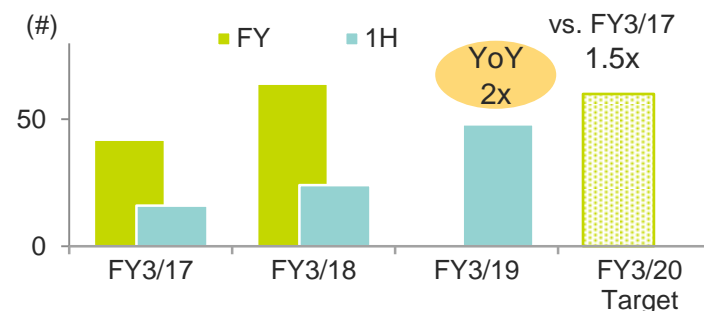
- Non-asset based profit for non-Japanese large corporate clients in Europe and the U.S increased by 35% in 3 years

Revenues by product for non-Japanese large corporate clients in Europe and the U.S.



- The number of active book runner transactions (bonds) approximately doubled year-on-year; 50% were new clients

Active book runner (securities)



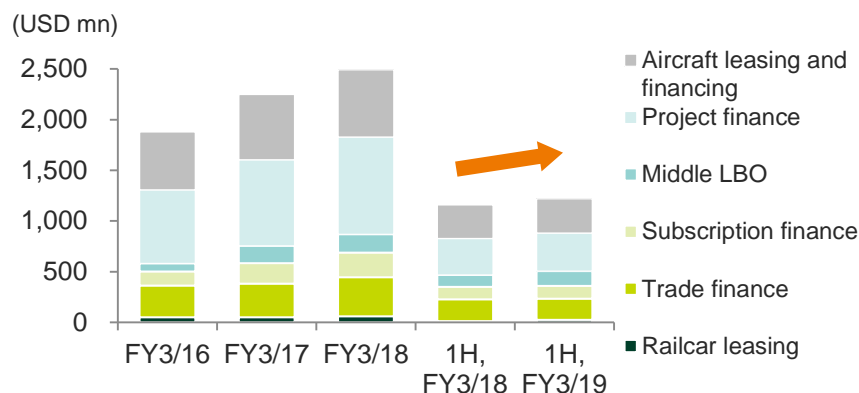
International (2) global products, Asia-centric

- Promote asset turnover (O&D) business, especially for products where we hold strengths
- Expand profit by deepening relationship with core clients in Asia and take advantage of the medium- to long-term growth in Asia through the Multi-franchise strategy

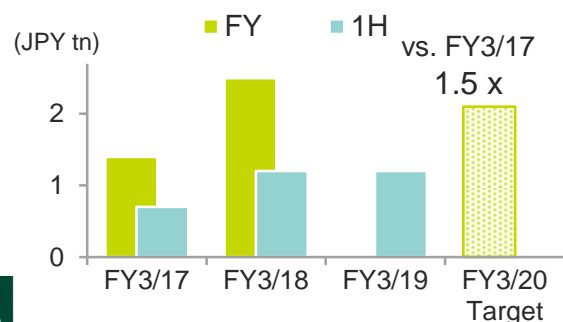
Enhance products where we hold strengths

- Improve market presence and profitability
- Enhance origination and distribution

Revenues of products where we hold strengths



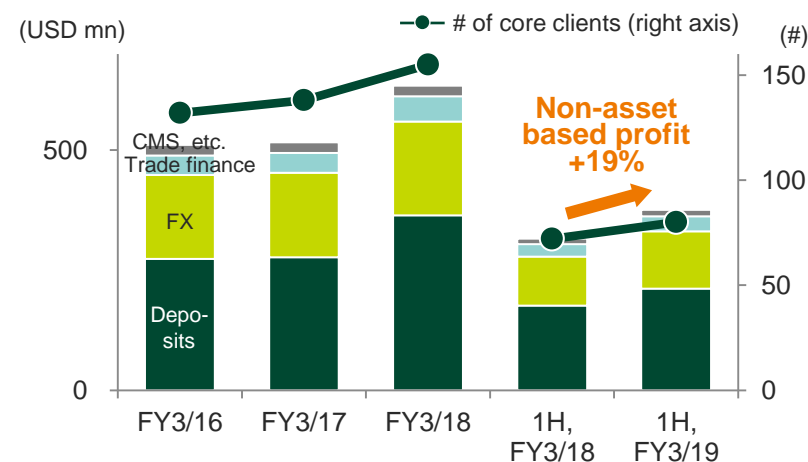
Distribution amount



Asia-centric

- Made good progress in cross-selling with local blue-chip companies

Non-asset based profit & # of core clients

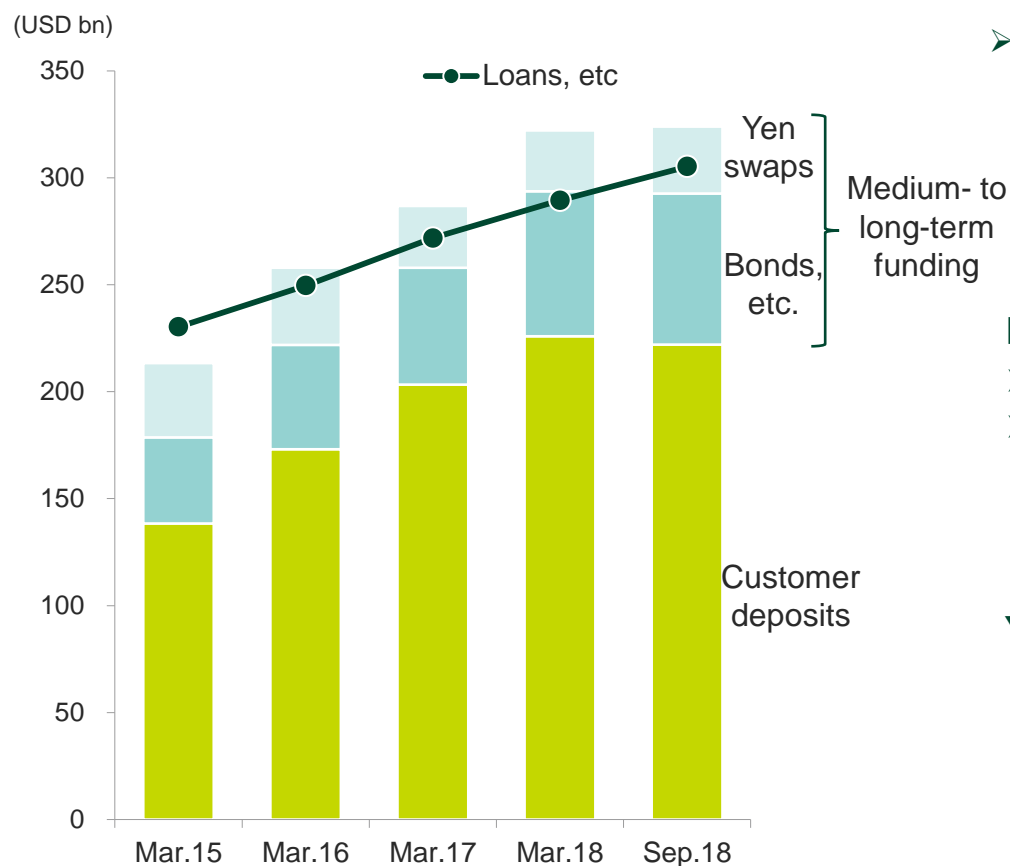


- Merger of BTPN and SMBC Indonesia
 - ✓ Merger completed on Feb 1, 2019
 - ✓ SMBC raised the stake in BTPN from 40% to 97%
 - ✓ BTPN will become a full-fledged banking franchise that serves the full spectrum of Indonesian customer segments

International / Global Markets (1) foreign currency funding

- Loans are currently fully covered by customer deposits and medium- to long-term funding while loans are increasing
- Focus on quality, stability, and low-cost in foreign currency funding.
Issued covered bonds for the first time in Japan

Foreign currency funding

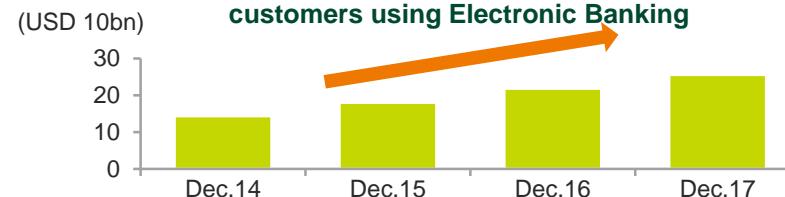


Strengthening foreign currency funding

Deposits: Improve "volume" and "quality"

- Promote cross-selling and increase the number of accounts

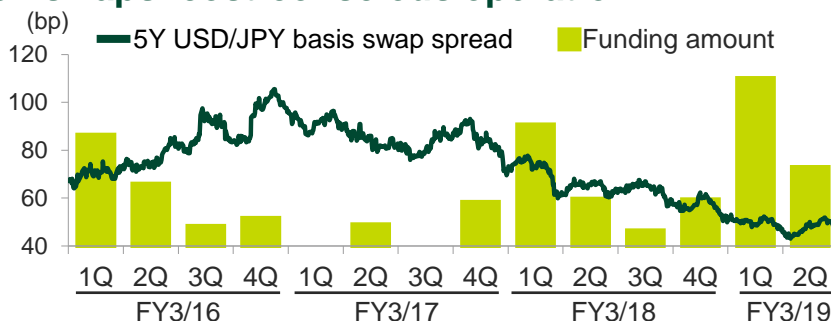
Liquid deposit balance of customers using Electronic Banking



Bonds: Stabilize funding

- Diversify funding methods and expand investors base
- Issued foreign currency denominated covered bonds for the first time in Japan (EUR 1 billion in Nov. 18)
 - Bonds secured by RMBS (rating: Aaa)
 - Achieve lower funding cost under stress scenarios and expand our investor base

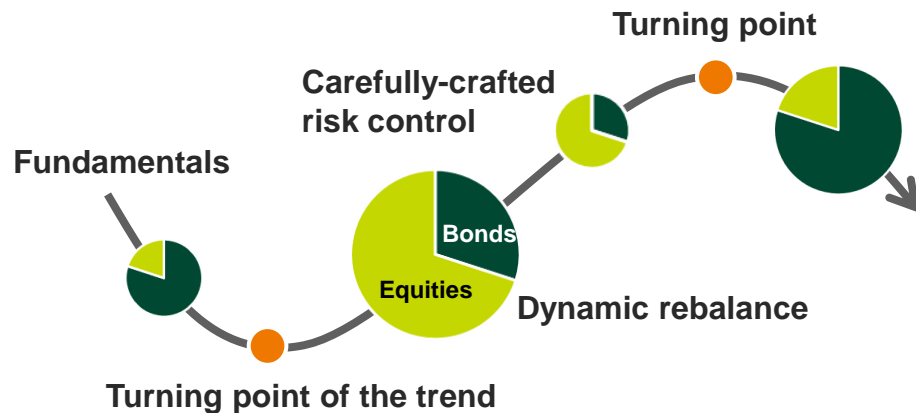
Yen swaps: cost-conscious operation



Global Markets (1) portfolio management, S&T

- Rebalance portfolio dynamically according to the environmental changes
- Further enhance Sales & Trading (S&T) to improve and stabilize profitability

Market sensitive nimble portfolio management



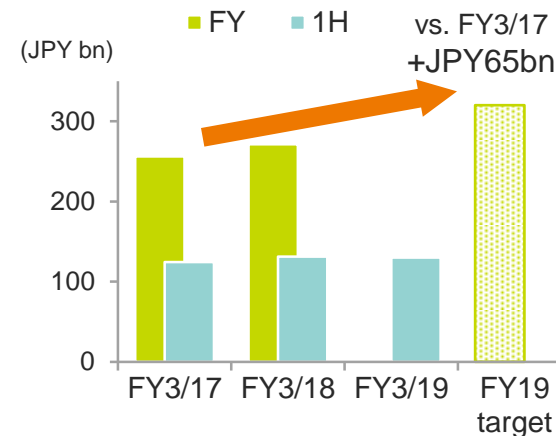
Key points in the first half

- Took advantage of the stock market upswing in the beginning of the fiscal year
- Rebalanced portfolio from equities to bonds before the rise of the trade issue. Recorded profits from bond operations in the declining interest rate trend

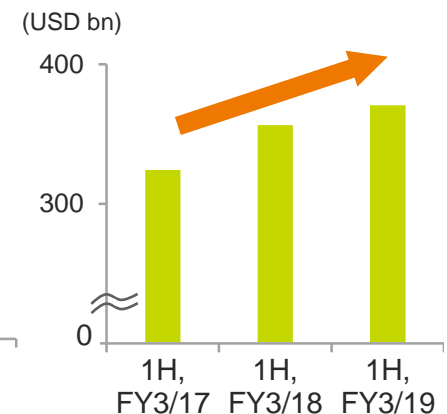
Further enhance S&T

- Provide solutions by identifying risks of customers
- Improve the profitability of each transaction flow (Enhance SMBC Nikko's trading capability)
- Expand globally based on area characteristics

S&T profits



FX transactions



5. Digitalization

- Proactively introduce new technologies and promote digitalization

Enhancing
the customer convenience



Cashless payments



Smartphone
applications

Generating
new businesses



Platform



B2B

Improving
productivity and efficiency



RPA



Workstyle reform
(public cloud)

Upgrading
management
infrastructure



MIS



Cyber security



Smartphones



SNS



Biometric
authentication



AI



API



IoT



Big data



Blockchain

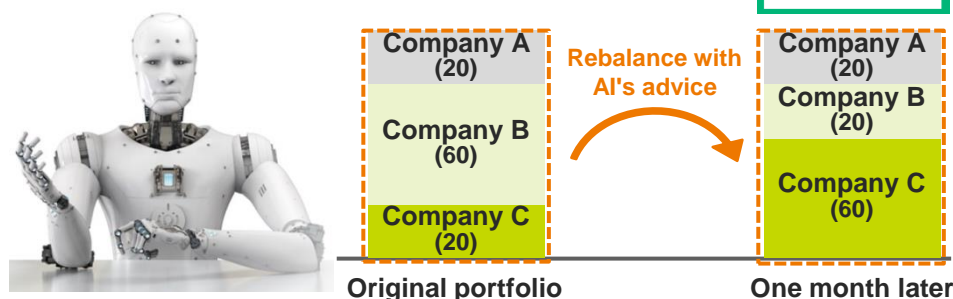
5. Digitalization

- Utilize AI to provide new services, promote efficiency, and upgrade operations

Collaboration of SMBC Nikko and HEROZ

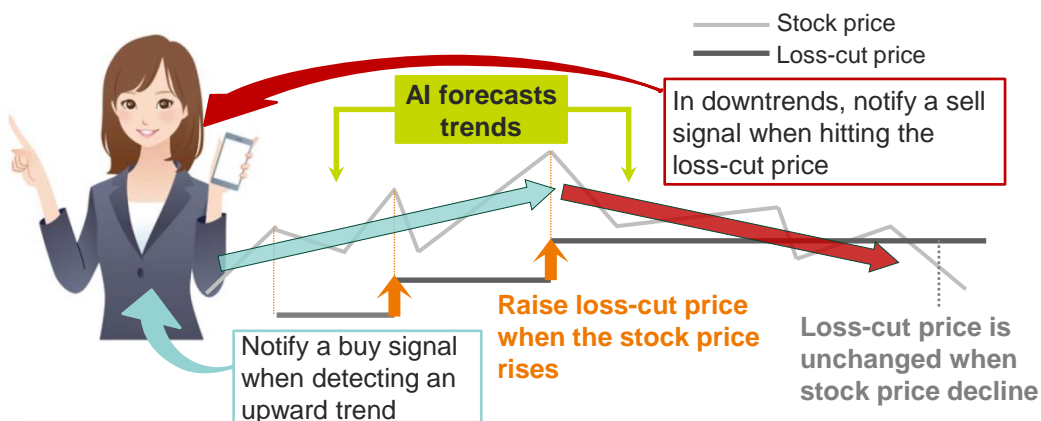
AI stock portfolio diagnostic service

- Forecast future (one month) returns based on the historical stock price and financial data
- Propose portfolio with high expected returns



AI stock price trend monitoring technology

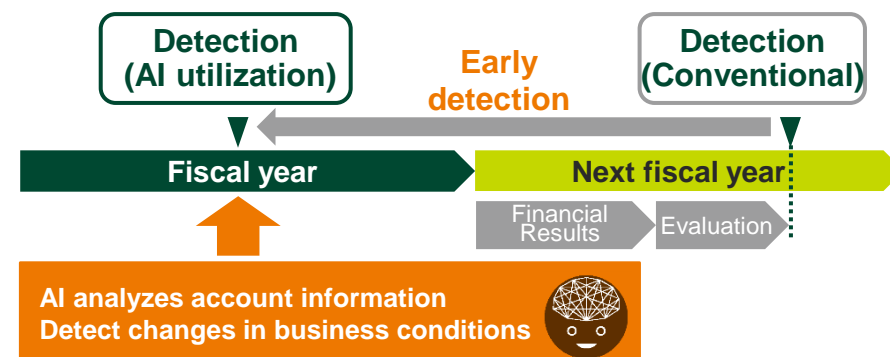
- AI forecasts trends in stock price. Notify buy and sell signals



Improve efficiency and upgrade operations

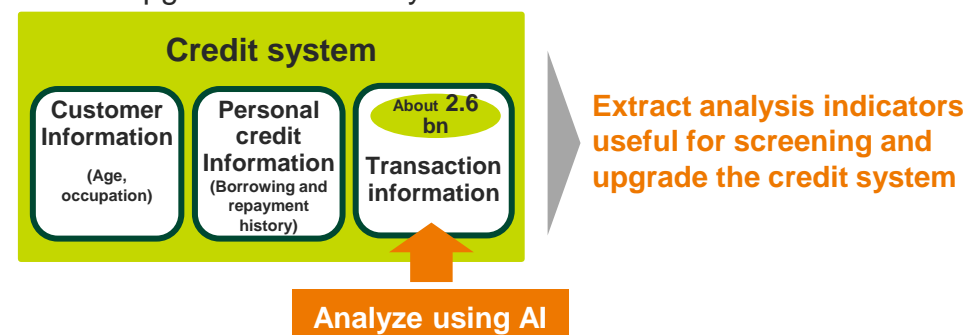
Detecting changes in borrowers' financial status (SMBC)

- Analyze account information and detect changes in business conditions earlier than the conventional method
- Started sales to outside companies. There were a dozen inquiries from regional banks, etc.



Upgrade credit screening system for card loans (SMBCCF)

- Analyze approximately 2.6 bn transaction information using AI to upgrade the credit system



6. ESG: Environment, Social

- Started to examine 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

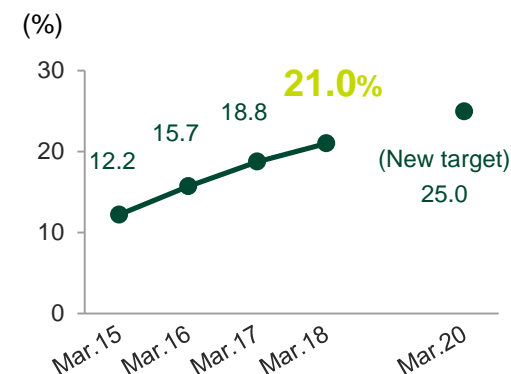
Revision of credit policy

- 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

Social

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)



6. 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

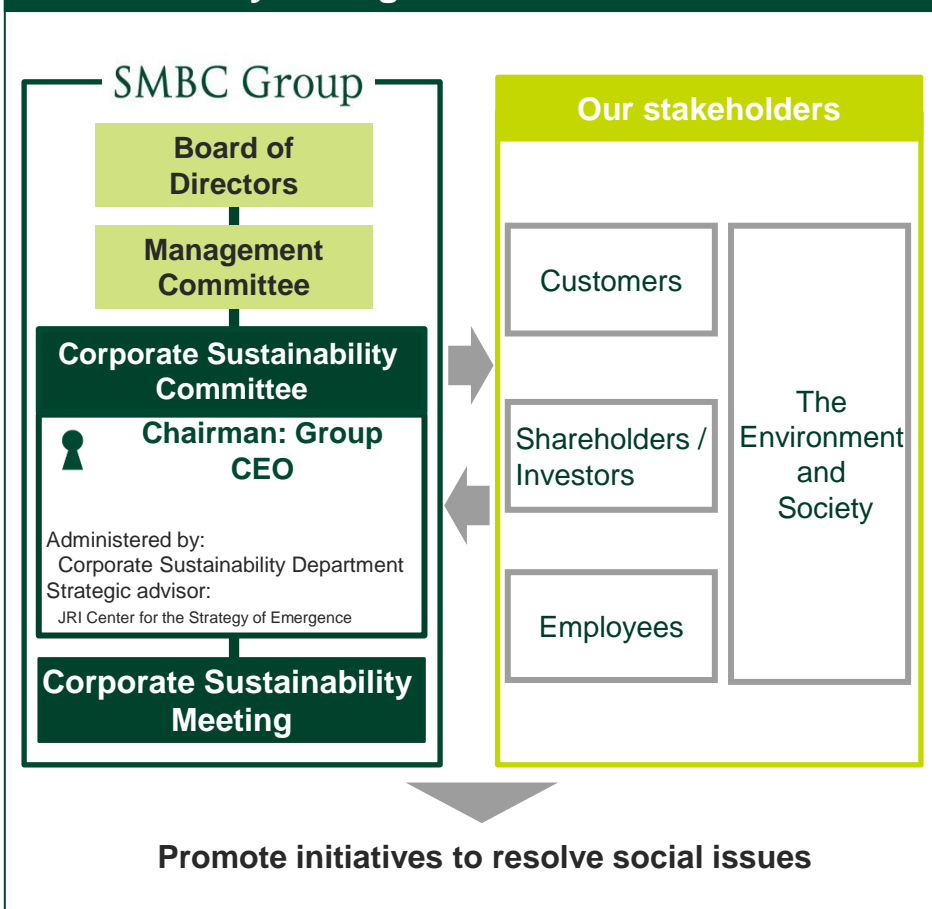
Name	Key Appointments
Dr. Andreas Dombret	A member of the Executive Board, Deutsche Bundesbank ('10-'18) Vice Chairman Europe, Bank of America ('05-'09)
Dr. Robert D. Hormats	Vice Chairman, Kissinger Associates ('13-Present) United States Under Secretary of State ('09-'13)
Mr. Andrew N. Liveris	Executive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













6. 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

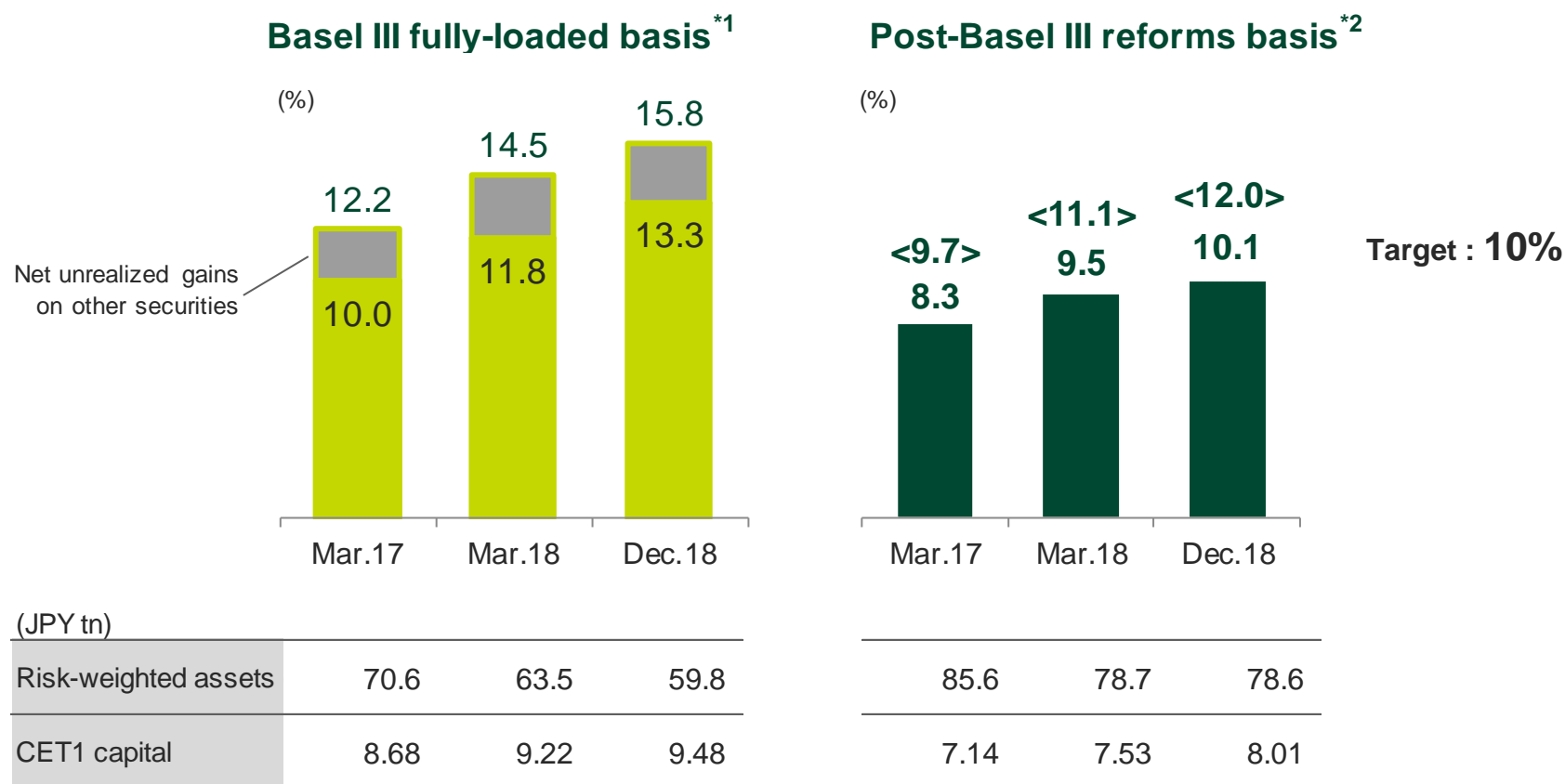
E	Environment	<div><div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div><div><div>13</div><div>CLIMATE ACTION</div><div></div></div></div>		
S	Next Generation	<div><div>4</div><div>QUALITY EDUCATION</div><div></div></div>	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div>	<div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div>
	Community	<div><div>1</div><div>NO POVERTY</div><div></div></div>	<div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div>	
G	Governance	<div><div>5</div><div>GENDER EQUALITY</div><div></div></div>	<div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div>	<div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div></div>

III. Capital Policy

1. Capital position

- CET1 ratio at the end of Dec.18 was 10.1%
- We expect the CET1 ratio will reach 10% at the end of Mar.19 even though there are factors in the 4Q which would lower the ratio such as the consolidation of BTPN and year-end dividends

CET1 ratio

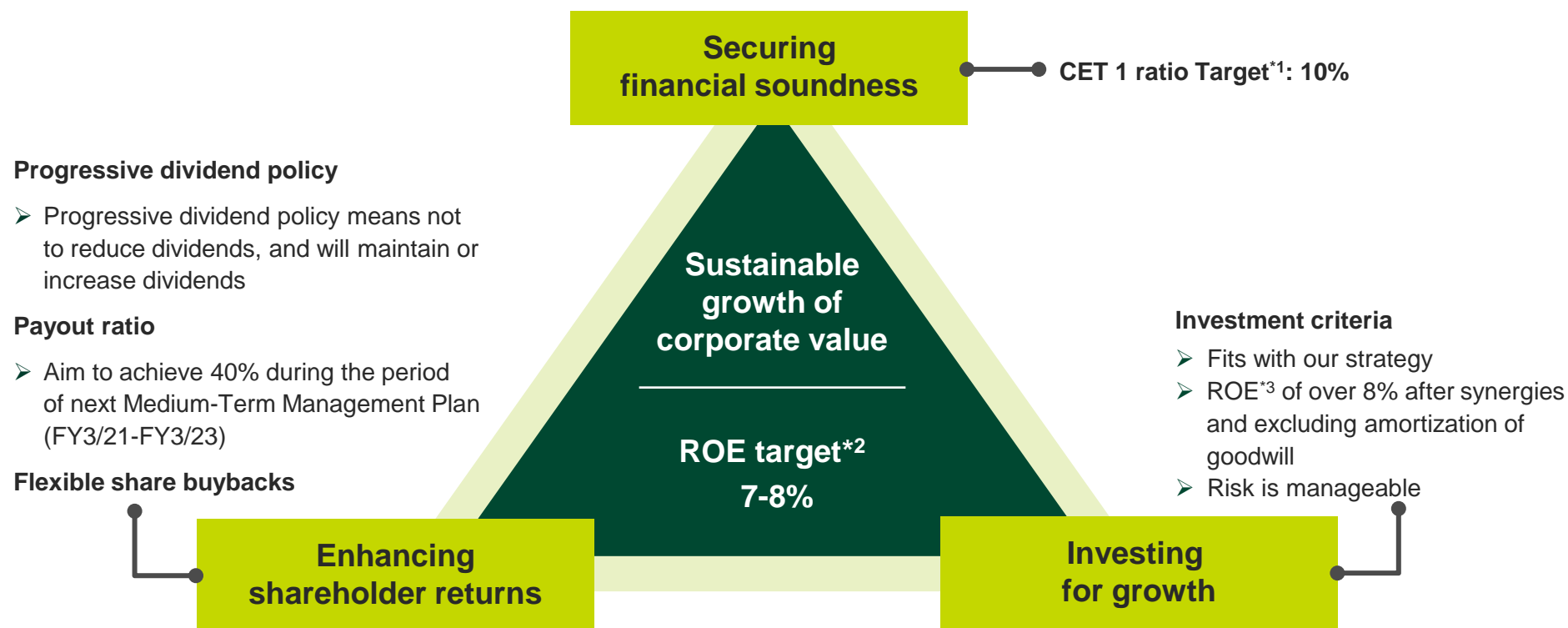


^{*1} Based on the definition applicable for Mar.19

^{*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. Figures in < > include net unrealized gains on other securities and RWA associated with net unrealized gains on stocks

2. Basic capital policy

- Achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth
- Dividends will be our principal approach to shareholder returns. In addition, we will proceed with share buybacks on a flexible basis assuming our financial soundness is maintained
 - We aim to pay progressive dividends supported by our sustainable earnings growth, and achieve a payout ratio of 40% during the period of the next medium-term management plan
 - We will execute share buybacks as and when appropriate taking into account the factors such as our capital position, earnings trends, stock price, growth investment opportunities and an improvement of capital efficiency



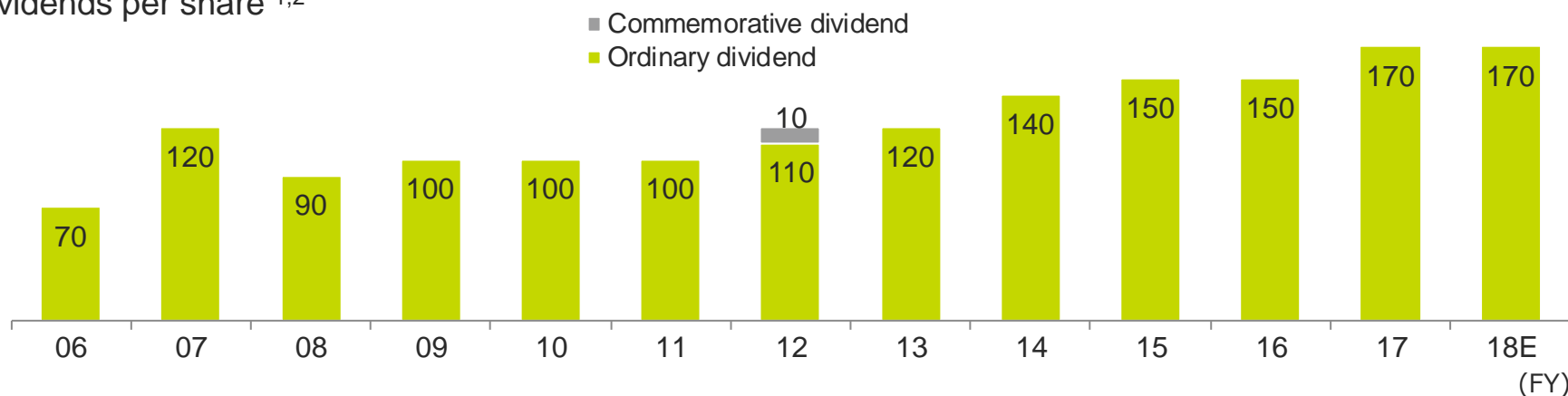
3. Shareholder Returns

- Dividends: FY3/19 target JPY 170 (YoY ±0)

	(JPY)	FY3/19 target	FY3/18
Dividend per share		170	170
Dividend payout ratio		33.9%	32.7%
Profit attributable to owners of parent		JPY 700 bn	JPY 734.4 bn
Share buybacks		-	JPY 70 bn
(Ref) Total payout ratio		-	42.2%

(Ref) Dividends per share^{*1,2}

(JPY)



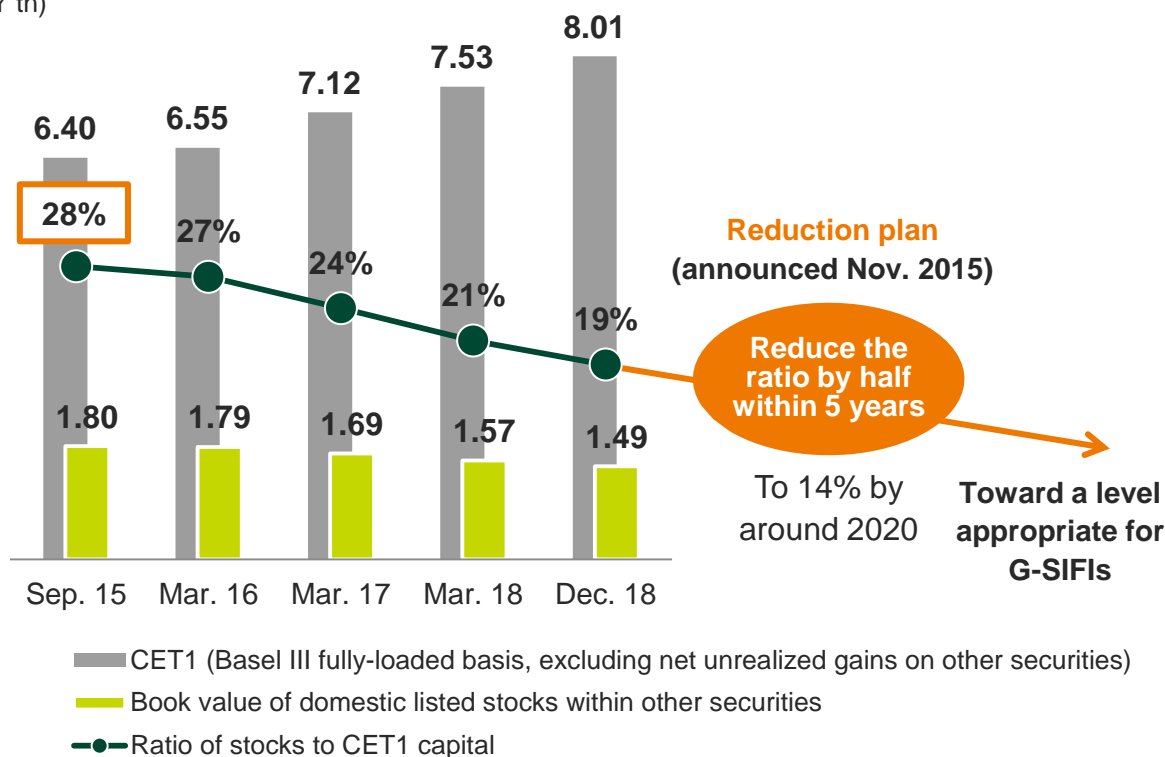
Dividend payout ratio ^{*3}	12.5%	20.5%	-	46.8%	30.0%	26.8%	21.3%	20.3%	26.2%	32.7%	29.9%	32.7%	33.9%
ROE ^{*4}	13.8%	15.8%	-	7.5%	9.9%	10.4%	14.8%	13.8%	11.2%	8.9%	9.1%	8.8%	

4. Strategic shareholdings

- Aim to halve the ratio of stocks to CET1 during the five years starting from the end of Sep. 2015
 - Reduce the book value of domestic listed stocks of up to about 30%, or about JPY 500 bn (JPY 100 bn per year)
- Reduction is progressing as planned

Strategic shareholdings and reduction plan

(JPY tn)



Reduction results

1-3Q, FY3/19 JPY 87 bn
(Total reduction from Sep. 2015– Dec. 2018:
JPY 318 bn) - (1)

Consent of sales from clients outstanding

Dec. 2018 JPY 105 bn - (2)

(1) + (2) = JPY 423 bn

IV. Key takeaways

- **Made good progress in both strategic initiatives and financial results**
- **Improve ROE through sustainable earnings growth and capital management**

Appendix

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

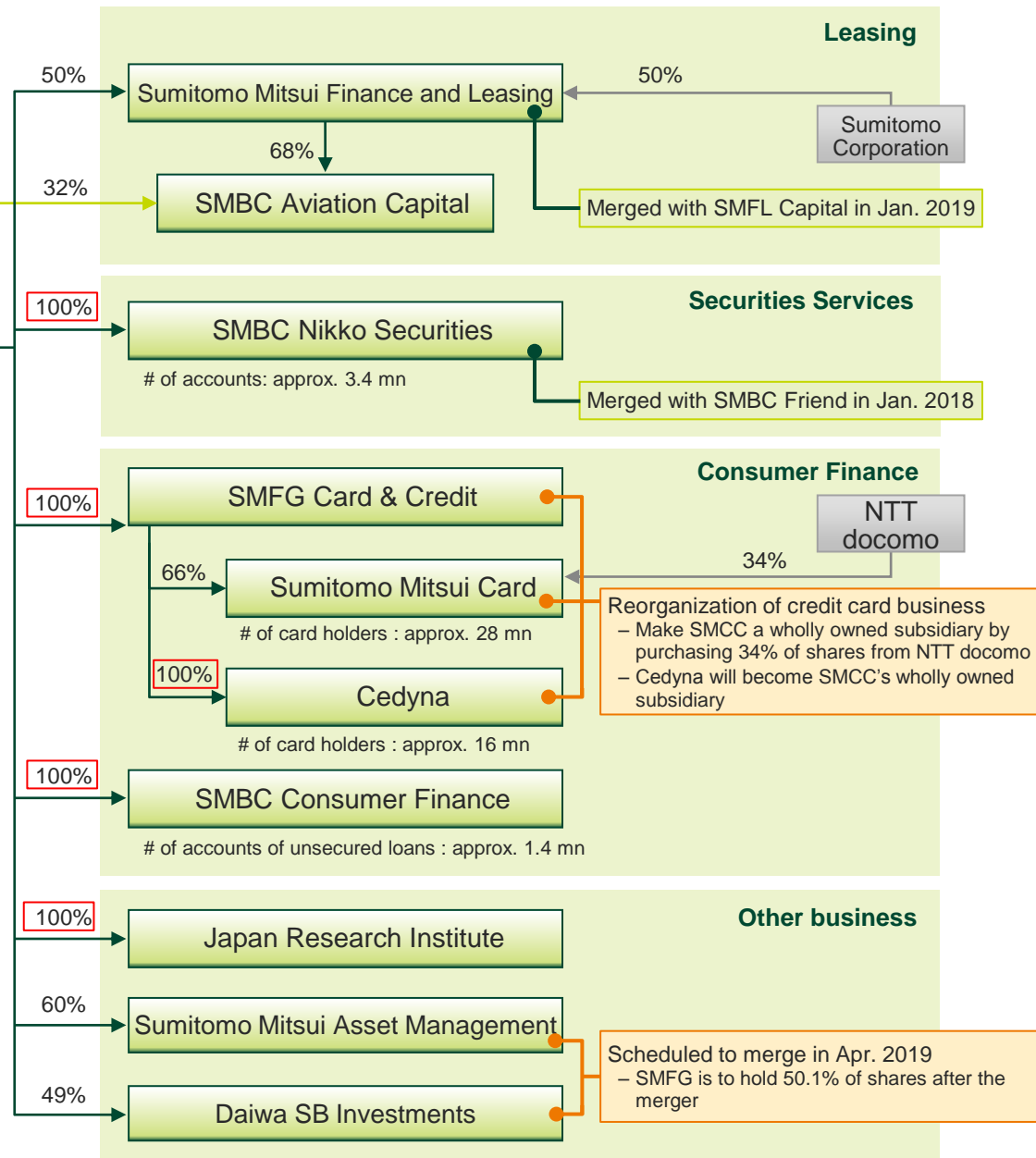
Deposits JPY 113 tn

Loans JPY 76 tn

of retail accounts approx. 28 mn

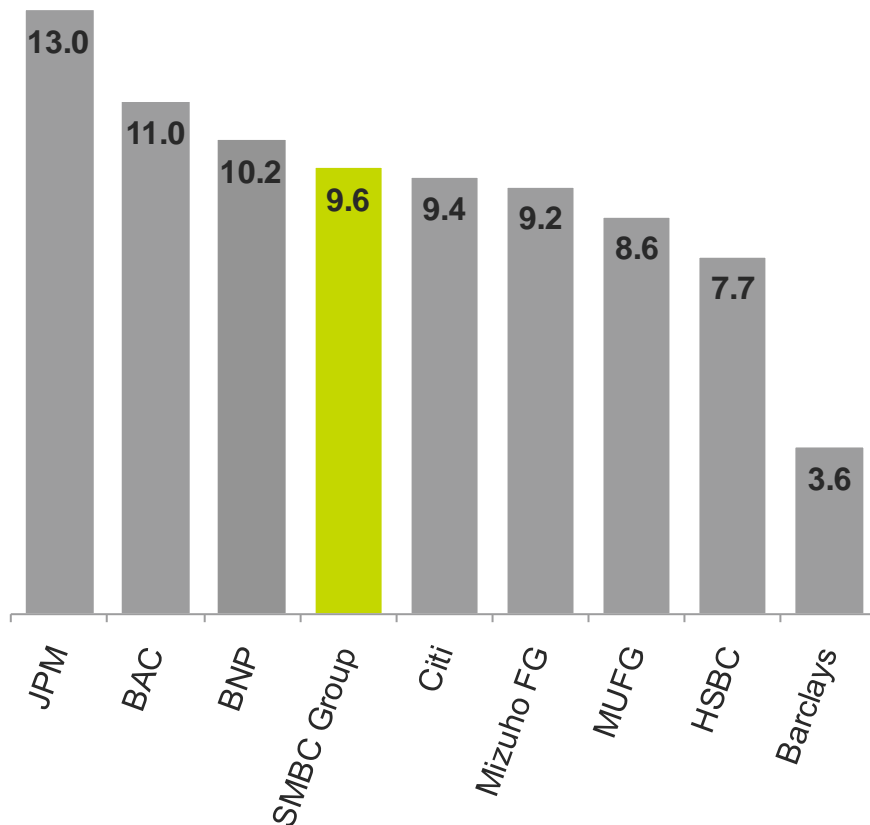
of corporate loan clients approx. 78,000

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



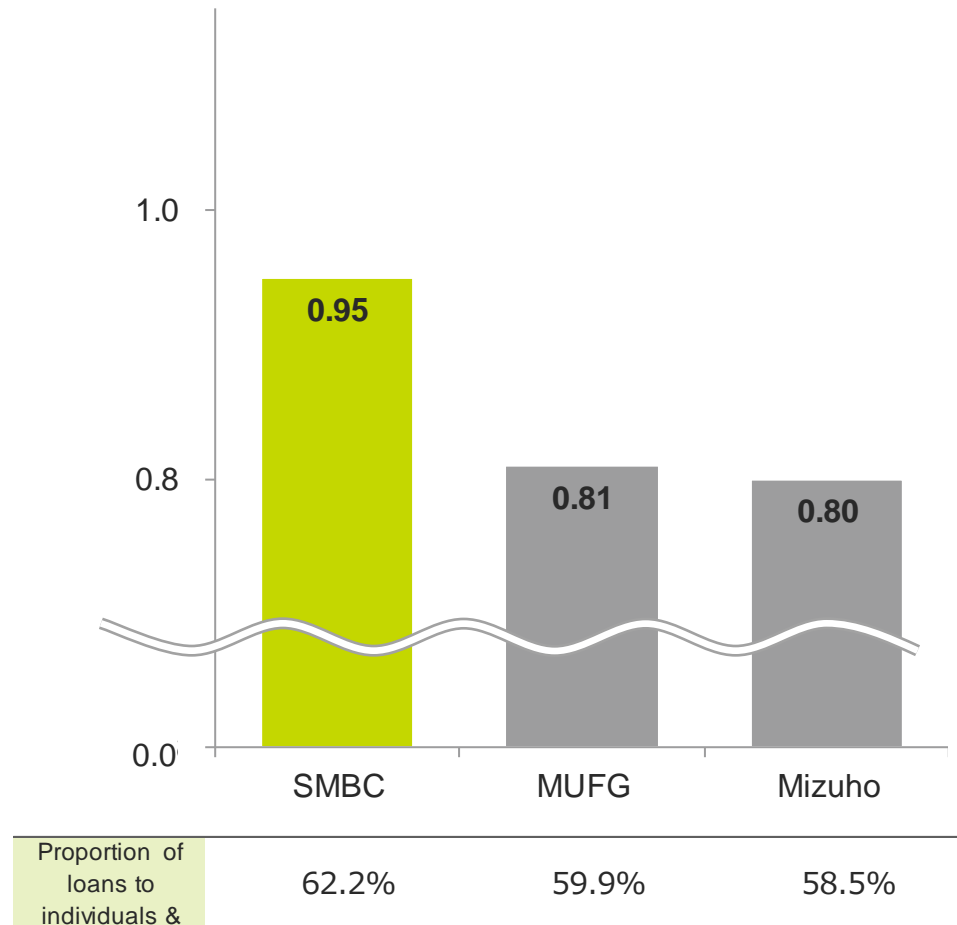
ROE*1

(%)



Domestic loan-to-deposit spread*2

(%)



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

2

Focus

Focus on our strengths to generate growth

3

Integration

Integration across the Group and globally to achieve sustainable growth

FY3/20 Financial Targets

Business Environment

- Challenging earnings environment
- Tighter international regulations
- New opportunities from technology and social trends

Key considerations

- Improve capital, asset, and cost efficiencies
- Healthy risk-taking versus credit cost control
- Balance among financial soundness, enhancing shareholder returns, and growth investments

Capital Efficiency

ROE

7~8%

Maintain at least 7% notwithstanding accumulation of capital

Cost Efficiency

OHR

1% reduction compared with FY3/17

Reduce to around 60% at the earliest opportunity (FY3/17: 62.1%)

Financial Soundness

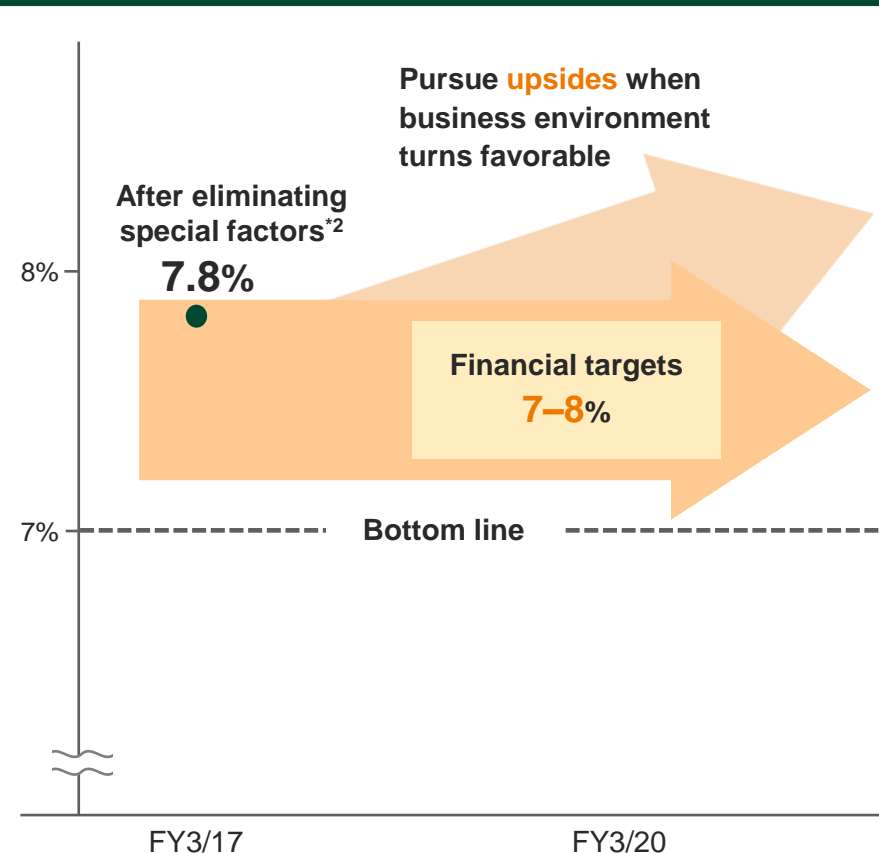
CET1 ratio*1

10%

Maintain capital in line with likely raised requirement (FY3/17 8.3%)

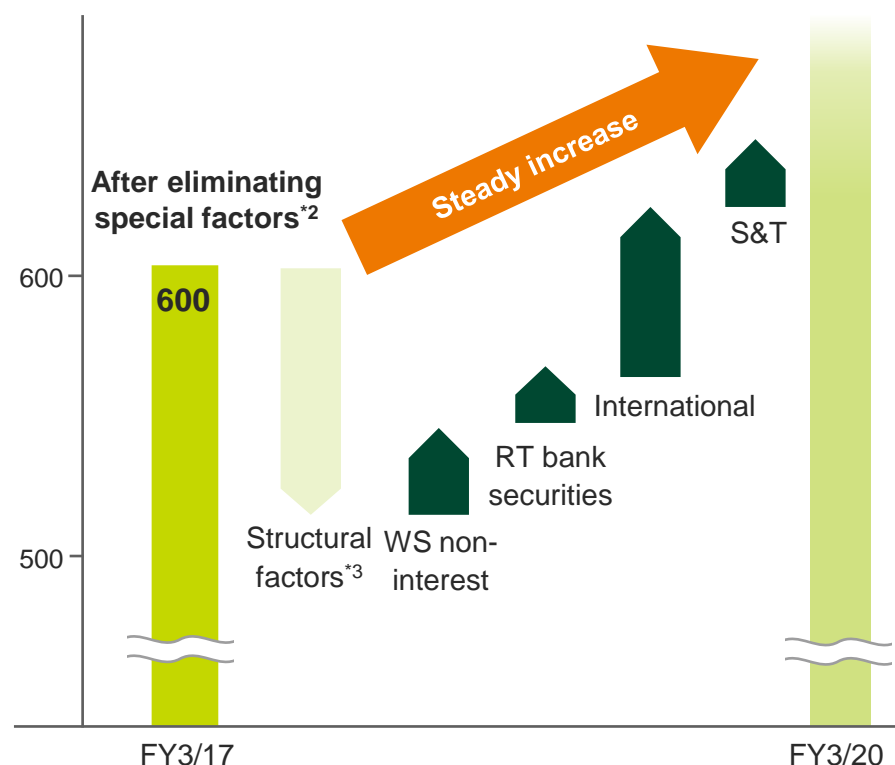
- In order to comply with regulations, accumulation of capital will be prioritized for the time being. However, we will secure at least 7% of ROE. In addition, by steadily enacting initiatives of the Medium-Term Management Plan, we will pursue upsides when business environment including regulations turns favorable
- Steadily increase bottom-line profit despite expected profit decline due to structural factors

ROE*1



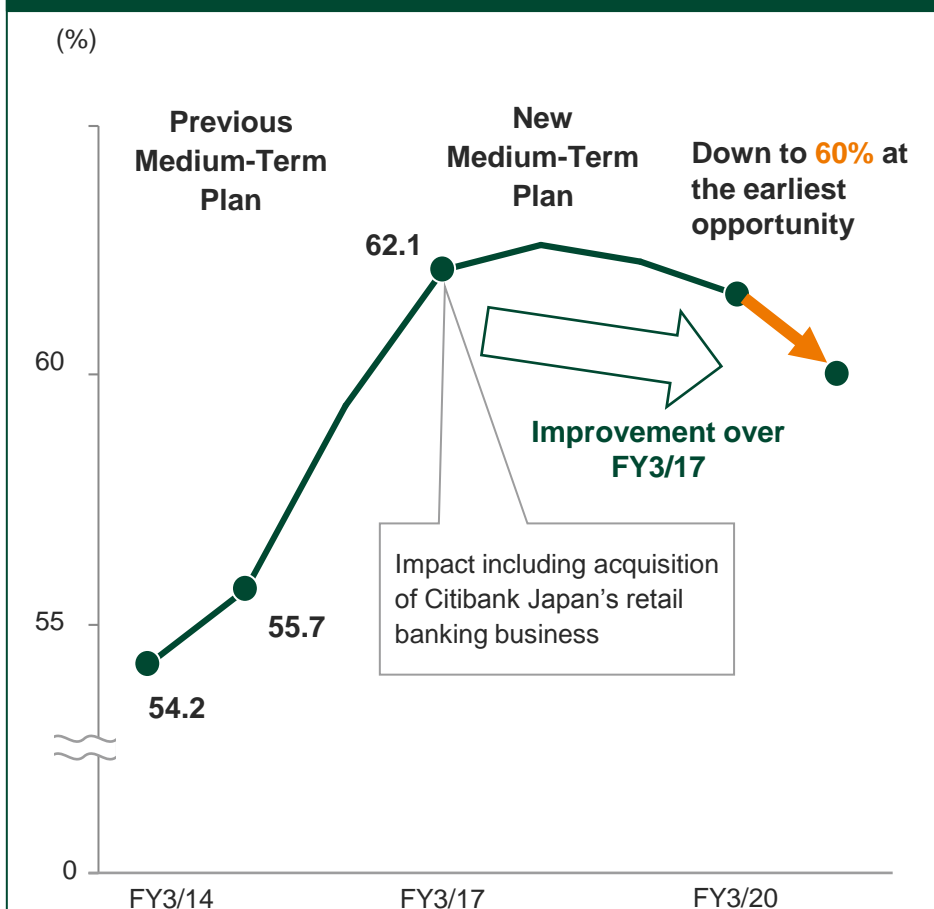
Net income

(JPY bn)

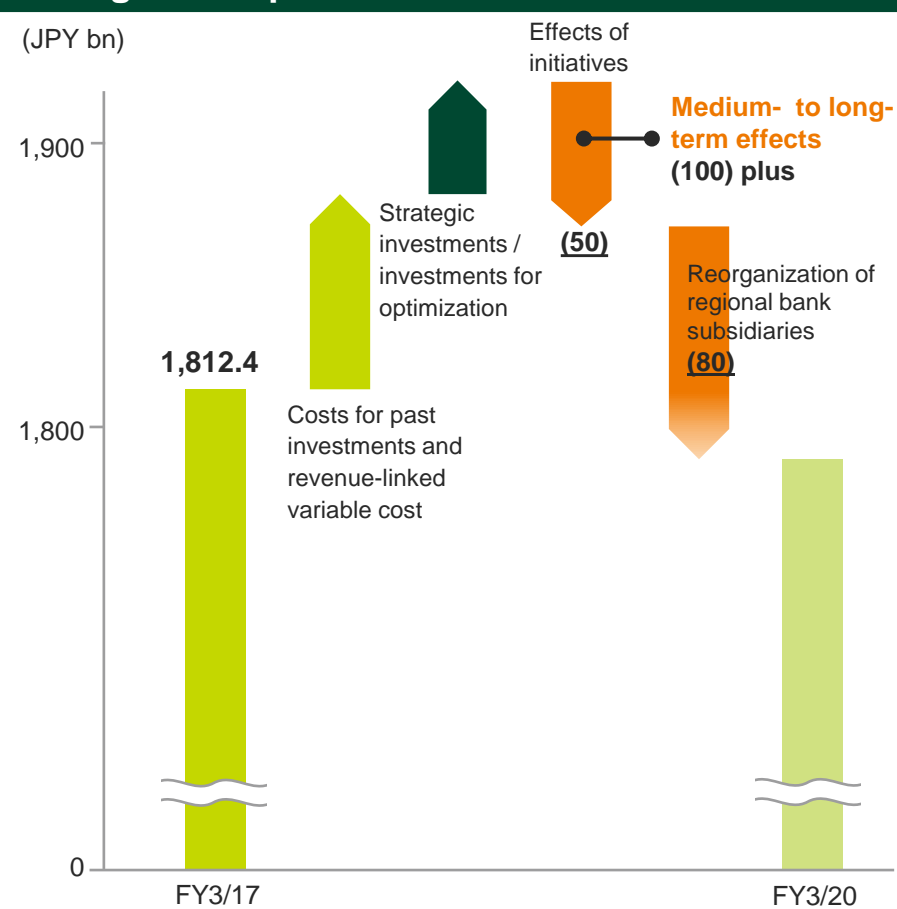


- Improve productivity on a group-wide basis and start reducing the overhead ratio
- Establish downward trend of overhead ratio and aim at around 60% at the earliest opportunity after FY3/20

Overhead ratio







Changes in expenses



Projections by business unit

Announced in November 2017

	ROE			Net business profit (JPY bn)		RWA (JPY tn)
	FY3/20 target	FY3/17 comparison	Three year plan	FY3/20 target	FY3/17 comparison	FY3/17 <o/w credit RWA>
Retail	7%		<ul style="list-style-type: none"> ➤ Expenses will initially increase due to initiatives such as branch reorganization. The cost reduction effects of the initiatives and the merger of SMBC Nikko and SMBC Friend will appear in the latter of the period ➤ Reduce overall RWA while strengthening businesses such as credit cards and consumer finance 	285	+15	13.6 <12.8>
Wholesale	10%		<ul style="list-style-type: none"> ➤ While net business profit will increase by strengthening securities business, etc, net income will slightly decrease with the normalization of credit costs ➤ Reduce RWA through sales of strategic shareholdings 	475	+10	20.8 <20.4>
International	9%		<ul style="list-style-type: none"> ➤ Expenses will initially increase with costs of past investments and strategic investments in the securities business, but in the latter of the period, profits will increase by generating returns on the investments/initiatives that have been made ➤ Reduce the growth rate of RWA in three years by half compared to the previous three years (+22%). Control the increase in the latter of the period 	415	+50	21.9 <20.4>
Global Markets	39%		<ul style="list-style-type: none"> ➤ Increase in profit is expected by enhancing the Sales & Trading business ➤ Reduce RWA through nimble portfolio management 	335	+20	6.9 <4.6>

Notes:

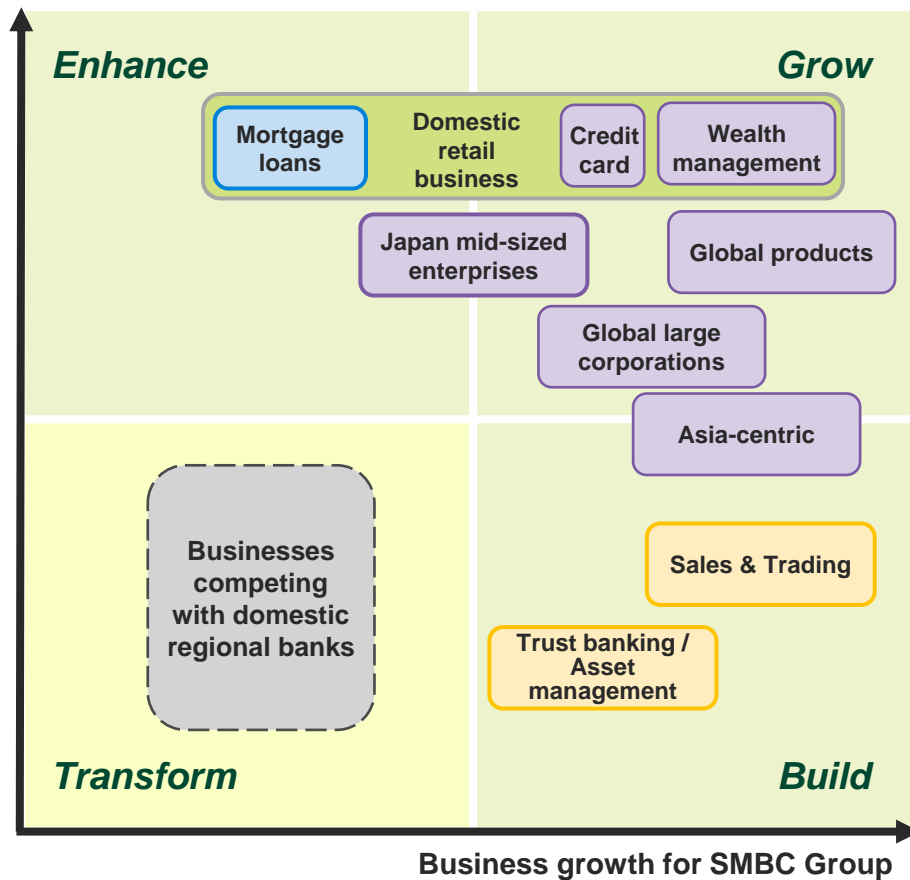
- 1 ROE for each unit is managerial accounting basis with RWA calculated assuming Basel III reforms are finalized. ROE for the International business unit excludes the medium- to long-term foreign currency funding costs. ROE for the Global Markets business unit does not include interest-rate risk associated to the banking account. The objectives on RWA written in the three year plan are determined based on the current regulation
- 2 FY3/17 comparison for ROE is image of three-year developments of ROE from FY3/17 estimates when formulating the Medium-Term Management Plan
- 3 FY3/17 comparisons for ROE and Net business profit are after adjustments for interest rate and exchange rate impacts
- 4 FY3/17 results for each unit are managerial accounting basis, pursuant to current regulation

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

Completed

Completed

Apr. 2019

Apr. 2019

Concept

Strategic Focus

Enhance

Enhance business base in domestic market

1

Hold the number one retail banking franchise in Japan

2

Build on our lead position in the Japanese medium-sized enterprise market

3

Increase market share in Corporate & Investment Banking in key global markets

Grow

Sustainable growth of US/EU businesses

Make Asia our second mother market

4

Establish a top-tier position in product lines where we are competitive globally

5

Accelerate our “Asia-centric” strategy

Build

Build our new strengths for future growth

6

Strengthen sales & trading capability

7

Develop asset-light businesses: trust banking and asset management

Digitalization

Asset Management Business

- In April 2019, SMAM will merge with Daiwa SB (corporate name: Sumitomo Mitsui DS Asset Management, stake: 50.1%)
- Pursue further growth through organic and in-organic strategies in Japan and overseas

Enhancing the domestic base

Expanding overseas

STEP 1

Consolidation of SMAM

Oct. 2016

- Raised stakes to 60%

STEP 2

Reinforce to compete with major domestic peers

Merger scheduled for Apr. 2019

- Reorganization to expand AUM
 - ✓ Maximize use of personnel, customer base, and product lineup to expand through the merger
 - ✓ Lead the industry in areas such as product development and digitalization
 - ✓ Management that effectively controls costs, such as streamlining overlapping management bases and operations
- Aim for AUM JPY 25 tn

STEP 3

Expand business overseas

- Expand globally
- Inorganic strategy

Domestic Ranking

AUM ^{*1} (End of Mar. 18) (JPY tn)

		Balance
1	Asset Management One	56.7
2	Nomura Asset Management	47.0
3	Sumitomo Mitsui Trust Asset Management ^{*2}	43.0
4	BlackRock Japan	38.2
8	Sumitomo Mitsui DS Asset Management ^{*3}	20.1

Operating Income ^{*4} (FY3/18) (JPY bn)

		Profit
1	Nomura Asset Management	31.1
2	Asset Management One	20.7
3	Daiwa Asset Management	18.4
4	Mitsubishi UFJ International Investment Trust	15.8
5	Sumitomo Mitsui DS Asset Management ^{*3}	15.7

^{*1} Ranking by the total balance of investment trusts and investment advisory assets in Japan (source) investment trusts : Investment Trust bank Association of Japan, investment advisory assets : Japan Investment Advisory Association (partially based on pension information)

^{*2} Taking into account the integration of asset management functions with Sumitomo Mitsui Trust Bank on Oct.2018

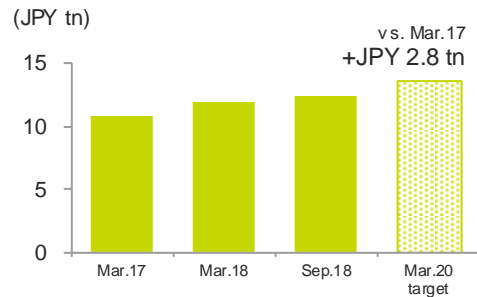
^{*3} Total of SMAM and Daiwa SB (including subsidiaries and overseas affiliates)

^{*4} Ranking of asset management companies in Japan based on financial results published by each company

Retail

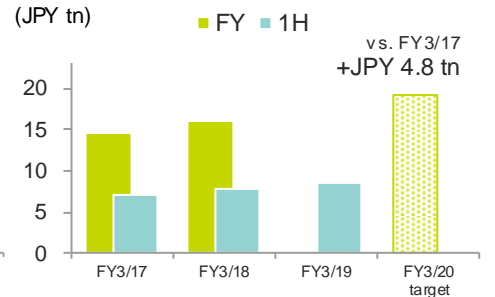
Balance of fee-based AUM

(SMBC+SMBC Nikko)



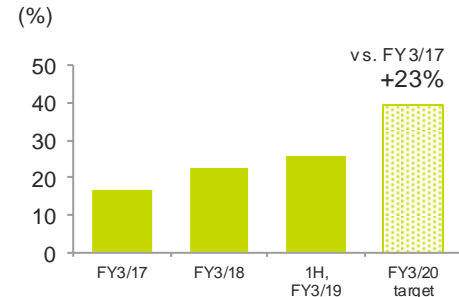
Credit card sales handled

(SMCC+Cedyna)

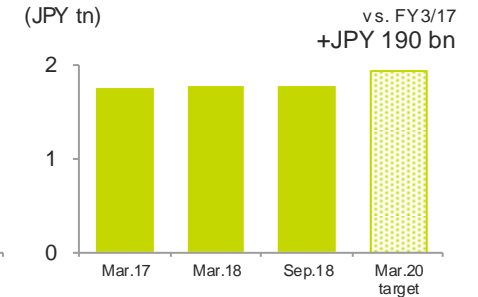


Utilization rate for digital channels

(SMBC)

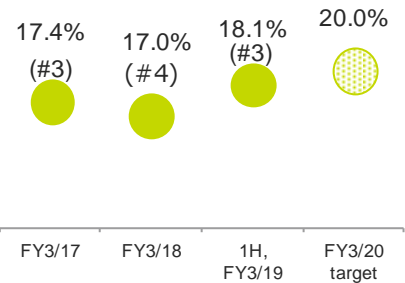


Balance of card loans

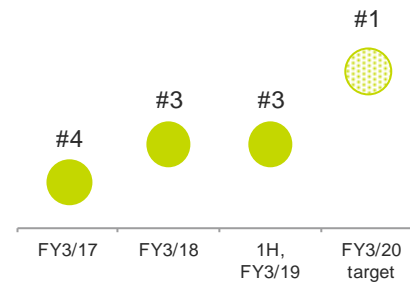


Wholesale

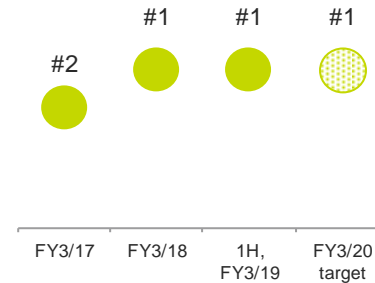
Lead arranger of Japanese corporate bonds^{*1}



Lead arranger of IPO deals^{*1}

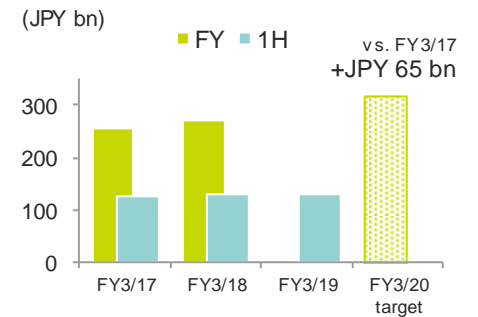


M&A advisory deals^{*1}



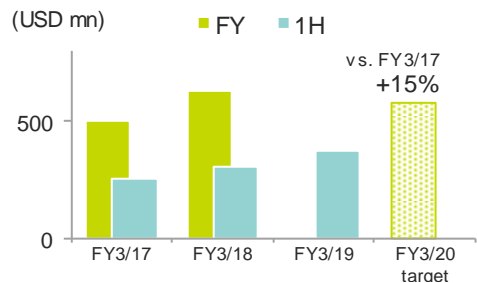
Global markets

S&T profits

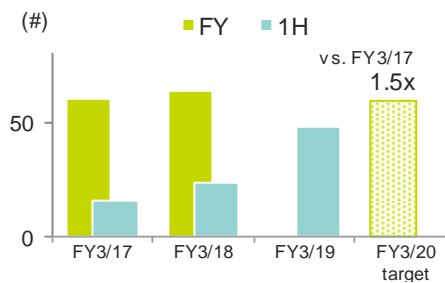


International

Non-asset based profit (Asia)

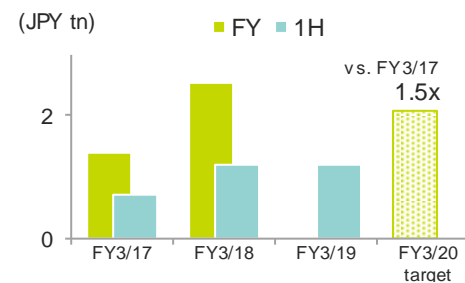


Active book runner (securities)



O&D

Distribution amount



IT investment strategy

- Since the large renewal of systems has been completed, IT investment is expected to decrease in the current Medium-Term Management Plan. In the mean time, we will further allocate our resources to “strategic investments” ; investments for business innovation through digitalization and the creation of new businesses

Previous Medium-Term Management Plan

Main subject

Large renewal of systems

- Bank accounting system
- Core systems in group companies

Up front investment to strategic areas

- Asia, retail, settlement, etc.

Annual amount of IT investment

approx. JPY 170 bn

Allocation of resources to strategic investments

Strategic investment
30%

Approx. JPY 50 bn

JPY 120 bn

Review of budget

Once / year

Current Medium-Term Management Plan

Selected investments to strategic areas

- Select strategic and growing areas to invest in, such as investments for business innovation through digitalization and the creation of new businesses

Adoption of efficient development method and utilization of new technology

approx. JPY 150 bn

Strategic investment
40%

+α

JPY 50~60 bn

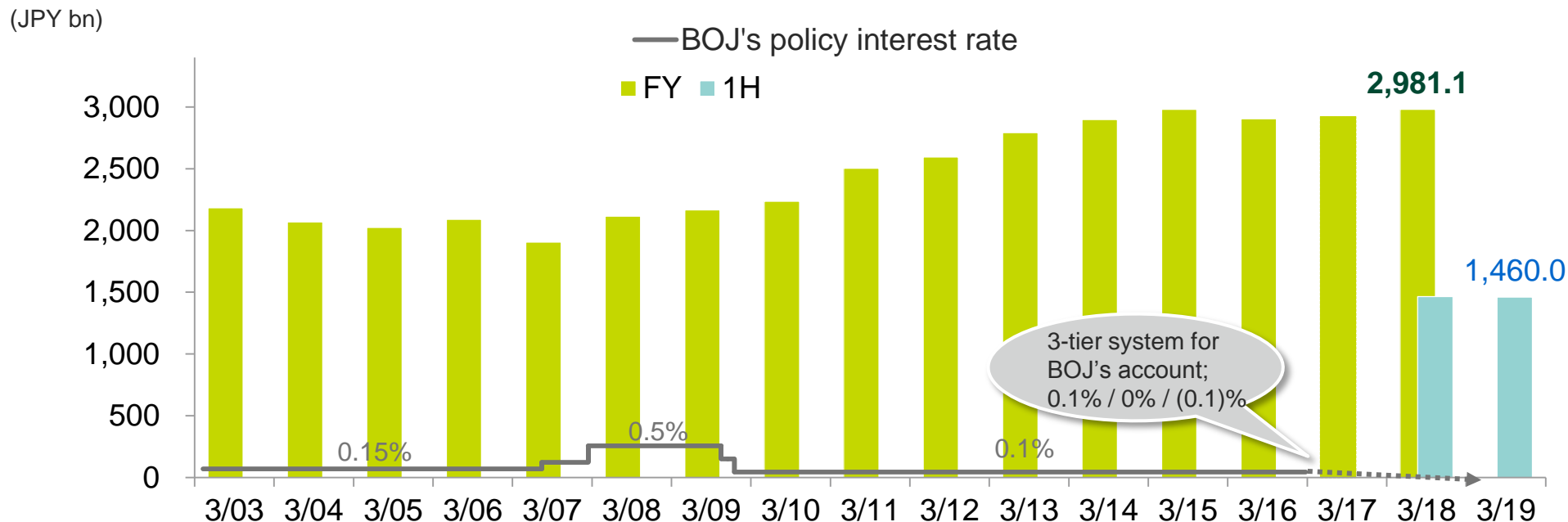
Approx. JPY 90 bn

Because of the dynamic changes in IT environment, we will review the budget flexibly

- Allocate surplus budget arising from the deconsolidation of group companies to strategic investments

Changes in our business mix

Consolidated Gross profit



Breakdown of contribution to Gross profit

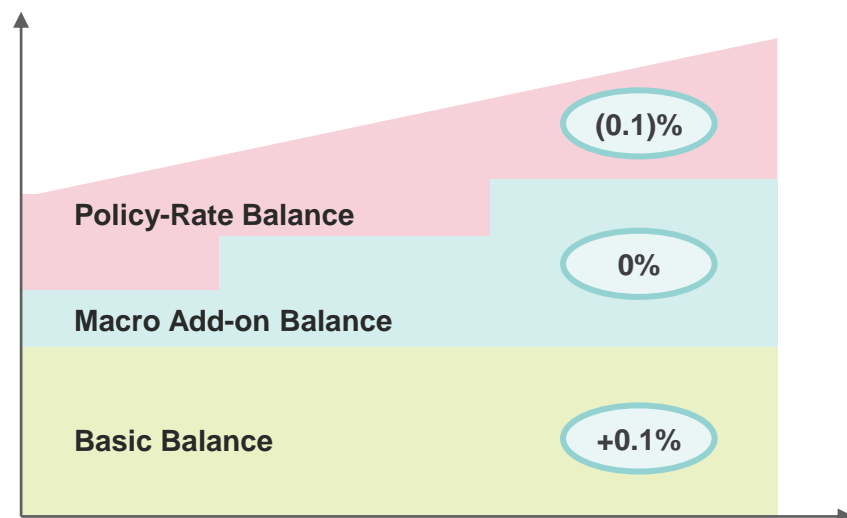
	FY3/03		1H, FY3/19
SMBC's domestic loan / deposit related	35%		15%
International business (banking)	5%	Proportion of International business unit within Consolidated net business profit: 32%	19%
Group companies	18%		46%

BOJ's monetary policy

Timeline

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

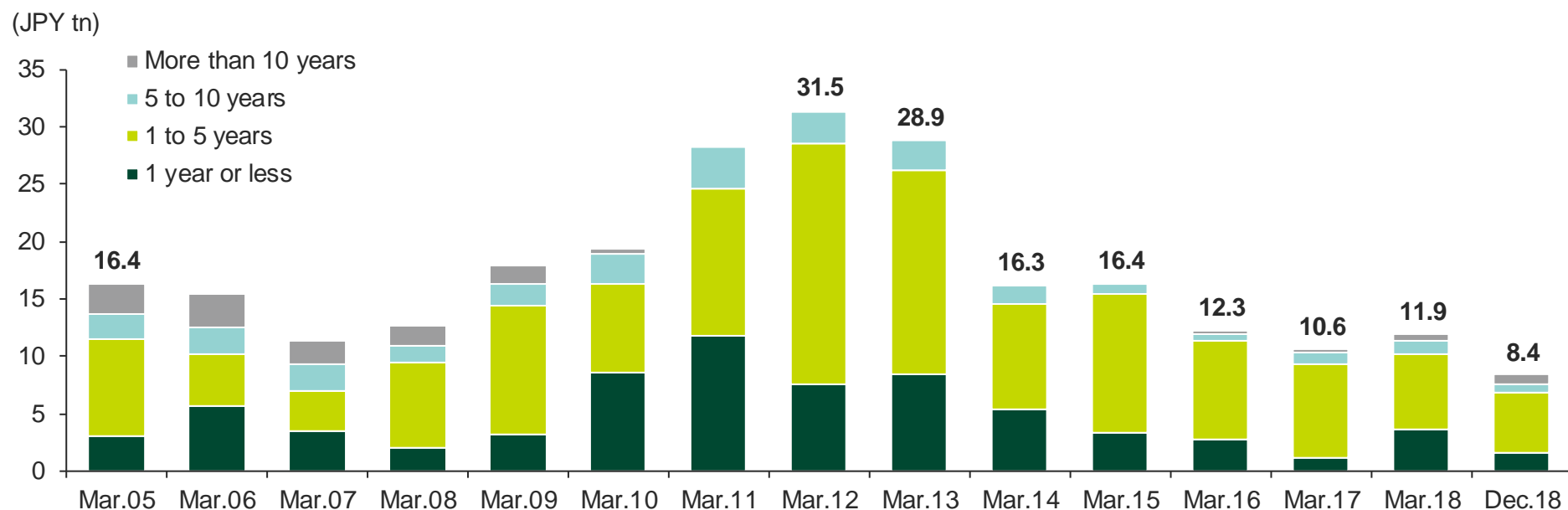
Three-tier system in current accounts at BOJ



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

Yen bond portfolio



of which JGBs
(JPY tn)

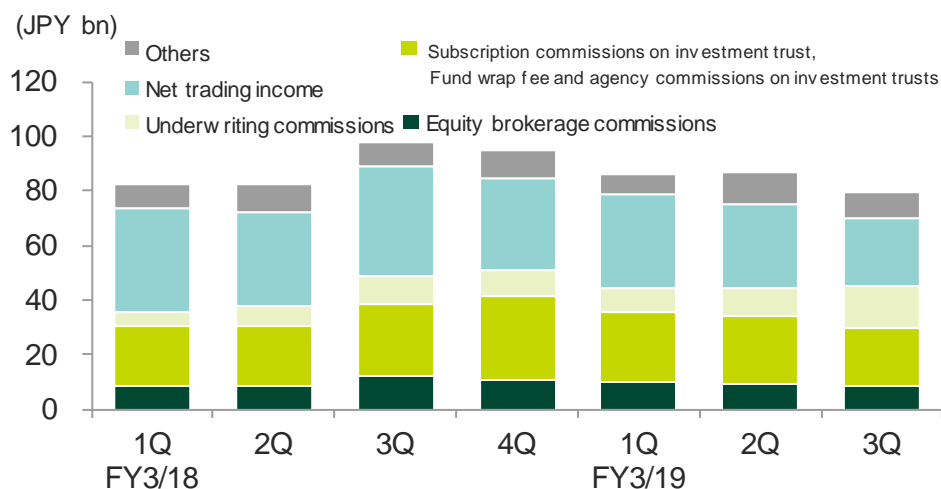
26.2 13.8 14.0 9.8 8.0 9.3 5.8

Average duration (years) ^{*1}	2.3	1.5	1.7	2.4	1.8	1.1	1.4	1.9	1.8	1.1	1.8	2.8	2.9	2.3	2.5
Unrealized gains (losses) (JPY bn) ^{*2}	7.7	(282.2)	(151.4)	(129.5)	(1.2)	116.1	71.9	104.4	95.3	60.0	45.9	103.8	57.5	44.2	42.7

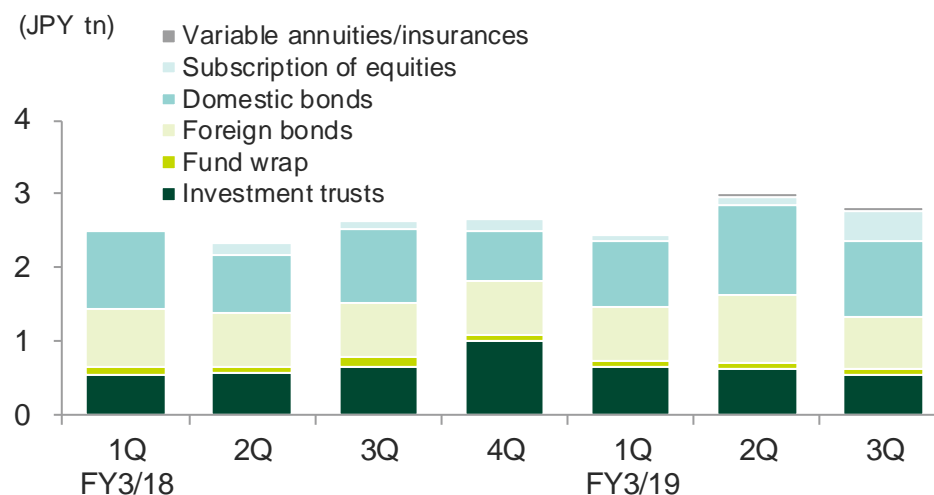
Financial results

(JPY bn)	FY3/18	1-3Q, FY3/19	YoY	vs. sum of two companies ^{*1}
Net operating revenue	357.3	252.8	(9.7)	(33.1)
SG&A expenses	267.6	209.6	+16.6	+7.5
Ordinary income	94.9	47.1	(25.3)	(25.8)
Profit attributable to owners of parent	63.7	34.5	(15.0)	(11.5)

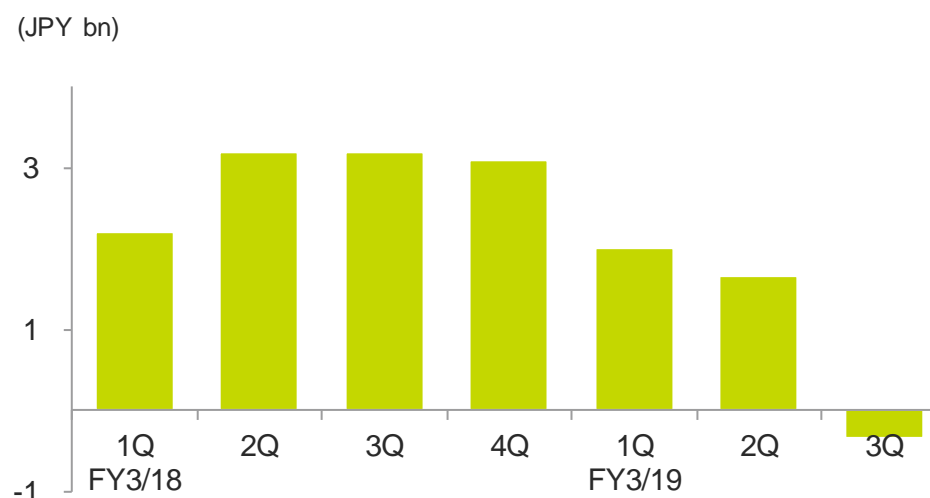
Net operating revenue



Product sales



Earnings of overseas offices^{*2}



^{*1} Compared with the sum of SMBC Nikko and SMBC Friend

^{*2} Earnings of SMBC Nikko Securities (Hong Kong, Singapore), Securities Product Group of SMBC Nikko Capital Markets, SMBC Nikko Securities America and SMBC Nikko Capital Markets Europe GmbH

Financial results

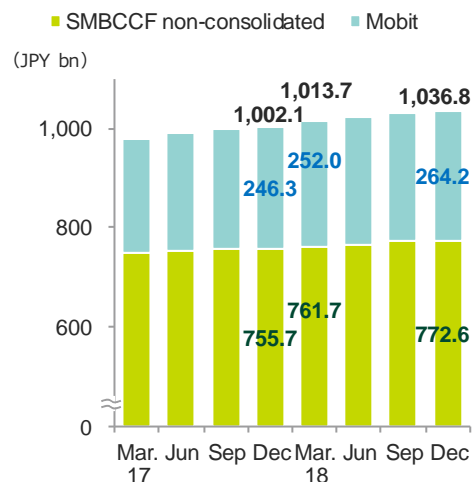
	FY3/18	1-3Q, FY3/19	YoY
(JPY bn)			
Operating income	273.8	211.6	+5.6
Operating expenses	238.3	151.9	(0.3)
Expenses for loan losses	58.1	47.8	(0.5)
Ordinary profit	35.9	60.0	+6.0
Profit attributable to owners of parent	24.6	49.4	+7.5

Consumer loans outstanding	1,115.6	1,144.7
Allowance on interest repayments	109.4	84.4
Loan guarantee	1,258.8	1,237.8
Regional banks, etc.	616.2	615.9

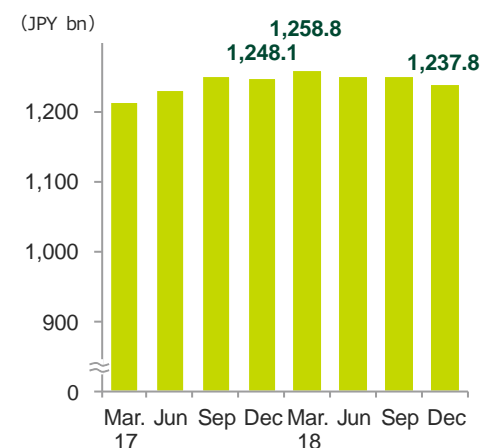
No. of companies with guarantee agreements: 188 (Dec. 2018)

Loans / loan guarantee / overseas businesses

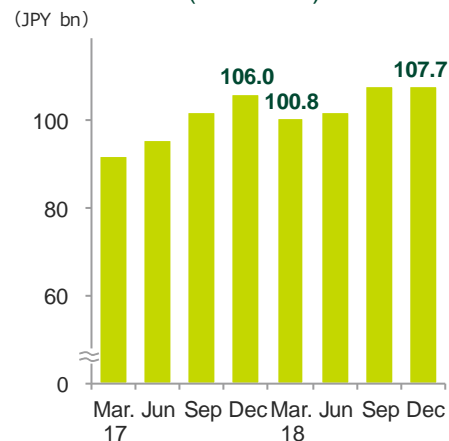
Consumer loans outstanding (domestic)



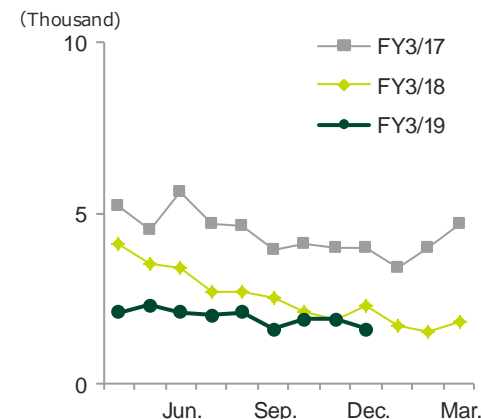
Loan guarantee amount



Consumer loans outstanding (overseas)

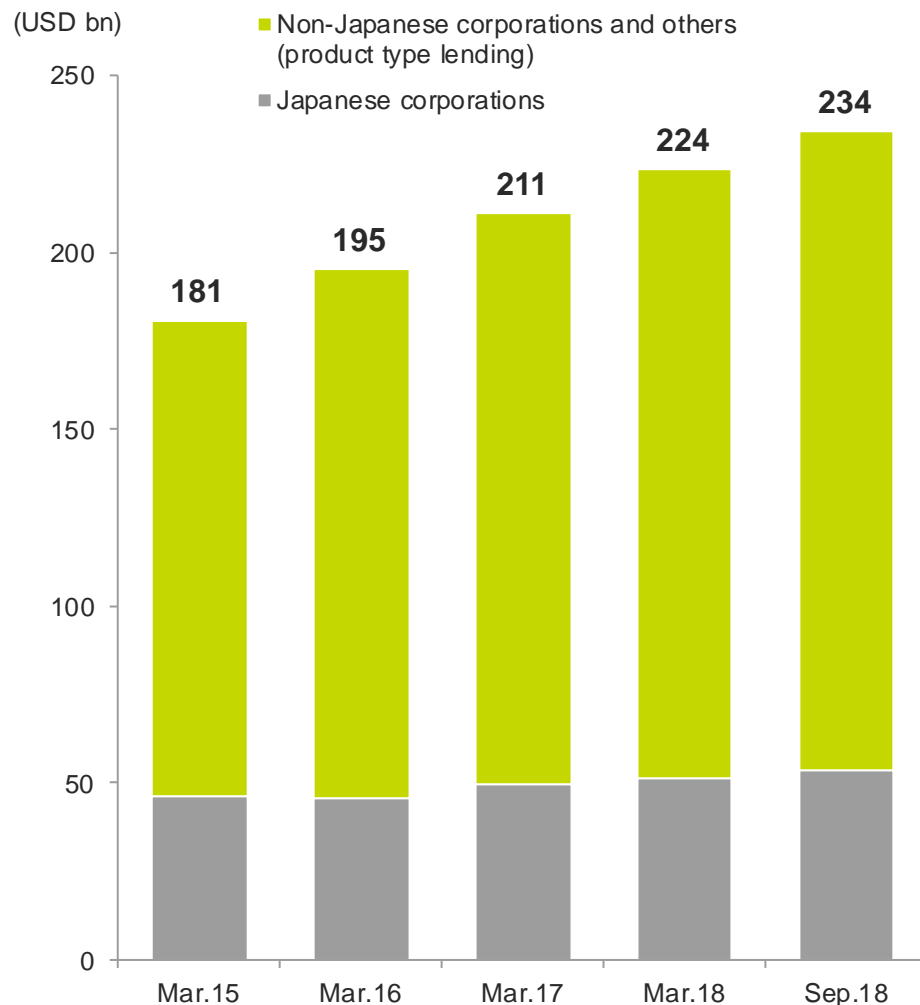


No. of interest refund claims

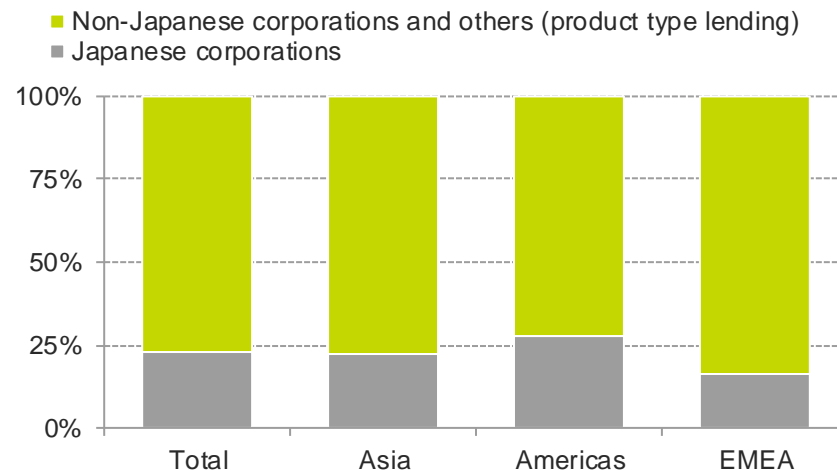


Overseas loan balance classified by borrower type^{*1}

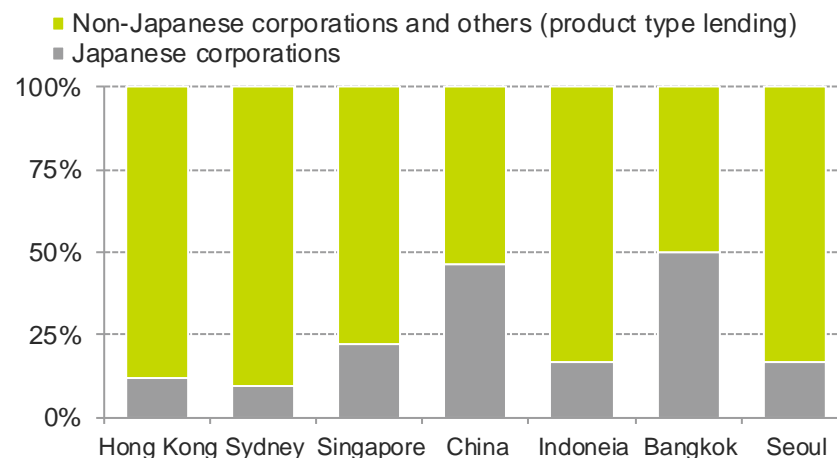
Total



By region (Sep.18)

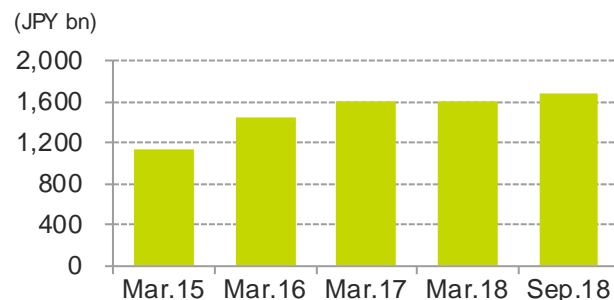


Major marketing channels in Asia (Sep.18)^{*2}

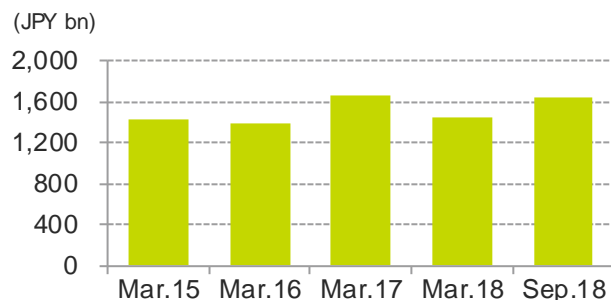


Loan balance in Asian countries/areas *1

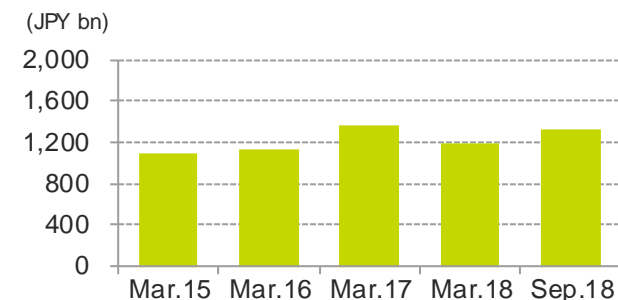
Australia



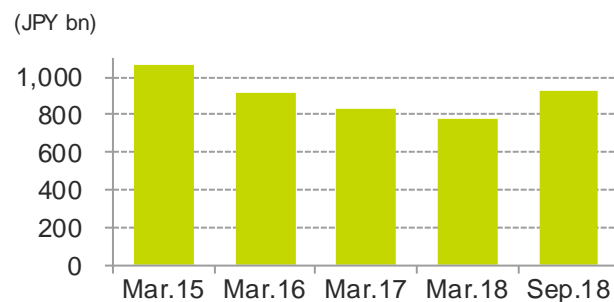
Hong Kong



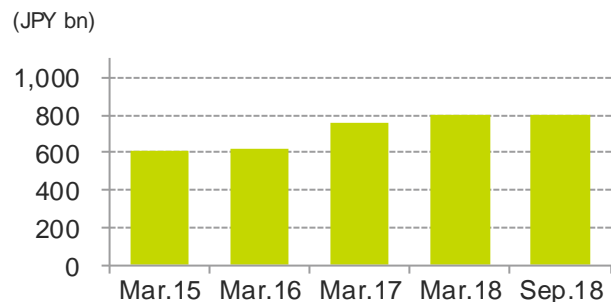
Singapore



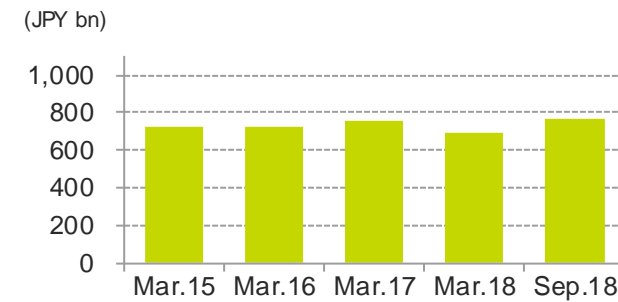
China



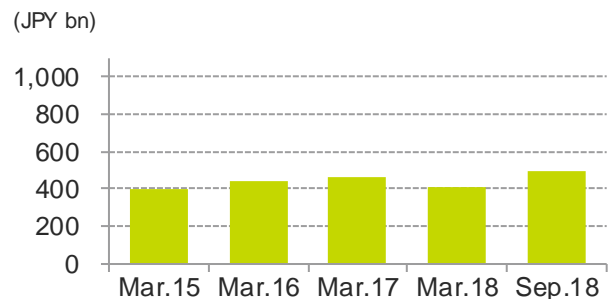
Indonesia



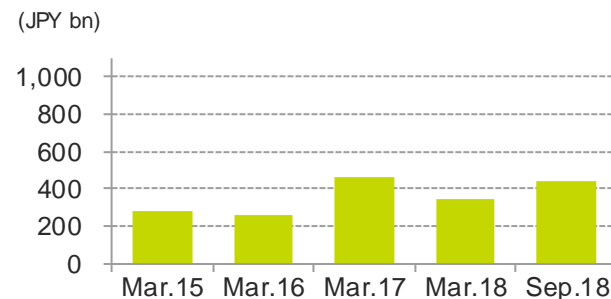
Thailand



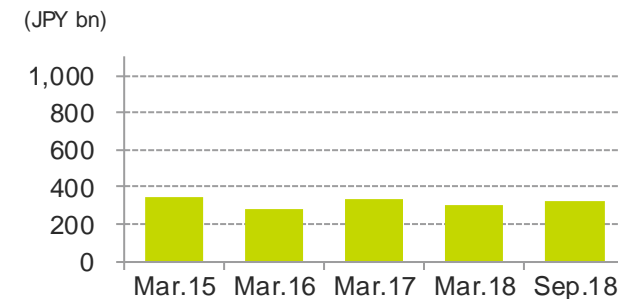
India



Taiwan



Korea



Products that we have strengths overseas

Aircraft-related business

- Providing solutions to domestic and overseas aircraft investors and offering aircraft leasing on a Group basis led by SMBC Aviation Capital

SMBC Aviation Capital results*¹ / Number of owned and managed aircraft*²

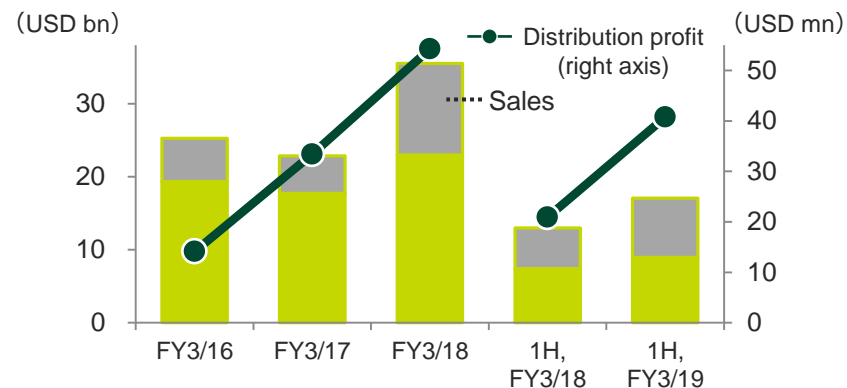
(USD mn)	FY3/18	1H, FY3/19
Total revenue	1,114	569
Net income	295	157
Aircraft asset*³	11,109	11,990
Net asset	2,274	2,454

Aircraft leasing companies	Country	# owned/managed
1 GECAS	USA	1,324
2 AerCap	Ireland	1,076
3 Avolon	Ireland	585
4 SMBC AC	Ireland	450
5 Nordic Aviation Capital	Denmark	416

Subscription finance, Americas / EMEA middle market business*⁴

- Subscription finance : extending loans to funds based on commitments from investors
 - ✓ Balance of claims : approx. USD 29 bn
 - ✓ Spread: around 150 bp
- Sponsor finance for mid-sized corporations, LBO loans
 - ✓ Accounts for around 2% of our overseas loan balance. Carefully select profitable transactions
 - ✓ Spread: around 350bp - 450bp

O&D origination amount and distribution profit




Indonesia strategy (Multi-Franchise strategy)

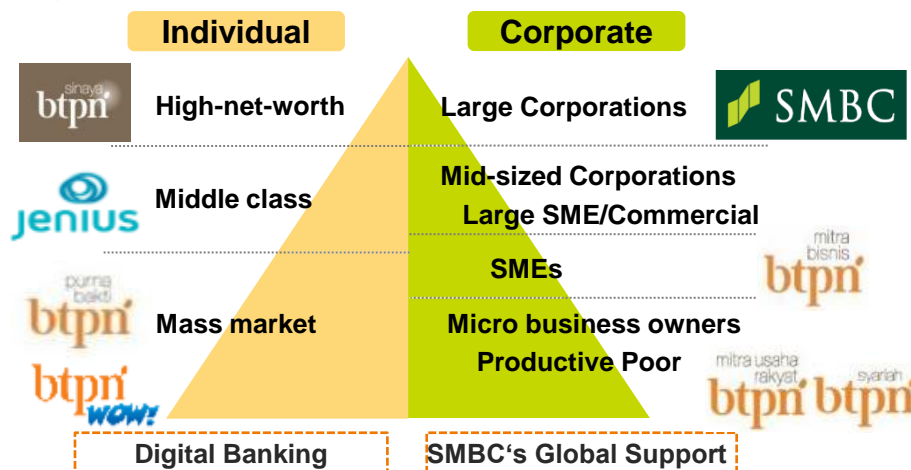
- SMBC became the first Japanese bank to operate a full-fledged banking franchise with significant presence (ranked 10th by assets) in Indonesia.
- SMBC will capture the growth of the retail banking business by accelerating BTPN's digital initiatives. BTPN will further expand SME and retail banking by leveraging on SMBC's customer base.

Full-fledged banking franchise

Overview of New BTPN

Bank Name	PT Bank BTPN Tbk  <small>SMBC A MEMBER OF SMBC Group</small>
SMBC's ownership	97.34% (as of Feb 1, 2019)

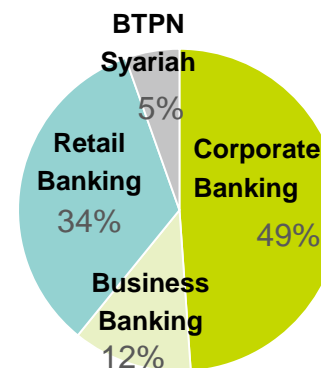
- New BTPN will serve the full spectrum of Indonesian customer segments



Financial results of New BTPN

(IDR billion*1)	2018 (Jan.-Dec.)	BTPN	SMBCI
Gross banking profit	12,236	10,201	2,035
Operating expenses	6,413	5,748	665
Net profits	2,958	1,968	990
ROE	-	12.4%	12.1%
Gross loans	133,246	68,137	65,109
Customer deposits	98,974	70,845	28,129
Total assets	189,919	101,919	88,000

Pro-forma of New BTPN Loan Portfolio (as of Dec. 2018)



Japanese and non-Japanese corporate exposures*1



Loan and exposure to the China / Russia / Turkey

Loan balance in China^{*1}

(JPY tn)

Mar. 18	Sep. 18
0.8	0.9

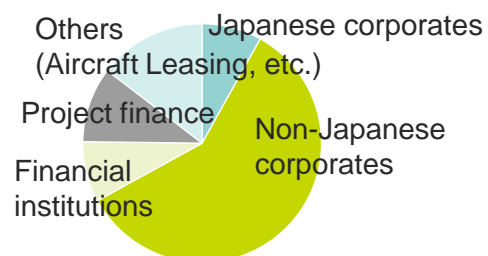


- Most borrowers are classified as “1-3” in our internal rating

Exposure to Russia^{*2}

(USD bn)

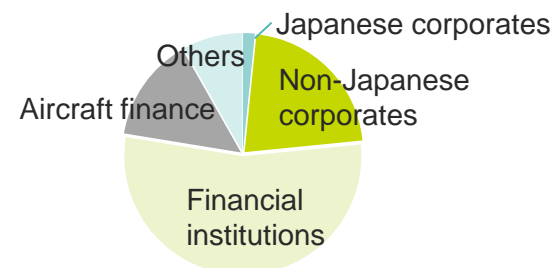
Mar. 18	Sep. 18
3.5	3.3



Exposure to Turkey^{*2}

(USD bn)

Mar. 18	Sep. 18
3.4	3.7



Capital and risk-weighted assets

Capital ratio (transitional basis)

	(JPY bn)	Mar.18	Dec.18
Common Equity Tier 1 capital (CET1)		9,217.4	9,477.5
o/w Total stockholders' equity related to common stock		8,510.1	8,961.3
Accumulated other comprehensive income		1,753.4	1,528.1
Regulatory adjustments related to CET1		(1,049.3)	(1,014.7)
Tier 1 capital		10,610.2	10,696.9
o/w Additional Tier 1 capital instruments		599.8	600.0
Eligible Tier 1 capital instruments (grandfathered) ^{*1}		650.3	584.6
Regulatory adjustments		(81.6)	(25.5)
Tier 2 capital		1,693.9	1,539.7
o/w Tier 2 capital instruments		993.4	995.4
Eligible Tier 2 capital instruments (grandfathered) ^{*1}		625.4	521.0
Regulatory adjustments		(50.0)	(50.0)
Total capital		12,304.1	12,236.6
Risk-weighted assets		63,540.3	59,823.8
Common Equity Tier 1 capital ratio		14.50%	15.84%
Tier 1 capital ratio		16.69%	17.88%
Total capital ratio		19.36%	20.45%

Common Equity Tier 1 capital ratio (fully-loaded^{*2})

	(JPY bn)	Mar.18	Dec.18
Common Equity Tier 1 capital		9,217.4	9,477.5
Risk-weighted assets		63,540.3	59,823.8
Common Equity Tier 1 capital ratio		14.5%	15.8%
(excluding net unrealized gains)		11.8%	13.3%

Preferred securities which were redeemed in FY3/19

	Issue date	Amount outstanding	Dividend rate ^{*3}	First call date ^{*4}	Type
SMFG Preferred Capital USD 3 Limited	Jul. 2008	USD 1.35 bn	9.5%	Jul. 2018	Step-up
SMFG Preferred Capital JPY 2 Limited (Series A)	Dec. 2008	JPY 113 bn	4.57%	Jan. 2019	Step-up
SMFG Preferred Capital GBP 2 Limited	Jul. 2008	GBP 250 mn	10.231%	Jan. 2029	Step-up

^{*5}
Redeemed in Jan. 2019

Leverage ratio

(transitional basis)

	(JPY bn)	Dec.18
Tier1 capital		10,696.9
Leverage exposure		216,881.6
Leverage ratio		4.93%

LCR

(transitional basis)

Average Oct.-Dec.18
133.1%

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* ¹	+3.5%	+3.5%
-) Contribution of Japanese Deposit Insurance Fund Reserves	-2.5%	-3.5%
Effective required level of minimum External TLAC (RWA basis)	17.0%	18.0%

Minimum external TLAC requirements (Leverage ratio denominator basis)	6%	6.75%
Plus leverage ratio buffer* ¹	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

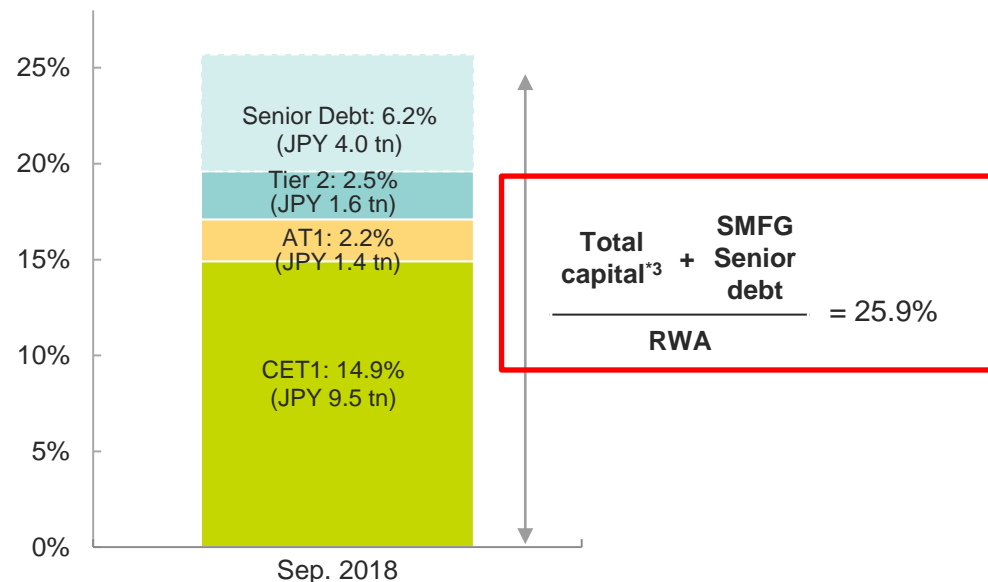
Contribution of Japanese Deposit Insurance Fund Reserves

- 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*²

(Consolidated)



Issuance amount of SMFG senior unsecured bond

	FY3/17	FY3/18	1H, FY3/19
Issuance amount through the period	JPY 1.5 tn (USD 13.7 bn)	JPY 1.4 tn (USD 13.0 bn)	JPY 0.3 tn (USD 2.8 bn)

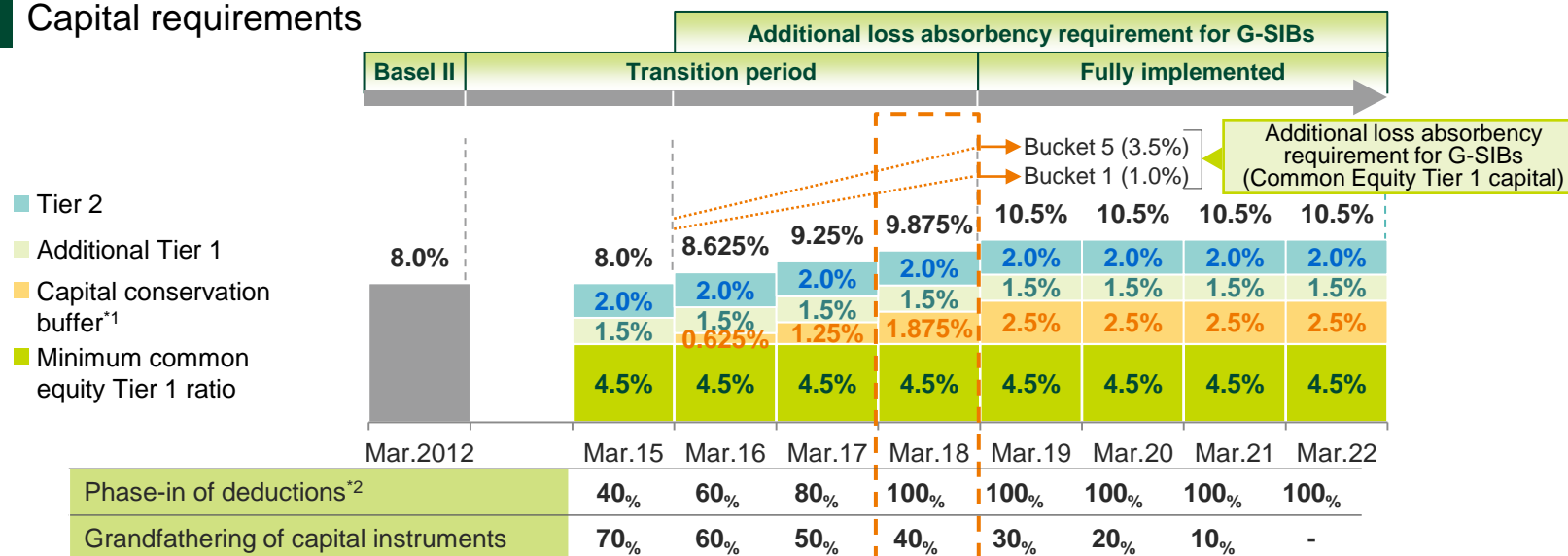
*1 Excludes countercyclical buffer. As for the G-SIB buffer, SMFG was allocated to bucket 1 (1.0%) according to the list published by the FSB in Nov. 2017

*2 This figure is not the same as TLAC ratio

*3 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

Application of Basel III

Capital requirements



		2022	2023	2024	2025	2026	2027
RWA* ³	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* ³	Disclosure			Implementation				
Revised leverage ratio* ^{3, 4}								Implementation
Liquidity coverage ratio (LCR)	60%	70%	80%	90%	100%			
Net stable funding ratio (NSFR) * ³				Implementation				

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

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

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

Overview of major international regulations

Regulations			Outline
Capital requirement	Credit risk	Revised internal ratings-based framework	<ul style="list-style-type: none"> Constraints on the use of the internal ratings based approach to credit risk; (i) applying the standardised approach to exposures to equities, (ii) applying the F-IRB approach for exposures to financial institutions, large corporates and medium sized corporates, or (iii) applying or raising floors to PDs/LGDs and revising the estimation methods
		Revised Standardised Approach	<ul style="list-style-type: none"> 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
		CVA framework	<ul style="list-style-type: none"> 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
	Market risk	Revised market risk framework	<ul style="list-style-type: none"> The revised internal models approach replaces VaR and stressed VaR with a single Expected Shortfall to capture tail risks that are not accounted for in the existing VaR measures. The revised standardized approach adopts the sensitivities-based method to extend the use of sensitivities to a much broader set of risk factors
	Operational Risk	Revised operational risk framework	<ul style="list-style-type: none"> Use of the Business Indicator (BI), a proxy of size of business, and the loss data for risk weighted assets calculation Termination of the Advanced Measurement Approaches (AMA)
	Overall	Output floors based on standardised approaches	<ul style="list-style-type: none"> Replacement of the Basel I-based transitional capital floor with a permanent floor based on standardized approaches
Sovereign exposures		Regulatory treatment of sovereign exposures	<ul style="list-style-type: none"> Basel Committee has completed its review of the regulatory treatment of sovereign exposures and decided not to proceed the consultation process
Leverage ratio requirement		Leverage ratio	<ul style="list-style-type: none"> The leverage ratio buffer for G-SIBs set at 50% of a G-SIB's higher-loss absorbency risk-weighted requirements Revisions to the exposure definitions including credit conversion factors for off-balance sheet items
G-SIBs regulation		TLAC (total loss-absorbing capacity)	<ul style="list-style-type: none"> Minimum requirement of (i) 16% of RWA and 6% of the Basel III Tier 1 leverage ratio denominator as from 2019, (ii) 18% of RWA and 6.75% of the Basel III Tier 1 leverage ratio denominator as from 2022 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 Should be issued and maintained by resolution entities

Credit ratings of G-SIBs (Operating banks)*¹

(As of Jan. 31, 2019)

Moody's	Moody's	S&P	Fitch	S&P Fitch
Aaa				AAA
Aa1				AA+
Aa2	<ul style="list-style-type: none"> Bank of New York Mellon JPMorgan Chase Bank Wells Fargo Bank 		<ul style="list-style-type: none"> Bank of New York Mellon JPMorgan Chase Bank Royal Bank of Canada State Street Bank & Trust 	AA
Aa3	<ul style="list-style-type: none"> Bank of America BNP Paribas HSBC Bank ING Bank State Street Bank & Trust UBS 	<ul style="list-style-type: none"> Bank of New York Mellon HSBC Bank Royal Bank of Canada State Street Bank & Trust 	<ul style="list-style-type: none"> Bank of America HSBC Bank UBS Wells Fargo Bank 	AA-
A1	SMBC <ul style="list-style-type: none"> Agricultural Bank of China Bank of China BPCE China Construction Bank Citibank Crédit Agricole Credit Suisse Goldman Sachs Bank ICBC Mizuho Bank Morgan Stanley Bank MUFG Bank Société Générale Standard Chartered 	<ul style="list-style-type: none"> Bank of America BPCE Citibank Crédit Agricole Goldman Sachs Bank ING Bank JPMorgan Chase Bank Morgan Stanley Bank UBS Wells Fargo Bank 	<ul style="list-style-type: none"> Barclays Bank BNP Paribas BPCE Citibank Crédit Agricole Goldman Sachs Bank ING Bank Morgan Stanley Bank Standard Chartered 	A+
A2	<ul style="list-style-type: none"> Banco Santander Barclays Bank Royal Bank of Canada 	SMBC <ul style="list-style-type: none"> Agricultural Bank of China Banco Santander Bank of China Barclays Bank BNP Paribas China Construction Bank Credit Suisse ICBC Mizuho Bank MUFG Bank Société Générale Standard Chartered 	SMBC <ul style="list-style-type: none"> Agricultural Bank of China Bank of China China Construction Bank Credit Suisse ICBC MUFG Bank Société Générale 	A
A3	<ul style="list-style-type: none"> Deutsche Bank 		<ul style="list-style-type: none"> Banco Santander Mizuho Bank 	A-
Baa1	<ul style="list-style-type: none"> UniCredit 	<ul style="list-style-type: none"> Deutsche Bank 	<ul style="list-style-type: none"> Deutsche Bank 	BBB+
Baa2		<ul style="list-style-type: none"> UniCredit 	<ul style="list-style-type: none"> UniCredit 	BBB
Baa3				BBB-

Credit ratings of G-SIBs (Holding companies)*1

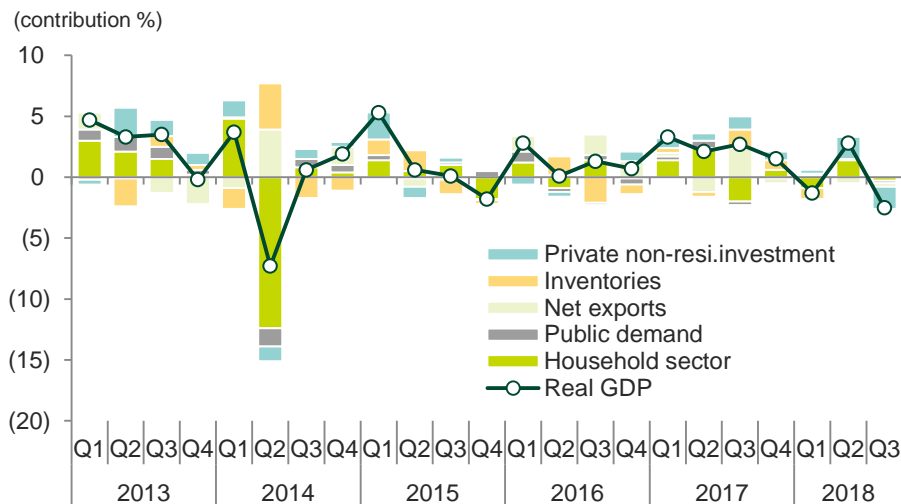
(As of Jan. 31, 2019)

Moody's	Moody's	S&P	Fitch	S&P Fitch
Aaa				AAA
Aa1				AA+
Aa2				AA
Aa3			<ul style="list-style-type: none"> Bank of New York Mellon HSBC JPMorgan State Street 	AA-
A1	SMFG <ul style="list-style-type: none"> Bank of New York Mellon 	<ul style="list-style-type: none"> Mizuho MUFG State Street 	<ul style="list-style-type: none"> Bank of America Groupe BPCE ING UBS Wells Fargo 	A+
A2	<ul style="list-style-type: none"> HSBC JPMorgan Standard Chartered 	<ul style="list-style-type: none"> Wells Fargo Bank of New York Mellon HSBC State Street 	SMFG <ul style="list-style-type: none"> Barclays Citigroup Goldman Sachs MUFG Morgan Stanley Standard Chartered 	A
A3	<ul style="list-style-type: none"> Bank of America Goldman Sachs 	<ul style="list-style-type: none"> Morgan Stanley UBS 	SMFG <ul style="list-style-type: none"> Bank of America ING JPMorgan Mizuho MUFG UBS Wells Fargo 	A-
Baa1	<ul style="list-style-type: none"> Citigroup ING 	<ul style="list-style-type: none"> Citigroup Credit Suisse Goldman Sachs Morgan Stanley Standard Chartered 		BBB+
Baa2	<ul style="list-style-type: none"> Credit Suisse 	<ul style="list-style-type: none"> Barclays 		BBB
Baa3	<ul style="list-style-type: none"> Barclays 			BBB-
Ba1				BB+
Ba2				BB

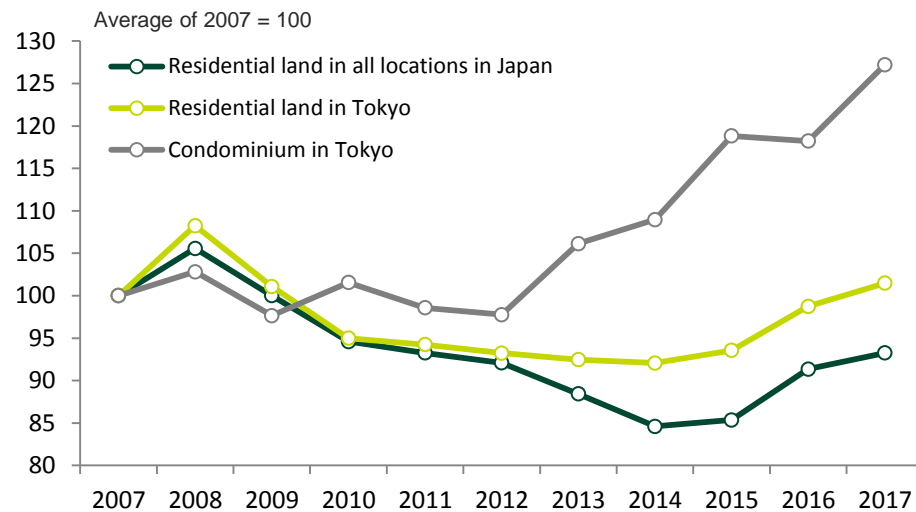
*1 Long-term issuer ratings (if not available, Senior unsecured ratings) for Moody's, long-term issuer local currency ratings for S&P, long-term issuer default ratings for Fitch

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

