

# Fixed Income Investor Presentation

May 2019

## 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



# Disclaimer

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
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

Consolidated	SMFG consolidated
Non-consolidated	SMBC non-consolidated
Expenses (non-consolidated)	Excludes non-recurring losses
Net business profit	Before provision for general reserve for possible loan losses

Retail Business Unit	Domestic retail and SME businesses SMBC , SMBC Trust, SMBC Nikko, SMCC, SMBCCF
Wholesale Business Unit	Domestic large/mid-size corporation business SMBC, SMBC Trust, SMFL, SMBC Nikko
International Business Unit	International business SMBC, SMBC Trust, SMFL, SMBC Nikko
Global Markets Business Unit	Market / Treasury related businesses SMBC, SMBC Nikko
Large corporations	Global Corporate Banking Division
Mid-sized corporations & SMEs	Corporate Banking Division and SMEs covered by Retail Banking Unit

### Exchange rates (TTM)

	Mar. 18	Mar. 19
USD	JPY 106.25	JPY 111.00
EUR	JPY 130.73	JPY 124.55

## **Results**

- Key credit messages
- FY3/2019 financial results
- Balance sheet and loan balance
- Loans
- Asset quality
- Reduction of strategic shareholdings

## **Funding & Capital**

- Foreign currency assets and funding
- Issuance and redemptions
- TLAC requirements
- Credit ratings of selected G-SIBs
- Capital

## Key credit messages

(Consolidated, unless otherwise indicated, FY3/19)

Strong and diversified earnings capability	<b>USD 6.5 bn</b> SMFG's profit attributable to owners of parent* <sup>1</sup>	 Breakdown of consolidated net business profit by business unit
Sound loan portfolio	<b>0.76%</b> SMFG NPL ratio	<b>0.54%</b> SMBC NPL ratio (non-consolidated)
Robust liquidity	<b>58.4%</b> Loan to deposit ratio	(average Jan. – Mar. 19) <b>131.4%</b> LCR
Sound capital position	<b>16.37%</b> CET1 ratio (Fully-loaded basis)	<b>20.76%</b> Total capital ratio
High credit ratings	<b>A1 / A1</b> SMBC/SMFG Moody's rating	(As of Apr. 26, 2019) <b>A / A-</b> SMBC/SMFG S&P rating

\*1 Converted into USD at period-end exchange rate

# FY3/2019 financial results

		FY3/19	YoY
	(JPY bn)		
1	<b>Consolidated gross profit</b>	2,846.2	(134.9)
	USD 25.6 bn <sup>*3</sup>		
2	<b>G&amp;A expenses</b>	1,715.1	(101.1)
	<b>Overhead ratio</b>	60.3%	(0.6)%
3	<b>Equity in gains (losses) of affiliates</b>	61.1	+22.2
4	<b>Consolidated net business profit</b>	1,192.3	(11.6)
	USD 10.7 bn <sup>*3</sup>		
5	<b>Total credit cost</b>	110.3	+16.1
6	<b>Gains (losses) on stocks</b>	116.3	(2.6)
7	<b>Other income (expenses)</b>	(63.1)	+1.4
8	<b>Ordinary profit</b>	1,135.3	(28.8)
	USD 10.2 bn <sup>*3</sup>		
9	<b>Extraordinary gains (losses)</b>	(11.7)	+43.5
10	<b>Income taxes</b>	331.4	+60.9
11	<b>Profit attributable to owners of parent</b>	726.7	(7.7)
	USD 6.5 bn <sup>*3</sup>		
12	<b>ROE</b>	8.2%	(0.6)%

## YoY changes

**Consolidated gross profit:** increased slightly YoY excluding the impact of group reorganization due to the strong performance of the overseas business, while the wealth management business was sluggish due to the deterioration of market conditions.

**G&A expenses:** decreased YoY even after excluding the impact of group reorganization because of taking cost control measures.

**Equity in gains:** increased YoY due to group reorganization despite the absence of gains on sale of its subsidiary which The Bank of East Asia recorded in FY3/18

**Total credit cost:** increased YoY, while reversals of credit cost from large borrowers were recorded in the 1H at SMBC.

**Gains on stocks:** gains on sales of strategic shareholdings declined (JPY 89 bn, YoY JPY (12) bn), offsetting the one time impact from the reorganization of SMFL.

**Other income (expenses):** recorded provisions for losses on interest repayments (JPY 47 bn) at SMBCCF and Cedyne.

**Extraordinary income (expenses):** increased YoY with the absence of branch reorganization cost (JPY 25 bn) and goodwill impairment (JPY 21 bn) recorded in FY3/18.

**Income taxes** tax imposed at SMCC by becoming a wholly owned subsidiary of SMFG<sup>\*2</sup>.

## Impact of group reorganization<sup>\*1</sup> (FY3/19)

		(JPY bn)
<b>Consolidated gross profit</b>	(139)	
<b>Consolidated net business profit</b>		(12)
<b>G&amp;A expenses</b>	(92)	
<b>Profit attributable to owners of parent</b>		0
<b>Equity in gains (losses) of affiliates</b>	+35	

<sup>\*1</sup> Deconsolidation of the regional banks and SMFL, the consolidation of BTPN and SMCC becoming a wholly-owned subsidiary

<sup>\*2</sup> The negative impact on profit attributable to owners of parent was JPY 60 bn (based on 66% of ownership ratio)

<sup>\*3</sup> Converted into USD at period-end exchange rate

## Balance sheet and loan balance

### Balance sheet (as of Mar. 19)

(Consolidated)

#### Total assets : JPY 203.7 tn

Cash and due from banks  
**JPY 57.4 tn**

Loans  
**JPY 78.0 tn**

Securities  
**JPY 24.3 tn**

JGB  
**JPY 6.2 tn**

Other assets  
**JPY 44.0 tn**

Deposits,  
negotiable  
certificates  
of deposits (NCD)  
**JPY 133.5 tn**

Other liabilities  
**JPY 58.7 tn**

Total net assets  
**JPY 11.5 tn**

Total stockholders' equity  
**JPY 9.1 tn**

Loan to deposit ratio	58.4%
Risk-weighted assets	JPY 58.9 tn
ROE (Denominator: Total stockholders' equity)	8.2%

### 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; Mar. 19: JPY 2.7 tn

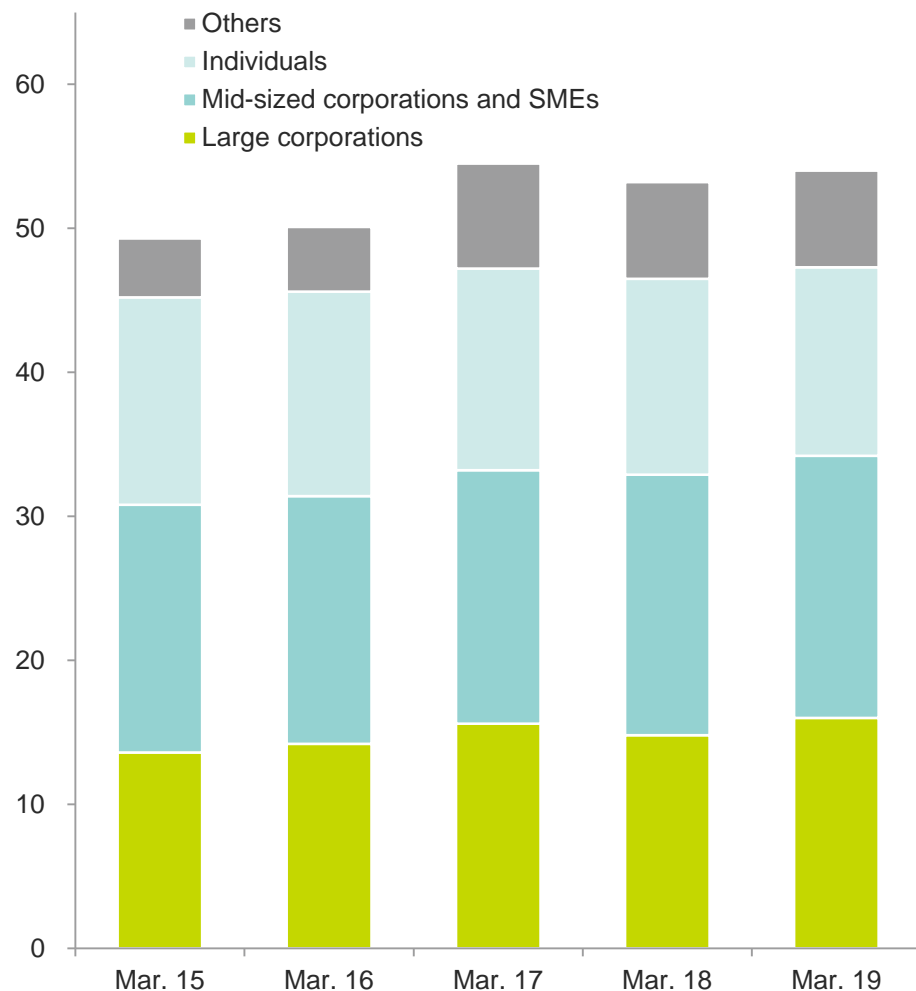


# Domestic loans

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

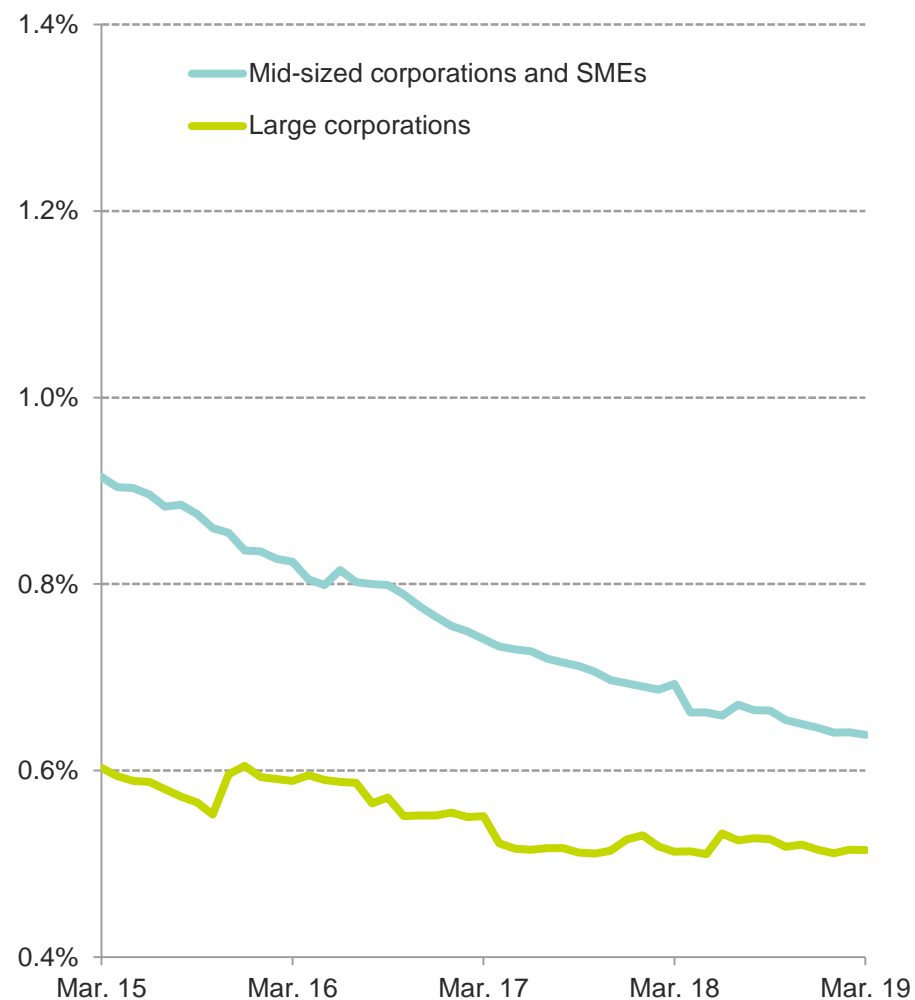
(Non-consolidated)

(JPY tn)



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

(Non-consolidated)



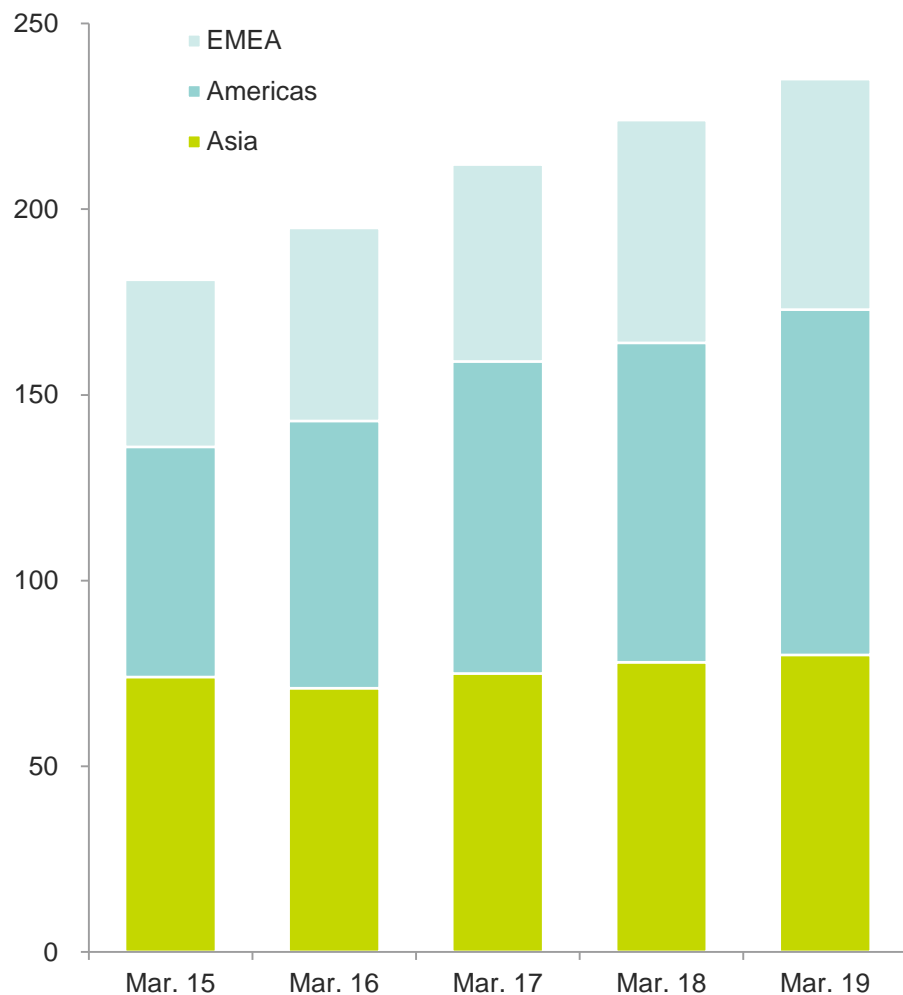
\*1 Managerial accounting basis

\*2 Monthly average loan spread of existing loans, excludes loans to the Japanese government

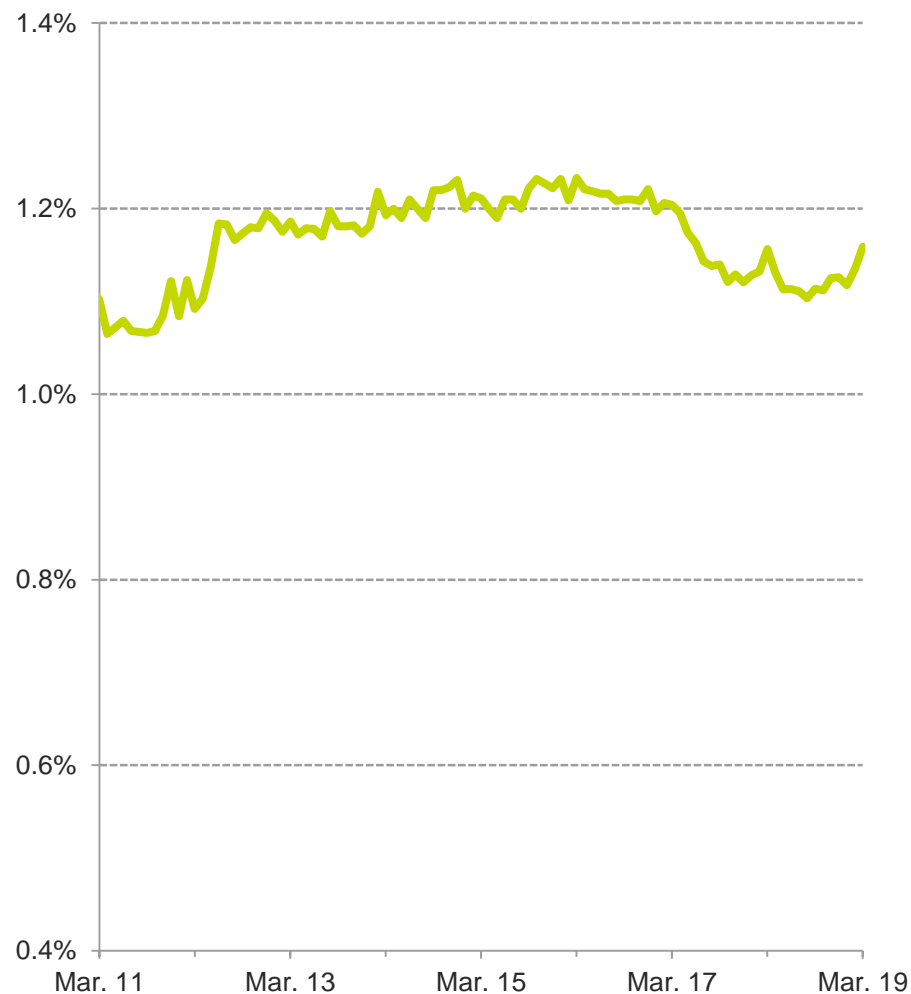
# Overseas loans<sup>\*1</sup>

## Balance

(USD bn)



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



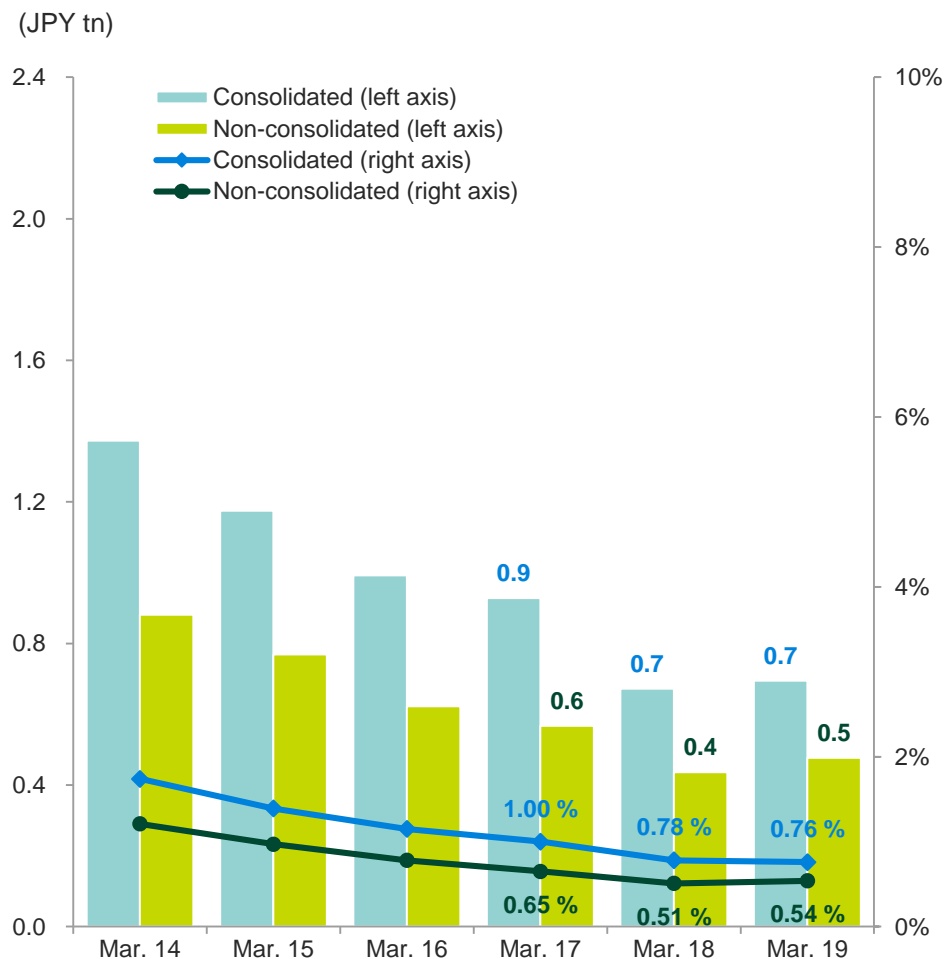
<sup>\*1</sup> Includes trade bills. Managerial accounting basis, translated into USD at respective period-end exchange rates. Sum of SMBC, SMBC Europe and SMBC (China)

<sup>\*2</sup> Managerial accounting basis. Monthly average loan spread of existing loans



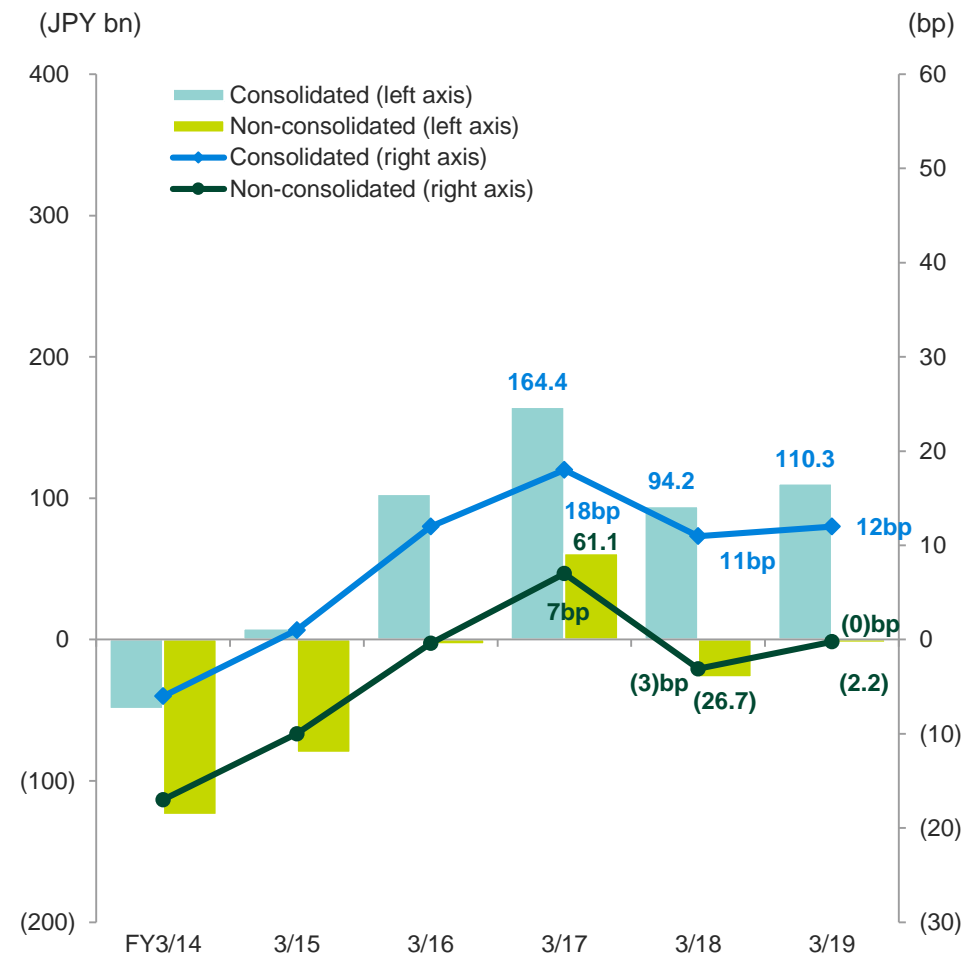
# Asset quality – solid loan portfolio

## NPLs and NPL ratio\*1



Coverage ratio*3	Consolidated	75.23%	74.73%
	Non-consolidated	89.11%	87.86%

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



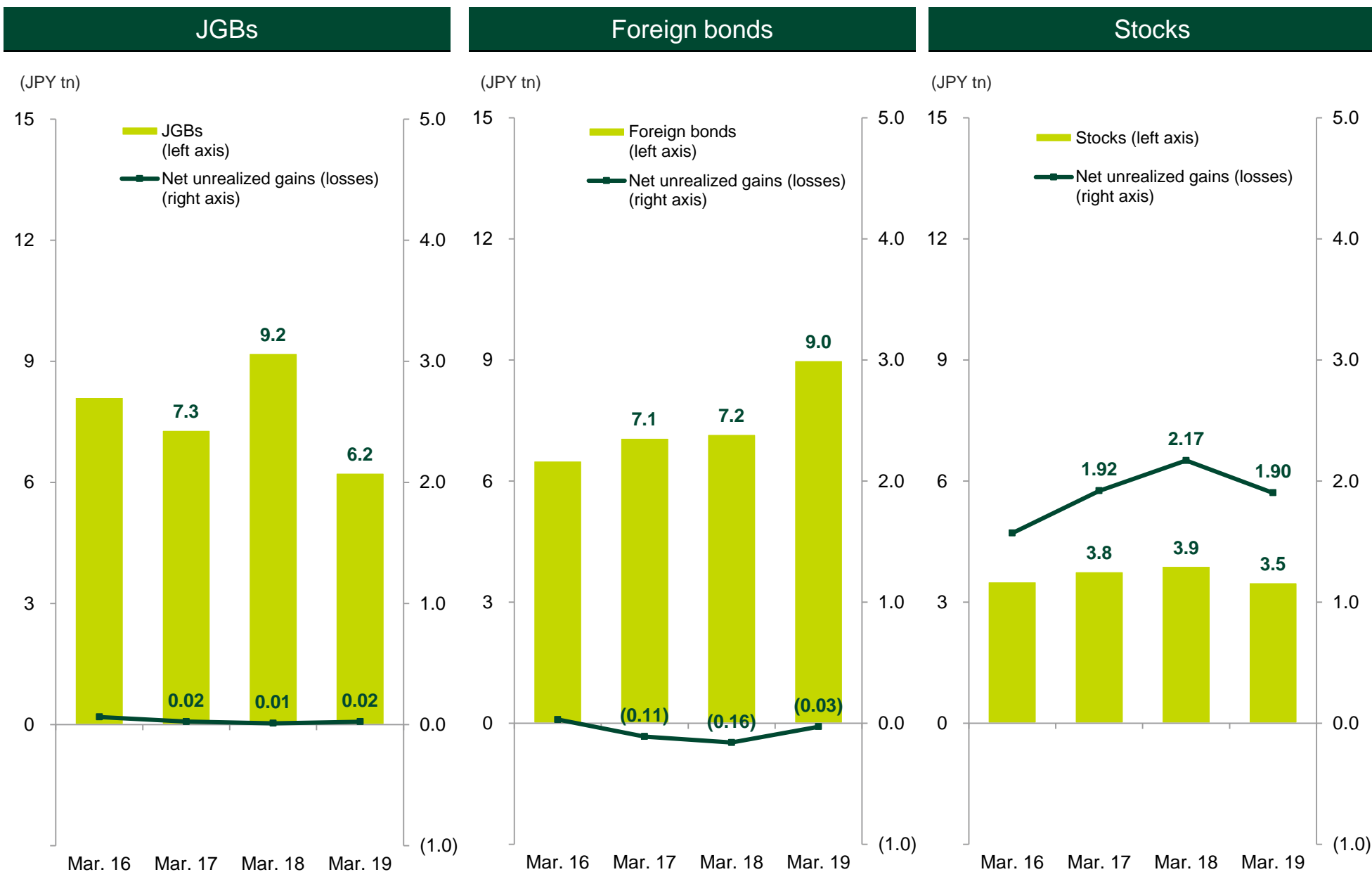
\*1 NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

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

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

# Asset quality – securities portfolio\*1

(Consolidated)

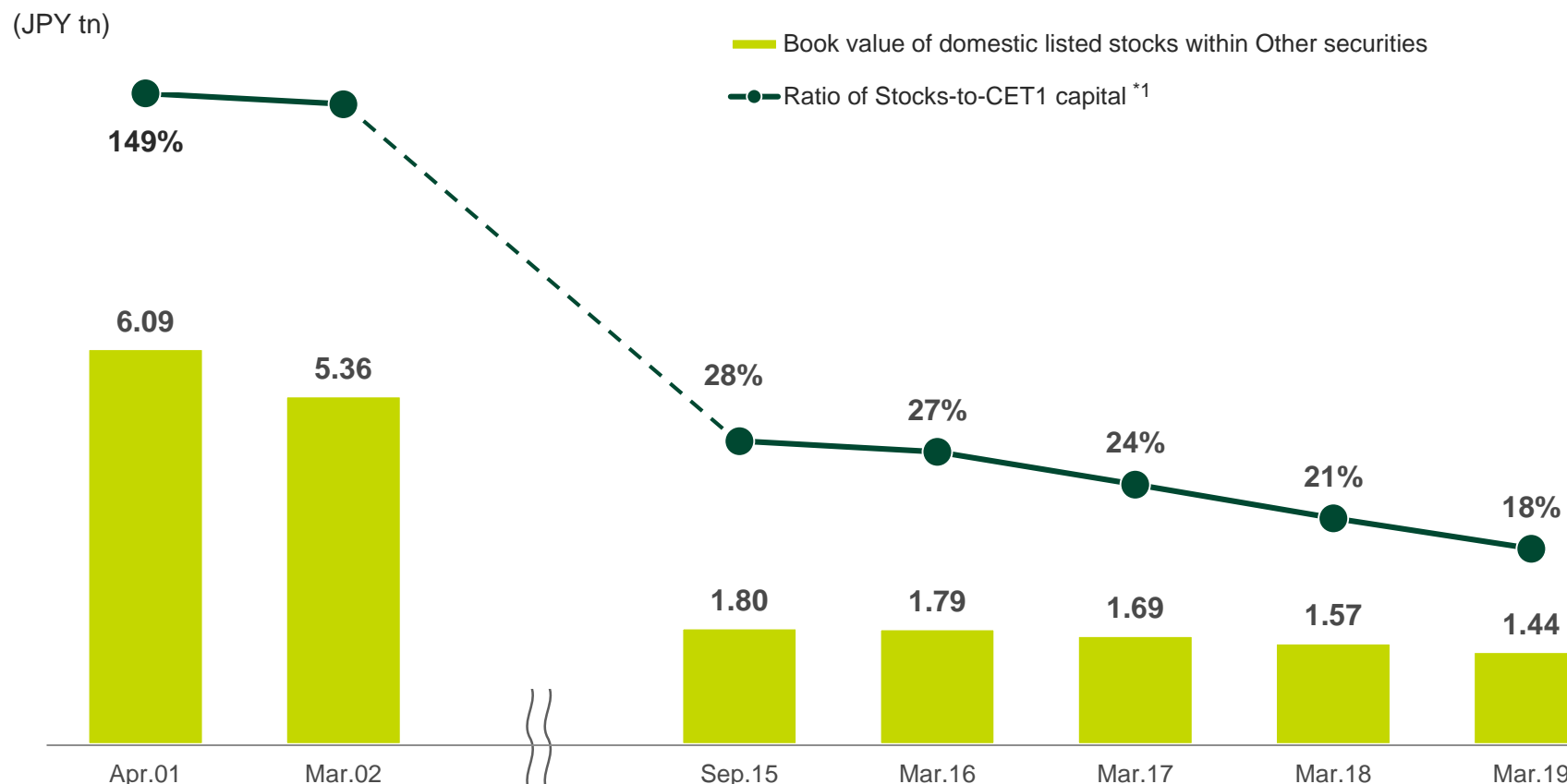


\*1 Securities classified as other securities. Includes negotiable certificates of deposit classified as "Cash and due from banks," and beneficiary claims on loan trust classified as "Monetary claims bought," in addition to "Securities" stated in the consolidated balance sheets

## 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)



\*1 Book value of domestic listed stocks / CET1 (Basel III fully-loaded basis, excluding net unrealized gains on other securities). Apr.01 and Mar.02 are ratio against SMBC consolidated Tier 1 capital

## Results

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- Reduction of strategic shareholdings

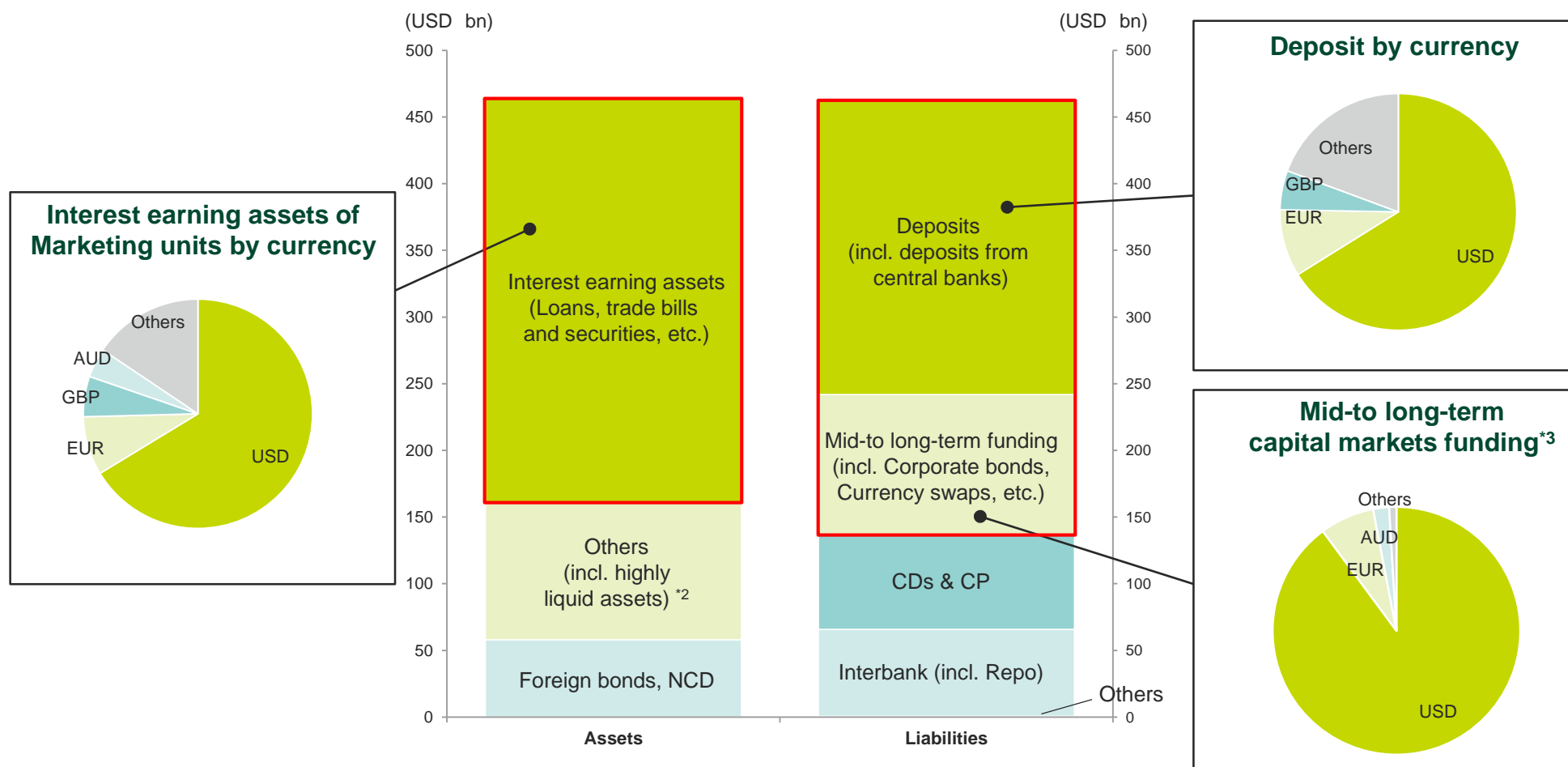
## Funding & Capital

- Foreign currency assets and funding
- Issuance and redemptions
- TLAC requirements
- Credit ratings of selected G-SIBs
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## Foreign currency assets and 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%

### Non-JPY balance sheet items<sup>\*1</sup> (as of Mar. 19)



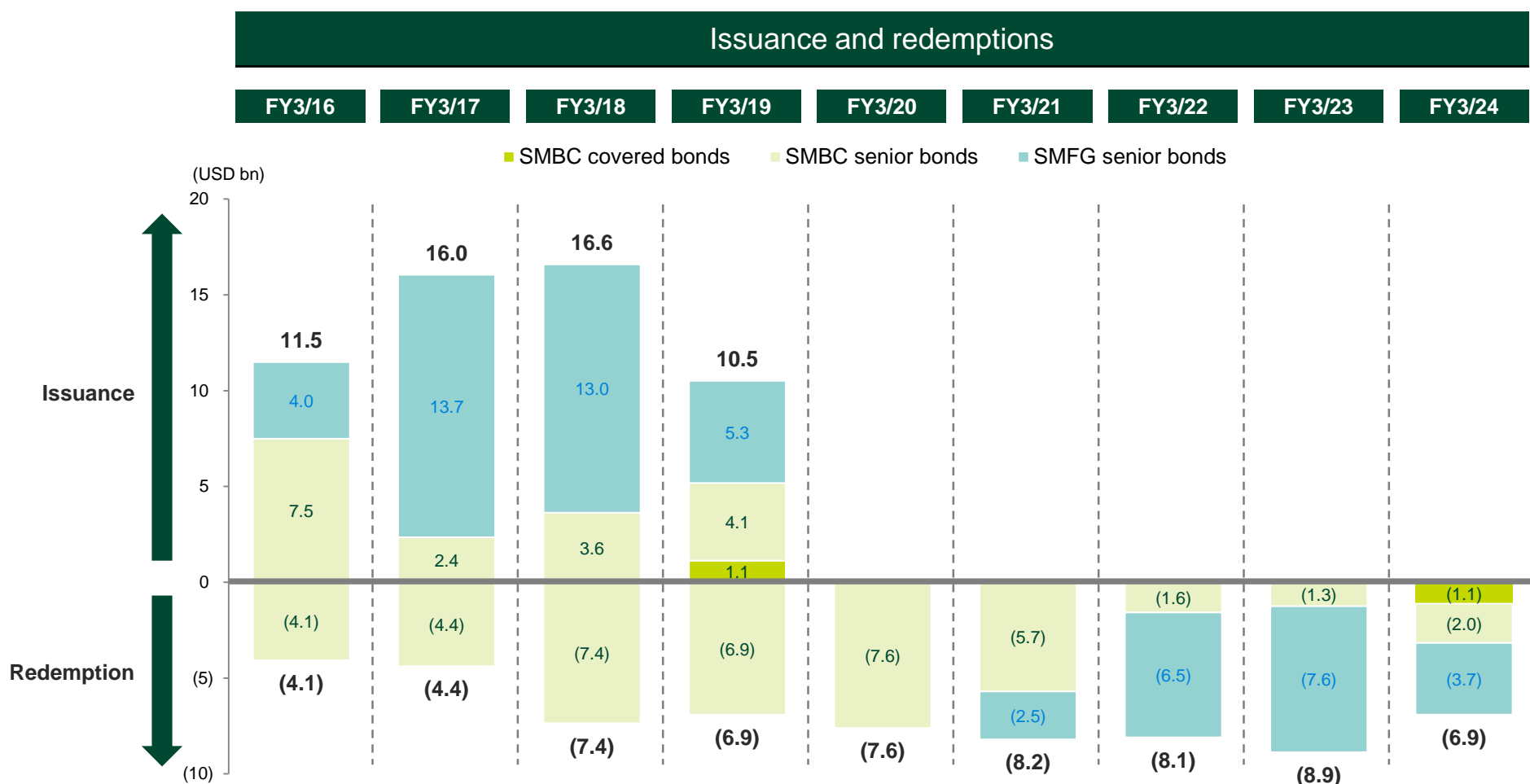
<sup>\*1</sup> Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)

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

<sup>\*3</sup> Excludes JPY funding, certificate of deposits and transferable deposits. Among all bonds priced by Mar. 19, only includes issuance with original maturity of two years or more and tap its issue as of Mar. 19. Translated into USD at the exchange rates as of Mar. 19

## Issuance and redemptions

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



\*1 The sum of SMFG and SMBC, each on a non-consolidated basis. Excludes JPY funding, certificate of deposits and transferable deposits. All redemptions were, or are expected, at maturity other than for callable bonds, which were, or are expected to be, redeemed at their respective 1st call dates, while there is no assurance they will be redeemed at such time. Among all bonds priced by Mar. 19, only includes issuance with original maturity of two years or more and its tap issue as of Mar. 19. Translated into USD at the exchange rate as of the end of each period

## TLAC requirements

- Japanese TLAC standards, which are applied to Japanese G-SIBs, started in Mar. 19
- The TLAC ratio as of Mar. 19 meets the required level

### TLAC and capital buffer requirements for SMFG

	2019 - 2021	After 2022
Minimum external TLAC requirements (RWA basis)	16%	18%
+ capital buffers <sup>*1</sup>	+3.5%	+3.5%
<b>Effective required level of minimum external TLAC (RWA basis)</b>	<b>19.5%</b>	<b>21.5%</b>
<b>Minimum external TLAC requirements (LE basis)</b>	<b>6%</b>	<b>6.75%</b>
Plus leverage ratio buffer <sup>*1</sup>	n.a.	7.25%

### TLAC ratio (transitional basis)

	(JPY bn)	Mar. 19
External TLAC (before deduction of capital buffers)	A	17,983.4
Risk-weighted assets (RWA)	B	58,942.8
<b>TLAC ratio of RWA (A/B)</b>	<b>C</b>	<b>30.50%</b>
Capital buffers (including CCyB)	D	(3.60%)
Ref: TLAC ratio of RWA (after deduction basis) (C-D)	E	26.90%
Leverage exposure (LE)	F	219,538.8
<b>TLAC ratio of LE (A/F)</b>	<b>G</b>	<b>8.19%</b>

<sup>\*1</sup> Excludes countercyclical buffer (CCyB) 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. 18

# 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 Apr. 26, 2019)

## 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

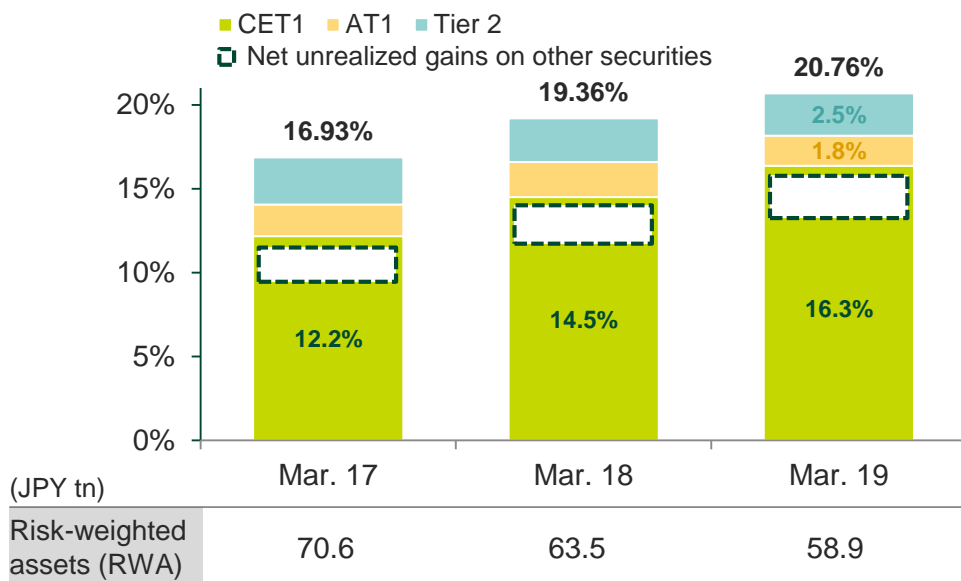
\*3 For DB and BNP, OpCo senior notes and TLAC eligible senior notes mean preferred senior notes and Non-preferred senior notes, respectively

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

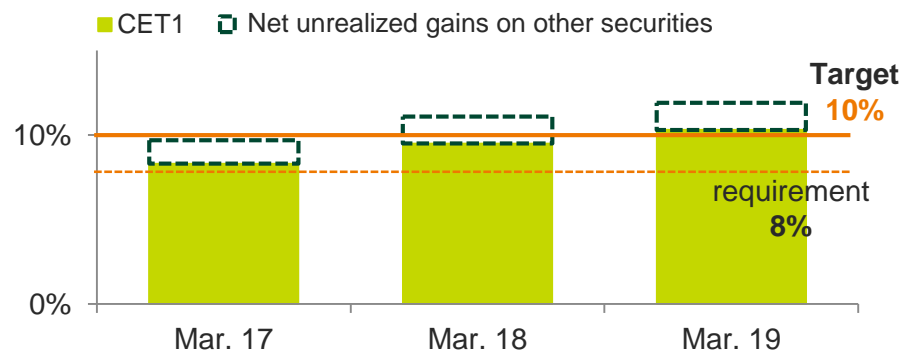


## Capital ratios

### Basel III fully-loaded basis\*1



### Post-Basel III reforms basis\*2



## Capital strategy

### AT1 Capital

Aim to maintain 1.5%

### Tier2 Capital

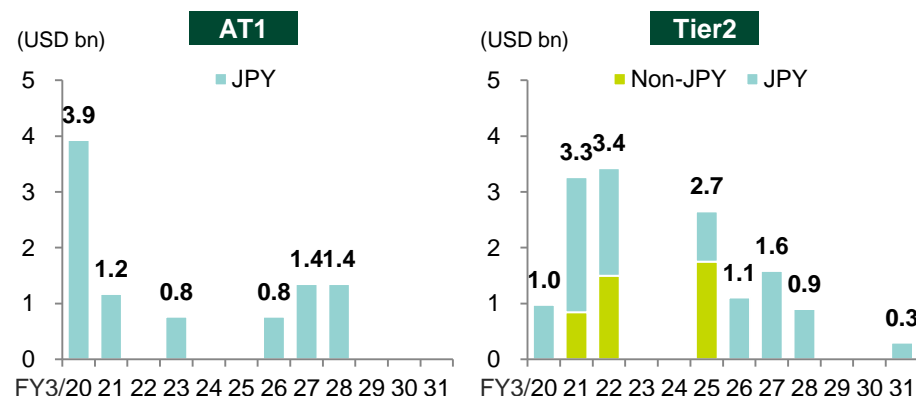
Aim to maintain 2.0%

- We currently exceed the minimum requirement of 9.5% Tier 1 capital ratio and 11.5% total capital ratio
- Our aim is to maintain buckets of 1.5% AT1 and 2.0% Tier2 capital through regular refinancing
- SMFG is the group's primary issuing entity

### Recent issuances (AT1/Tier2)

Security type	Issue date	Amount	Tenor	Coupon
Tier 2 (retail)	Mar. 16, 2018	JPY 100 bn	10y	0.585%
Tier 2 (USD)	Apr. 2, 2014	USD 1,750 mn	10y	4.436%
AT1	Dec. 19, 2017	JPY 150 bn	PerpNC10	1.29% <sup>*3</sup>

### Maturity profile by debt class\*4



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

\*2 CET1 ratio that (a) is estimated based on the requirement expected to be applicable from Mar.27, including the impact of RWA inflation 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 Floating rate after the first call date

\*4 AT1 Capital and Tier2 Capital include Basel2-eligible bonds. The sum of SMFG and SMBC, each on a non-consolidated basis. 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 Mar. 19. Translated at the exchange rate as of Mar. 19






# SMBC Group Green Bonds

- SMBC Group has a strong track record of Green Bond issuances
- Our Green Bond framework aligns with the ICMA Green Bond Principles
- The net proceeds of Green Bonds have been allocated to renewable energy project finance deals

## Track record of SMBC Group Green Bond issuances\*1

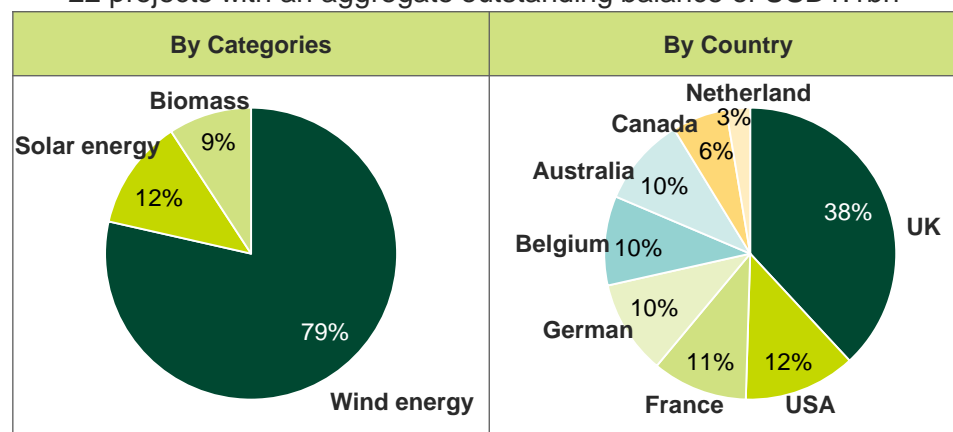
<b>Issuer:</b>	SMBC	SMFG(TLAC)	SMBC	
<b>Format:</b>	3(a)(2) exemption	Regulation S	Regulation S (uridashi)	
<b>Pricing Date:</b>	Oct. 14, 2015	Oct. 4, 2017	Dec. 7, 2018	
<b>Currency/Amount:</b>	USD 500mn	EUR 500mn	USD 227.8mn	AUD 83.2mn
<b>Tenor:</b>	5y	7y	4.5y	
<b>Coupon:</b>	2.45%	0.93%	3.37%	2.90%
<b>Maturity Date:</b>	Oct. 20, 2020	Oct. 11, 2024	Jun. 20, 2023	
<b>Second Party Opinion:</b>	-	Sustainalytics	Sustainalytics	
<b>Assurance Report:</b>	KPMG AZSA	-	-	
<b>Investor Report:</b>	Mar. 31, 2018		-	
<b>Proceed allocation (as of Mar. 31, 2018)</b>	USD 539mn (107.7%)	EUR 528mn (105.6%)	-	

## Eligible Green Projects Categories

Category	SDG's Target	
Renewable Energy	7. Affordable and clean Energy	
Energy Efficiency	7. Affordable and clean Energy	
Green Buildings	9. Industry, innovation and infrastructure	
Clean Transportation	11. Sustainable cities and Communities	
Pollution Prevention and Control	3. Ensure healthy lives and promote well-being for all at all ages	

## Overview of Allocation of Green Bond Proceeds (as of Mar. 18)

- 100% of the proceeds from the first two green bond issuance are used for the financing renewable energy projects
- 22 projects with an aggregate outstanding balance of USD1.1bn



## Impact reporting (as of Mar. 18)

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 energy	436,179MW	3,172,366 t-CO <sub>2</sub>	281,546 t-CO <sub>2</sub>
	Solar energy	899MW	1,091,677 t-CO <sub>2</sub>	166,593 t-CO <sub>2</sub>
	Biomass	2,576t/pa	3,299,948 t-CO <sub>2</sub>	171,801 t-CO <sub>2</sub>
Total		-	7,563,991 t-CO <sub>2</sub>	619,940 t-CO <sub>2</sub>

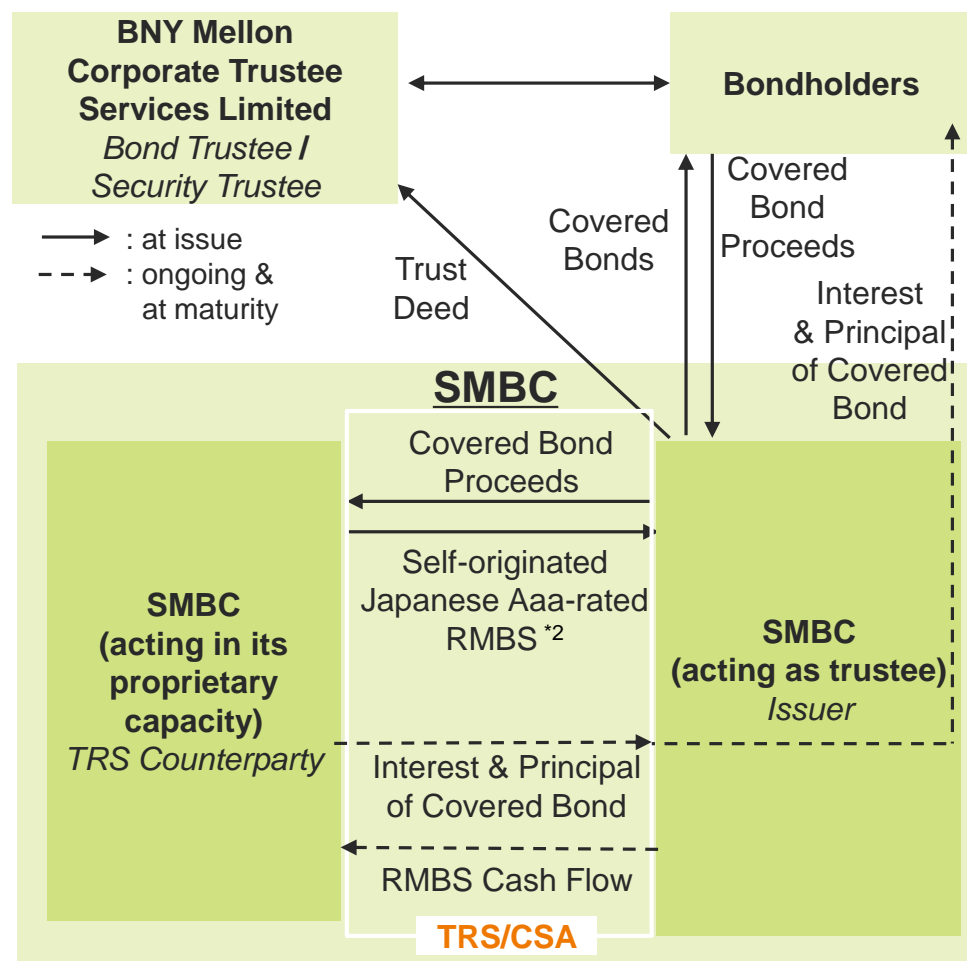
\*1 As of Mar.19

# SMBC Covered Bonds

- SMBC issued the first ever Japanese Covered Bond (priced on October 30, 2018). The bonds were rated Aaa by Moody's using the Covered Bond Rating Methodology
- Despite challenging market conditions in late October 2018, the transaction was supported by a broad range of traditional covered bond investors and well oversubscribed. As a result, SMBC achieved a lower cost of funding compared to SMBC's existing funding options whilst also broadening its investor base

## Transaction Overview

<b>Issuer:</b>	Sumitomo Mitsui Banking Corporation acting as trustee on behalf of a specified money trust
<b>Security:</b>	Contractual Covered Bond, backed by Self-originated RMBS
<b>Format:</b>	Reg.S Only (Draw-down from €20bn SMBC Covered Bond Programme)
<b>Issuer Rating :</b>	A1 (Moody's) / A (S&P)
<b>Security Rating:</b>	Aaa (Moody's)
<b>Size:</b>	€1,000mn
<b>Tenor:</b>	5 year <sup>*1</sup>
<b>Pricing:</b>	Guidance: MS+low/mid 20s Pricing: MS+20bp
<b>Coupon:</b>	0.550% (Fixed Rate, Annually)
<b>Issue Price:</b>	100.000
<b>Announcement Date:</b>	October 11, 2018
<b>Pricing Date:</b>	October 30, 2018
<b>Settlement Date:</b>	November 6, 2018
<b>Joint BookRunners</b>	Goldman Sachs, SMBC Nikko, Barclays, BNP Paribas, Crédit Agricole CIB, UBS



<sup>\*1</sup> The redemption date of the Bonds may be extended to the Extended Maturity Date if a Notice Date occurs under Condition 6.5 (Redemption upon the occurrence of a TRS Default Event) and the Schedule Maturity Date occurs prior to the Realisation Redemption Date

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

# Appendix

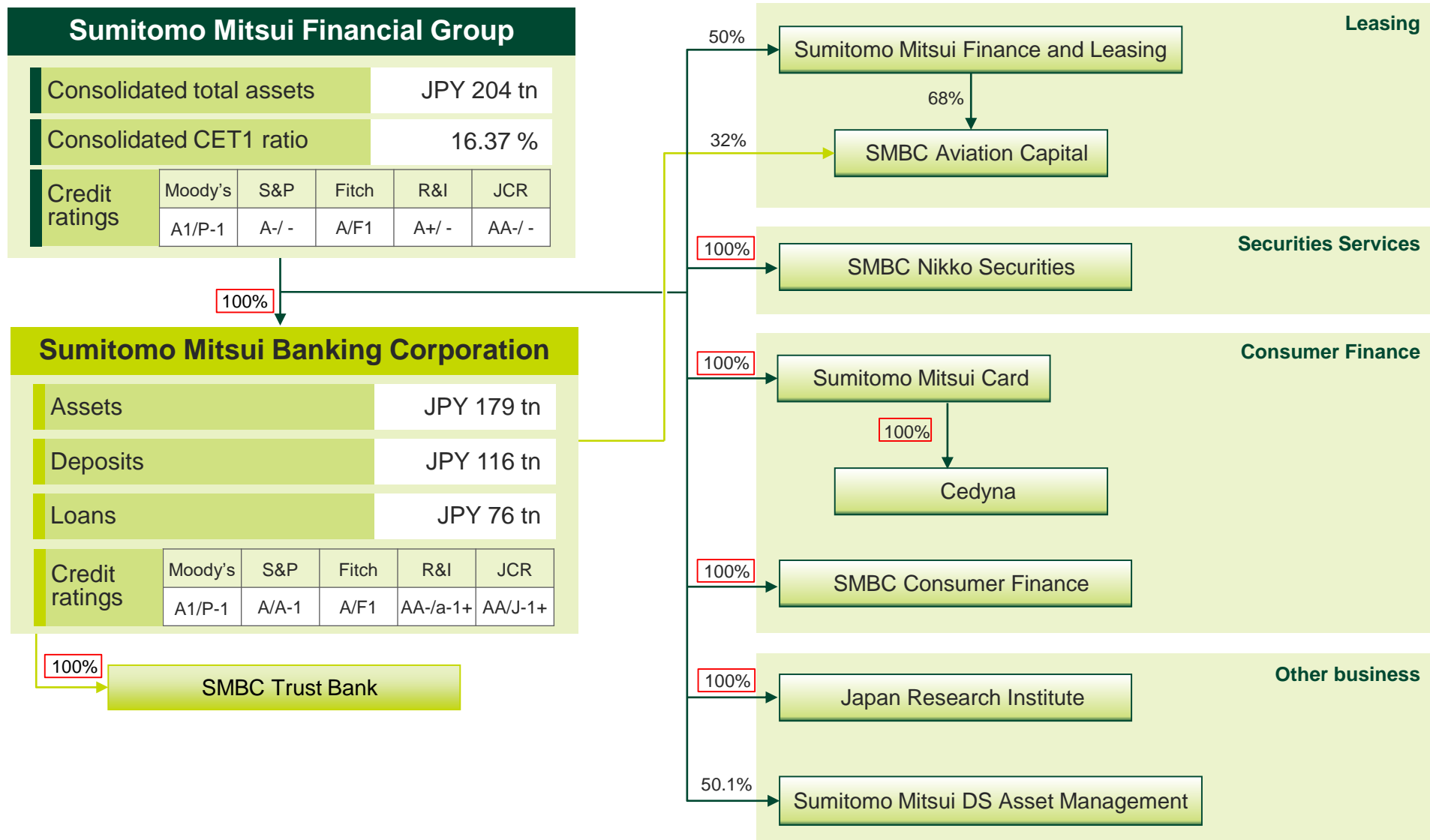
## SMFG / SMBC overview

		SMFG (Consolidated) <sup>*1</sup>	SMBC (Non-consolidated) <sup>*1</sup>
(FY3/19)		✓ <b>Global banking group</b> originated in Japan	✓ <b>Core operating entity</b> within SMFG franchise
<b>Market Capitalization</b> (TSE:8316, NYSE:SMFG)		(As of Apr. 26, 2019) JPY <b>5.6</b> tn / USD <b>50.3</b> bn	unlisted (wholly-owned by SMFG)
<b>B/S</b>	Assets	JPY <b>204</b> tn / USD <b>1,835</b> bn	JPY <b>179</b> tn / USD <b>1,616</b> bn
	Loans	JPY <b>78</b> tn / USD <b>703</b> bn	JPY <b>76</b> tn / USD <b>688</b> bn
	Deposits <sup>*2</sup>	JPY <b>122</b> tn / USD <b>1,102</b> bn	JPY <b>116</b> tn / USD <b>1,046</b> bn
	Loans/Deposits	<b>58.4%</b>	<b>59.8%</b>
<b>P/L</b>	Gross Profit	JPY <b>2,846</b> bn / USD <b>25.6</b> bn <i>Consolidated gross profit</i>	JPY <b>1,396</b> bn / USD <b>12.6</b> bn <i>Gross banking profit</i>
	Net Income	JPY <b>727</b> bn / USD <b>6.5</b> bn <i>Profit attributable to owners of parent</i>	JPY <b>477</b> bn / USD <b>4.3</b> bn <i>Net income</i>
<b>CET1 ratio</b>		<b>16.37%</b>	—
<b>NPL ratio</b>		<b>0.76%</b>	<b>0.54%</b>
<b>Ratings</b> (Moody's / S&P)		<b>A1 / A-</b> (As of Apr. 26, 2019)	<b>A1 / A</b> (As of Apr 26, 2019)
<b>Business Franchise</b>		✓ <b>Holds top-tier companies</b> in banking, leasing, securities services, consumer finance, and other businesses  ✓ <b>131</b> overseas offices <sup>*3</sup>	✓ <b>443</b> domestic branches  ✓ <b>27 million</b> retail accounts

<sup>\*1</sup> Converted into USD at period-end exchange rate except for market capitalization, which is converted at USD 1.00 = JPY 118.86, the prevailing rate at Apr. 26, 2019

<sup>\*2</sup> Excludes negotiable certificates of deposits <sup>\*3</sup> Excludes offices planned to be closed

# Group structure<sup>\*1</sup>



<sup>\*1</sup> As of Mar. 19 for figures, Apr. 26, 2019 for ratings and investment ratios

## 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*

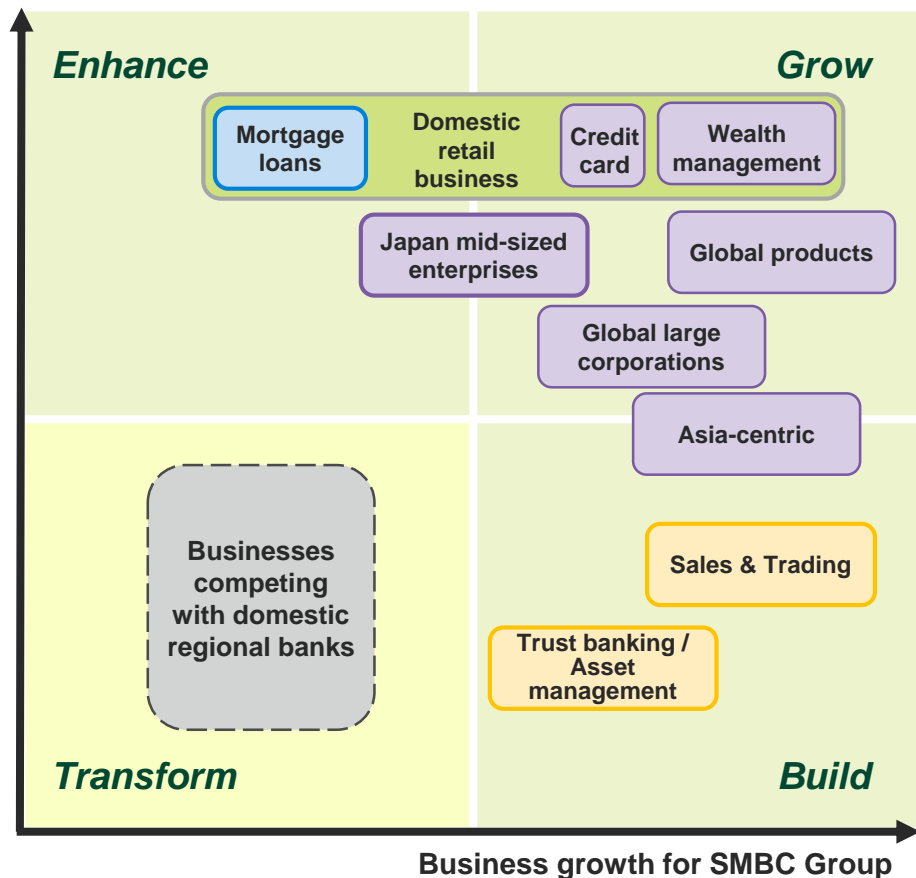
- Management that maximizes business potential
- Digitalization
- ESG

# 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



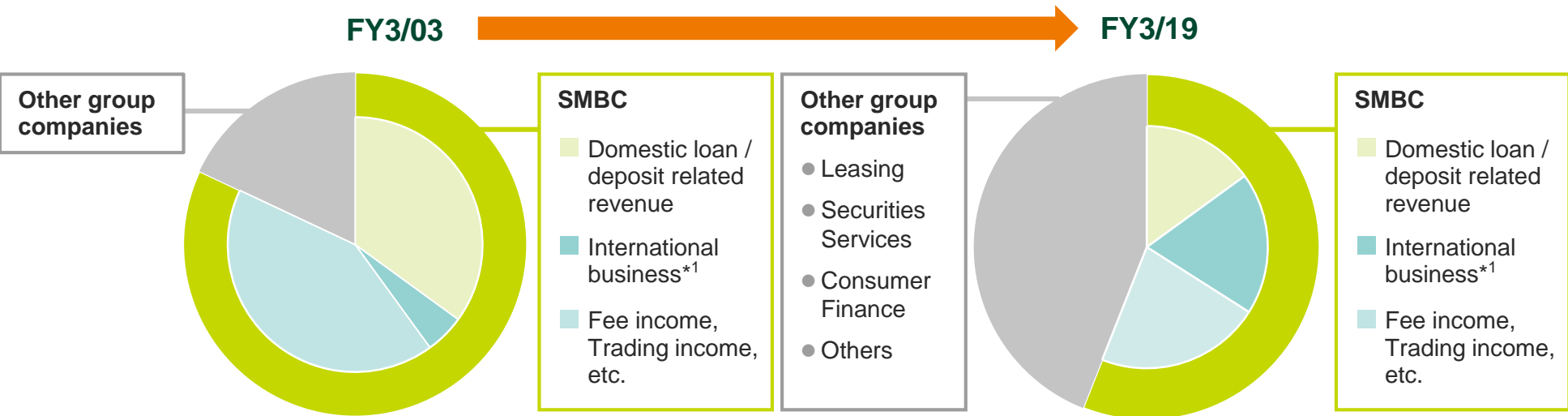
## Review of group operations

- 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

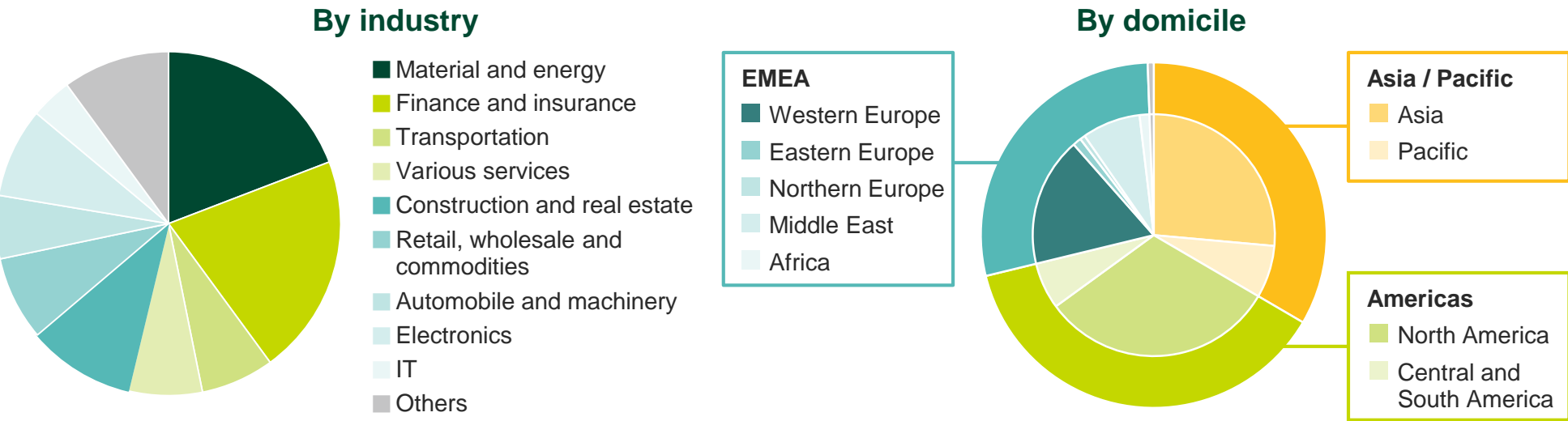


# Diversified revenue sources

## Breakdown of consolidated gross profit

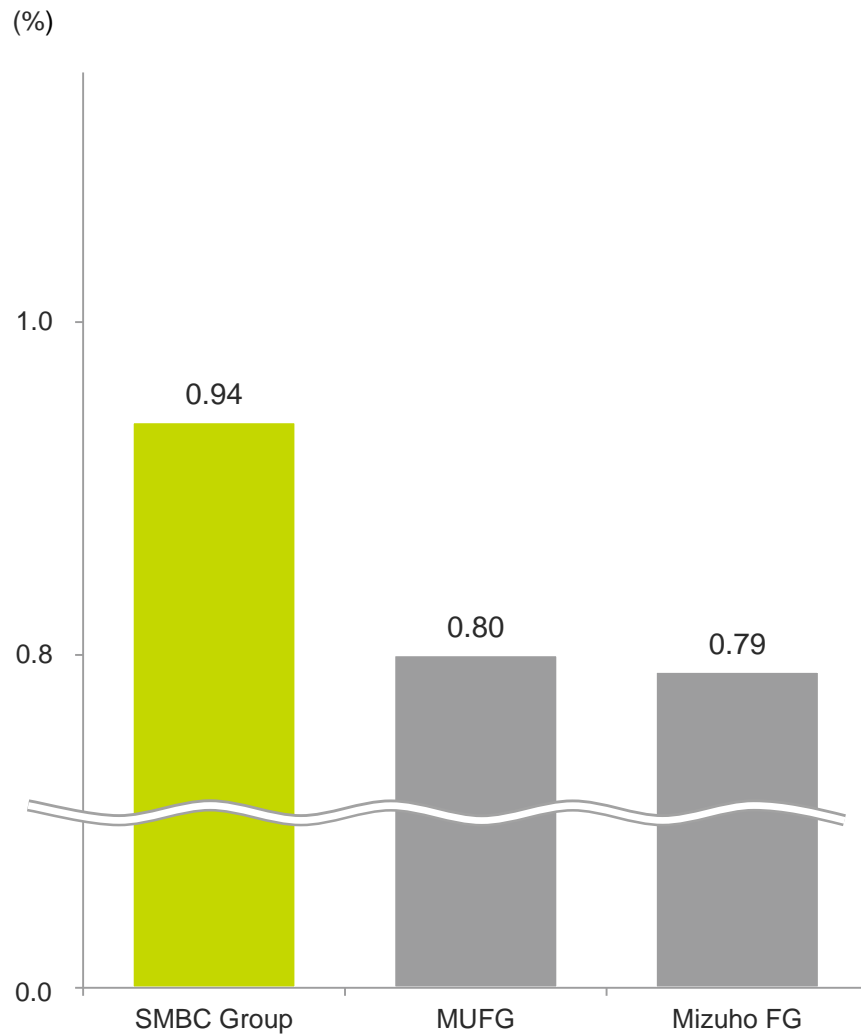


## Breakdown of overseas loan balance (Mar. 19)

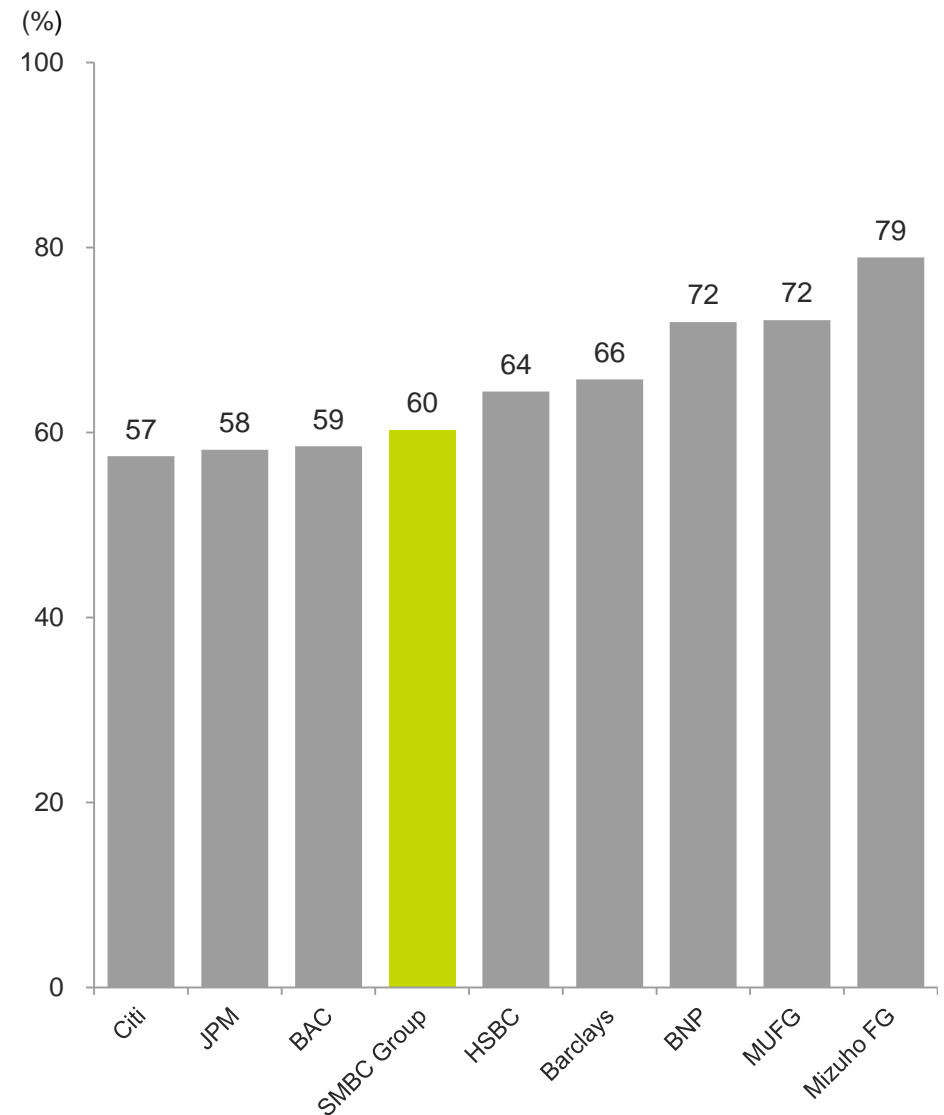


## Sources of profitability

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



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



\*<sup>1</sup> Based on each company's 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

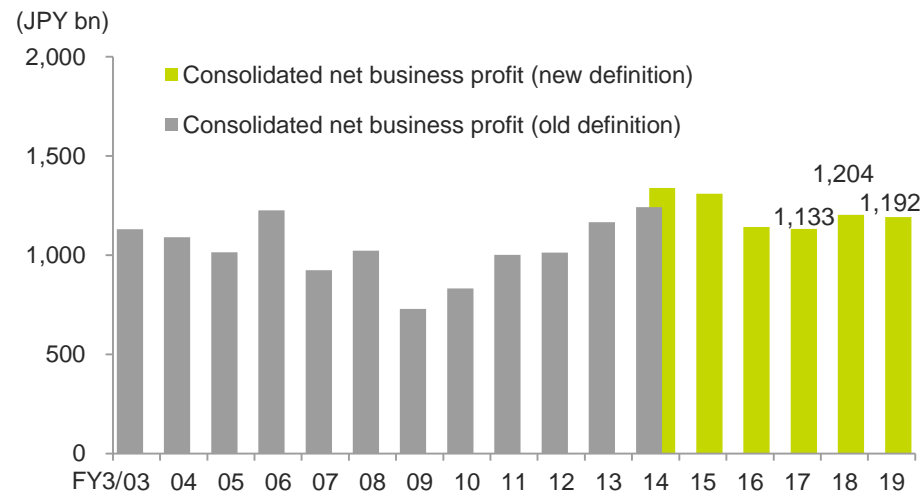
\*<sup>2</sup> Based on each company's disclosure. FY3/19 results for SMBC Group, MUFG, Mizuho and Jan-Dec.18 results for others

# Trend of major income components – Consolidated

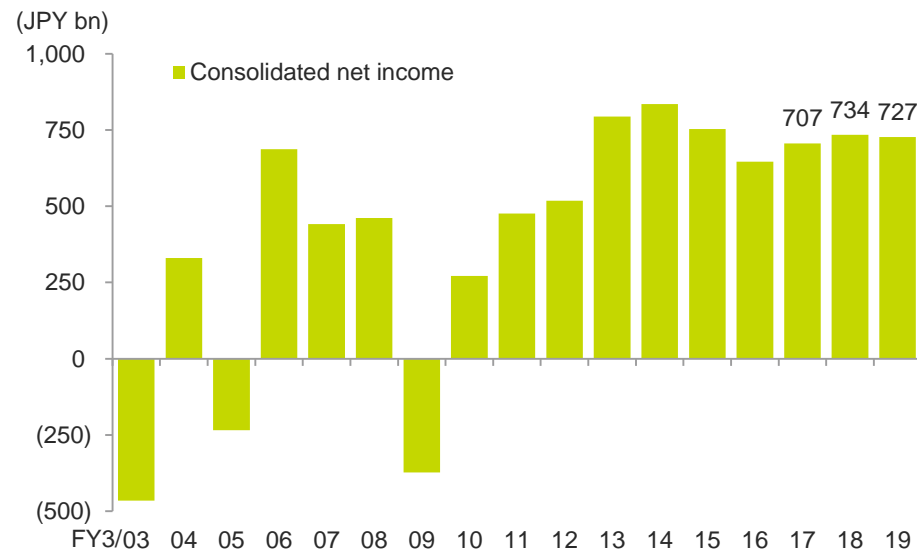
## Consolidated gross profit



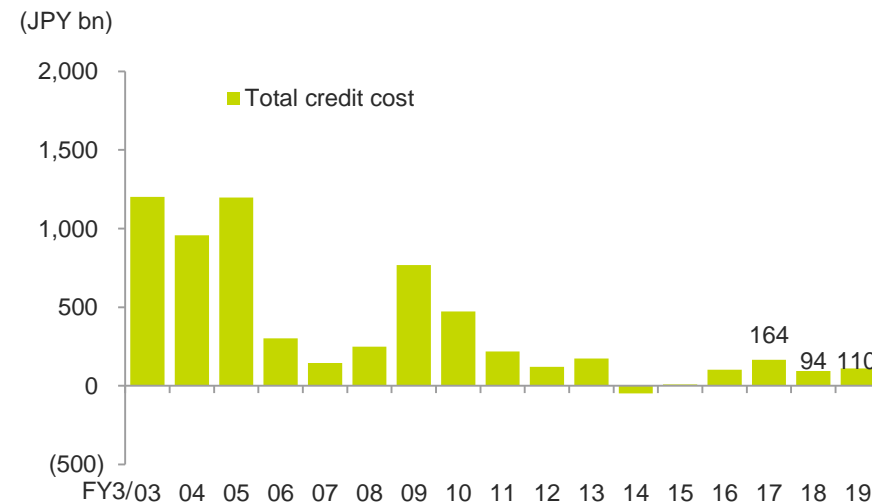
## Consolidated net business profit\*1



## Net income / Profit attributable to owners of parent



## Total credit cost



\*1 We have changed the definition of "Consolidated net business profit" from the FY 3/15. The figure for FY 3/14, 2014 has been adjusted retrospectively

# Capital and risk-weighted assets\*1 – Consolidated

## Capital ratio\*1

Post-Basel III reforms basis\*2

CET1 ratio **10.3%**

Fully-loaded basis

CET1 ratio **16.37%**

excluding Net unrealized gains  
on other securities **13.5%**

Total capital ratio **20.76%**

## External TLAC ratio\*1

RWA basis\*3 **26.90%**

Leverage exposure basis **8.19%**

Leverage ratio\*1 **4.88%**

LCR (Average Jan. – Mar. 19) **131.4%**

	(JPY bn)	Mar.18	Mar.19
<b>CET1</b>		<b>9,217.4</b>	<b>9,654.5</b>
o/w Total stockholders' equity related to common stock		8,510.1	8,921.9
Accumulated other comprehensive income		1,753.4	1,713.9
Regulatory adjustments related to CET1		(1,049.3)	(985.9)
<b>Tier 1 capital</b>		<b>10,610.2</b>	<b>10,727.2</b>
o/w Additional Tier 1 capital Instruments		599.8	599.0
Eligible Tier 1 capital instruments (grandfathered)*3		650.3	436.5
Regulatory adjustments		(81.6)	(25.5)
<b>Tier 2 capital</b>		<b>1,693.9</b>	<b>1,513.3</b>
o/w Tier 2 capital instruments		993.4	997.7
Eligible Tier 2 capital instruments (grandfathered)*3		625.4	488.1
Regulatory adjustments		(50.0)	(50.0)
<b>Total capital</b>		<b>12,304.1</b>	<b>12,240.5</b>
<b>Risk-weighted assets</b>		<b>63,540.3</b>	<b>58,942.8</b>
<b>Leverage exposure</b>		<b>211,718.1</b>	<b>219,538.8</b>
<b>External TLAC</b>		<b>-</b>	<b>17,983.4</b>

\*1 Preliminary. As of Mar.19

\*2 CET1 ratio that (a) is estimated based on the requirement expected to be applicable from Mar.27, including the impact of RWA inflation 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 Excludes capital buffer 2.5%, G-SIB buffer 1.0% and Counter-cyclical buffer 0.10% \*4 Cap is 40% for Mar.18 and 30% for Mar.19, subject to transitional arrangements

## Financial highlights – IFRS\*1

### Income statement data

	(JPY bn)	FY3/17	FY3/18
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	1179.2
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)	FY3/17	FY3/18
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 FY3/18, 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

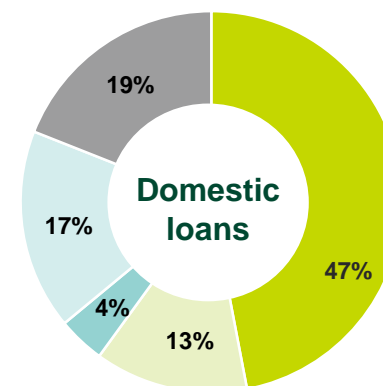
## Consolidated B/S

	Mar.19	vs Mar.18
(JPY tn)		
<b>Total assets</b>	<b>203.7</b>	<b>+4.6</b>
o/w Cash and due from banks	57.4	+3.7
o/w BOJ's current account balance*1	47.4	+5.9
o/w Loans	78.0	+5.0
o/w Domestic loans	54.0	+0.8
o/w Large corporations*1	16.0	+1.1
Mid-sized corporations & SMEs*1	18.2	+0.2
Individuals*1	13.1	(0.3) <sup>*2</sup>
o/w Securities	24.3	(1.4)
o/w Other securities	23.8	(1.6)
o/w Stocks	3.5	(0.4)
JGBs	6.2	(3.0)
Foreign bonds	9.0	+1.8
<b>Total liabilities</b>	<b>192.2</b>	<b>+4.8</b>
o/w Deposits	122.3	+5.8
o/w Domestic deposits	97.3	+4.4
Individuals	41.1	+1.8
Corporates	50.2	+2.6
o/w NCD	11.2	(0.1)
<b>Total net assets</b>	<b>11.5</b>	<b>(0.2)</b>
<b>Loan to deposit ratio</b>	<b>58.4%</b>	

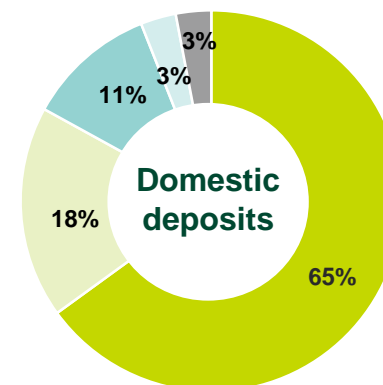
\*1 Managerial accounting basis

\*2 After adding back the portion of housing loans securitized in FY3/19 of JPY 175.4 bn

## Composition of loans and deposits\*1



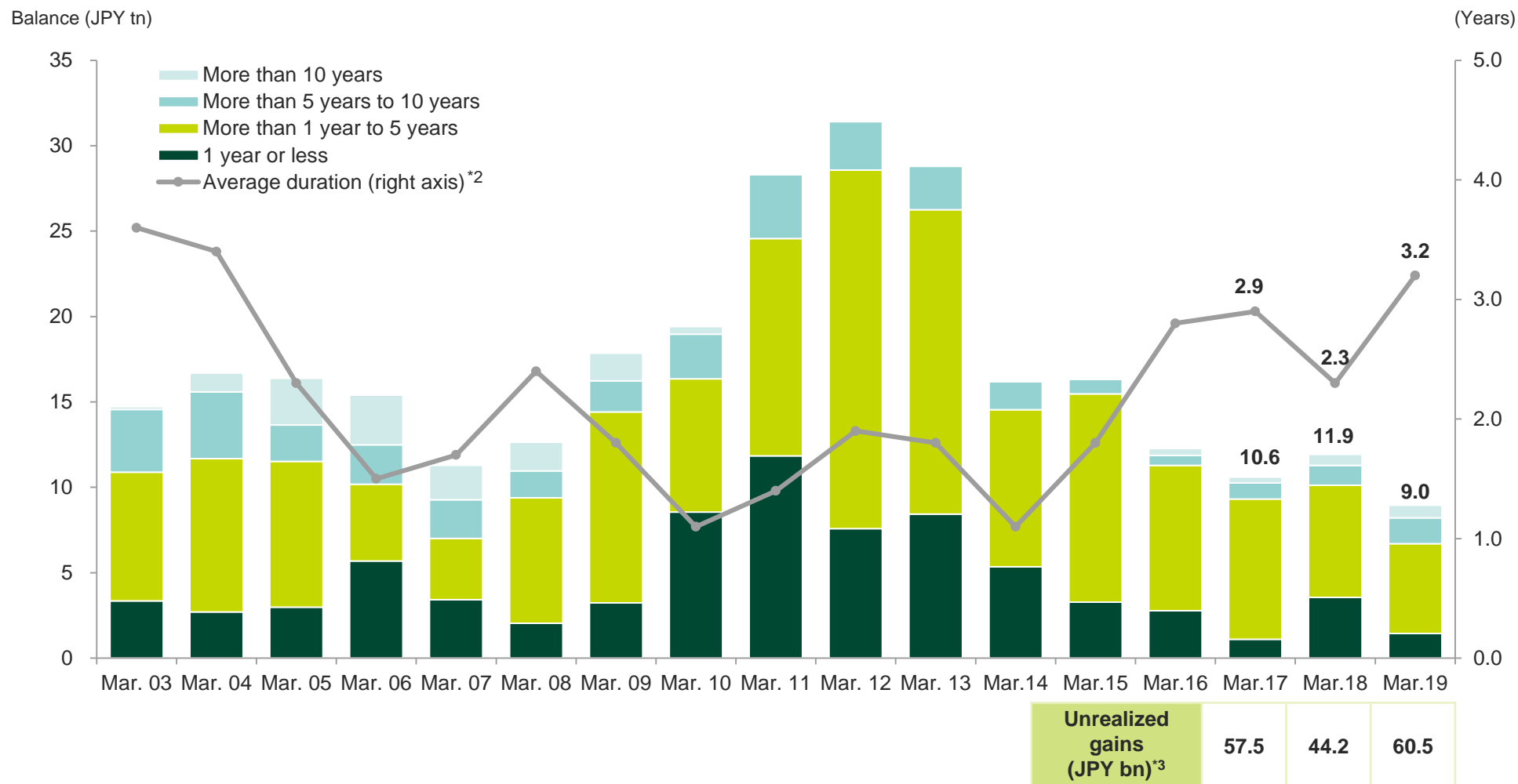
- Spread-based (repriced within 1 year)
- Spread-based (more than 1 year)
- Prime-rate-based
- Prime-rate-based (consumer)
- Others (Loans denominated in foreign currencies, overdraft, etc.)



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

## Yen bond portfolio \*1

(Non-consolidated)



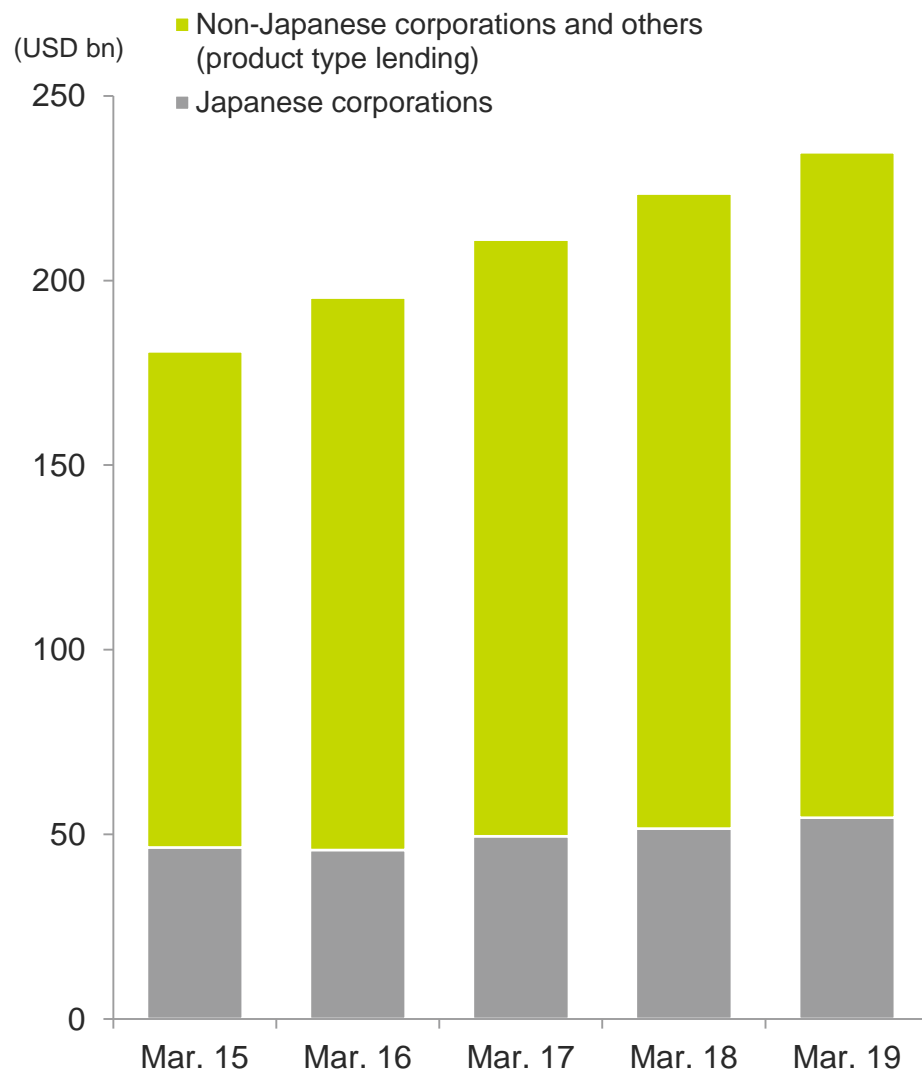
\*1 Total balance of other securities with maturities and bonds classified as held-to-maturity; total of JGBs, Japanese local government bonds and Japanese corporate bonds

\*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

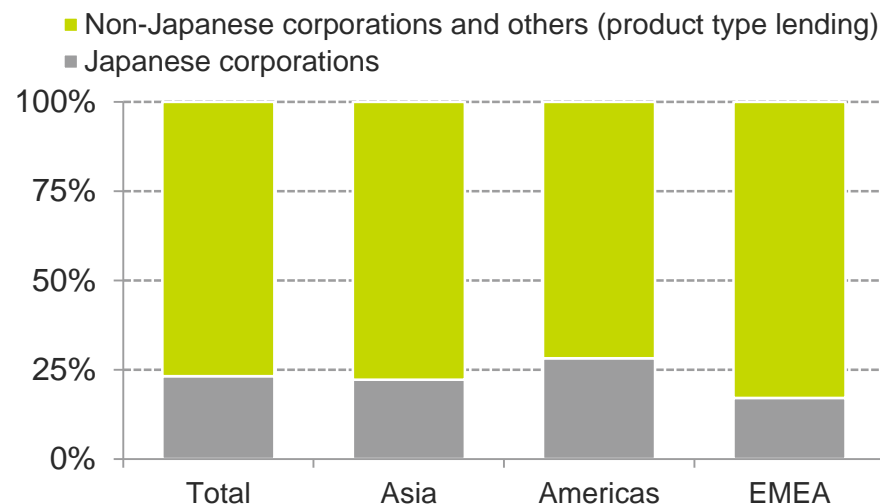
\*3 15-year floating-rate JGBs have been evaluated at their reasonably estimated price from Mar. 09

# Overseas loan balance classified by borrower type\*1

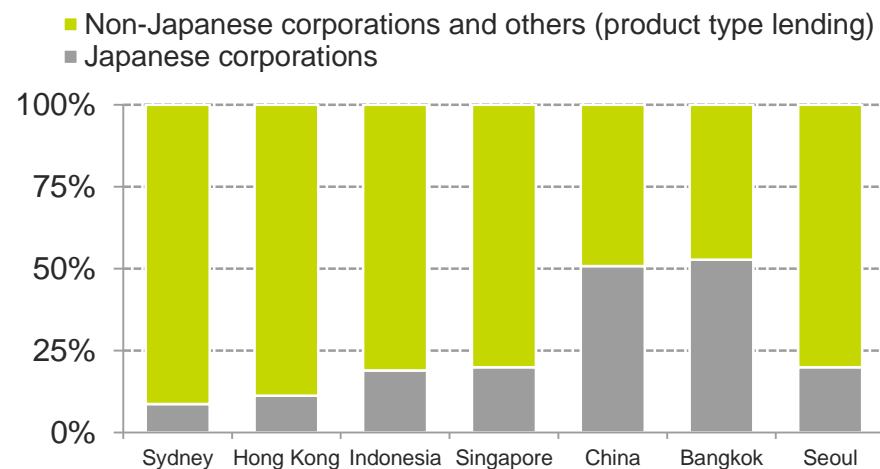
## Total



## By region (Mar. 19)



## Major marketing channels in Asia (Mar. 19)\*2

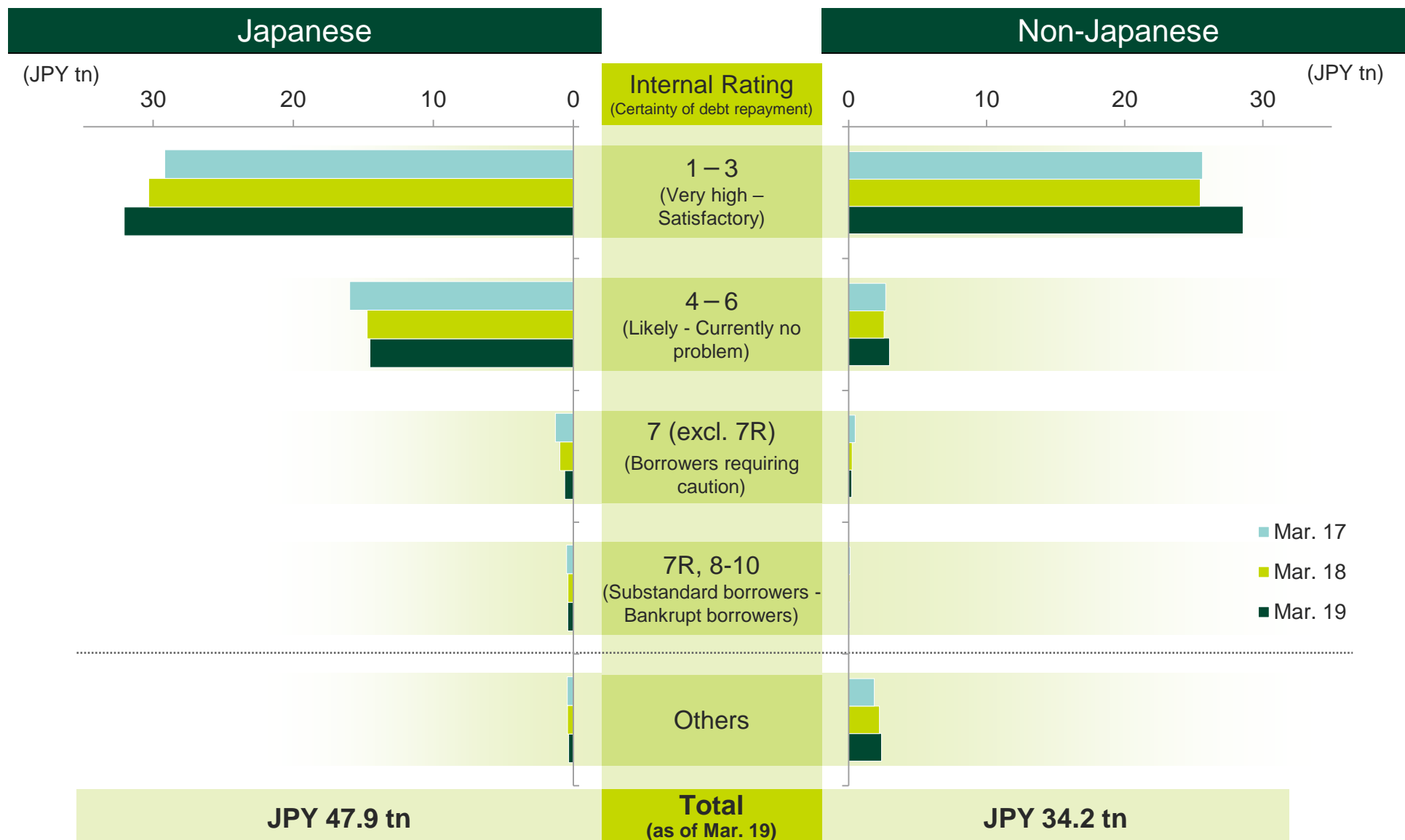


\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China)

\*2 Sum of SMBC and BTPN for Indonesia



# Japanese and non-Japanese corporate exposures\*1

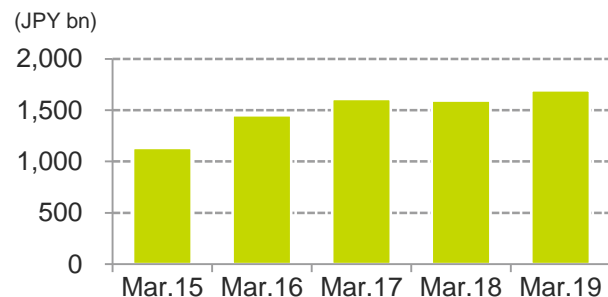


\*1 Managerial accounting basis

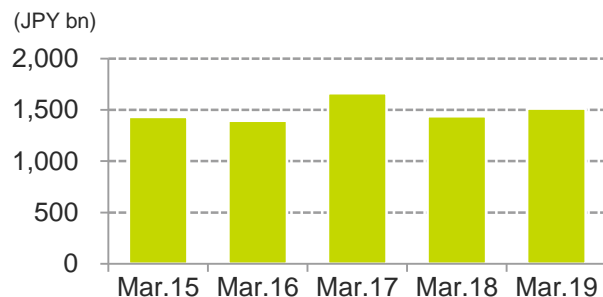
Exposure = loans + acceptances and guarantees + Foreign exchanges + private placement + suspense payments + undrawn commitments+ derivatives, etc.  
 Exclude the exposure to SMFG consolidated subsidiaries, retail customers in Japan, Japanese government, etc., and Specialized Lending

# Loan balance in Asian countries/areas \*1

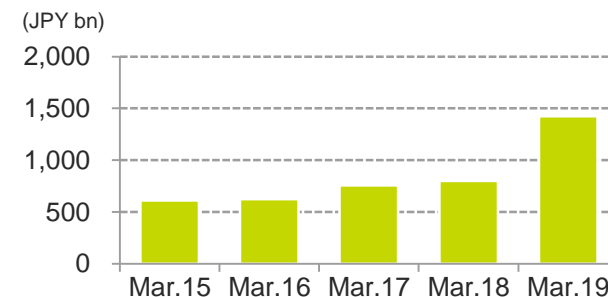
## Australia



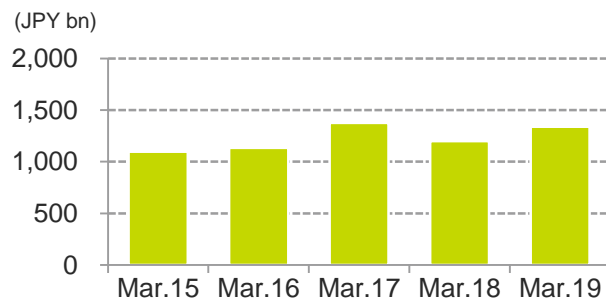
## Hong Kong



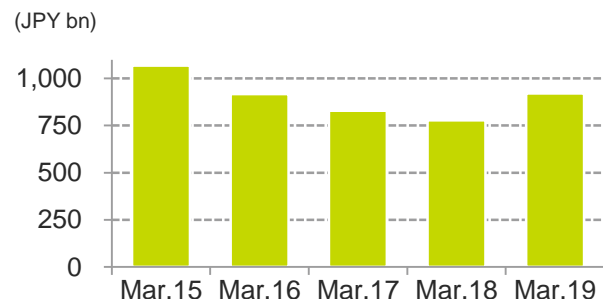
## Indonesia



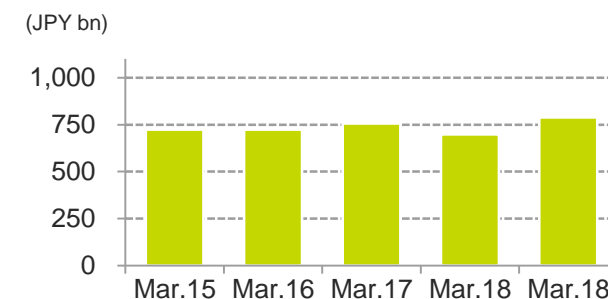
## Singapore



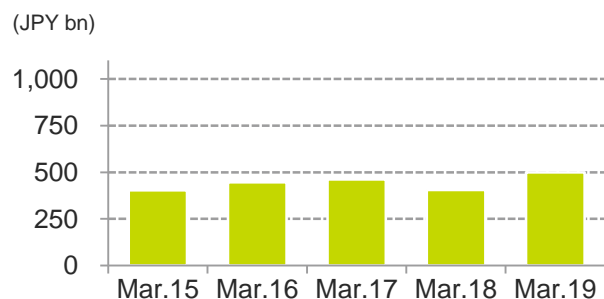
## China



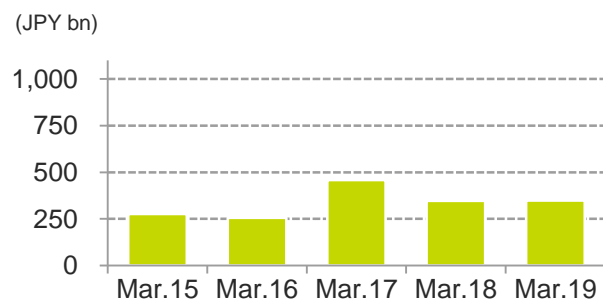
## Thailand



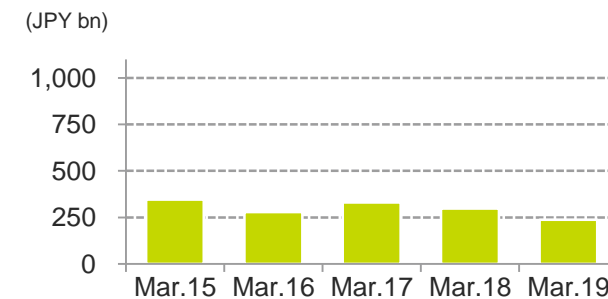
## India



## Taiwan



## Korea



\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe, SMBC (China) and BTPN (SMBC Indonesia until Mar.18)

# Performance of SMBC and group companies

## SMBC

	FY3/19	YoY
(JPY bn)		
<b>Gross banking profit</b>	1,395.6	(32.3)
o/w Net interest income	944.1	(12.9)
Domestic	638.1	(69.2)
Overseas	306.0	+56.3
o/w Net fees and commissions	342.3	+12.4
Domestic	193.4	(7.4)
Overseas	148.9	+19.8
o/w Net trading income + Net other operating income	107.0	(32.0)
o/w Gains (losses) on bonds (domestic)	6.4	(1.1)
o/w Gains (losses) on bonds (overseas)	(3.5)	(7.7)
<b>Expenses</b>	811.5	+0.8
<b>Banking profit</b>	584.1	(33.1)
<b>Total credit cost</b>	(2.2)	+24.5
<b>Gains (losses) on stocks</b>	68.0	(59.7)
<b>Ordinary profit</b>	649.6	(105.6)
<b>Net income</b>	477.4	(99.7)

## Major group companies

(left : results of FY3/19 / right : YoY)

(JPY bn)	SMBC Nikko <sup>*1</sup>	SMBCCF	SMCC	66%
<b>Gross profit</b>	323.1 (61.4)	268.5 +7.4	254.2 +28.1	
<b>Expenses</b>	276.0 (15.4)	110.9 +1.8	190.9 +20.6	
<b>Net business profit</b>	47.1 (46.0)	157.6 +5.6	63.3 +7.5	
<b>Net income</b>	31.0 (27.2)	45.1 +20.5	(58.5) <sup>*2</sup> (86.9)	

(JPY bn)	Cedyna	SMBC Trust	SMAM	60%
<b>Gross profit</b>	154.1 (3.2)	49.8 +5.6	25.7 (0.7)	
<b>Expenses</b>	114.4 (1.2)	51.7 +1.0	17.9 +0.2	
<b>Net business profit</b>	40.0 (1.8)	(1.9) +4.7	7.9 (0.9)	
<b>Net income</b>	11.9 +9.5	(3.8) +2.0	5.3 (0.7)	

(JPY bn)	SMFL	50% <sup>*3</sup>
<b>Gross profit</b>	179.8 (4.7)	
<b>Expenses</b>	88.3 +3.3	
<b>Net business profit</b>	93.5 (7.9)	
<b>Net income</b>	80.0 +25.5	

<sup>\*1</sup> Excludes profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG) . YoY includes figures of SMBC Friend

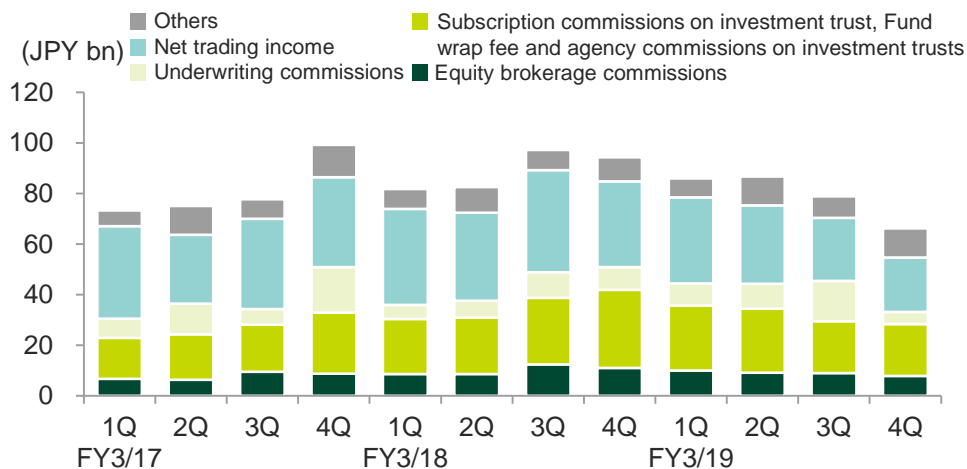
<sup>\*2</sup> Includes tax impact of JPY (90) bn by becoming a wholly owned subsidiary of SMFG

<sup>\*3</sup> Changed the ownership ratio of SMFL in Nov.18. Consolidated subsidiary with 60% ownership until the end of Dec. 18 and equity method affiliate with 50% ownership after that

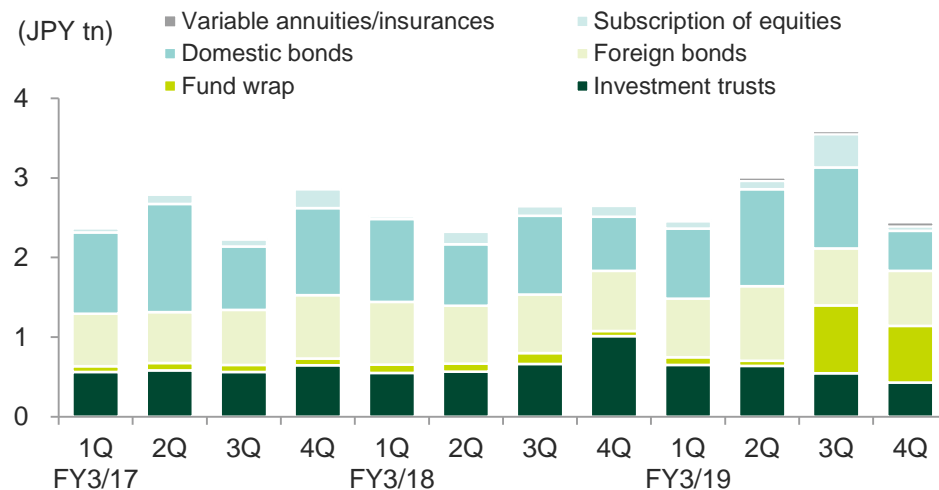
## Financial results (consolidated)

(JPY bn)	FY3/18	FY3/19	YoY
<b>Net operating revenue</b>	357.3	319.2	(38.1)
<b>SG&amp;A expenses</b>	267.6	276.5	+8.9
<b>Ordinary income</b>	94.9	48.4	(46.5)
<b>Profit attributable to owners of parent</b>	63.7	33.3	(30.4)

## Net operating revenue



## Product sales



## League table (Apr. 18 - Mar. 19) <sup>\*1</sup>

		Rank	Mkt share
SMBC Nikko	<b>Global equity &amp; equity-related (book runner, underwriting amount)<sup>*2</sup></b>	#2	15.4%
	<b>JPY denominated bonds (lead manager, underwriting amount)<sup>*3</sup></b>	#4	17.3%
	<b>Japanese corporate bonds (lead manager, underwriting amount)</b>	#5	16.8%
SMBC Group	<b>IPO (lead manager, No. of deals)<sup>*4</sup></b>	#1	25.8%
	<b>Financial advisor (M&amp;A, No. of deals)<sup>*5</sup></b>	#1	5.7%
	<b>Financial advisor (M&amp;A, deal volume)<sup>*5</sup></b>	#9	23.5%

<sup>\*1</sup> Source: SMBC Nikko, based on data from Refinitiv <sup>\*2</sup> Japanese corporate related only. Includes overseas offices

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

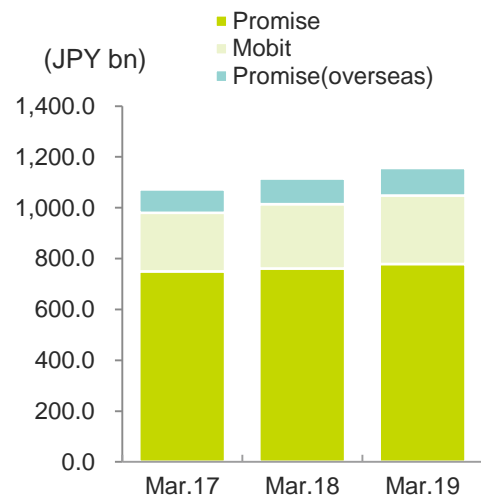
<sup>\*4</sup> Excludes REIT IPO. Includes overseas offices <sup>\*5</sup> Japanese corporate related only

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

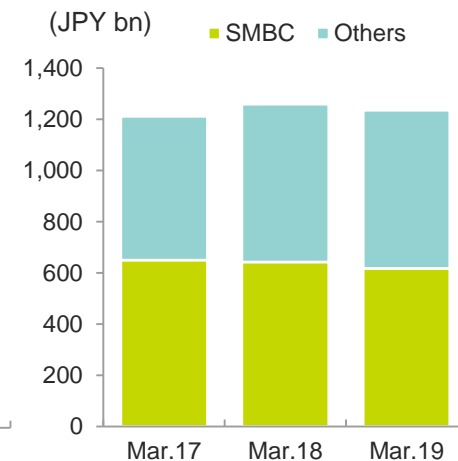
(JPY bn)	FY3/18	FY3/19	YoY
<b>Operating income</b>	273.8	281.8	+8.0
<b>Operating expenses</b>	238.3	236.0	(2.3)
Expense for loan losses	58.1	57.5	(0.6)
Expense for loan guarantees	31.7	28.0	(3.7)
Expense for interest repayments	36.0	36.0	-
<b>Ordinary profit</b>	35.9	46.3	+10.3
<b>Profit attributable to owners of parent</b>	24.6	45.1	+20.5
<b>NPLs (NPL ratio)</b>	64.8 5.81%	71.3 6.16%	+6.4 +0.35%
<b>Allowance on interest repayment (provision)</b>	109.4 2.3yrs	112.1 3.4yrs	

## Financing / loan guarantee business

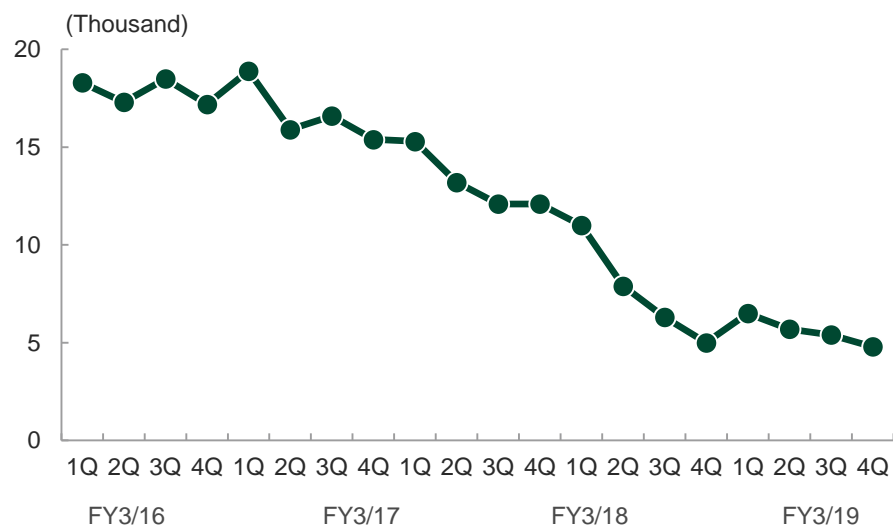
### Consumer loans outstanding



### Loan guarantee amount

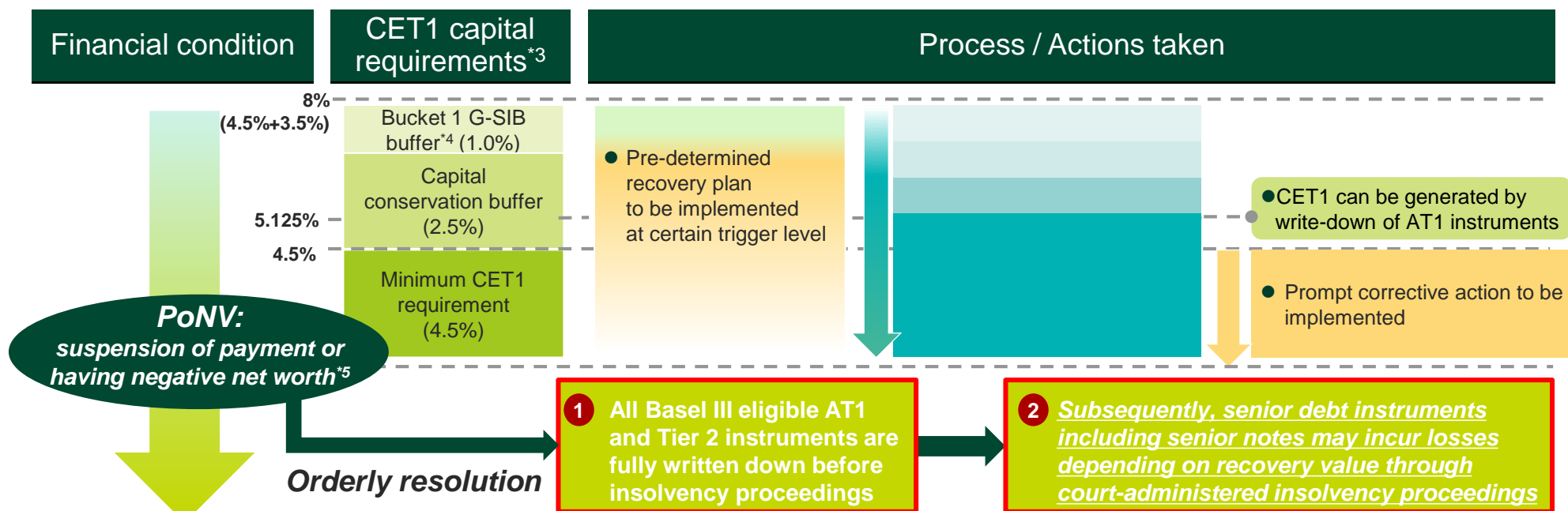


### No. of interest refund claims



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

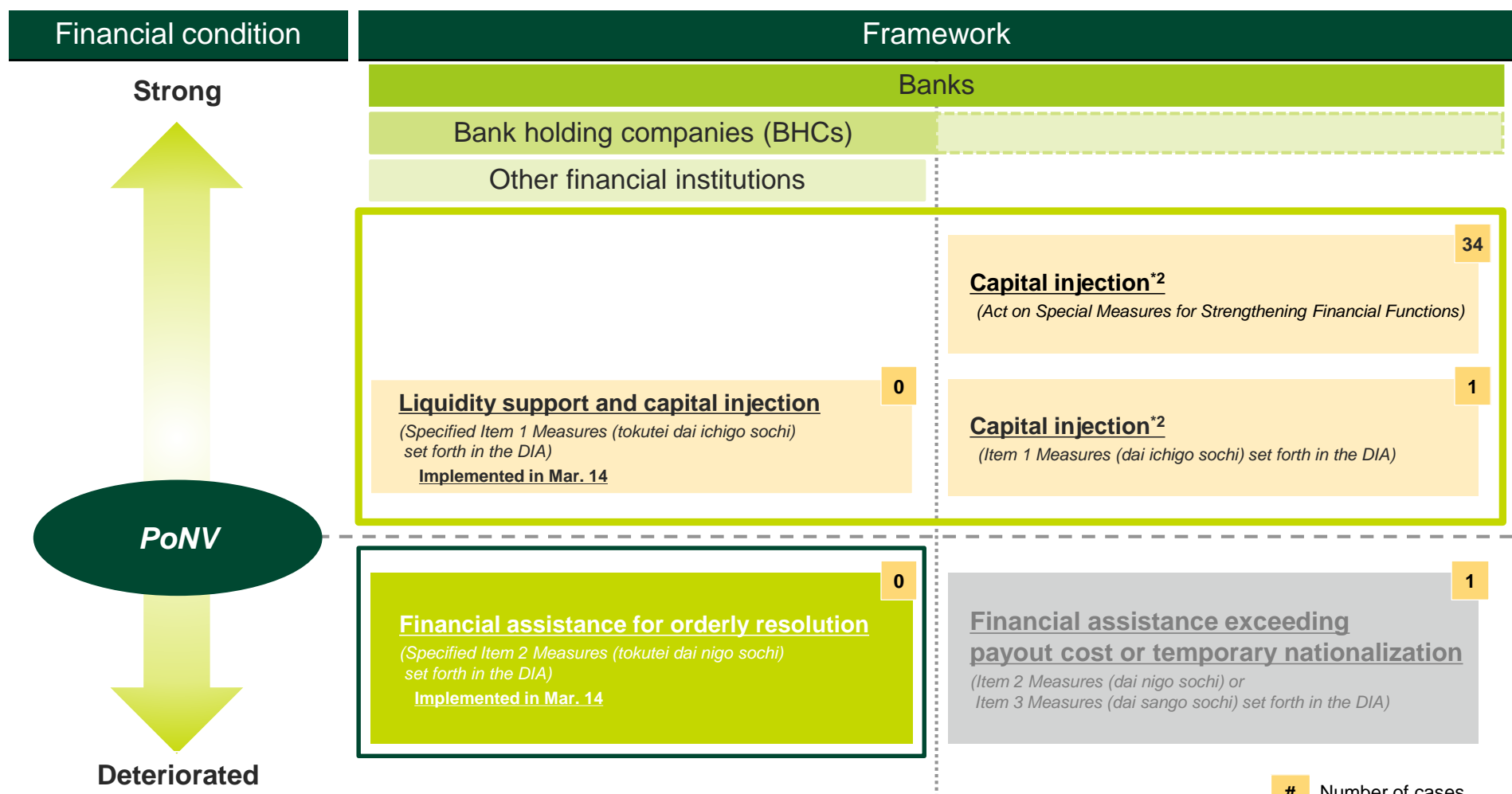
- Senior notes may incur losses during orderly resolution which is expected to be commenced subsequent to PoNV\*1
- All Basel III eligible AT1 and Tier 2 instruments will be fully\*2 written down upon PoNV pursuant to their terms before senior notes incur losses and AT1 / Tier 2 investors will not be 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. 16 and revised in Apr. 18 ("the FSA's Approach") and the TLAC related regulatory documents published by FSA in Mar. 19 ("the Japanese TLAC standards") \*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. 18 \*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. 14 amendments to the DIA expanded the scope of institutions eligible for the safeguards to include financial holding companies and other financial institutions

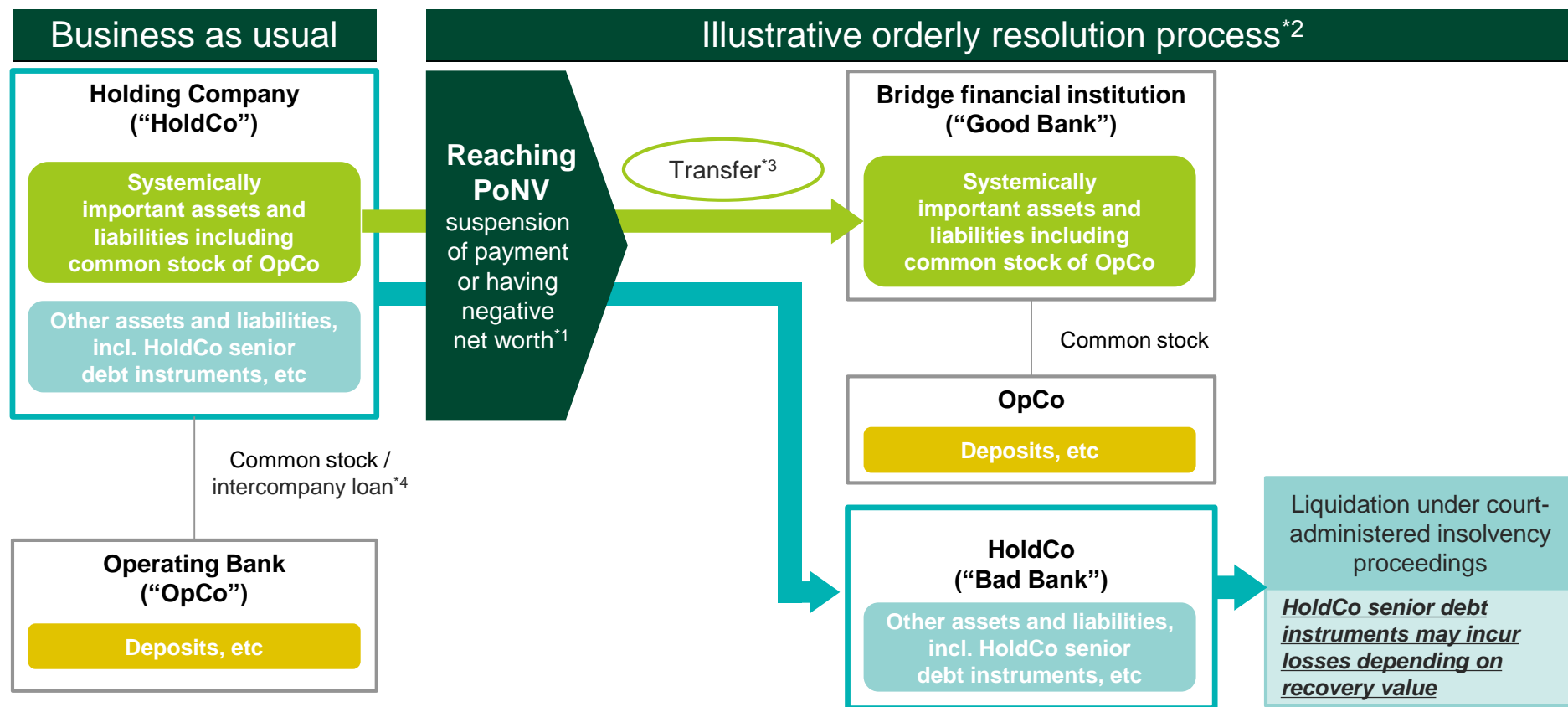


\*1 There is no assurance that any such measures would be applied in any given case

\*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 (*ninte*) that "specified Item 2 measures (*tokutei dai nigo sochi*)," which are the measures set forth in Article 126-2, Paragraph 1, Item 2 of the DIA, as then in effect, need to be applied to a financial institution under circumstances where its liabilities exceed or are likely to exceed 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 and the Japanese TLAC standards, 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 a business improvement order being given by FSA in order to implement the orderly resolution



## 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. 14  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>

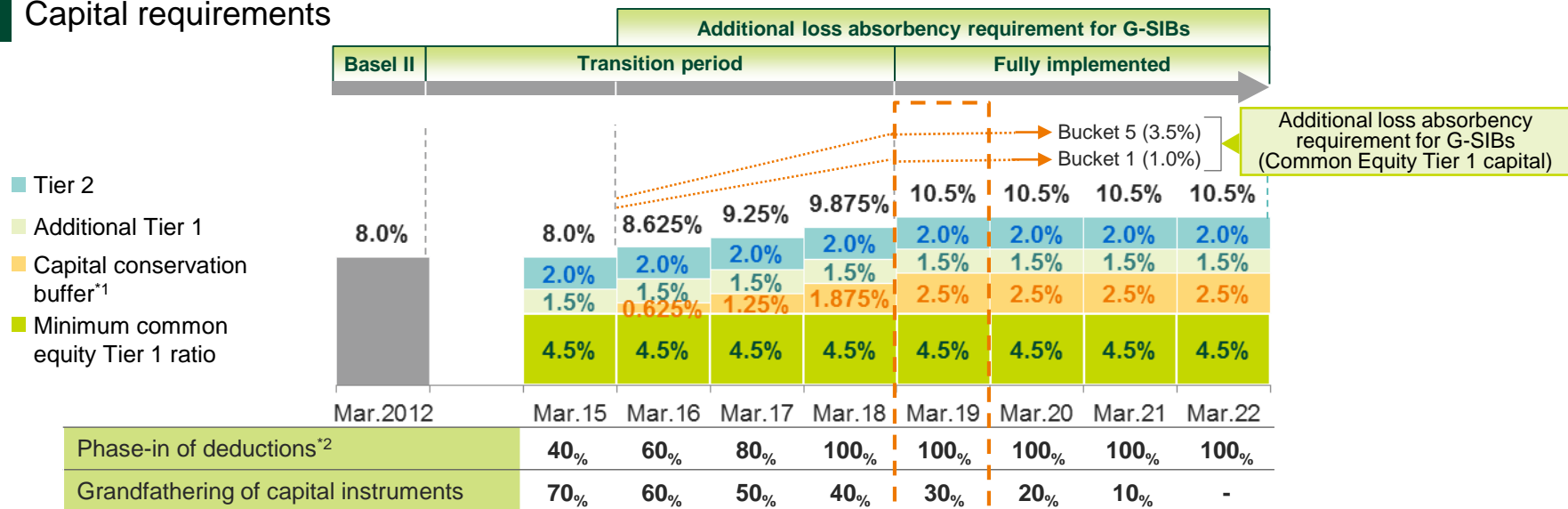
\*1 Including the likelihood of a suspension of payment of deposits

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

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

# 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	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

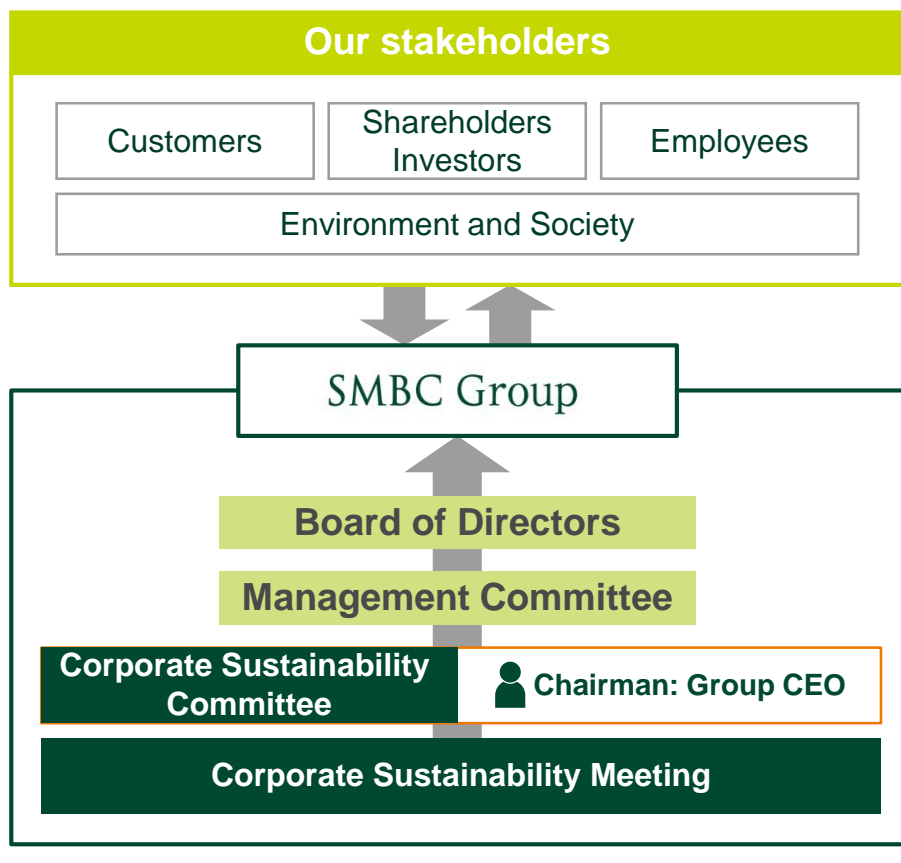
\*2 Including amounts exceeding limit for deferred tax assets, mortgage servicing rights and investment in capital instruments of unconsolidated financial institutions

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

## ESG: Sustainability management

- Promote initiatives to resolve social issues and achieve the SDGs under direct leadership from the Group CEO.

### Sustainability management










### Selected ESG indices



### External awards



- Work on initiatives to solve social issues.

	Social Issues	Our initiatives	Achievements
	<b>Realize a sustainable society</b> 	<ul style="list-style-type: none"> <li>Enhance Corporate Sustainability Management</li> <li>Promote ESG/SDGs related financial services</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed the Principle for Responsible Banking</li> <li>ESG/SDGs assessment loan, social loan</li> </ul>
Envir.	<b>Low carbon society</b> 	<ul style="list-style-type: none"> <li>Promote climate related finance</li> <li>Manage climate change risk</li> </ul>	<ul style="list-style-type: none"> <li>No.1 (globally) in syndicating renewable energy project</li> <li>Established lending policies for specific sectors (incl. coal-fired power plants)</li> <li>Disclosed the result of scenario analyses as response to TCFD</li> </ul>
Next Generation	<b>Changes in Demography</b> 	<ul style="list-style-type: none"> <li>Succession and management of individual financial assets</li> <li>Provide solution for aging society</li> </ul>	<ul style="list-style-type: none"> <li>Launched a multi-life-stage typed domestic investment trust "Life Journey"</li> </ul>
	<b>Working environment with job satisfaction</b> 	<ul style="list-style-type: none"> <li>Diversity and Inclusion</li> <li>Work-style Reform</li> </ul>	<ul style="list-style-type: none"> <li>Unconscious bias training for managers</li> <li>Promote teleworking</li> </ul>
Community	<b>Financial Inclusion</b> 	<ul style="list-style-type: none"> <li>Promote Digitalization</li> <li>Develop commercial banking business in Asia</li> </ul>	<ul style="list-style-type: none"> <li>Update mobile apps</li> <li>Provide digital banking by BTPN</li> </ul>
	<b>Support growing industries Regional Revitalization</b> 	<ul style="list-style-type: none"> <li>Provide risk money and support through consultation</li> </ul>	<ul style="list-style-type: none"> <li>No.1 in IPO underwriting</li> </ul>
	<b>Measures against Poverty</b> 	<ul style="list-style-type: none"> <li>Raise financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Financial education to 130K people (domestic)</li> </ul>

## ESG: Initiatives toward TCFD\*1 recommendations

- Conducted analysis and calculated the impact of climate-related risks.  
The impact is considered to be limited : approx. JPY 1 bn of credit costs on an annual basis.
- Strengthening the risk management system when financing coal-fired power plants and coal mining.

Released in Apr. 19

Governance	<ul style="list-style-type: none"> <li>● Enactment of the "Group Environmental Policy"</li> <li>● Establishment of the "Corporate Sustainability Committee" chaired by the Group CEO to reflect climate change responses in management strategies</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>● <b>Conducted scenario analysis of climate change in physical risks</b> <ul style="list-style-type: none"> <li>● Targeting SMBC's domestic corporate customers, we estimate <b>credit costs in the event of a water disaster to be approximately JPY 30 to 40 bn between 2019 and 2050 (JPY 1 bn annual) based on the scenarios of RCP*2.6 (2 ° C scenario) and RCP 8.5 (4 ° C scenario)</b></li> </ul> </li> <li>● Analysis of the future impact of stranded assets is under discussion</li> <li>● Financing renewable energy projects and issuing green bonds</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>● Implementation of environmental and social risk assessments based on the Equator Principles</li> <li>● <b>Manage finance for coal-fired power plants and coal mining</b> <ul style="list-style-type: none"> <li>● Introduce business specific policies for coal-fired power plants in SMBC Group companies</li> <li>● <b>SMBC expanded the scope of its environmental and social risk assessments to include loans for coal mining</b></li> </ul> </li> </ul>
Metrics and Targets	<ul style="list-style-type: none"> <li>● Disclosure of greenhouse gas emissions</li> </ul>

\*1 Task Force on Climate-related Financial Disclosures

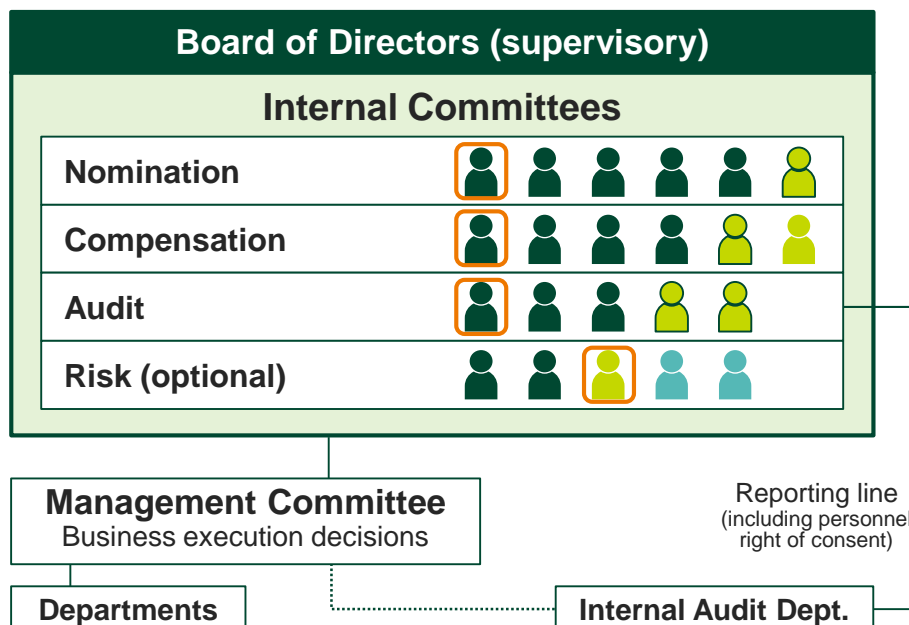
\*2 Representative Concentration Pathways. e.g. "RCP 2.6" represents a radiative forcing (the amount of radiation that energy entering or leaving the surface of the Earth has relative to the Earth's climate) of 2.6 w/m2 at the end of the century

# ESG: Governance

- Enhanced governance framework.
- Reduced the total number of the board of directors to 15. % of outside directors was raised to 47%.

## Governance framework

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



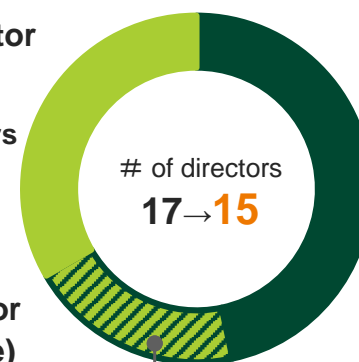
- SMBC and SMBC Nikko to transform to a company with an Audit and Supervisory committee<sup>\*1</sup>

<sup>\*1</sup> Subject to shareholder meeting approval in Jun. 19

## Board of directors

**Internal Director (executive)**  
7 → 5 directors

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



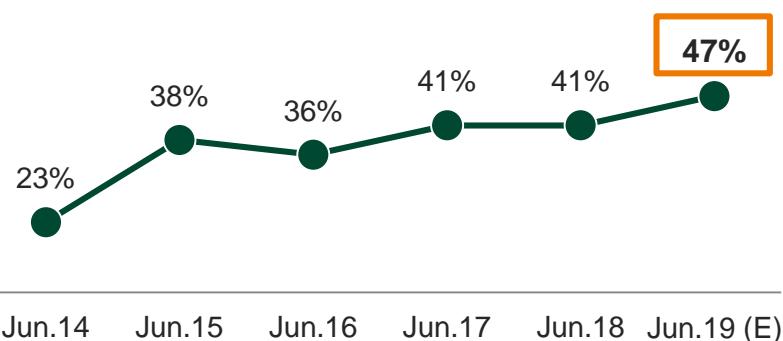
**Outside Director**  
7 directors

### Expertise

Management	3
Finance/Accounting	1
Law	2
Diplomacy	1

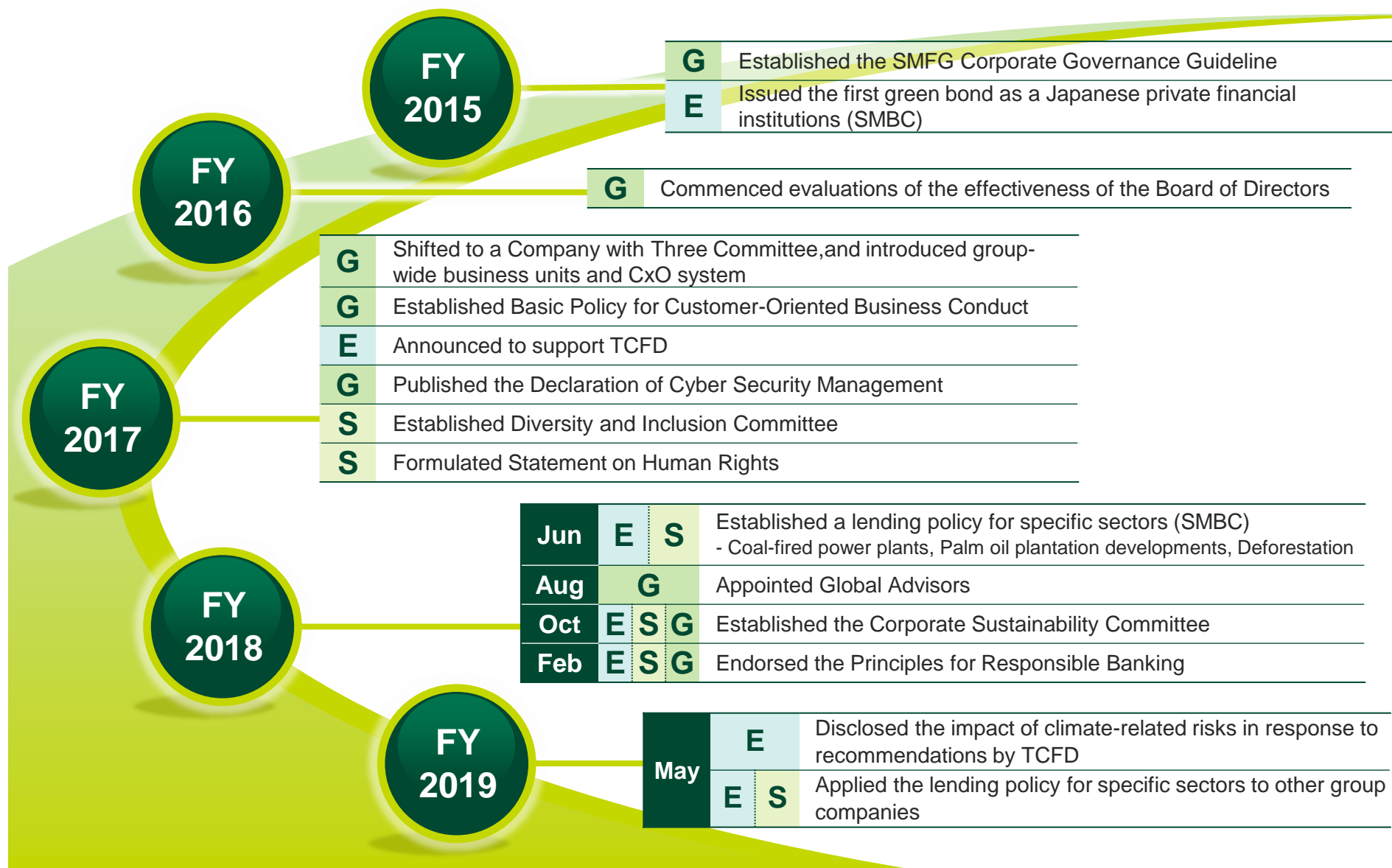
non-executive directors : 67%

## % of Outside Directors



Board of corporate auditors → Company with three committees

## ESG: (Ref.) Our ESG history



# 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

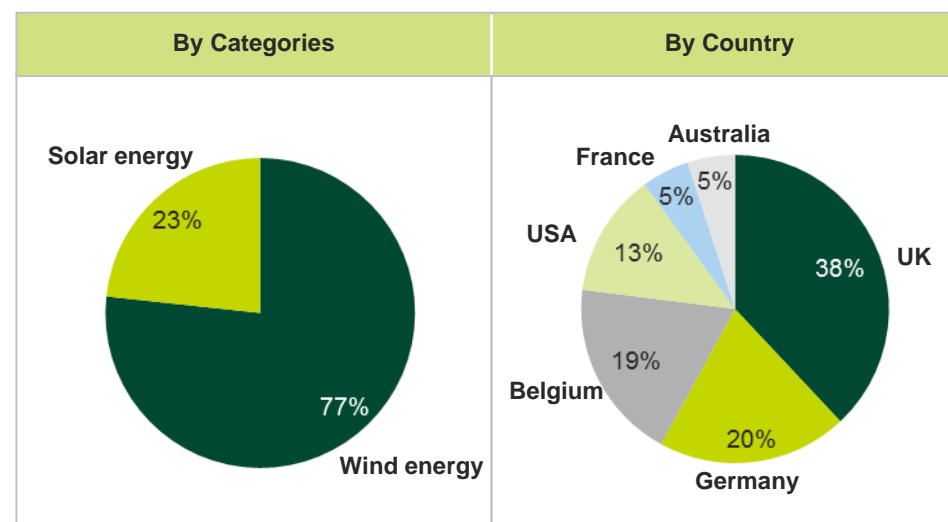
Issuer	Sumitomo Mitsui Financial Group, Inc.
Issue amount	EUR 500mn
Pricing date / Issue date	Oct 4, 2017 / Oct 11, 2017
Maturity	7 years
Coupon	0.934%
Rating	A1 (Moody's) / A- (S&P)
Format	Regulation S (Under Euro medium term note program)
Listing	Luxembourg Stock Exchange's Euro MTF market

## Impact reporting (as of Mar. 18)

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 Mar. 18)

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

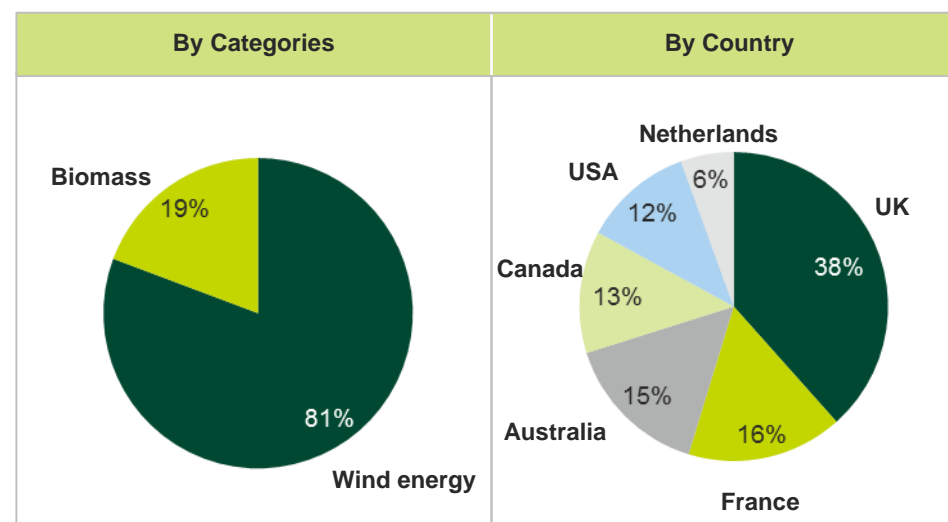
Issuer	Sumitomo Mitsui Banking Corporation
Issue amount	USD 500mn
Pricing date / Issue date	Oct 14, 2015 / Oct 20, 2015
Maturity	5 years
Coupon	2.45%
Rating	A1 (Moody's) / A stable (S&P)
Format	Section 3(a)(2)
Listing	Singapore Exchange Securities Trading Limited (SGX)

### Impact reporting (as of Mar. 18)

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 Mar. 18)

Asset Area	Sub Category	Region	Outstanding (USD 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

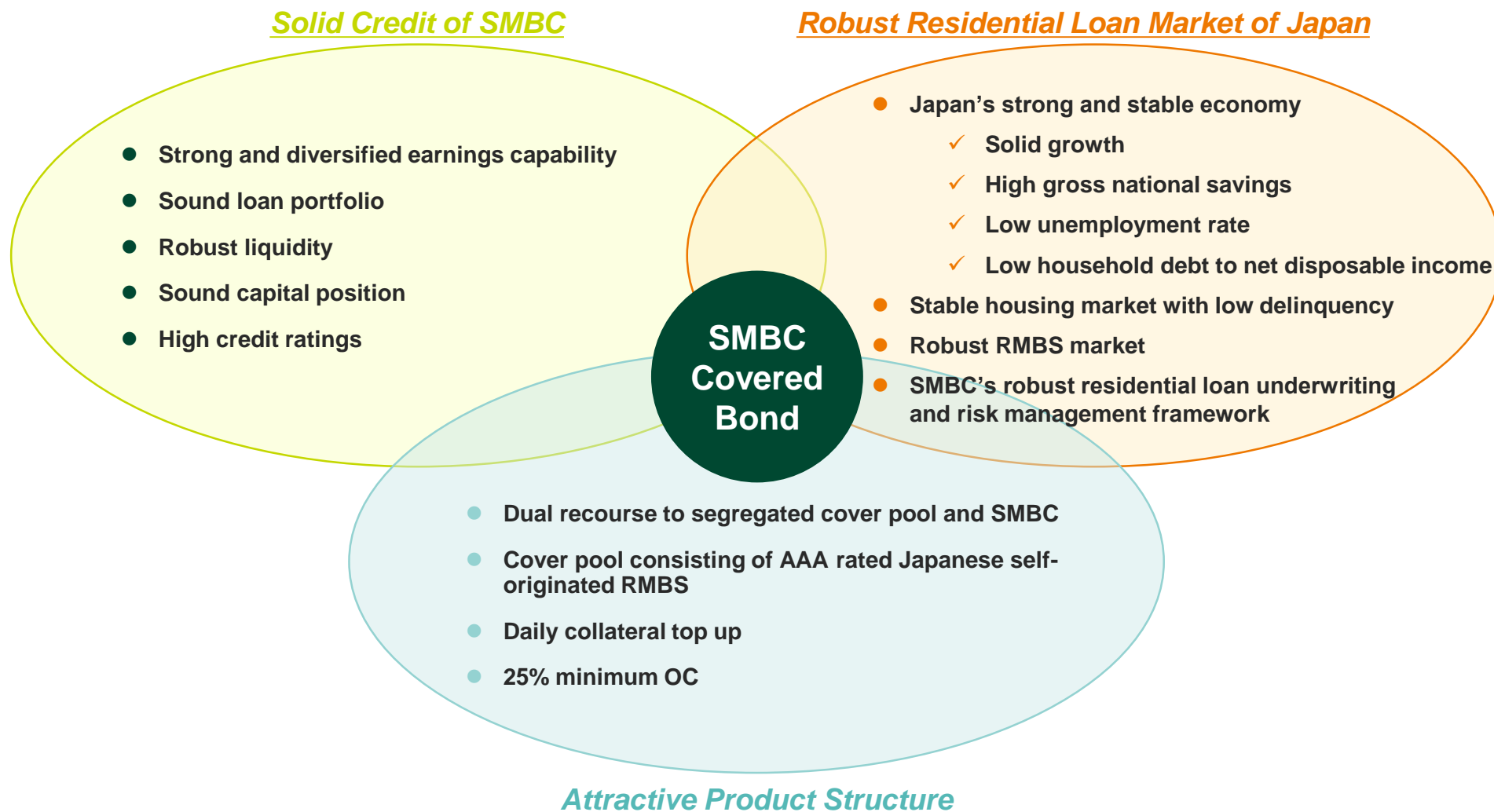
- SMFG's Corporate Treasury Dept. and SMBC's Planning Dept., Treasury Unit worked together with SMFG's Corporate Sustainability Dept. to establish the criteria for Eligible Green Projects
- SMBC's Structured Finance Dept. selects the project pool which meets the criteria
- SMFG's Corporate Treasury Dept. 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**

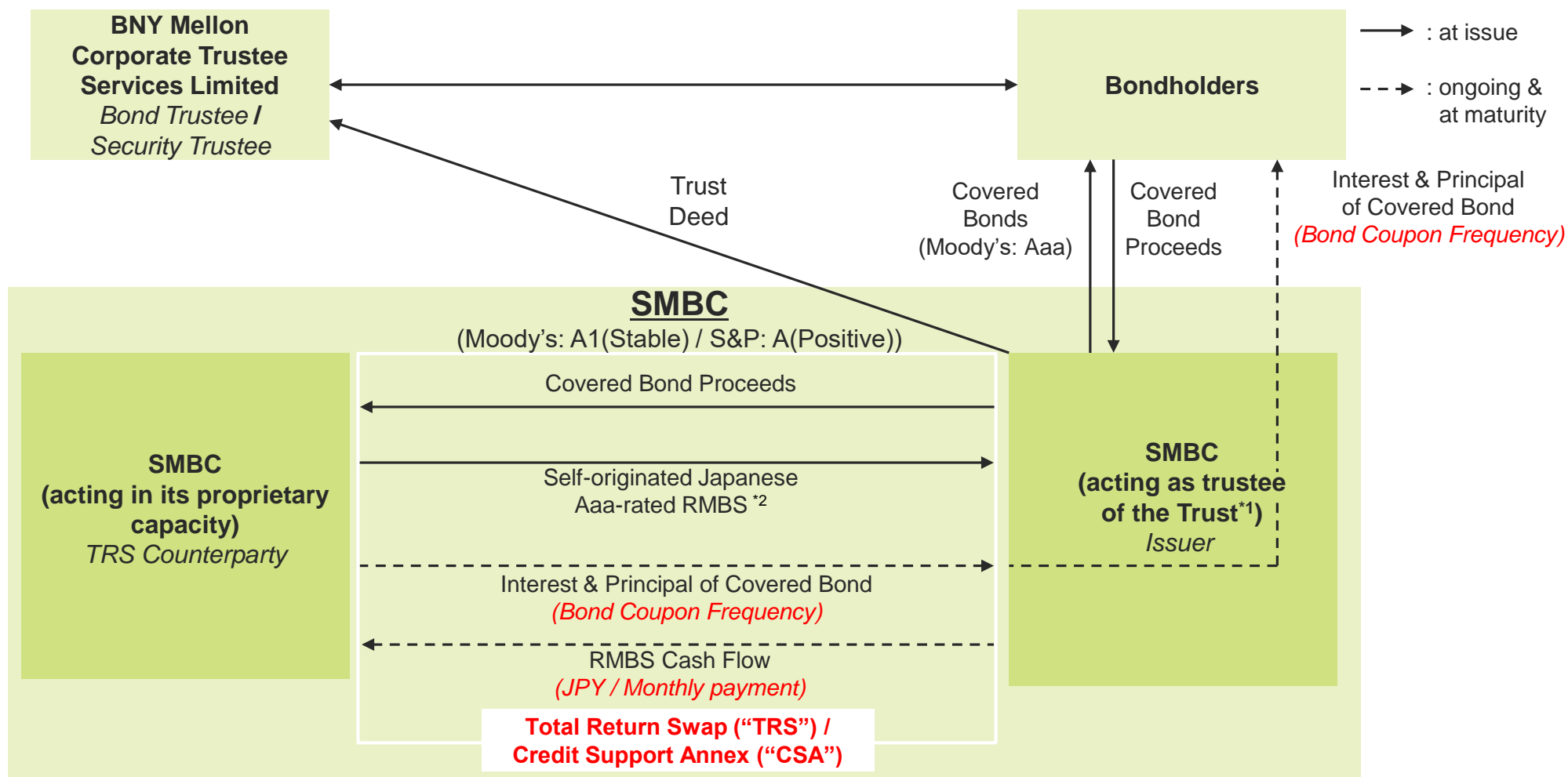
## SMBC covered bond: Investment highlights

- 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

- Under the Trust Act of Japan Bondholders have dual recourse to SMBC's assets, in addition to the recourse they have to the segregated cover pool assets
- To protect Bondholders, the Programme puts Self-originated Japanese RMBS as collateral under the TRS. Segregation of assets is ensured in the case of SMBC's insolvency because enforceability of the TRS is protected under the Netting Act in Japan
- Cover pool assets remain on the balance sheet of SMBC acting in its proprietary capacity



\*1 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")

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

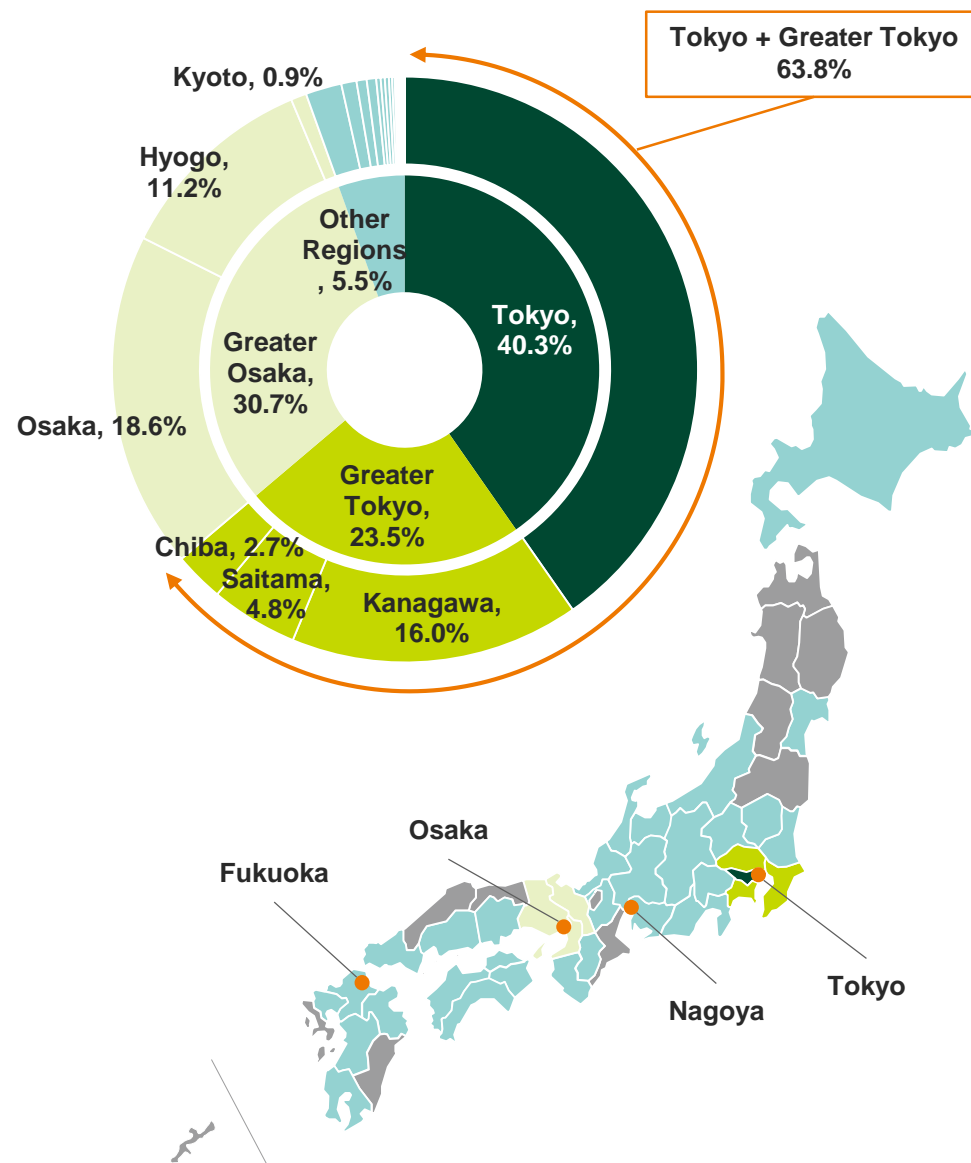
# SMBC covered bond: Cover Pool Summary

## RMBS Summary Terms\*1

Class	Amount	(%)	Rating (Moody's)
Senior	¥186.8bn	87.0	Aaa (sf)
Subordinate	¥27.9bn	13.0	
Total	¥214.7bn	100.0	

Collateral	Self originated residential loans
Originator / Servicer	SMBC
Asset Trustee	Sumitomo Mitsui Trust Bank
Revolving	Static pool
Format	Domestic trust beneficiary interest
Liquidity	Cash reserve
Interest Payments	Monthly / Fixed coupon
Principal Payments	Monthly / Pass through
Hedging Arrangements	None
Master Trust	Standalone structure
Clean-up Call	10%
Back-up Servicer	Not appointed at closing
Credit Enhancement	Overcollateralisation Senior / subordinate tranching Excess spread
Provisional cut-off date	July 31, 2018
Asset Total Amount	¥214,746,199,228
Number of Contracts	8,894
Average Loan Size	¥24,145,064

## Domestic Region\*1\*2



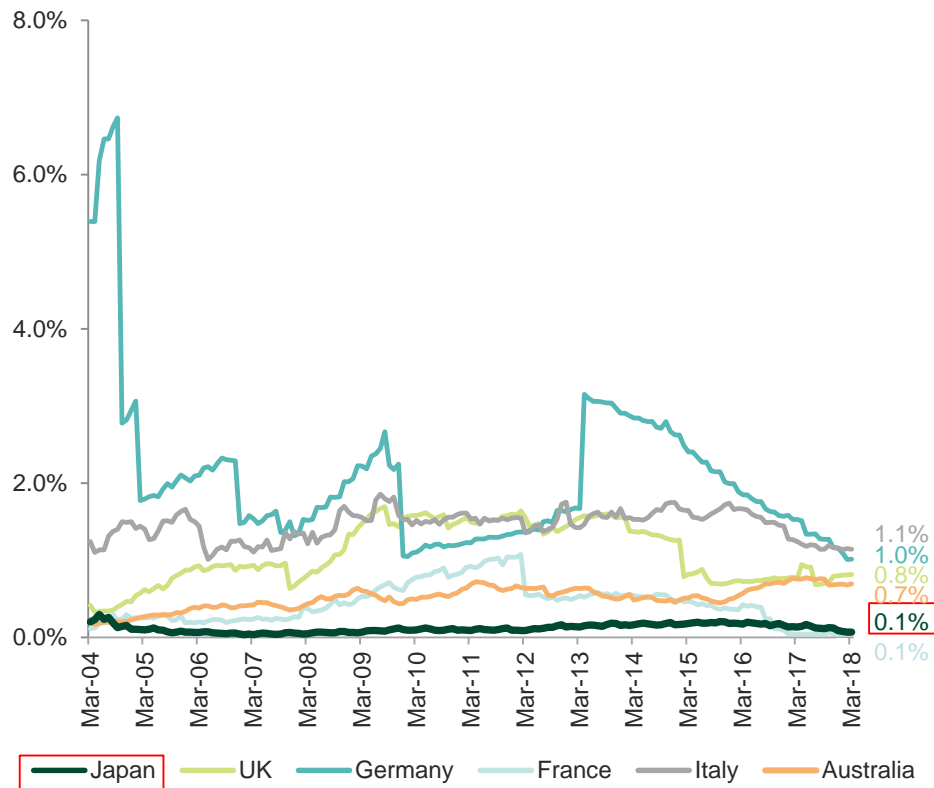
\*1 Pool data as of Jul. 18

\*2 By loan balance

# 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 comparable to other developed countries

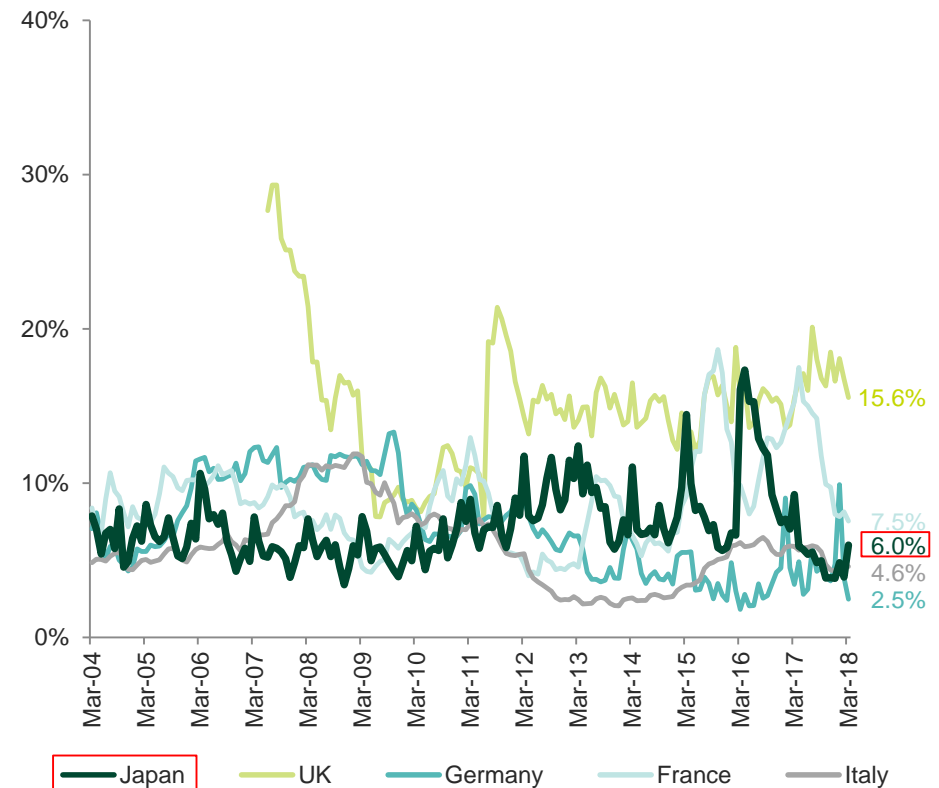
## RMBS 90+ Days Delinquency\*1



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"

\*1 Source: Moody's

## Prepayment Rate\*2



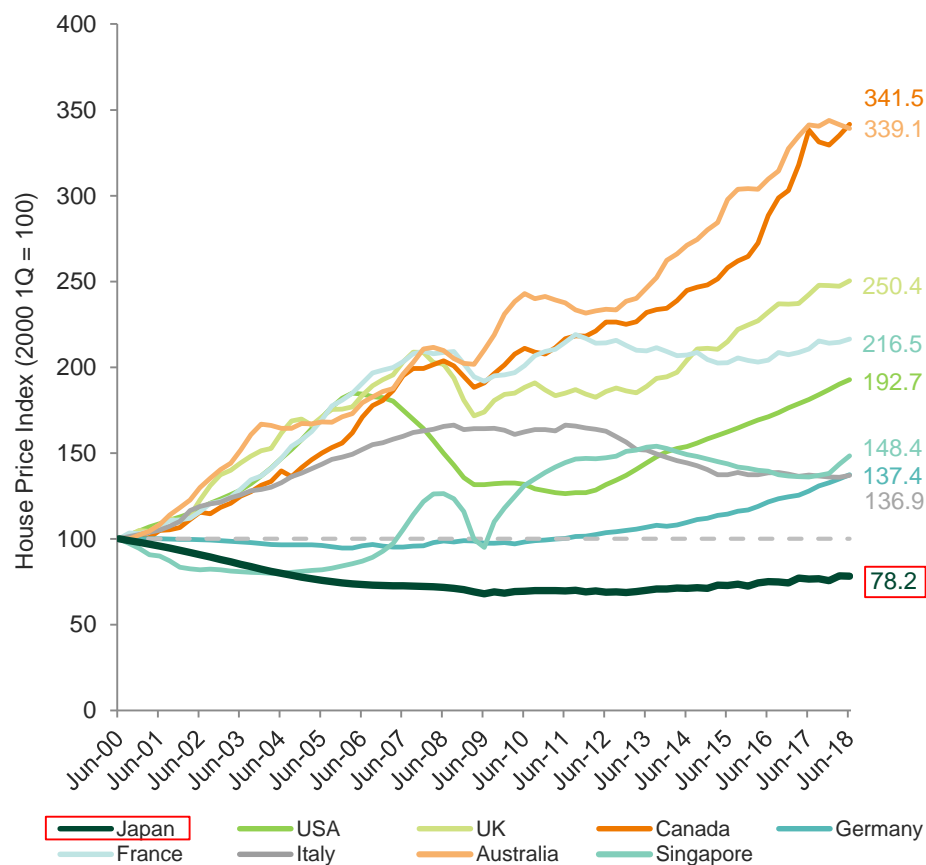
Note: UK data between Mar. 04 and May. 07 is not available

\*2 Source: Moody's

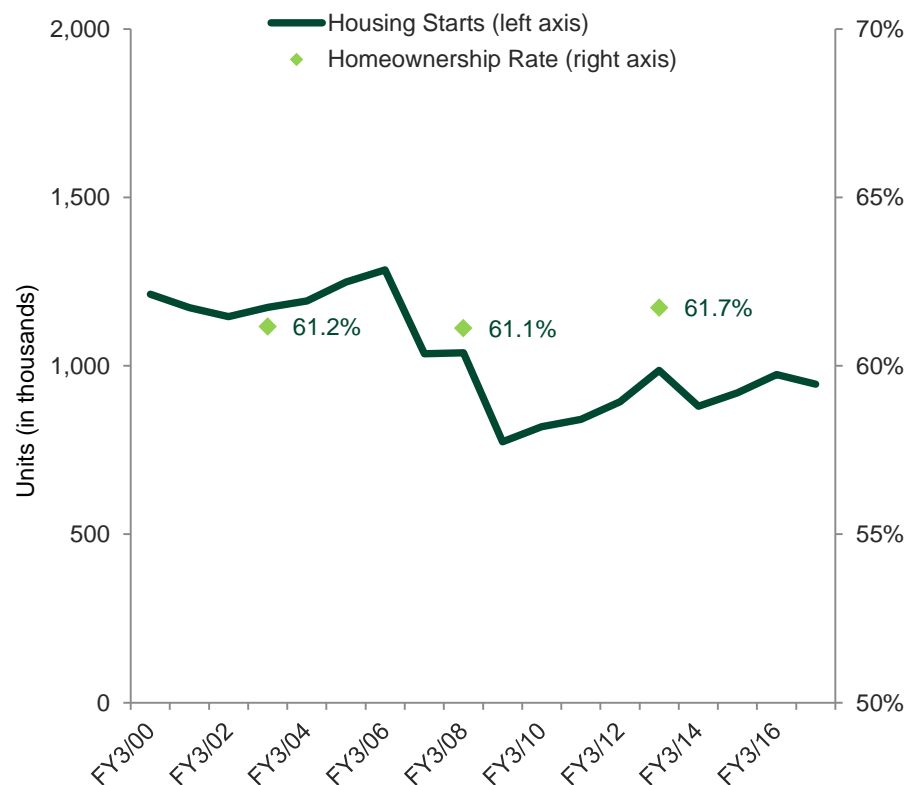
# Housing Market Developments

- Japanese house prices have been stable with limited impact of the global financial crisis compared to other developed countries, and are now in an upward trend
- Housing starts is recovering gradually since the financial crisis and homeownership rate has been stable at approx. 60%

## House Prices\*<sup>1</sup>



## Housing Starts / Homeownership Rate\*<sup>2</sup>



\*1 Source: Bank for International Settlements

\*2 Source: Ministry of Land, Infrastructure, Transport and Tourism, Statistics Bureau, Ministry of Internal Affairs and Communications

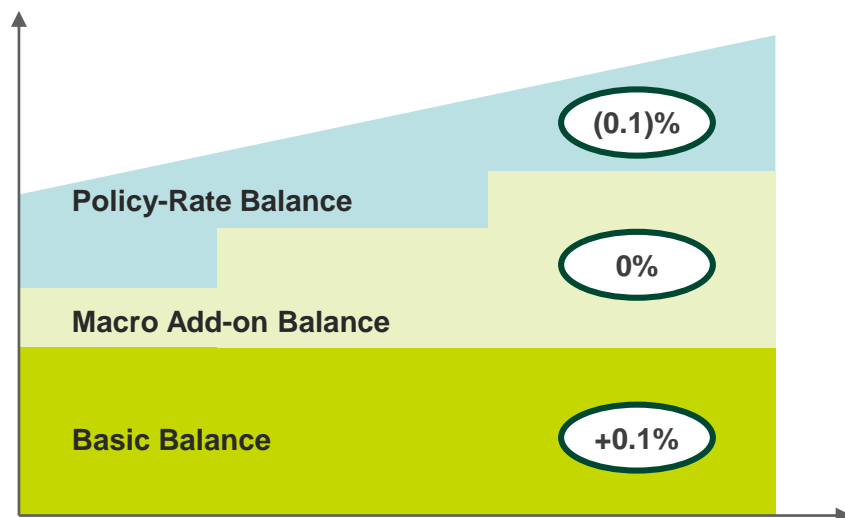


# BOJ's monetary policy

## Timeline

<b>Apr. 13</b>	Introduction of the Quantitative and Qualitative Monetary Easing (QQE)
<b>Jan. 16</b>	Introduction of Negative Interest Rate Policy
<b>Sep. 16</b>	Introduction of QQE with yield curve control
<b>Jul. 18</b>	Introduction of forward guidance for policy rates
<b>Apr. 19</b>	Clarification of forward guidance for policy rates

## Three-tier system in current accounts at BOJ



## Jul. 18 announcement

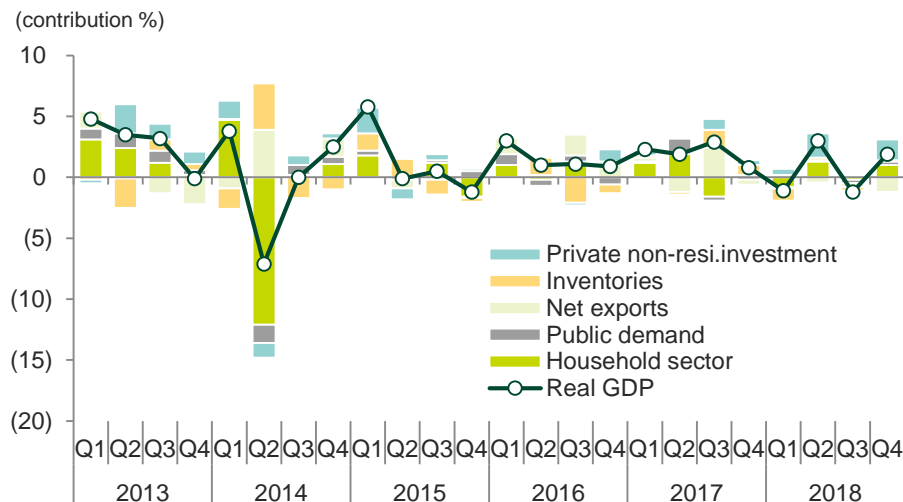
- **Introduction of forward guidance for policy rates**
  - Maintain the current level of low interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices including the effects of the consumption tax hike scheduled in Oct. 19
- **Flexible operation of yield curve control**
- **Flexible operation of asset purchases**
- **Reduce the Policy-Rate Balance**
  - about JPY 10 tn on average to about JPY 5 tn

## Apr. 19 announcement

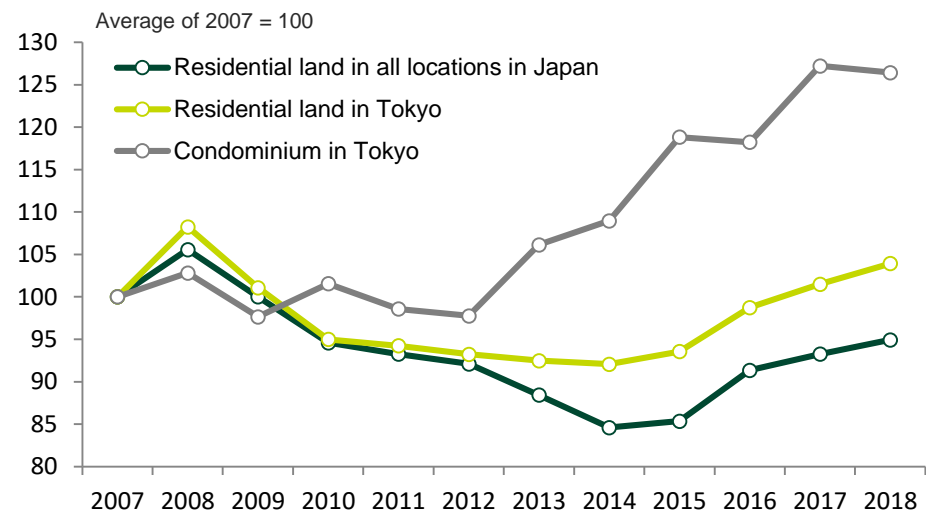
- **Clarification of forward guidance for policy rates**
  - Maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020
- **Implementation of measures contributing to the continuation of powerful monetary easing**
  - Expand eligible collateral for BOJ's provision of credit

# Current Japanese economy

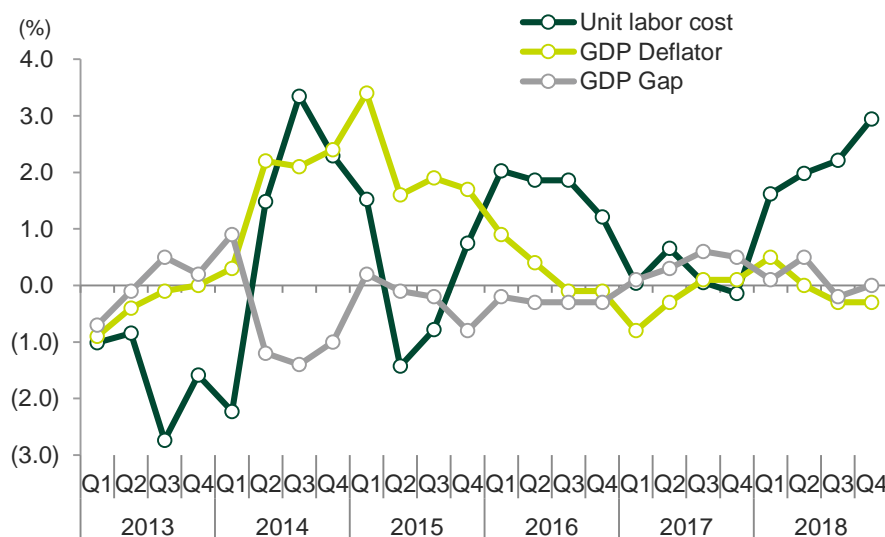
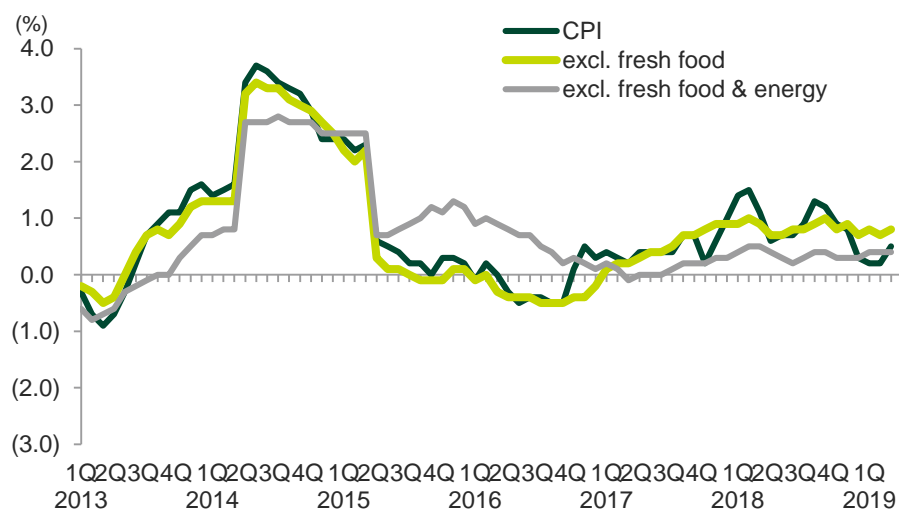
## Real GDP growth rate (annualized QOQ change) \*1



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



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



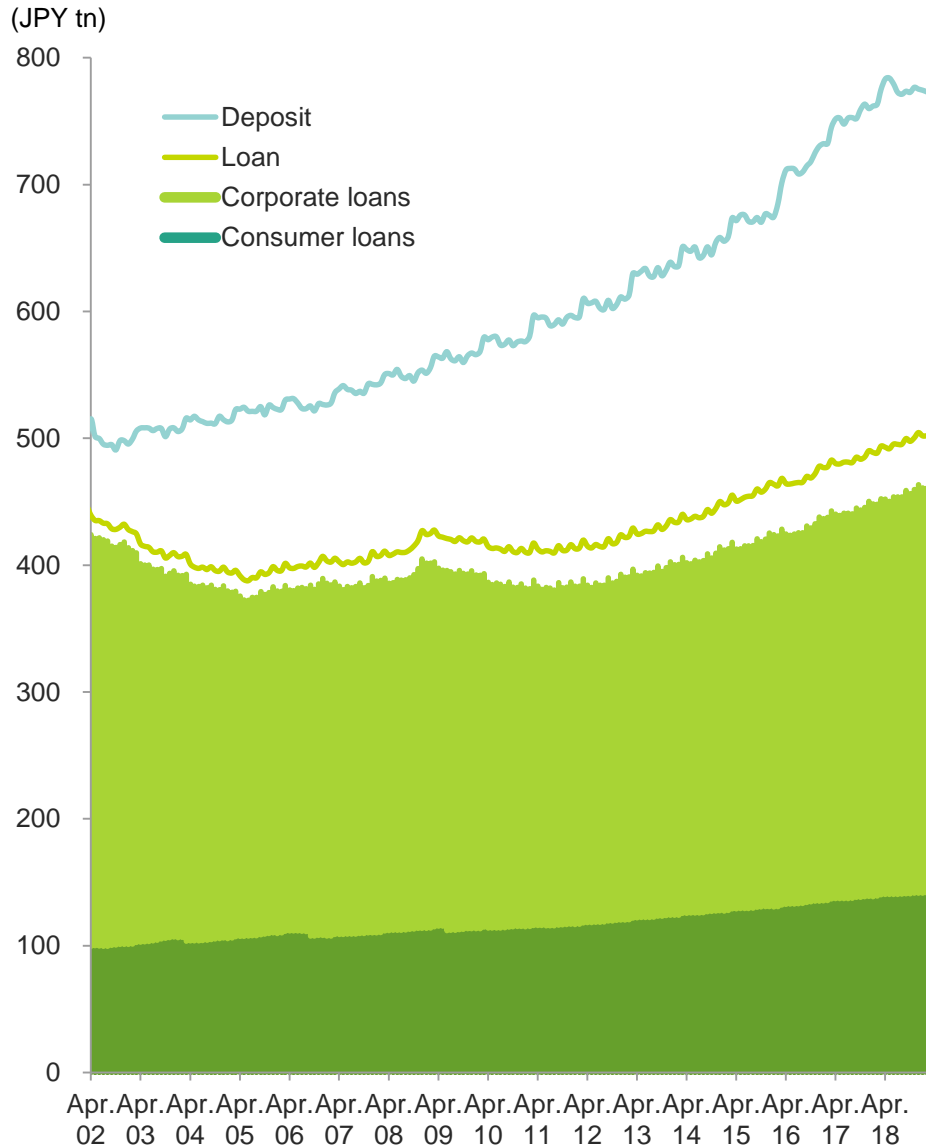
\*1 Source: Cabinet Office. Seasonally adjusted series. Household sector = Private consumption + Private residential investment, Inventories = Change in private and public inventory, Public demand = Government consumption + Public investment

\*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

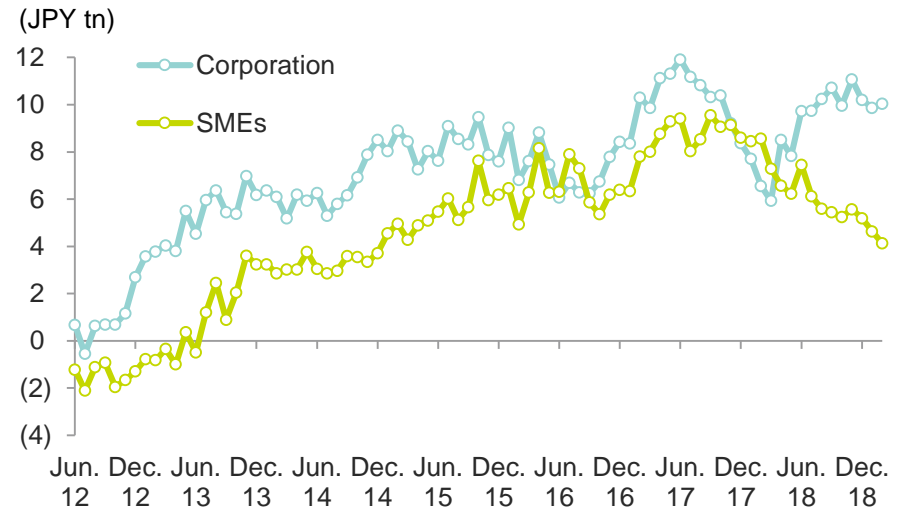
## Loan and deposit balance of domestic banks



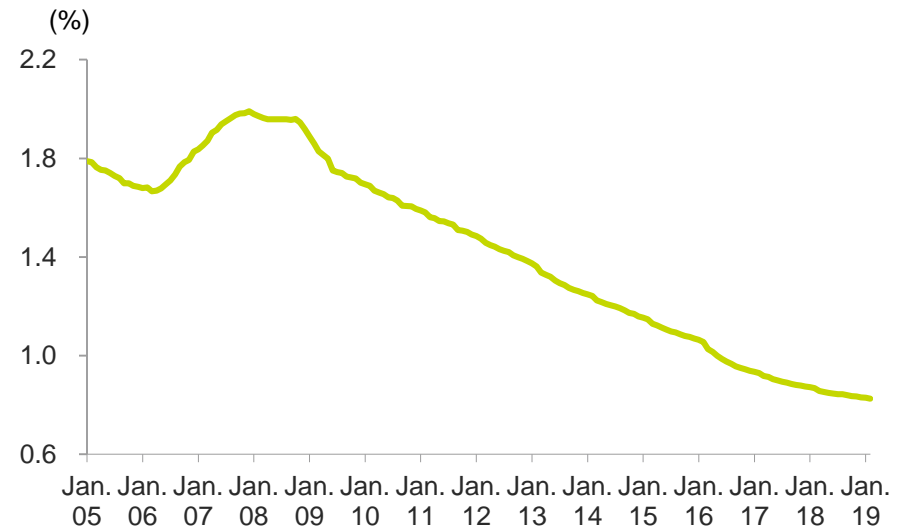
\*1 Source: Bank of Japan "Deposits and Loans Market"

\*2 Period end balance \*3 Stock basis

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



## Average loan spread of domestic banks\*3



# Japanese national wealth

Balance sheet of Japan (as of Dec. 17, JPY tn)<sup>\*1</sup>

Closing assets		10,893	Closing liabilities plus net worth		10,893
<b>Households</b>		2,977	Households		314
Financial assets		1,902	Non-financial corporations		1,976
Non-financial assets		1,075	Stocks		1,042
Land		710	Financial corporations		3,892
Non-financial corporations		2,394	Stocks		140
Financial assets		1,231	General government		1,297
Non-financial assets		1,163	Closing liabilities		7,509
Land		297	<b>Net worth</b>		3,384
Financial corporations		4,053	Households		2,663
General government		1,336	Non-financial corporations		418
Financial assets		627	Financial corporations		161
Financial assets		7,838	General government		39
Non-financial assets		3,055			

\*1 Source: Cabinet Office

\*2 Source: IMF Stat. The figures shown in the graph are from 2009 to 2017

\*3 Source: Ministry of Finance Japan. As of Dec. 17

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

