



# Investor Meeting 1H FY3/2023

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November 16, 2022



SUMITOMO MITSUI  
FINANCIAL GROUP

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Hello everyone. This is Ohta, Group CEO of SMBC Group.  
Thank you very much for your interest in us and your ongoing support.

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.

#### Exchange rates (TTM)

	Sep.21	Mar.22	Sep.22
USD	JPY 111.95	JPY 122.41	JPY 144.81
EUR	JPY 129.90	JPY 136.81	JPY 142.32

#### 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
SMDAM	Sumitomo Mitsui DS Asset Management
SMBCAC	SMBC Aviation Capital
Major local subsidiaries	SMBC Bank International, SMBC Bank EU, SMBC (China)
Consolidated	SMFG consolidated
Non-consolidated	SMBC non-consolidated
Expenses (non-consolidated)	Excluding non-recurring losses
Net business profit	Before provision for general reserve for possible loan losses
Retail Business Unit (RT)	Domestic retail business
Wholesale Business Unit (WS)	Domestic wholesale business
Global Business Unit (GB)	International business
Global Markets Business Unit (GM)	Market / Treasury related businesses

## Introduction

- Submitted a report to the Financial Services Agency of Japan and disclosed countermeasures on November 4th regarding cases of market manipulation and inappropriate sharing of non-public information.
- Allocated additional personnel and upgraded IT system for internal management to prevent recurrence and restore trust. (Expense: JPY 10 bn IT investment: JPY 2 bn)
- Impact on consolidated gross profit was limited. (1H FY3/23 : JPY (25) bn)

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First, I would like to express my sincere apologies for your grave concerns and inconvenience caused by the market manipulation incident at SMBC Nikko and the inappropriate sharing of non-public information between SMBC Nikko and SMBC.

We take this matter very seriously and will strive as a group to prevent recurrence and regain your trust.

Details of the administrative action taken by the Financial Services Agency of Japan and the submitted report are as we disclosed in our press release.

We will additionally allocate management resources to strengthen internal control. JPY 10 bn for expenses and JPY 2 bn for IT investments were secured this fiscal year.

The impact on our gross profit is JPY (25) bn for 1H and expect JPY (40) bn for the full-year. Although this is higher than the figure I explained in May, the impact is still limited compared to our consolidated figures.

# Agenda

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## **I. Financial Results**

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# Income statement

Progress rate of 1H: Consolidated net business profit 58%, Profit attributable to owners of parent 72%  
Revised upward full-year target to JPY 1,265 bn and JPY 770 bn respectively.

	(JPY bn)	1H FY3/23	YoY	FY3/23 target
1 Consolidated gross profit		1,632.4	+201.1	
G&A expenses		962.6	+86.6	
2 Overhead ratio		59.0%	(2.2)%	
3 Equity in gains (losses) of affiliates	Progress	52.1	+21.4	New 1,265
4 Consolidated net business profit	58%	721.9	+135.8	1,235
5 Total credit cost		83.1	+56.5	210
6 Gains (losses) on stocks		92.1	+10.9	
7 Other income (expenses)		(4.8)	+5.8	New 1,120
8 Ordinary profit		726.1	+96.0	1,060
9 Extraordinary gains (losses)		(1.4)	+1.9	
10 Income taxes		193.7	+26.3	New 770
11 Profit attributable to owners of parent	72%	525.4	+69.4	730
12 ROE		10.3%	+0.9%	

**Consolidated gross profit:** increased YoY due to  
1) loan growth and related transactions in WS and GB, and  
2) strong performance of payment business.  
Impact of FX: +122

**G&A expenses:** increased YoY mainly due to consolidation of Fullerton India, as well as higher variable marketing cost of SMCC, which is successfully increasing new customers  
Impact of FX: +60

**Equity in gains of affiliates:** increased YoY mainly due to gains on change in equity of Bank of East Asia.

**Total credit cost:** was managed to be lower than forecast, because the increase of newly built reserve was offset by reversals

**Gains on stocks:** increased due to gains on sales of strategic shareholdings (68, YoY +32), while ETF sales decreased.

## Consolidated impact of Fullerton India (JPY bn)

Consolidated gross profit	+27	Total credit cost	+5
G&A expenses (incl. goodwill amortization)	+22	Profit attributable to owners of parent	(3)
Consolidated net business profit	+5		

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This is a brief summary of the 1H results.

Consolidated net business profit increased dramatically YoY by JPY 135.8 bn with a good progress rate of 58%, due to strong loan growth of both domestic and overseas corporates and its related fee income.

Credit cost was maintained at lower level than forecast since the increase of newly built reserves was offset by reversals.

As a result, profit attributable to owners of parent was JPY 525.4 bn with a high progress rate of 72%.

## (Ref.) Group companies

### SMBC

	(JPY bn)	1H FY3/23	YoY
1 <b>Gross banking profit</b>		928.2	+181.7
2 o/w Net interest income		611.5	+122.9
3 o/w Gains (losses) on cancellation of investment trusts		31.3	+0.2
4 Domestic		353.3	+54.6
5 Overseas		258.2	+68.3
6 o/w Net fees and commissions		222.2	+55.2
7 Domestic		94.6	+8.7
8 Overseas		127.5	+46.5
9 o/w Net trading income+ Net other operating income		93.6	+3.5
10 o/w Gains (losses) on bonds		(63.4)	(91.1)
11 <b>Expenses</b>		443.8	+25.5
12 <b>Banking profit</b>		484.5	+156.2
13 <b>Total credit cost</b>		63.5	+88.5
14 <b>Gains (losses) on stocks</b>		84.2	+26.6
15 <b>Extraordinary gains (losses)</b>		36.3	+31.3
16 <b>Net income</b>		399.8	+113.5

\*1 YoY includes the impact of group reorganization

\*2 Including profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

\*3 Managerial accounting basis

### Other major group companies

		(left : results of 1H FY3/23 / right : YoY)					
	(JPY bn)	SMCC		SMBCCF <sup>*1</sup>		SMBC Nikko <sup>*2</sup>	
Gross profit		214.2	+16.5	137.7	+2.0	123.5	(86.1)
Expenses		179.3	+15.1	61.3	+0.6	158.8	(5.9)
Net business profit		35.1	+1.8	72.7	(2.4)	(35.3)	(80.3)
Net income		14.8	+0.0	31.9	(5.2)	(24.8)	(56.8)

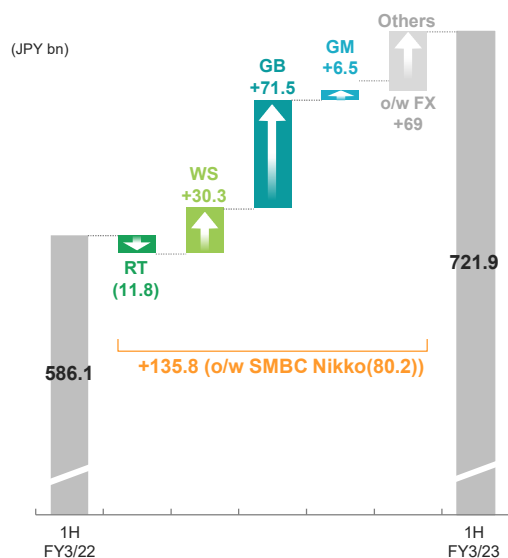
	(Equity method affiliate)					
	SMBC Trust		SMDAM 50%		SMFL <sup>*3</sup> 50%	
Gross profit	24.8	+2.9	18.3	(0.7)	125.4	+17.1
Expenses	18.0	(4.3)	15.2	+0.4	58.2	+8.5
Net business profit	6.8	+7.2	3.1	(1.1)	73.3	+10.3
Net income	5.9	+6.1	1.9	(0.9)	37.5	+1.6

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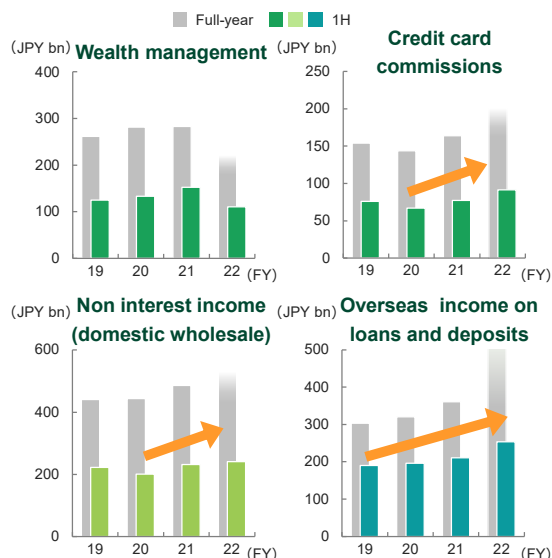
## Consolidated net business profit

Recorded the highest 1H result: JPY 721.9 bn (YoY +135.8). Profit decline in SMBC Nikko and the wealth management business was offset by strong growth of other businesses.

### Breakdown of YoY



### Business (Gross profit)



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JPY 721.9 bn is a record consolidated net business profit since our establishment.

SMBC Nikko's net business profit declined by JPY 80 bn YoY due to the negative impact of its incident and worsening market environment. However, the strong growth of SMBC and other group companies and yen depreciation drove total increase of JPY 135.8 bn YoY.

Net business profit of Retail Business Unit decreased because wealth management business of SMBC Nikko struggled, while payment business is having a good trend due to recovering domestic consumption.

Wholesale and Global Business Units increased its profit over JPY 100 bn with steady loan demand and higher FX / derivative income by capturing the change in market environment.

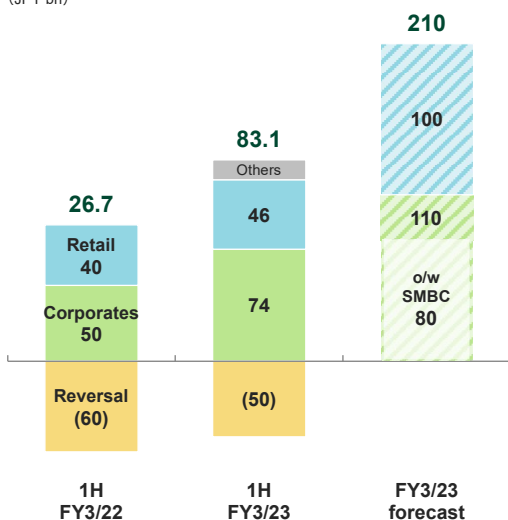
Global Markets Business Unit also increased its profit by JPY 6.5 bn despite of a very volatile and uncertain market condition.

# Credit costs / Financial impact from Russia

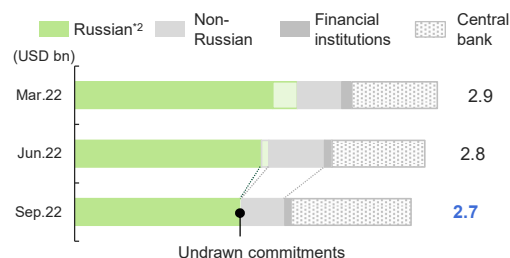
Credit cost in 1H increased YoY, but was managed to be lower than forecast.

## Credit costs

(JPY bn)



## Banking exposure to Russia<sup>\*1</sup>



## Aircraft leasing

- Impairment of aircraft: JPY 47 bn in FY22 (52% of NBV— after net guarantee deposit, etc)
- Downside: Additional impairment (≤USD 460 mn<sup>\*3</sup>)
- All aircraft are insured, insurance claims are submitted

<sup>\*1</sup> Managerial accounting basis. Loans, commitment lines, guarantee investments, etc. of SMBC and local subsidiary calculated based on ultimate risk countries <sup>\*2</sup> Including project finance and ship finance <sup>\*3</sup> After considering tax and ownership ratio (66%)

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Credit cost in 1H was JPY 83.1 bn, which is 40% of the full-year forecast.

There were some reversals that offset newly built reserve of JPY 120 bn.

Our full-year forecast has not been changed since we expect a certain amount of newly built reserve in 2H, while reversals as we had in 1H are not expected at this moment.

## FY3/23 target

### Consolidated

(JPY bn)	1H FY23		FY23	
	Initial target	Results	Initial target	New target
<b>Consolidated net business profit</b>	600	721.9	1,235	1,265
<b>Total credit cost</b>	100	83.1	210	210
<b>Ordinary profit</b>	520	726.1	1,060	1,120
<b>Profit attributable to owners of parent</b>	350	525.4	730	770

- Revision of FX assumption\*1: +60
- Strong core business: +30
- Uncertainties: (60)
- Higher gain on stocks: +30

### Non-consolidated

(JPY bn)	1H FY23		FY23	
	Initial target	Results	Initial target	New target
<b>Banking profit</b>	370	484.5	730	840
<b>Total credit cost</b>	40	63.5	80	80
<b>Ordinary profit</b>	360	541.4	710	850
<b>Net income</b>	260	399.8	490	590

\*1 From JPY120/USD to JPY140/USD

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We have revised upward our full-year target considering the good results of 1H.

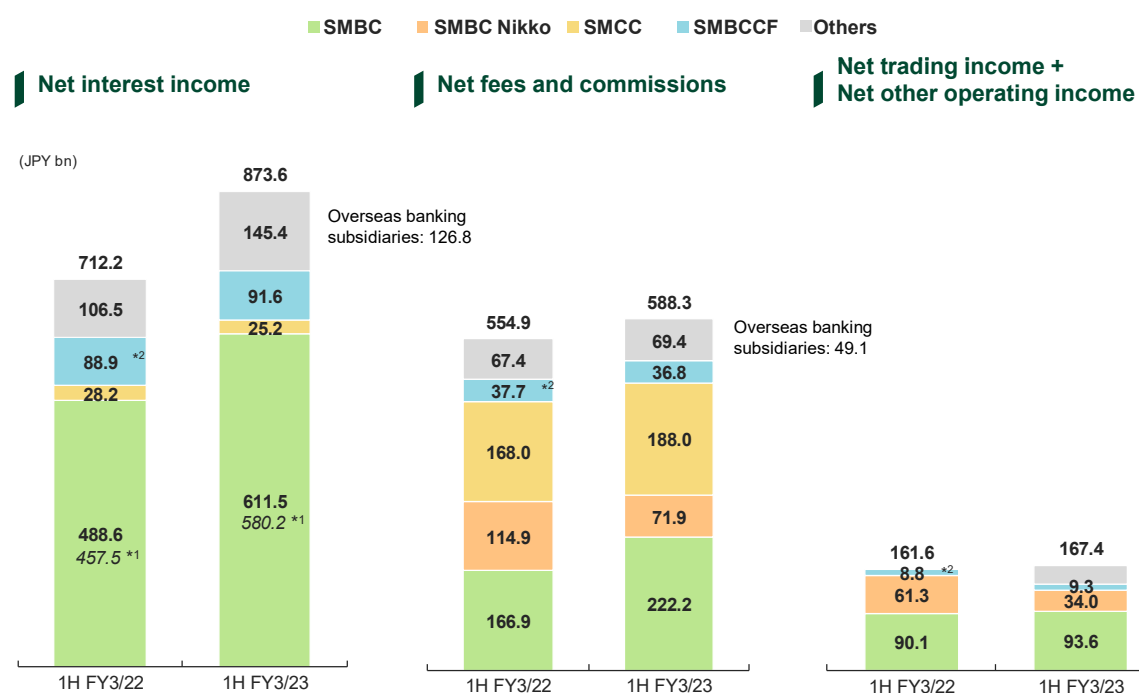
Consolidated net business profit and profit attributable to owners of parent were increased by JPY 30 bn to JPY 1,265 bn and by JPY 40 bn to JPY 770 bn respectively.

You may think the revised target is still conservative.

However, we should consider uncertainties such as the U.S. and Europe entering recession in 2H.

We will carefully monitor the global business environment including the situation in Russia and Ukraine and implement necessary financial measures.

# Consolidated gross profit



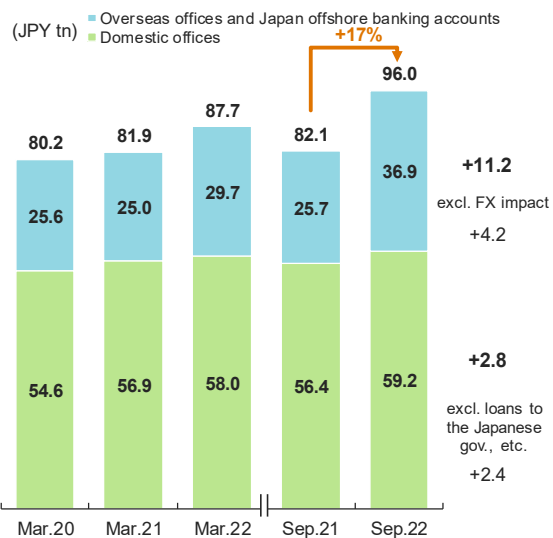
\*1 Excl. gains on cancellation of investment trusts \*2 Excl. impact of group reorganization

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# Loans\*1

Loan demands from corporates in both domestic and overseas are strong and spreads are improving.

## Loan balance



## Domestic loan-to-deposit spread

	FY3/22	YoY	1Q	2Q
(%)				
Interest earned on loans and bills discounted	0.84	(0.01)	0.83	0.84
Interest paid on deposits, etc.	0.00	+0.00	0.00	0.00
Loan-to-deposit spread	0.84	(0.01)	0.83	0.84
(Ref.) Excludes loans to the Japanese government, etc.				
Interest earned on loans and bills discounted	0.85	(0.01)	0.85	0.86
Loan-to-deposit spread	0.85	(0.01)	0.85	0.86

## Average loan balance and spread\*2

	Balance (JPY tn)		Spread (%)	
	1H FY3/23	YoY*4	1H FY3/23	YoY
Domestic loans	57.0	+1.8	0.71	(0.00)
Excluding loans to the Japanese government, etc.	54.5	+1.6	0.74	(0.00)
o/w Large corporations	19.3	+0.6	0.55	+0.02
o/w Mid-sized corporations & SMEs	19.7	+0.7	0.62	+0.01
o/w Individuals	11.9	(0.2)	1.36	(0.03)
GBU's interest earning assets*3	357.8	+39.0	1.22	+0.02
	USD bn	USD bn		

\*1 Non-consolidated \*2 Managerial accounting basis

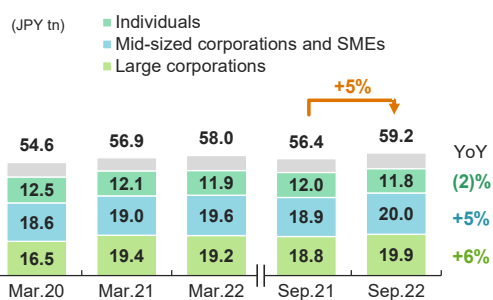
\*3 Sum of SMBC, major local subsidiaries and SMBC Trust, etc. Sum of loans, trade bills, and securities

\*4 After adjustments for exchange rates, etc.

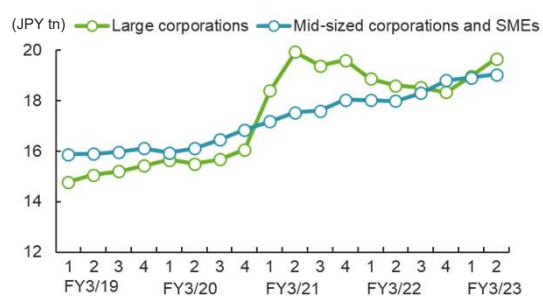
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# Domestic loans and deposits\*1

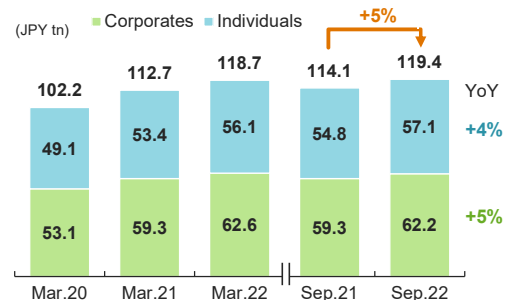
## Loan balance\*2



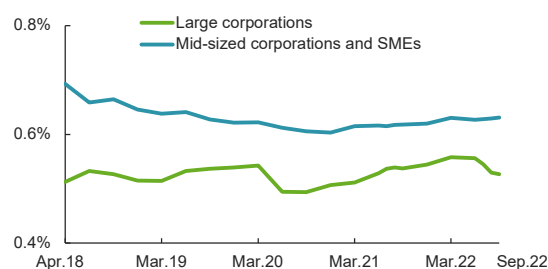
## Loan average balance for corporates\*2,3



## Deposit balance



## Loan spread for corporates\*2,4



\*1 Non-consolidated \*2 Managerial accounting basis \*3 Quarterly average, excluding loans to the Japanese government.

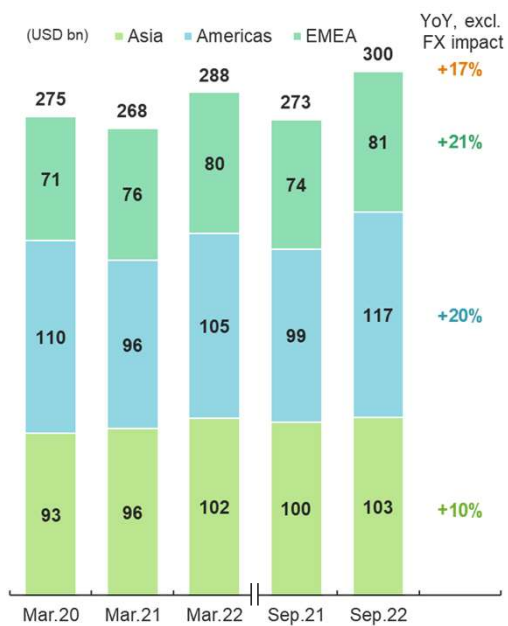
Figures for SMEs are the outstanding balance of Corporate banking division

\*4 Loan spread of existing loans, excluding loans to the Japanese government

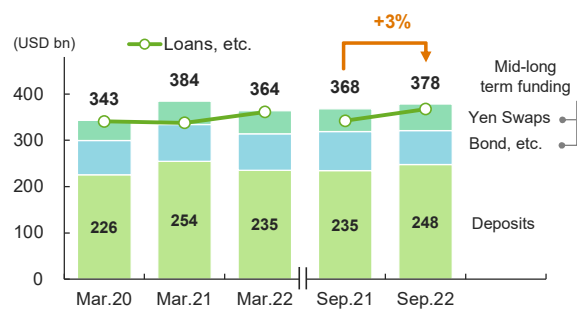
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# Overseas loans and deposits\*1

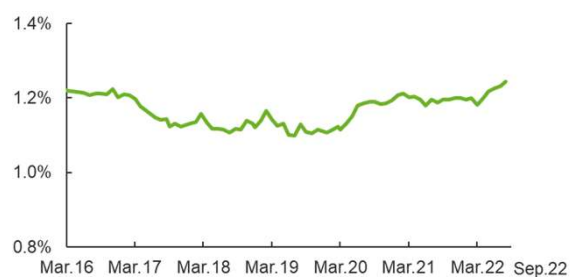
## Loan balance



## Foreign currency balance



## Loan spread\*2

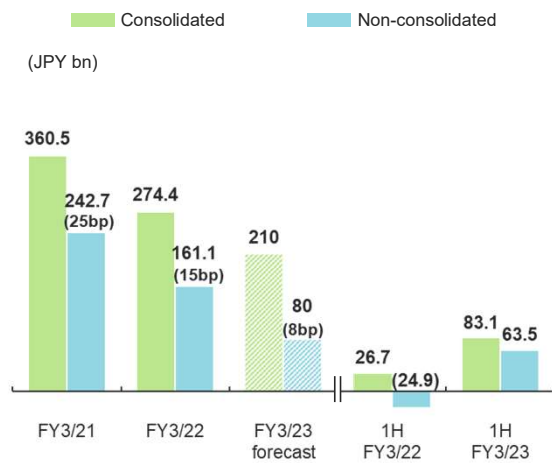


\*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries  
 \*2 Monthly average loan spread of existing loans

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# Asset quality

## Credit costs<sup>\*1</sup>



### Major group companies

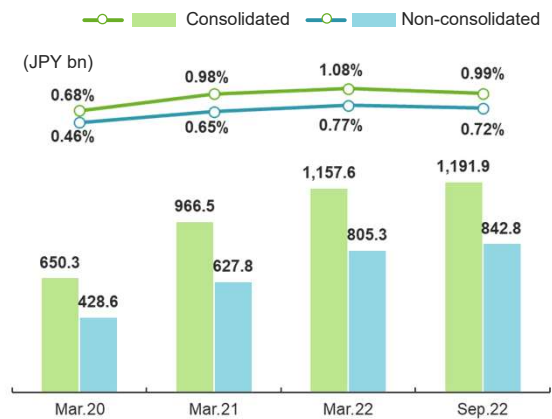
(JPY bn)	1H FY3/23	YoY
SMBCCF	31	+2 <sup>*3</sup>
SMCC	15	+4
Overseas banking subsidiaries	(3)	(12)
Adjustments of FX	(23)	(23)

<sup>\*1</sup> Total credit cost ratio = Total credit cost / Total claims

<sup>\*2</sup> NPL ratio = NPLs based on the Banking and the Reconstruction Act (excluding normal assets) / Total claims

<sup>\*3</sup> Including the impact of group reorganization

## Non-performing loan balance<sup>\*2</sup>



### Total claims

(JPY tn)

Consolidated	99	107	120
Non-consolidated	96	104	117

### Claims on borrowers requiring caution (excluding claims to substandard borrowers)

Non-consolidated	1.9	1.9	1.9
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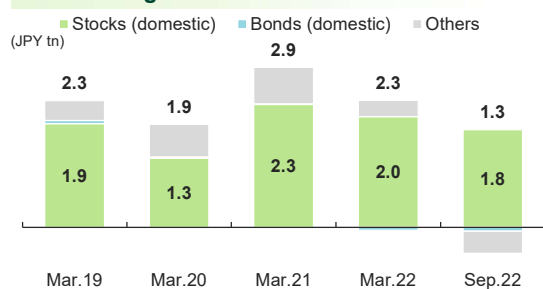
# Securities (1)

## Breakdown of other securities (consolidated)

(JPY bn)	B/S amount		Unrealized gains (losses)	
	Sep.22	vs Mar.22	Sep.22	vs Mar.22
<b>Total</b>	31,761.9	(6,353.0)	1,318.7	(958.5)
Stocks (domestic)	3,222.4	(181.0)	1,790.7	(242.9)
Bonds (domestic)	13,814.0	(5,746.3)	(67.2)	(17.2)
o/w JGBs	9,988.1	(5,786.1)	(48.4)	(1.3)
Others	14,725.5	(425.8)	(404.8) <sup>*1</sup>	(698.5)
o/w Foreign bonds	12,419.7	+364.1	(1,049.3)	(600.5)

Risk volume is controlled by hedging and others

## Unrealized gains



\*1 The difference between foreign bonds and others is unrealized gain on foreign stocks  
 \*2 Excl. investments after Mar.20 for the business alliance purpose

## Reduction of shareholdings

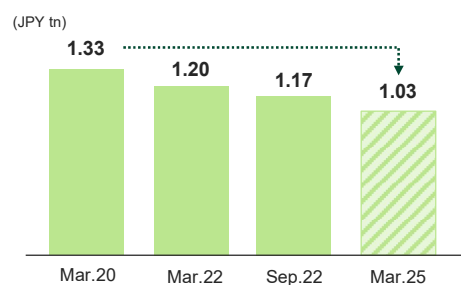
<b>Total reduction</b>	<b>JPY 152 bn</b>
FY3/21	JPY 55 bn
FY3/22	JPY 67 bn
1H FY3/23	JPY 30 bn

Consent of sales from clients outstanding **JPY 66 bn**

**Reduction + Consent JPY 219 bn**

## Reduction plan <sup>\*2</sup>

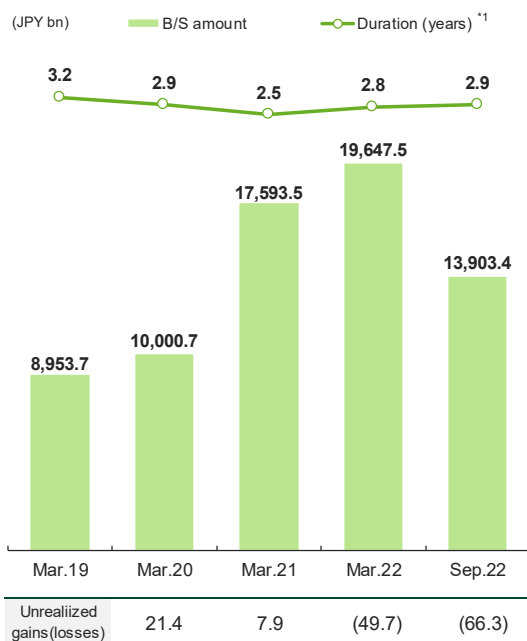
**Reduce JPY 300 bn in 5 years (FY3/21-FY3/25)**



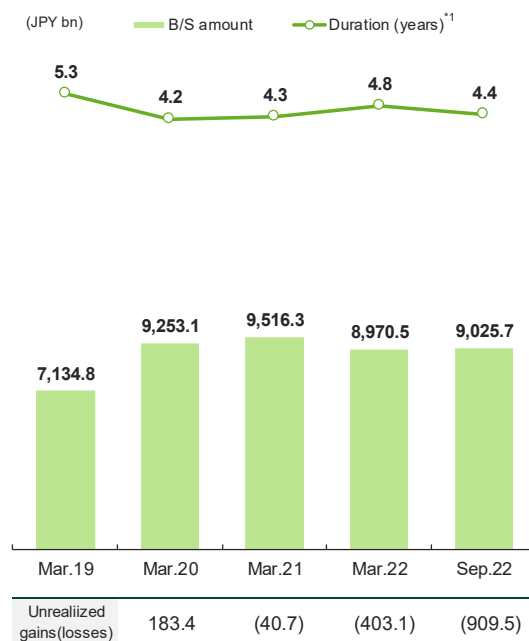
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## Securities (2)

### Yen-denominated bonds (Non-consolidated)



### Foreign bonds (Non-consolidated)



\*1 Managerial accounting basis. Excluding bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds.

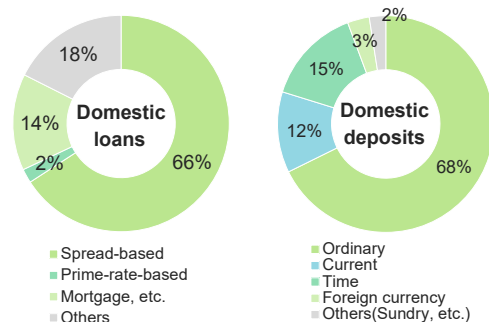
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# Balance sheet

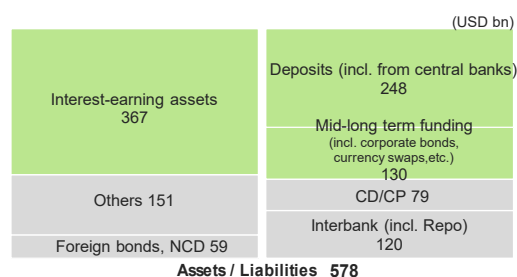
## Consolidated

	(JPY tn)	Sep. 22	vs. Mar. 22
<b>Total assets</b>		<b>271.7</b>	<b>+14.0</b>
o/w Cash and due from banks		70.8	(4.0)
o/w BOJ's current account balance <sup>*1</sup>		51.6	(7.0)
<b>o/w Loans</b>		<b>100.9</b>	<b>+10.0</b>
o/w Domestic loans <sup>*1</sup>		59.2	+1.2
o/w Large corporations <sup>*2</sup>		19.9	+0.6
o/w Mid-sized corporations & SMEs <sup>*2</sup>		20.0	+0.4
o/w Individuals <sup>*2</sup>		11.8	(0.1) <sup>*3</sup>
<b>o/w Securities</b>		<b>32.6</b>	<b>(6.0)</b>
o/w Other securities		31.8	(6.4)
o/w Stocks		3.2	(0.2)
o/w JGBs		10.0	(5.8)
o/w Foreign bonds		12.4	+0.4
<b>Total liabilities</b>		<b>259.0</b>	<b>+13.5</b>
o/w Deposits		157.1	+8.5
o/w Domestic deposits <sup>*1</sup>		119.4	+0.7
o/w Individuals		57.1	+1.0
o/w Corporates		62.2	(0.4)
o/w NCD		14.5	+1.4
<b>Total net assets</b>		<b>12.8</b>	<b>+0.6</b>
<b>Loan to deposit ratio</b>		<b>58.8%</b>	

## Composition of loans and deposits<sup>\*1,2</sup>



## Non-JPY B/S<sup>\*2,4</sup>



<sup>\*1</sup> Non-consolidated <sup>\*2</sup> Managerial accounting basis <sup>\*3</sup> After adding back the portion of housing loans securitized in 1H FY3/23 of JPY41.3bn <sup>\*4</sup> Sum of SMBC and major local subsidiaries

## Capital / RWA

	Sep. 22	Requirement <sup>*1</sup>
<b>Capital ratio</b>		
Total capital ratio	15.63%	11.5%
CET1 ratio (Basel III fully-loaded basis)	13.69%	8%
excl. net unrealized gains on other securities	12.4%	-
CET1 ratio (Post-Basel III reforms)	10.6%	8%
excl. net unrealized gains on other securities	10.1%	-
<b>External TLAC ratio</b>		
RWA basis	24.45%	18.0%
Leverage exposure basis	9.23%	6.75%
<b>Leverage ratio</b>	4.83%	3%
<b>LCR (Average 2Q FY3/23)</b>	130.2%	100%

	(JPY bn)	Mar. 22	Sep. 22
<b>Total capital</b>		11,983.8	12,193.5
Tier1 capital		11,186.2	11,415.4
o/w CET1 capital		10,458.4	10,681.8
Tier2 capital		797.5	778.1
<b>External TLAC</b>		20,628.1	21,819.7
<b>Risk-weighted assets</b>		72,350.1	77,971.4
<b>Leverage exposure</b>		216,080.4	236,237.4

\*1 Excl. countercyclical buffer

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## Results by Business Unit (1)

### Retail

(JPY bn)	1H FY3/23	YoY <sup>*1</sup>
Gross profit	553.8	(18.3)
Income on loans and deposits <sup>*2</sup>	56.5	(2.3)
Wealth management business	110.7	(41.5)
Payment business	216.2	+21.2
Consumer finance business	156.0	+3.8
Expenses	456.2	(5.2)
Base expenses	353.7	(12.6)
Net business profit	99.7	(11.8)
ROCE1 <sup>*3</sup>	6.2%	(3.3)%
RWA (JPY tn)	12.7	+0.1

### Wholesale

(JPY bn)	1H FY3/23	YoY <sup>*1</sup>
Gross profit	367.4	+18.6
Income on loans and deposits	126.6	+13.2
FX and money transfer fees	69.4	+7.7
SMBC Loan syndication	21.1	+2.2
Structured finance	3.6	(3.2)
Real estate finance	6.6	(0.9)
Securities business	15.8	(13.2)
Expenses	145.5	(4.5)
Base expenses	144.1	(1.6)
Net business profit	259.2	+30.3
ROCE1 <sup>*4</sup>	13.9%	+3.2%
RWA (JPY tn)	30.6	+0.8

\*1 After adjustments of the changes of interest rates and exchange rates \*2 Excluding consumer finance

\*3 Excluding impact from the provision for losses on interest repayments, etc.

\*4 Excluding mid-long-term funding costs

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## Results by Business Unit (2)

### Global

(JPY bn)	1H FY3/23	YoY <sup>*1</sup>
Gross profit	601.1	+77.5
Income on loans and deposits	253.2	+42.2
Loan related fees	108.0	+14.6
Securities business	19.9	(18.8)
Expenses	314.7	+33.1
Base expenses	297.2	+27.3
Net business profit	332.4	+71.5
ROCE1 <sup>*2</sup>	10.7%	+1.5%
RWA (JPY tn)	50.8	+4.7

### Global Markets

(JPY bn)	1H FY3/23	YoY <sup>*1</sup>
Gross profit	266.0	+8.6
SMBC's Treasury Unit	187.2	(4.6)
Expenses	56.7	+4.4
Base expenses	54.5	+3.7
Net business profit	224.7	+6.5
ROCE1 <sup>*3</sup>	20.2%	(0.2)%
RWA (JPY tn)	4.9	(1.9)

\*1 After adjustments of the changes of interest rates and exchange rates

\*2 Excluding impact from mid-long term funding costs

\*3 Including impact from the interest-rate risk associated to the banking account

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## Progress of Medium-Term Management Plan by Business Unit

	ROCE <sup>1,2</sup>			Net Business Profit (JPY bn) <sup>*2</sup>			RWA (JPY tn) <sup>*2</sup>		
	1H FY3/23	YoY	FY3/23 Target <sup>*3</sup>	1H FY3/23	YoY	FY3/23 Target	Sep.22	vs. Mar.20	Mar.23 Target
Retail	6.2%	(3.3)%	12%	99.7	(11.8)	305	12.7	+0.2	+0.4
Wholesale	13.9%	+3.2%	9%	259.2	+30.3	440	30.6	+1.9	+1.6
Global	10.7%	+1.5%	9%	332.4	+71.5	465	50.8	+5.8	+2.6
Global Markets	20.2%	(0.2)%	17%	224.7	+6.5	355	4.9	(1.0)	+1.5

\*1 Excl. impact from the provision for losses on interest repayments for Retail  
Excl. the impact from the medium- to long-term foreign currency funding costs for Wholesale and Global  
Incl. impact from the interest-rate risk associated to the banking account for Global Markets

\*2 Managerial accounting basis of FY3/23, after adjustments of the changes of interest rates and exchange rates

\*3 Managerial accounting basis of FY3/21

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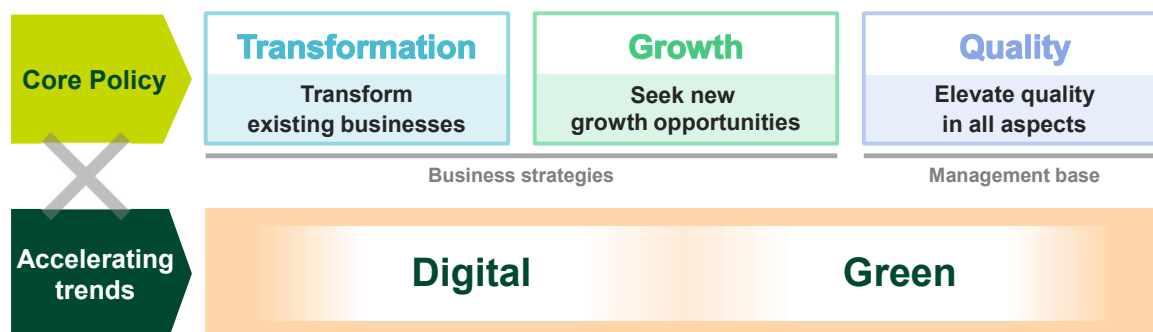


## **II. Progress of Medium-Term Management Plan**

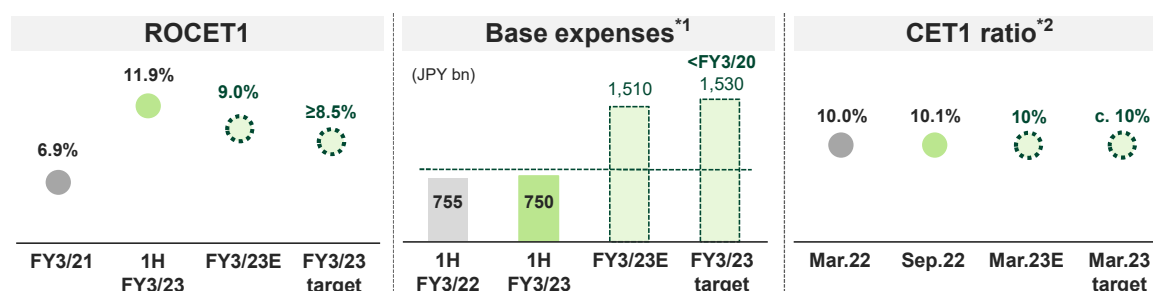
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I will explain the progress of the Medium-Term Management Plan and future initiatives in the following section.

## Progress of Medium-Term Management Plan



### Financial targets



\*1 G&A expenses excluding cost related to investment for future growth, revenue-linked variable cost and others.  
Exchanged at USD1=JPY105 \*2 Post-Basel III reforms basis, excludes net unrealized gains on other securities

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Our current Medium-Term Management Plan started in April 2020, with “Transformation & Growth” and “Quality” as core policies.

We have come to this point without changing our major direction even under unexpected events such as the COVID-19 crisis and the situation in Russia and Ukraine. I believe that this direction will not change in the next Medium-Term Management Plan.

On the other hand, major trends such as “Digital” and “Green” are accelerating. These are the themes we should also continue to work on in the next Medium-Term Management Plan.

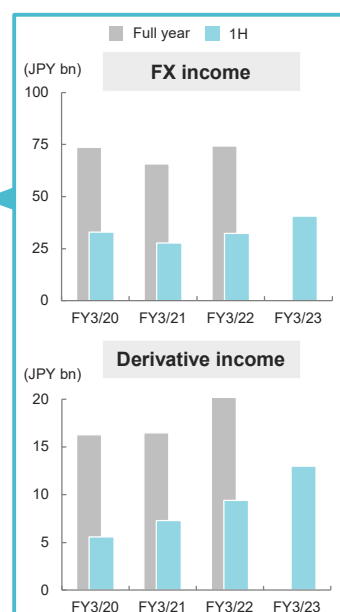
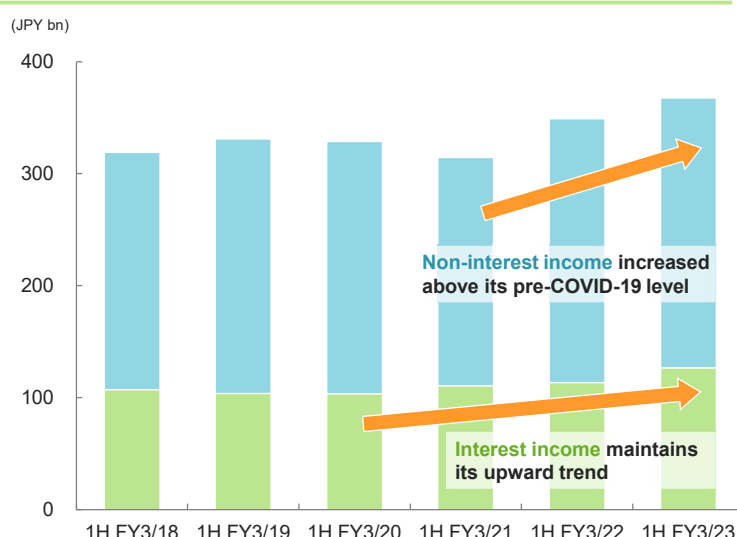
Today, I would like to explain our current efforts and measures toward the next Medium-Term Management Plan from the three perspectives of “Transformation & Growth”, “Digital”, and “Green”.

All three KPIs are progressing steadily and expected to achieve targets by the end of this fiscal year.

## Transformation & Growth (1) Domestic wholesale business

Domestic wholesale business made good progress on the back of increasing corporate activities. Especially, non-interest income was strong due to FX and derivatives under a volatile market environment.

### Consolidated gross profit (WS)



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First initiative of “Transformation and Growth” is the domestic wholesale business.

Both interest and non-interest income is showing steady growth.

Interest income has maintained an upward trend since FY3/20 when the decline from negative interest rate policy bottomed out.

Recent increase of working capital demand under the reopening of economy contributed to this trend in addition to new loans responding to needs that emerged after COVID such as real estate and business restructuring.

Non-interest income also increased to above pre-COVID level.

FX and derivative income particularly increased as we responded flexibly to fluctuations of FX and interest rate.

Domestic wholesale business is the backbone of SMBC Group.

We will continue to grow this business by making proactive and timely proposals to our clients under rapidly changing business environment.

**Accelerate the multi-franchise strategy by making RCBC into an equity-method affiliate.**



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I would like to disclose not only the linear growth of our investees, but also how we envision J-curve growth by enhancing synergies and expanding businesses, looking ahead to the next three years and beyond.

## (Ref.) Progress of investment

### Fullerton India

Investment ratio 74.9%

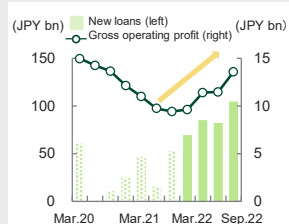
#### Action Enter growing retail and SME businesses

##### Strong recovery from COVID-19

- Recovering demand for new loans
- Lower credit costs

##### Synergies

- Promote sales finance
- Support funding
- Collaborate with fintech



### FE Credit

49%

#### Action Access the retail market with the industry's largest player

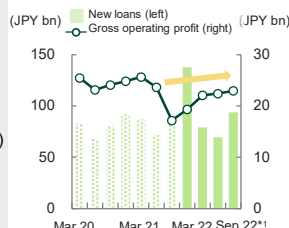
##### Delayed recovery from COVID-19

- Credit costs remain high

##### Synergies

- Introduce Japanese clients (started sales of new products)
- Support funding
- Collaborate with fintech

##### Collaborate w/ VP Bank



### RCBC

To be completed in 1Q FY3/24 20%

#### Action Expand business areas by collaborating with a local commercial bank

- Announced an additional investment in RCBC to make it an equity-method affiliate
- Accelerate its growth by collaborating on a group-wide basis

### Jefferies

4.3%

#### Action Strengthen CIB business in the U.S.

- Expand business collaboration  
Collaborating in EMEA and new sectors/ products in addition to Sub-IG, cross-border M&A, and U.S. healthcare
- Consider further alliance

### Goshawk

To be completed by Dec.22 66%

#### Action Establish top-class position in the market

- Expect to integrate management in a few years
- Strengthen asset-turnover business (JOL / aircraft funds)
- Aim for net income of USD 700 mn in five years

\*1 Preliminary figures

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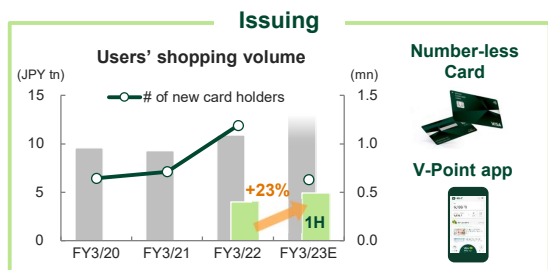
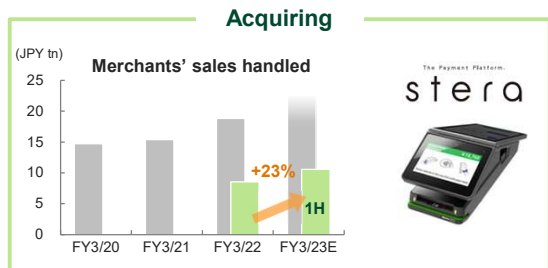
27

Here we show an update of business performance and recent collaboration of each investee.

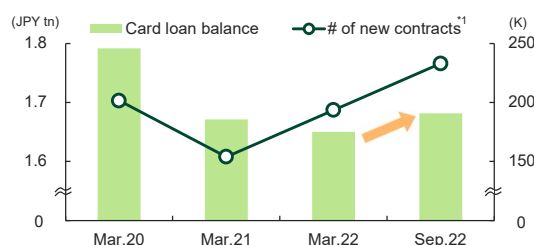
## Transformation & Growth (3) Payment business

Credit card business: recovery of consumption is accelerating the growth of both acquiring and issuing.  
Consumer finance: loan balance bottomed out with the # of new contracts exceeding its pre-COVID level.

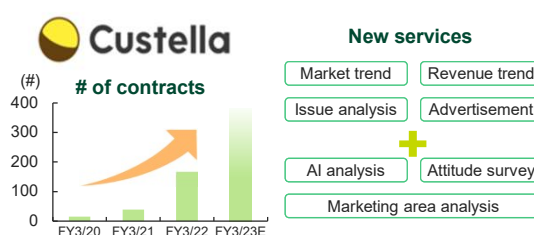
### Growth of credit card business



### Recovery of consumer finance



### Data analysis marketing



\*1 Half-yearly average for FY3/20-22

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Third initiative of “Transformation and Growth” is payment business.

Both acquiring and issuing of credit card business are showing good momentum; merchants' sales handled and users' shopping volume are both growing rapidly as the economy reopens.

I think this is a clear outcome of our efforts to increase the number of merchants and new card holders by offering unique products.

I believe that credit cards continue to drive the growth of domestic payment business. We aim to grow faster than the market by leveraging our strength of having SMCC, the No.1 credit card company in Japan.

In terms of consumer finance, card loan balance has finally bottomed out after decreasing dramatically under restrictions of the pandemic and low consumption.

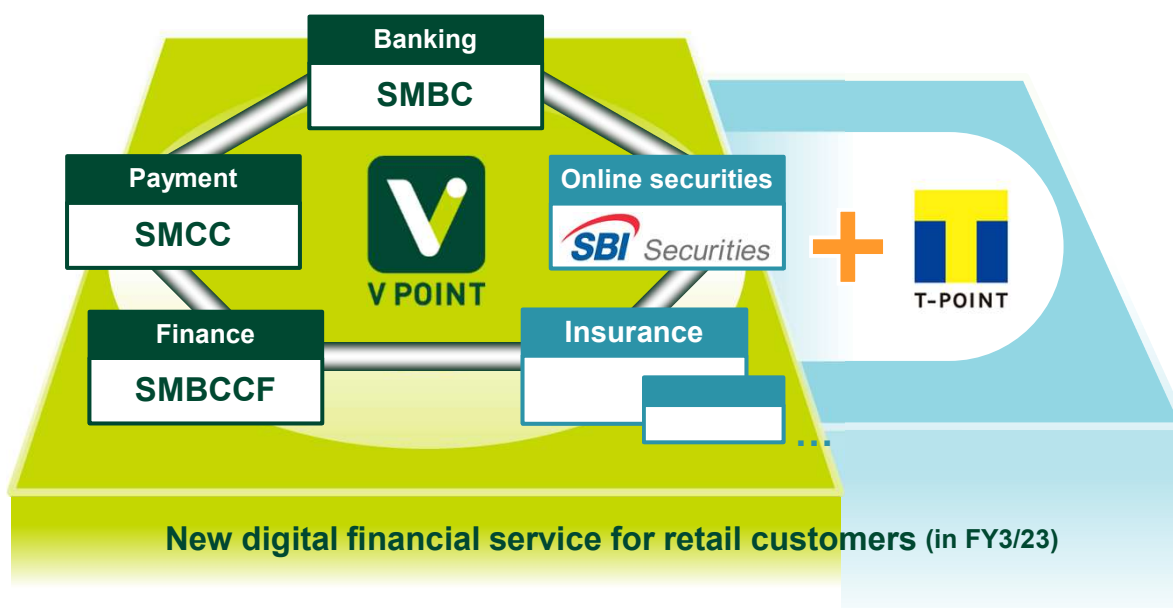
Although it may take more time to recover to its pre-COVID level, the number of new contracts is increasing at a faster pace than before the pandemic as economic activities recover.

We aim to restore the balance as soon as possible by capturing the good momentum of individual consumption.

In addition, we are expecting further growth of Custella, a service that supports clients' marketing through payment data analysis. The number of contracts is increasing steadily.

## Digital (1) Expand retail platform through digitalization

Build No.1 retail financial platform by providing various services seamlessly and leveraging alliances with external partners.



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The following theme is Digital.

Our goal is to totally digitalize our retail business, especially services to the mass retail segment. A new digital service is to be released by the end of this fiscal year to greatly expand our retail customer base.

We intend to accelerate cross-selling and expand retail customer base by connecting products and services of Group companies via “V-point”, point program issued among SMBC Group.

The recent business alliances with SBI Securities and Culture Convenience Club (CCC) are designed to fill the missing pieces in this new service: online securities and point service.

You can already check transactions with our Group on one app, but this new digital financial service allows you to trade seamlessly with us and external partners including SBI Securities and earn V-Points for each transaction as well.

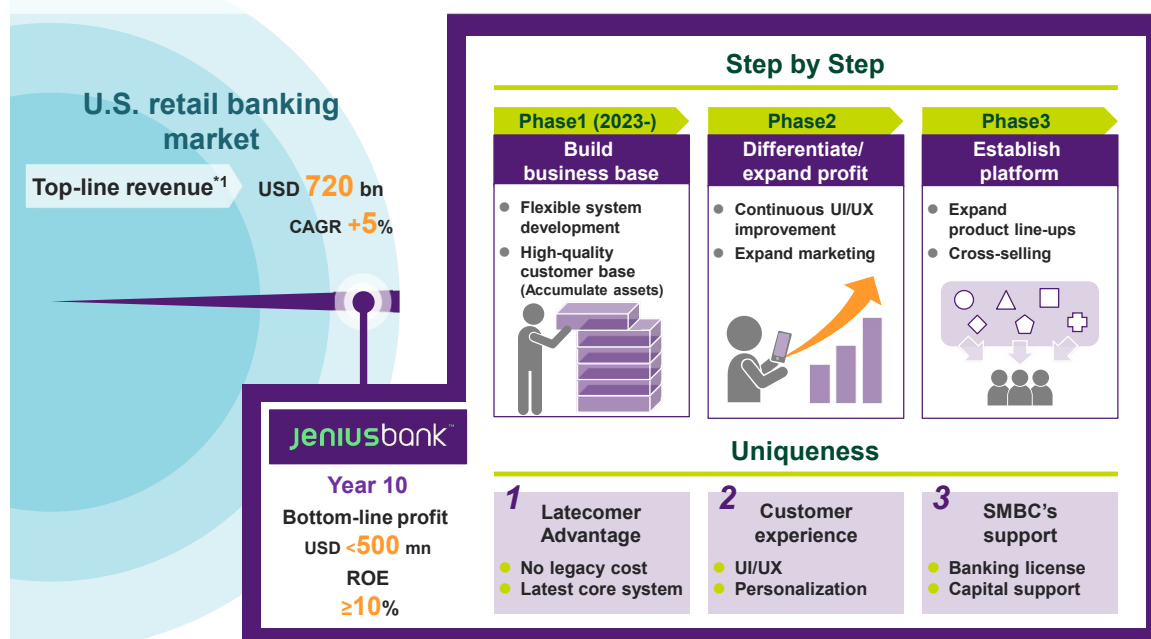
In addition, alliance with CCC will further expand the number of customers and affiliated stores of V-Point, which is already available at VISA member stores worldwide.

The value of “V-point ecosystem” could be enhanced by reaching out to over 70 million users of T Point (CCC’s point program) and expanding the opportunities to “earn” and “use” points.

We aim to build a massive retail platform leveraging alliances with external partners and make this service a key pillar of revenue by expanding cross-selling with wealth management, insurance, finance, and other financial services.

## Digital (2) New challenge: U.S. digital retail banking

Expand business step by step in the huge U.S. retail banking market by leveraging our uniqueness



\*1 Estimated figures

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Second initiative for Digital is Jenius Bank; our challenge to launch a new digital retail banking in the U.S.

I have been often asked since this announcement if there is any chance of winning in this red ocean.

However, we are not aiming to be an industry leader.

As retail banking market in the U.S. has a huge fee-pool and high growth potential, it could be a sizable business in our business portfolio if we could capture even a small share. This is why we decided to enter this market.

Bottom-line profit of USD several hundred million and ROE of over 10% in 10 years are our target.

Therefore, we will focus on accumulating assets by acquiring a high-quality customer base through targeted marketing rather than pursuing scale from the start.

After establishing a solid business base, we will gradually expand our marketing, increase product lineup, and cross-sell products.

Uniqueness of Jenius Bank makes this strategy possible.

First is latecomer advantage.

Jenius Bank does not have to care about the costs to maintain "brick and mortar" branches or out-of-date systems and can flexibly develop products using the latest cloud systems.

Second is sophisticated customer experience.

Jenius Bank will provide products chosen not by its rate or price but by its usability.

Third is SMBC's support.

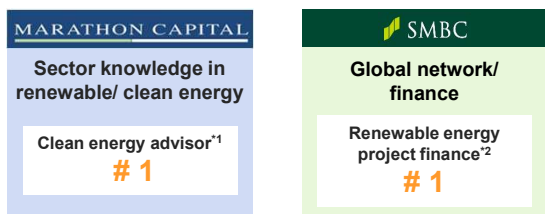
Jenius Bank has advantages to new fintech companies with banking license which is difficult to newly obtain and strong capital support by SMBC.

I believe this is a promising business in the long run and would like to develop it into one of the pillars of SMBC Group's future growth.

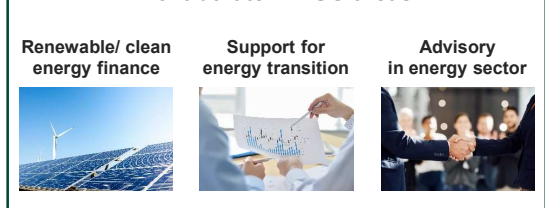
## Green (1) Decarbonization solutions

Provide a wide range of solutions to support clients' efforts for decarbonization.

### New businesses with Marathon Capital

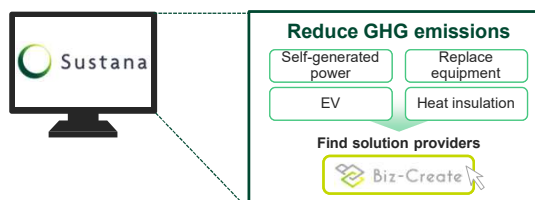


### Collaborate in ESG areas

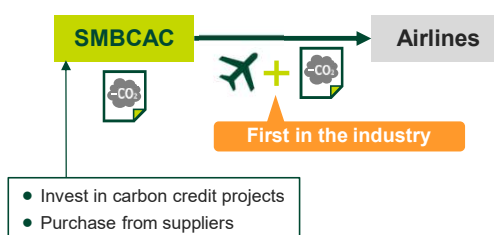


### Sustana

Sep. 22 Added a function that recommends measures to reduce GHG emissions



### Carbon credit sales in aircraft leasing



\*1 Source: Bloomberg (North America, 2019-2021, # of deals) \*2 Source: IJ Global (global, 2021, amount)

The final theme is “Green”.

We provide a variety of decarbonization solutions that are not limited to finance to satisfy diversifying clients' needs' as decarbonization is accelerated.

For example, we provide energy transition support or industry reorganization with Marathon Capital, who has strength in the renewable and clean energy.

Our GHG emissions calculation service, “Sustana”, introduced a new function that recommends measures to reduce GHG emissions.

You could not only receive recommendation of the most efficient solutions, but also find companies who offer the solutions on our business matching platform “Biz-Create”.

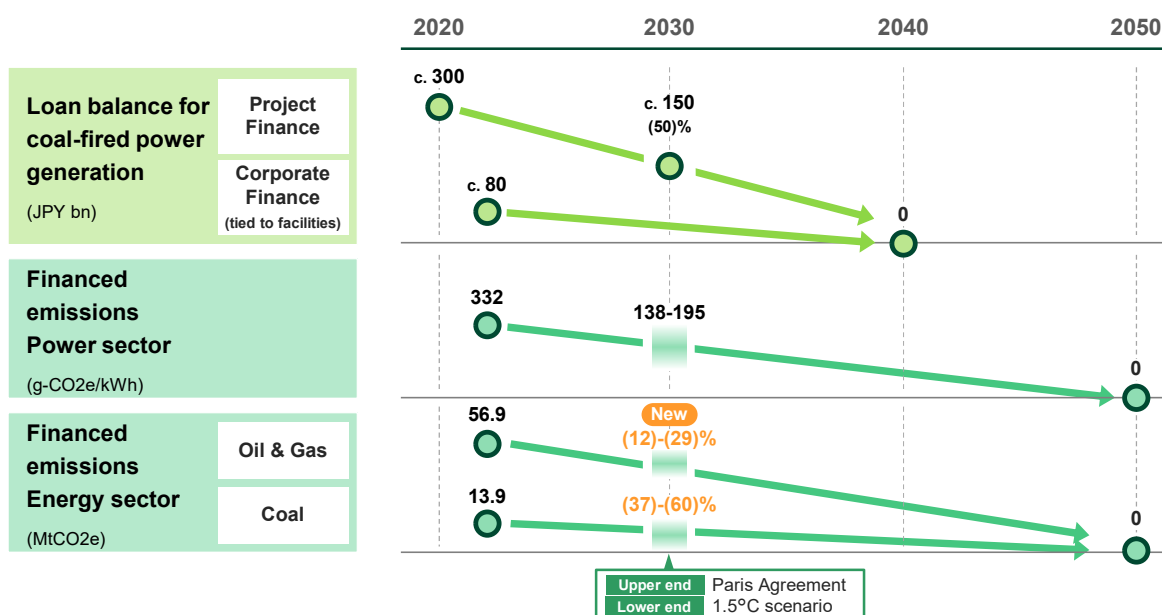
SMBC Group can also provide decarbonization solutions, such as power generation equipment by SMFL Mirai Partners.

SMBC Aviation Capital also started a new decarbonization solution to airlines, their lessees: the industry's first solution of selling carbon credit when leasing aircraft.

In addition, we will also promote leasing of fuel-efficient aircraft to support decarbonization of the airline industry.

## Green (2) Reduction target toward 2050 net zero

Set new interim reduction target for financed emissions from the energy sector (oil&gas, coal).



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We started calculating GHG emissions in our investment and loan portfolio and set interim reduction targets for each sector, in order to achieve net zero by 2050.

A new target for the energy sector was added in the TCFD report published in August, after targets for the power sector was set in May.

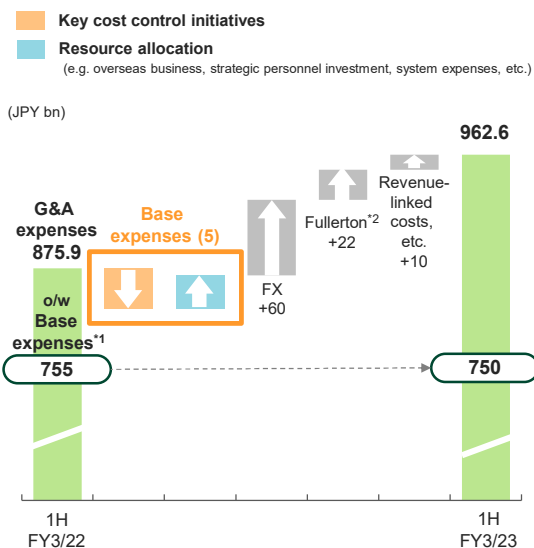
I believe that we share with our stakeholders the ultimate goal of "achieving net-zero emissions by 2050", but there is no single path forward.

The establishment of interim goals gives us an opportunity to communicate with our stakeholders. We will seek a realistic path toward 2050 through discussions with stakeholders.

## Cost-control / IT investment

Managed to decrease base expenses, while G&A expenses increased due to FX impact, etc.  
Increased IT investment budget further by JPY 5 bn to ensure governance improvement.

### Cost control

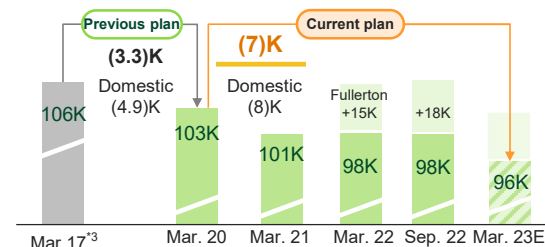


<sup>\*1</sup> G&A expenses excluding cost related to investment for future growth, revenue-linked costs, etc.

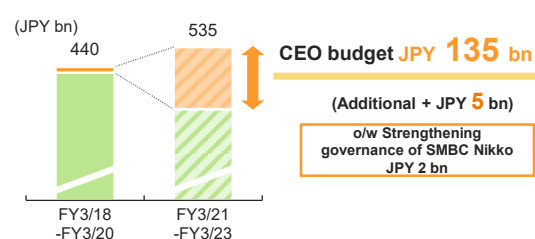
Exchange rate at USD1 = JPY105

<sup>\*2</sup> Includes amortization of goodwill and intangible assets <sup>\*3</sup> Added the impact of group reorganization retrospectively

### Headcount



### IT investment



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Next, I will explain about expenses.

G&A expenses increased by JPY 87 bn YoY, but this was mainly due to yen depreciation and group reorganization.

Base expenses, one of our financial targets, decreased YoY as the steady implementation of cost control initiatives offset the increase from resource allocation.

As to IT investment, JPY 5 bn was added to our budget to ensure governance improvement. We will build up firm IT system to prevent recurrence of similar inappropriate incidents.

## Cost Control

Achieved the reduction target of JPY100 bn ahead of schedule.

Pursue further reductions and allocate additional resources to strengthen resilience.

(upper: initial target / lower: results)

	Status of initiatives	Base expense	Workload
<b>Reform of domestic business</b>	<b>Acceleration of digital shift</b> <ul style="list-style-type: none"> <li>Digitalize and rationalize payment business</li> <li>Reallocate workforce of domestic wholesale and wealth management businesses</li> <li>Improve operating efficiency of headquarters</li> </ul>	(50) bn	(4.6)K people
		<b>(76) bn</b>	<b>(5.05)K people</b>
<b>Retail branch reorganization</b>		(25) bn	(2.2)K people
	<ul style="list-style-type: none"> <li>Realize cost reduction from shifting to smart branches completed ahead of schedule</li> <li>Integrate branches and share ATM</li> </ul>	<b>(26) bn</b>	<b>(2.7)K people</b>
<b>Integration of group operations</b>	<ul style="list-style-type: none"> <li>Review of overseas expenses</li> <li>Integrate functions of SMCC and SMBCFS</li> <li>Share systems and review assets</li> </ul>	(25) bn	(1.2)K people
		<b>(41) bn</b>	<b>(1.9)K people</b>
<b>Initial target</b>		<b>JPY (100) bn</b>	<b>(8.0)K people</b>
<b>Results in 3 years</b>		<b>JPY (143) bn</b>	<b>(9.65)K people</b>

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This is the progress of key initiatives to reduce base expenses.

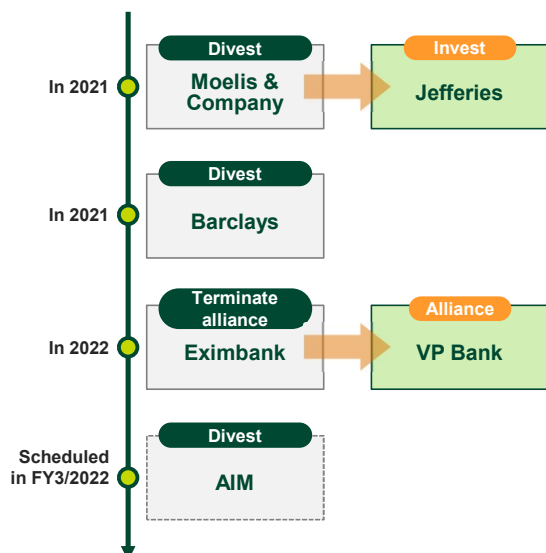
Our initiatives are making steady progress reducing base expenses by JPY 143 bn and workload by 9,650 people, both of which exceeded initial targets.

These reduced resources has been allocated to initiatives to strengthen resilience as well as growth strategies like digital and overseas businesses.

# Asset control

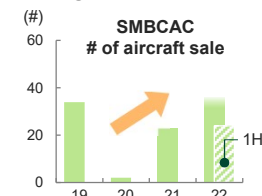
Sophisticate business portfolio management focusing on asset and capital efficiency.

## Flexible review of assets and alliances

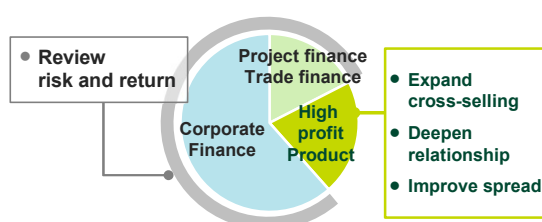


## Aircraft leasing

- Strengthen asset turnover business through acquisition of Goshawk
- Maintain strong portfolio through sales of aircraft



## Overseas loan portfolio



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This slide shows our asset control initiatives.

To improve our asset and capital efficiency, we constantly review and manage our business portfolio through replacement and asset turnover business while capturing healthy loan demand and promoting inorganic strategies.

In inorganic investments, we not only take disciplined approach when considering new deals, but continue to review profitability, strategic significance, and the nature of alliance after investment.

We will always pursue the best mix in our portfolio through replacements.

In the aircraft leasing business, we actively replace aircraft through asset turnover business and sales.

This action will be accelerated as aircraft price is now recovering and the acquisition of Goshawk is to be completed in 2H.

For the overseas loan portfolio, we have been allocating assets to high profit products such as subscription financing and LBO financing, while keeping an eye on market trends. In addition to selecting profitable deals, we also work on cross-selling and improving loan spread in order to further enhance profitability.

On the other hand, we will review risk and return of corporate finance as well as strengthen businesses without relying too much on expanding balance sheet.

Through these efforts, we will improve the asset and capital efficiency of our overseas business.



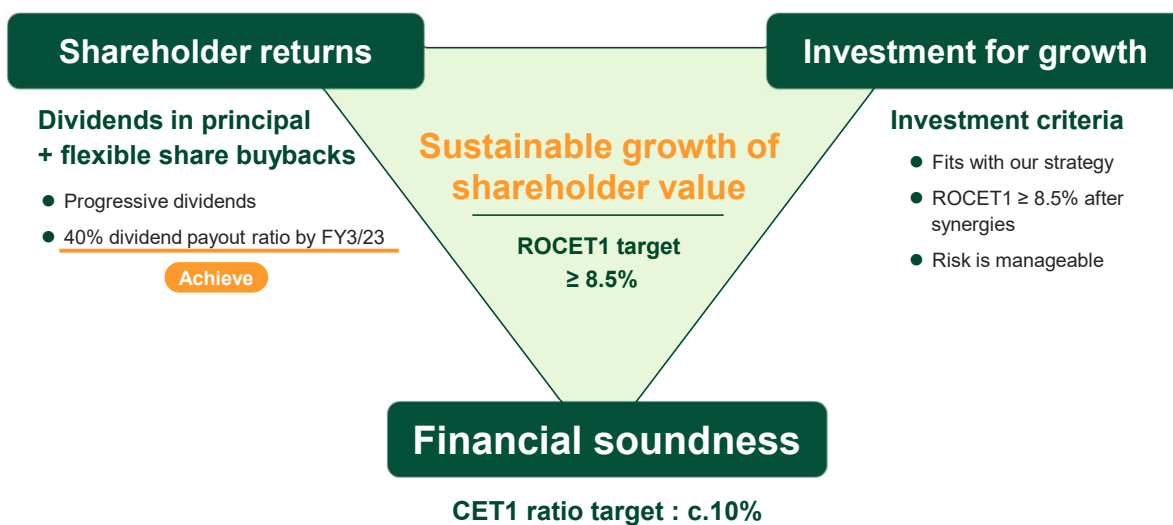
## III. Capital Policy

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Next, I will explain our capital policy.

## Basic capital policy

Achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth



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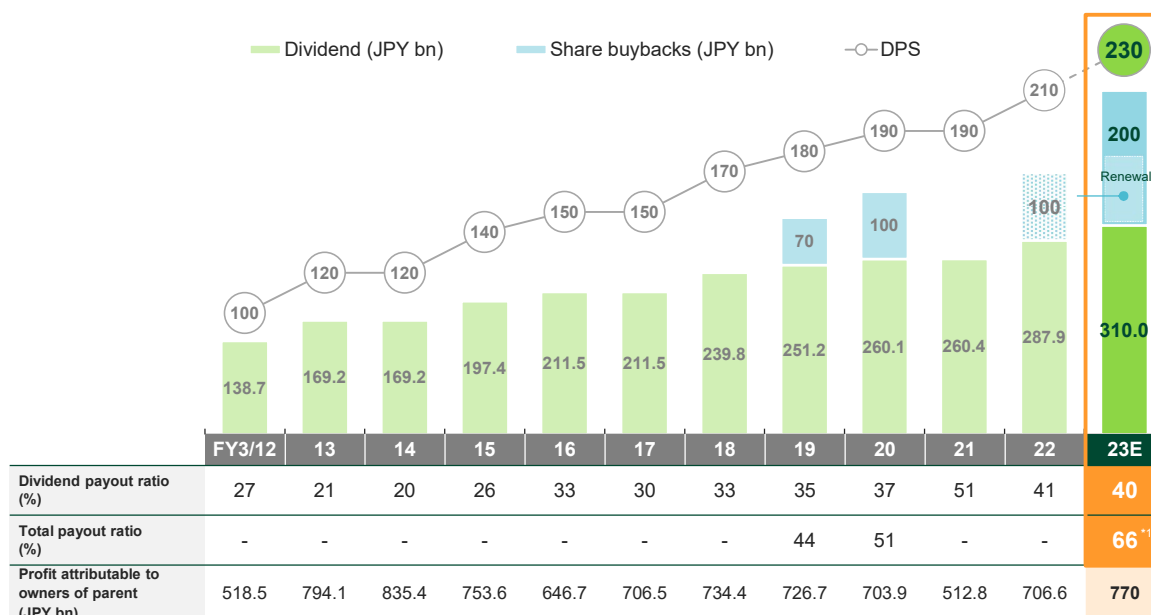
37

Our basic capital policy remains unchanged; we will achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.

## Shareholder returns

**Dividends : JPY 230 (+20 YoY, +10 vs. initial forecast)**

**Share buyback : Up to JPY 200 bn, all shares to be cancelled (of which 100 is renewal of the FY3/22 program.)**



<sup>\*1</sup> Total payout ratio would have been 55% in FY3/22 and 53% in FY3/23 if JPY100 bn of announced share buyback had been executed as planned.

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For shareholder returns, we have raised the dividend forecast by JPY 10 to JPY 230. This is JPY 20 increase from FY3/22.

According to upward revision of our bottom-line target to JPY 770 bn, we decided to raise our DPS to achieve dividend payout ratio target of 40%.

JPY 200 bn of share buyback was also announced, of which JPY 100 bn is a renewal of the program announced last November and terminated without any purchase.

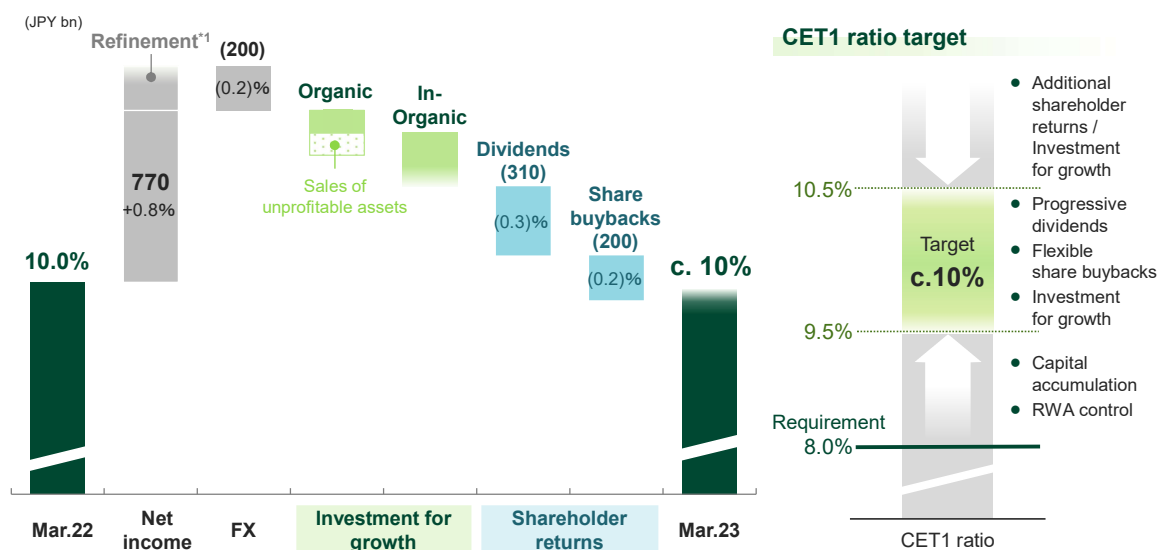
I have been explaining that we would place buying orders when the outcome of the SMBC Nikko case became clear, but the case took longer than expected to resolve.

We renewed the program at the same amount in order to honor my commitment to shareholders, in addition to another JPY 100 bn, which was resolved since I am confident to achieve our revised full-year target.

We will continue to enhance shareholder returns and investment for growth in a balanced manner.

## Capital Allocation

Expect to maintain CET1 ratio at around 10% even after investments for growth and shareholder returns.



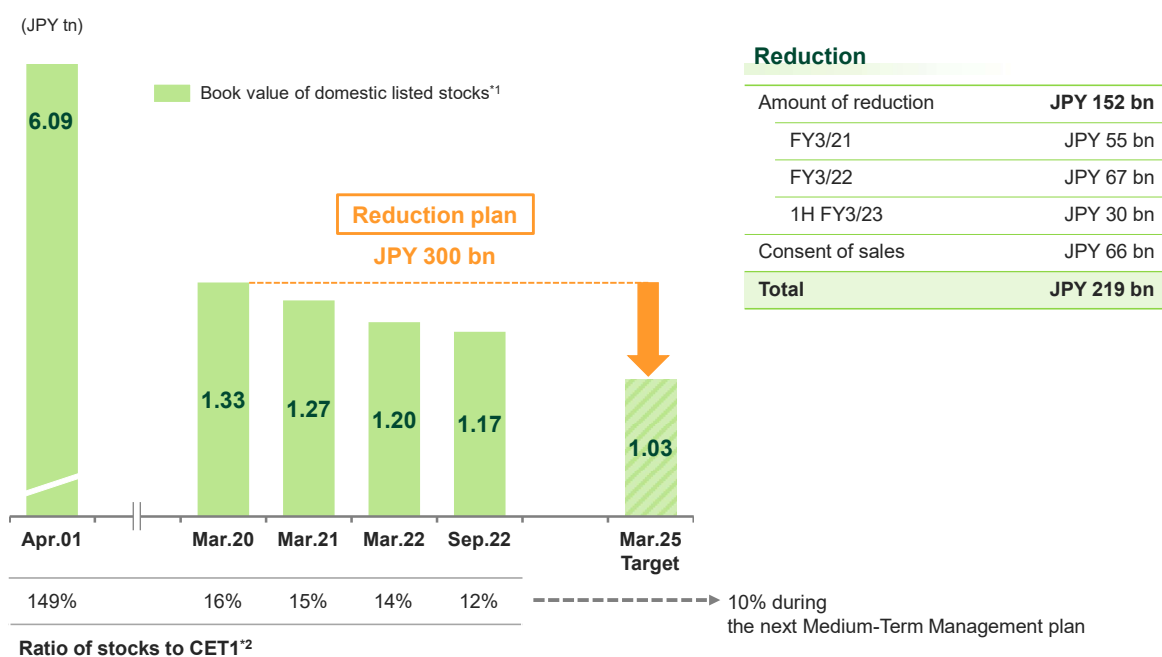
\*1 Revision of double-gearing calculation method for investment to financial institutions, etc.

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JPY 200 bn of capital is necessary in FY3/23 to allocate for the increase of risk-weighted assets due to yen depreciation. This would decrease CET1 ratio by 0.2%.

We will control our CET1 ratio at around 10% even after investment for growth and shareholder returns by accumulating profit, refining capital calculation, and selling unprofitable assets.

## Reduction of shareholdings



\*1 Excl. investments after Mar.20 for the business alliance purpose  
 \*2 Basel III fully-loaded basis, excl. net unrealized gains on other securities

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Our plan is to reduce shareholdings by JPY 300 bn in 5 years from March 2020. We have reduced JPY 152 bn half-way through, which is slightly ahead of the plan. The consent of sales has also been accumulated up to JPY 66 bn.

I truly understand that investors' expectation on this matter is accelerating.

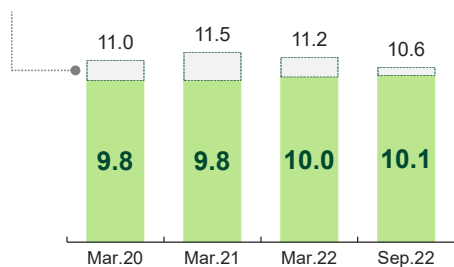
I am not satisfied with the current status and will challenge achieving the plan ahead of schedule by continuous engagement with our clients.

## (Ref.) CET1 Ratio

### Post-Basel III (financial target)

(%)

Net unrealized gains on other securities

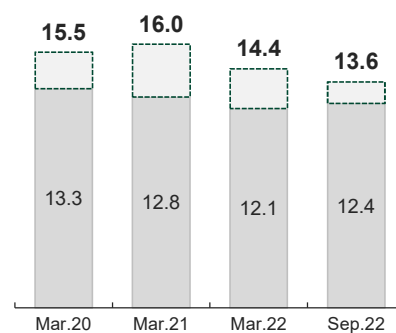


(JPY tn)

RWA	83.5	86.4	88.2	96.1
CET1 Capital	8.2	8.5	8.8	9.7

### Basel III fully-loaded basis

(%)



(JPY tn)

61.6	66.0	72.4	78.0
9.6	10.6	10.5	10.7



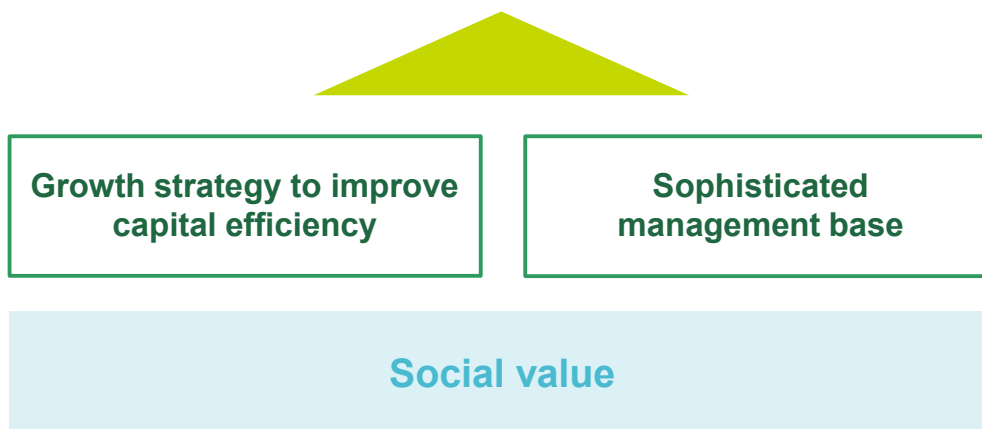
## **IV. Challenges for the future**

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Finally, let me share my thoughts on which direction SMBC Group should move toward and what we should do to realize the goal in the next Medium-Term Management Plan.

## Toward the Next Medium-Term Management Plan

### Aim for growth with quality



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There is only six months left for the current Medium-Term Management Plan. Let me share the overall image which I gained through our internal discussions so far. I believe the keyword will be “Growth with quality,” a phrase I already use numerously.

The macro environment is dramatically changing: reversal of globalization, decoupling, the end of monetary easing abroad following inflation, further acceleration of digitalization, and expansion of social issues to be addressed.

We are entering a very difficult environment, but from a different perspective, these paradigm shifts could break free of traditional restraints and unlock new future.

I would like to capture this opportunity and launch an exciting Medium-Term Management Plan to pursue growth with quality.

There are three necessary measures.

First is growth strategy to improve capital efficiency.

As planted several seeds for growth during this past three years, we will nurture the seeds to realize both J-curve profit growth and capital efficiency by allocating resources more explicitly.

Second is sophisticated management base.

We will learn from the incidents of this year and will improve the quality of our management base.

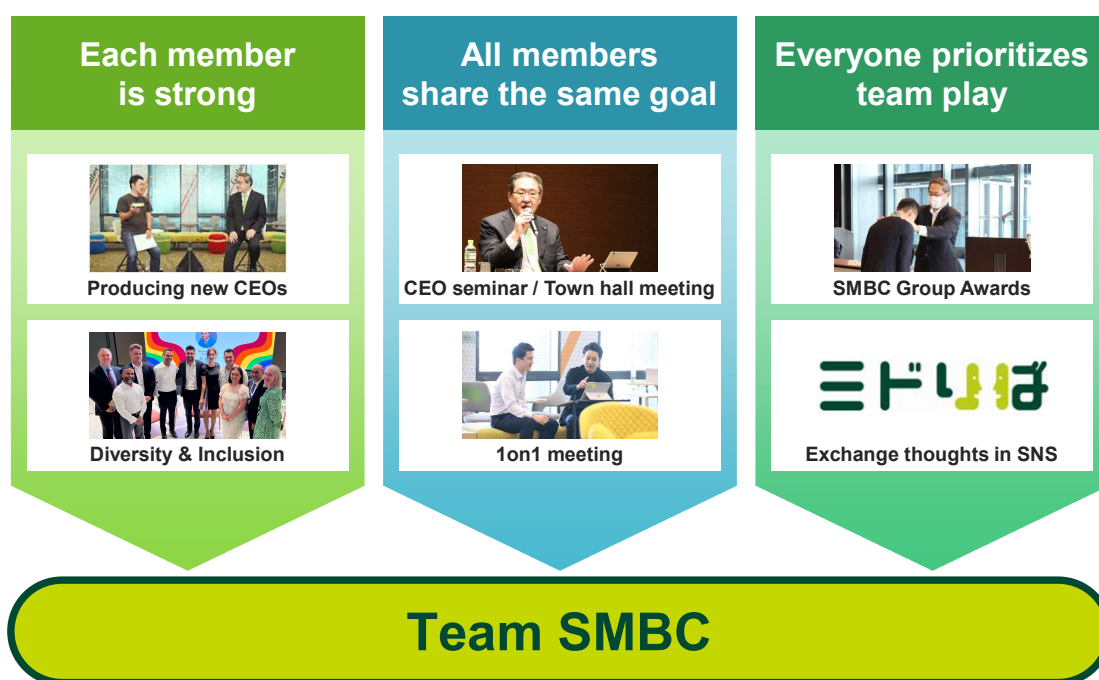
Resource allocation, training, and IT investment are necessary to execute key measures.

Third is pursuing social value. Companies that cannot create social value should even lose the right to pursue economic value.

We will develop group-wide activities for creating social value to be chosen by both customers and employees and to enhance corporate value in the mid- to long-term.

I will finalize this strategy aiming for growth with quality in the remaining six months and explain in detail on May 2023.

## Be a strong team



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Of course, I cannot implement the next Medium-Term Management Plan alone. I want to make SMBC Group a stronger team to aim for "growth with quality."

I believe a strong team has three characteristics: (1) each member is strong, (2) all members share the same goal and understand what needs to be done to achieve it, and (3) all members are aware of their own assignment and prioritizes team play.

I have been encouraging employees to change their behavior by telling them to "break the mold" and "become influencers in SMBC Group."

However, the most important is an environment where they can realize their dreams.

My responsibility as Group CEO is to support their challenges and set a perfect stage for them to demonstrate their abilities. Here are just few examples that I have been working on to fulfill this responsibility.

I feel that the atmosphere of the company is definitely changing with more employees responding to my spirit.

Despite such positive change, I am very ashamed that such inappropriate incident has occurred. If someone had raised a voice and said "are you sure it's okay?," such case could have been prevented.

I will continue to encourage positive challenges. However, "offense" alone is not enough to succeed as a team.

I am determined to make SMBC Group a stronger team by thoroughly reviewing and strengthening our "defense."

I would like to thank investors and analysts for your continued support.