

# Investment in Fullerton India

---

July 6, 2021



SUMITOMO MITSUI  
FINANCIAL GROUP

# 1. Summary of investment

## Basic Information

<b>Target company</b>	<ul style="list-style-type: none"><li>• Fullerton India Credit Co. Ltd. (“Fullerton India”), a large non-banking financial company in India</li></ul>
<b>Overview</b>	<ul style="list-style-type: none"><li>• SMFG will acquire a 74.9% equity stake in Fullerton India from Fullerton Financial Holdings Pte. Ltd. (“FFH”) for approximately USD 2.0 billion</li><li>• Fullerton India will become a consolidated subsidiary of SMFG</li></ul>
<b>Financial impact</b>	<ul style="list-style-type: none"><li>• Risk-weighted assets: An increase of approximately JPY 300bn</li><li>• CET1 ratio: Approximately (22) bps</li><li>• Investment return: Profit contribution (post goodwill amortization) from the 3<sup>rd</sup> year</li></ul>
<b>Strategic rationale</b>	<ol style="list-style-type: none"><li>1. Consistent with SMFG’s strategy to expand its franchise in Asia</li><li>2. Capture the growth in India’s financial services for the retail and SME sector</li><li>3. Enhance value by leveraging synergies under SMFG</li></ol>

SMFG: Sumitomo Mitsui Financial Group, Inc.

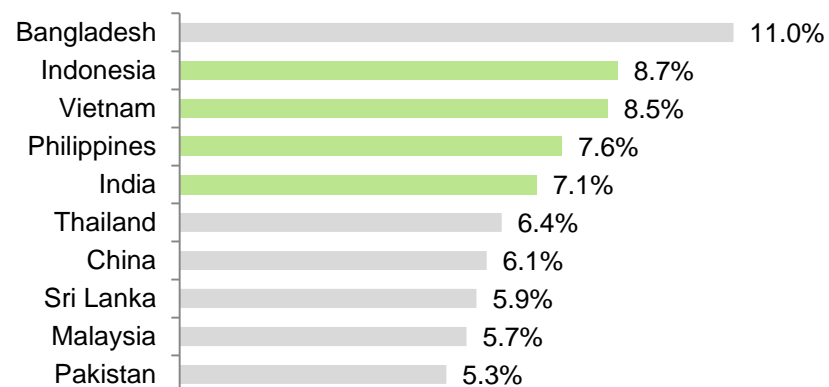
# Strategy for franchise in Asia

## (1) Attractiveness of India

Aim to capture long-term economic growth in Vietnam, the Philippines, Indonesia and India

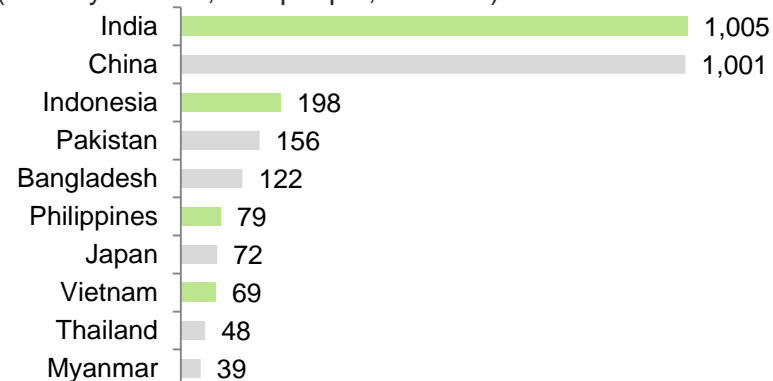
### Economic Growth

CAGR of GDP per capita (CY2021-2030)



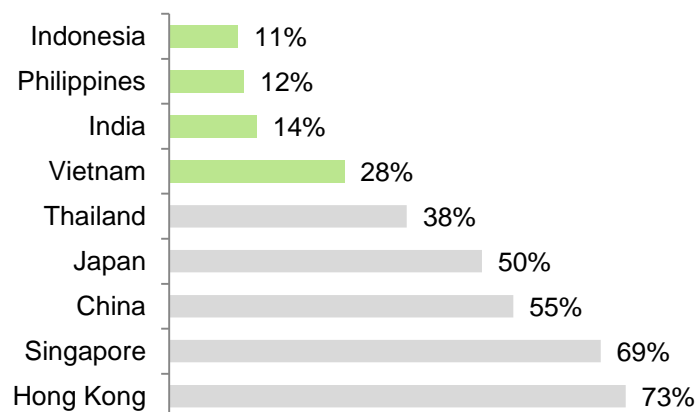
### Working-age Population

Working-age population estimates  
(15-65 years old, mm people, CY2027)



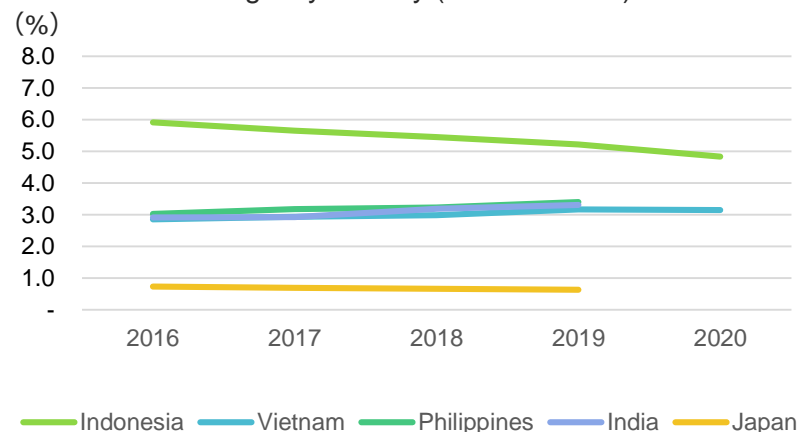
### Growth Potential of Retail Finance

Loans for households / GDP (CY2019)



### Net Interest Margin

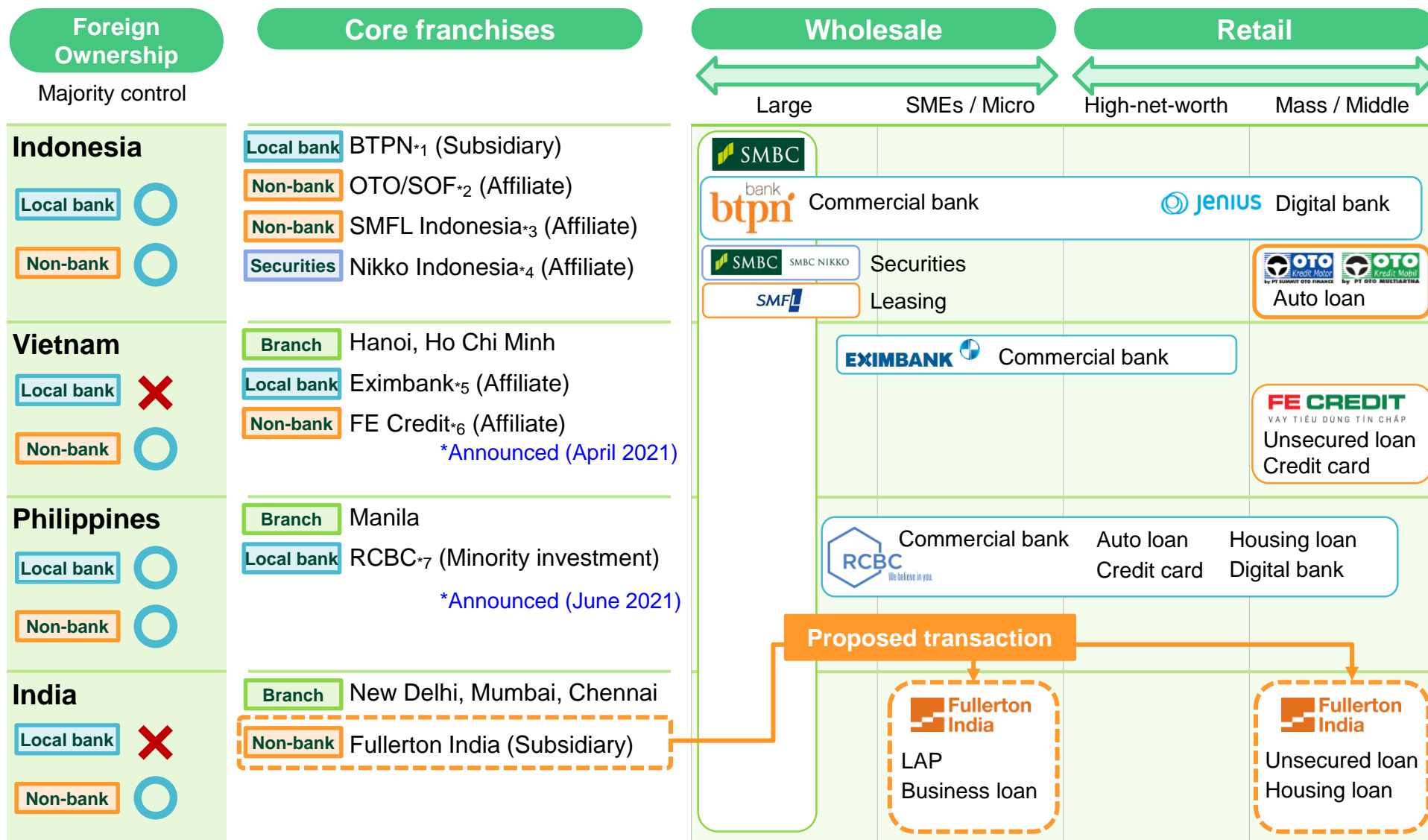
Net interest margin by country (FY2016-2020)



# Strategy for franchise in Asia

## (2) Positioning of this transaction

Investing in new platforms in Vietnam, Philippines and India, following the acquisition of BTPN



\*1 PT Bank BTPN Tbk \*2 PT Oto Multiartha / PT Summit Oto Finance \*3 PT SMLF Leasing Indonesia \*4 PT Nikko Sekuritas Indonesia  
\*5 Vietnam Export Import Commercial Joint Stock Bank \*6 VPBank Finance Company Limited \*7 Rizal Commercial Banking Corporation

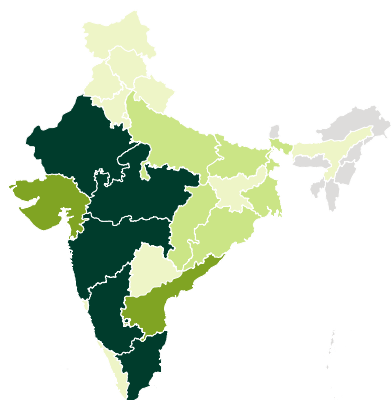
## 2. Overview of Fullerton India (1)

Fullerton India has a Pan-India network, diversified product suite and well-balanced profitable loan book

### Company Information

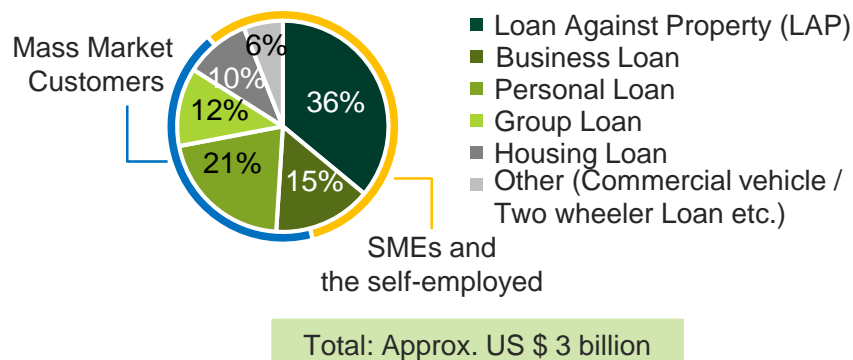
Company name	Fullerton India Credit Company Limited
History	1994: Established 2005: Acquisition by FFH 2011: Registered as a Systemically Important NBFC by RBI 2015: FIHFC was launched
MD & CEO	Mr. Shantanu Mitra
Employees	Approximately 14,000
Network	Over 650 branches throughout India

### Branch Network Across India



- 60+ branches
- 40-59 branches
- 20-39 branches
- 1-19 branches
- No branch

### Diversified Loan Portfolio




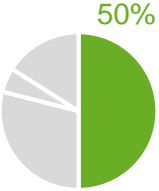

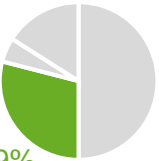

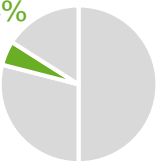

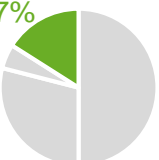
### High Presence in the Non-bank Industry \*1

Net Interest Margin		AUM (INR bn)	
1.	Fullerton India	11.3%	Bajaj Finance 1,529.5
2.	SCUF	11.0%	Tata Capital 772.2
3.	Bajaj Finance	9.3%	HDB Fin 615.6
4.	HDB Fin	7.6%	IIFL 446.9
5.	IIFL	5.1%	SCUF 335.0
6.	Tata Capital	4.5%	Fullerton India <b>250.5</b>

Source: Company filings, S&P Global Market Intelligence; \*1 Date as of the latest fiscal quarter. Ranking amongst top 30 NBFCs by AUM (excluding infrastructure, housing-focused, state-owned, vehicle finance, gold finance, equipment finance, credit cards, and diversified NBFCs with less than 60% retail & SME exposure)

## 2. Overview of Fullerton India (2)

Fullerton India offers various loan products for SME and retail customers in the Urban and Rural areas, as well as through the online channel

Business Segment						
Segment	Portfolio	Branch/ Customer	Overview	Product	Unsecured	Secured
 <p><b>Urban</b> Fullerton point</p>	 <p>50%</p>	<p>217 branches / 221k customers</p>	<p>Providing a variety of financial services for consumers, retail businesses and SMEs in urban areas</p>	<p>Personal loan (Salaried, Self-employed)</p> <p>Business Loan</p> <p>CV<sub>2</sub> loan</p>	<p>LAS<sub>*1</sub></p> <p>LAP<sub>*3</sub></p>	
 <p><b>Rural</b> Fullerton Gramshakti</p>	 <p>29%</p>	<p>412 branches / 2,020k customers</p>	<p>Providing lending business in rural areas where financial services are not fully penetrated</p>	<p>Group loan</p> <p>Two wheeler loan</p>	<p>Business loan</p> <p>LAP<sub>*3</sub></p>	
 <p><b>Digital</b> Fullerton Direct</p>	 <p>4%</p>	<p>64k customers</p>	<p>Providing a lending business utilizing partnerships with digital channels and fintech companies</p>	<p>Personal loan (Salaried, Self-employed)</p> <p>Business Loan</p>		
 <p><b>HFC</b> Fullerton Grihashakti</p>	 <p>17%</p>	<p>70 branches / 24k customers</p>	<p>Mainly providing housing loan and LAP through HFC, a subsidiary of Fullerton India</p>	<p>Housing Loan</p> <p>Developer Finance</p>	<p>LAP<sub>*3</sub></p>	

Data as of March 31, 2021.

\*1 Loan Against Securities; \*2 Commercial Vehicle; \*3 Loan Against Property

## 2. Overview of Fullerton India (3)

### Key Financial Information\*1

JPY billion	Mar. 2019	Mar. 2020	Mar. 2021
Operating income	42.7	54.1	47.6
Expenses	16.4	19.9	17.9
Cost of Credit	8.3	17.2	54.1*3
Net profit	11.6	11.4	(18.2)
Total assets	403.2	493.3	416.5
Net assets	53.7	68.9	62.0
Total loans	358.0	409.1	312.2
NPL ratio*2	2.0%	2.1%	9.6%
ROE	25.2%	18.0%	(23.8)%

\*1 Exchange rate 1INR = JPY 1.50; \*2 NPL ratio is on a standalone-basis

\*3 Includes one-time items of JPY 27.3 billion: restructuring related provision and management overlay

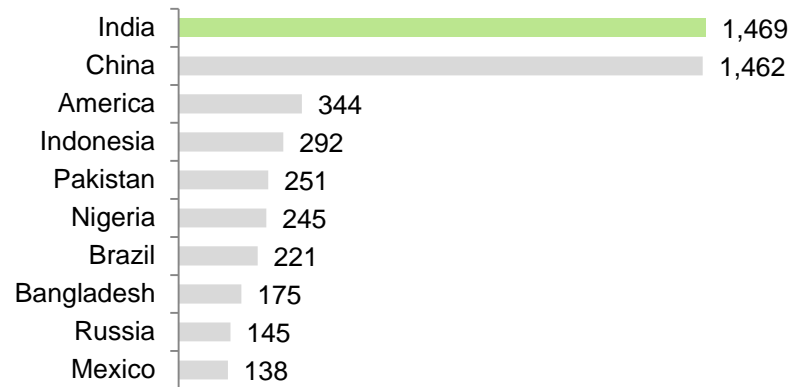
# 3. Strategic Rationale

## (1) Capture Growth Potential of Indian Market

This investment enables SMFG to capture India's long term growth potential in the retail / SME sector

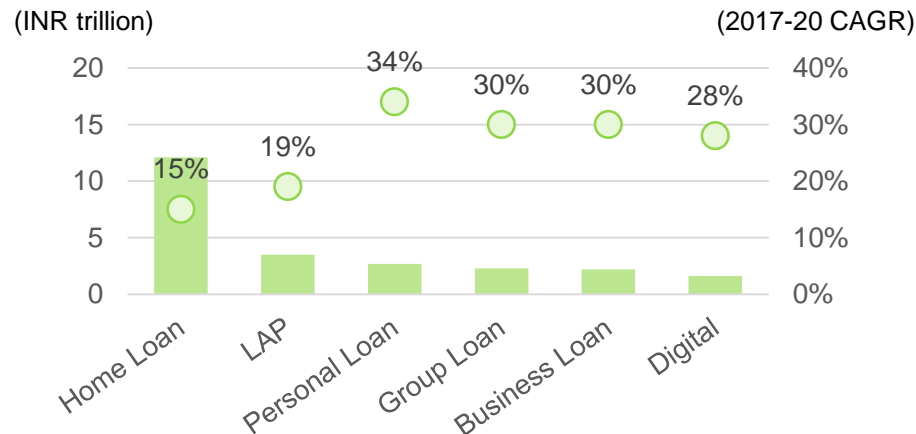
### Largest Population Globally in 2027

Population Estimates of CY2027 (million)



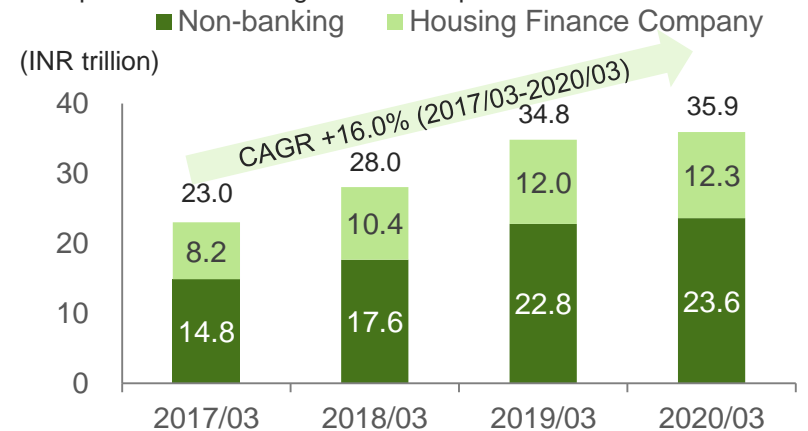
### Huge Market Size of Key Products

Market size of key products provided by Fullerton India



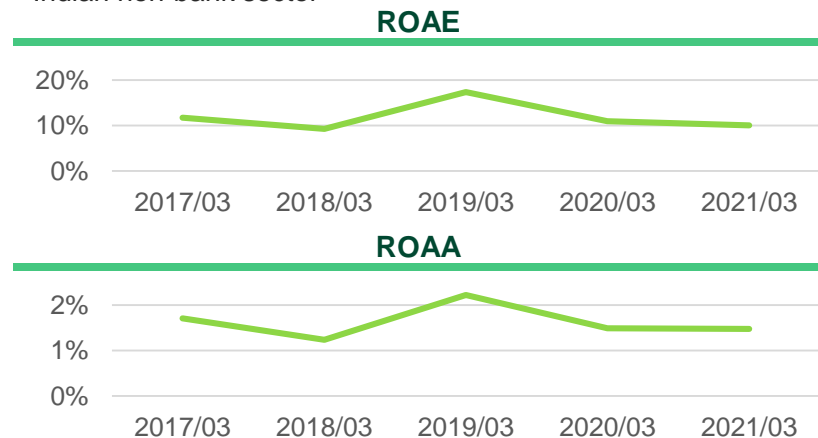
### High Growth in NBFC / HFC Sector

Total loans to the SME and retail segments by non-banking financial companies and housing finance companies in India



### Stable Profitability

Average ROAE / ROAA<sub>t-1</sub> of major listed companies in the Indian non-bank sector



Source: Research firm, BMI Research; \*1 Average of the following companies: STF, Mahindra & Mahindra, Sundaram, Cholamandalam, Magma, Bajaj, Aditya, Edelweiss, L&T, IIFL, Shriram City, Reliance, MAS, IndoStar, Spandana, Satin, CreditAccess



# 3. Strategic Rationale

## (2) Unleash potential under SMFG

Enhance value by generating synergies between SMFG and Fullerton India

<b>Portfolio Growth</b>	<b>Explore lending opportunities by tapping into SMFG's customer base</b> <ul style="list-style-type: none"><li>• Offer unique solutions for Japanese manufacturers / OEMs such as sales financing, dealer financing, employee loan etc.</li></ul>
<b>Financing Support</b>	<b>Provide SMFG's funding support to differentiate against competitors</b> <ul style="list-style-type: none"><li>• SMFG's strong support for debt and equity funding</li></ul> <b>Offer SMFG's support for further diversification of funding</b> <ul style="list-style-type: none"><li>• SMFG's presence will accelerate Fullerton India's funding in international markets</li></ul>
<b>Knowledge Sharing and Process Optimization</b>	<b>Leverage SMFG's expertise and capabilities</b> <ul style="list-style-type: none"><li>• Utilize SMFG's knowledge in personal loans, SME loans and online lending across Japan and SMFG's strategic platforms in Asia</li><li>• Support optimization and digitization of operational processes</li></ul>



# Appendix

---

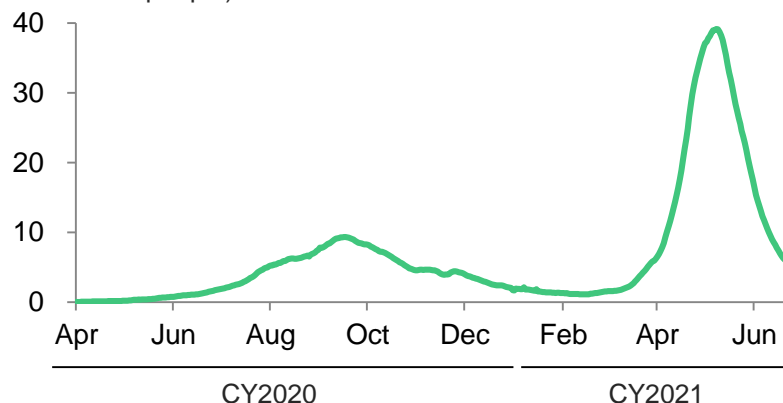
# The impact of COVID-19 and recovery outlook in India

COVID-19 second wave has peaked out. Retail consumption to rebound as the economy recovers

## Peak Out of the Second Wave

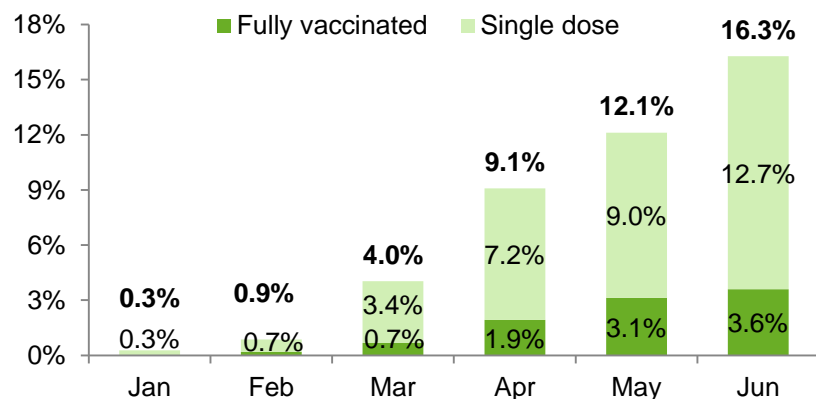
7-day moving average of new infections

(ten-thousand people)



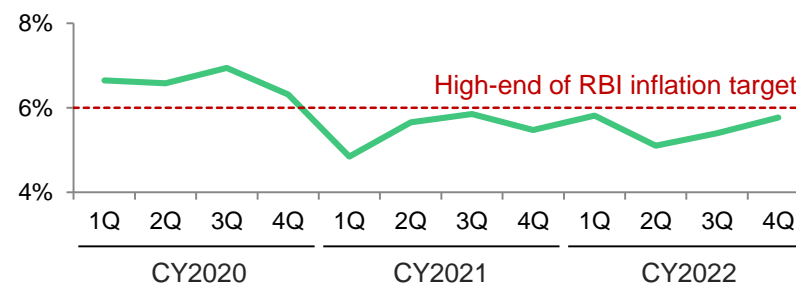
## Increase in Vaccinations

Change in vaccination rate (Since the beginning of 2021)



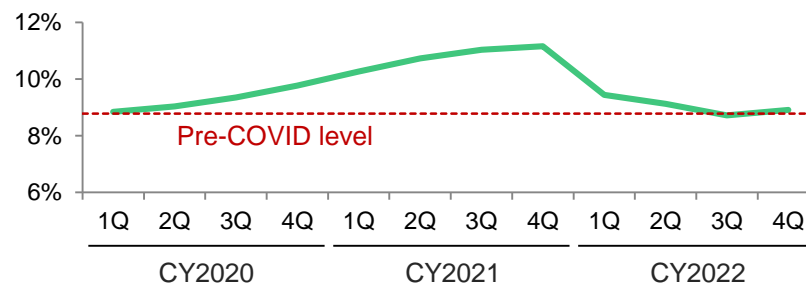
## Outlook for Retail Demand Recovery

### CPI Outlook (YoY)<sup>\*1</sup>



- The CPI is below the cap of the target inflation rate and is expected to contribute to improving the living conditions of low- and middle-income groups

### Unemployment Rate<sup>\*1</sup>



- The unemployment rate is expected to improve from early next year and return to pre-COVID levels in 3Q 2022