

**Major questions and answers on the financial results for FY3/2012**

Frequently asked questions on the financial results for FY3/2012, announced on May 15, 2012 and our answers are as follows.

For the overview of the financial results, please refer to the announcement posted on our website at

[www.smfg.co.jp/english/investor/financial/latest\\_statement/2012\\_3/h2403\\_e4\\_01.pdf](http://www.smfg.co.jp/english/investor/financial/latest_statement/2012_3/h2403_e4_01.pdf)

**1. Financial results for FY3/2012**

Q1. Please explain major factors of the year-on-year increase in SMFG's consolidated Net income.

A1. SMFG's consolidated Net income for FY3/2012 was JPY518.5 billion, a JPY 42.6 billion increase year-on-year. SMBC's non-consolidated Net income increased by JPY 56.8 billion year-on-year, mainly due to a decrease in Total credit costs as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions, and a decrease in Losses on stocks. Contribution of SMFG's subsidiaries and affiliates to SMFG's Net income was JPY 40.5 billion, a JPY 14.2 billion decrease year-on-year. Increase in Net income of SMFG's major subsidiaries such as Sumitomo Mitsui Card, Sumitomo Mitsui Finance and Leasing, and SMBC Guarantee was offset by decreased contribution from Promise and Cedyna due to substantial increase in provisions to fully prepare for interest refund claims.

Q2. Please explain SMFG's Core Tier I ratio (common equity Tier 1 capital ratio) as of March 31, 2012.

A2. SMFG's Core Tier I ratio, on pro forma basis as of March 31, 2012 was nearly 7%, under the definition as at the full implementation of Basel III, and above 9%, under the definition as at the initial implementation of Basel III.

In our medium-term management plan for FY3/2012-3/2014, we have set the financial target to achieve Core Tier I ratio of 8% by March 31, 2014. This means that we will strive to achieve a capital ratio, approximately 1% higher than the required level of 7%, five years earlier than the full implementation of Basel III. We expect that we will address the new financial regulations appropriately by implementing initiatives in the medium-term management plan and steadily accumulating retained earnings.

## **2. Earnings forecasts**

Q3. Please explain major positive and negative factors of SMFG's consolidated Net income forecast for FY3/2013.

A3. SMFG's consolidated Net income is forecasted to decrease by JPY 38.5 billion year-on-year to JPY 480 billion. SMBC's Net income is forecasted to decrease by JPY 98 billion to JPY 380 billion, mainly due to a decrease in Gains on bonds and an increase in Total credit cost. Meanwhile, contribution of SMFG's subsidiaries and affiliates is forecasted to increase by JPY 60 billion to JPY 100 billion, mainly due to increase in Net income of Promise and Cedyne, after recording significant amount of provision for interest refund claims last fiscal year.

Q4. Please explain the forecast for SMBC's non-consolidated Total credit cost in FY3/2013.

A4. We expect SMBC's non-consolidated Total credit cost in FY3/2013 to be JPY 100 billion, an increase of JPY 41.4 billion compared with last fiscal year. This includes an estimated decrease in reversal of provisions, and reflects conservative estimates of the effects of unpredictable and uncertain market conditions, especially in the second half-year, such as economic slowdown in Europe relating to sovereign debt issues and negative impact of yen appreciation on domestic exporting firms.

## **3. Others**

Q5. Please explain the progress of the medium-term management plan.

A5. In FY3/2012, we made a good start for the first year of our medium-term management plan as shown below.

- Core Tier I ratio: nearly 7% (FY3/2014 target: 8%)
- Consolidated Net income RORA: 0.9% (FY3/2014 target: 0.8%)
- Overhead ratio (SMFG consolidated): 53.5% (FY3/2014 target: 50%-55%)
- Overhead ratio (SMBC non-consolidated): 46.9% (FY3/2014 target: 45%-50%)
- Overseas banking profit ratio\*: 26.0% (FY3/2014 target: 30%)

\* Based on the assumption under the medium-term management plan (USD 1 = JPY 85)

We will continue to implement initiatives in each of the five strategic business areas, and establish solid corporate infrastructure to support our business strategy, and provide support for post-disaster recovery and reconstruction.

Q6. SMFG recorded good results in FY3/2012 driven by a high level of Gains on bonds. Please explain SMFG's assessment on the bond market outlook for FY3/2013.

A6. We anticipate domestic short-term interest rates to remain stable at a low level while BOJ maintains its current policy stance. Also, we expect long-term interest rates (JGB 10 yields) to move in a narrow range of around 1% for the time being, which is consistent with recent market trends, despite signs of a recovery in Japanese economy: the lack of growth of domestic capital investment; expectations for continuous easing policy by BOJ; and persistent "flight to quality" from European sovereign debt concerns. However, we will continue to monitor market conditions closely and execute appropriate risk control in our operations in view of growing concerns over Japanese budget deficits against the backdrop of global sovereign debt concerns.

Q7. Please explain SMFG's exposure to GIIPS countries.

A7. Our exposure to GIIPS countries as of March 31, 2012 is approximately USD 5.7 billion in total, including approximately USD 3 million of government bonds. The breakdown by country is as follows.

Italy: approx. USD 2.9 billion  
Spain: approx. USD 2.2 billion  
Ireland: approx. USD 0.4 billion  
Greece: approx. USD 0.07 billion  
Portugal: approx. USD 0.05 billion

By segment, the exposure is composed of USD 0.04 billion to public sector entities, USD 0.14 billion to financial institutions and USD 5.5 billion to non-financial institutions. As a major part of the exposure to non-financial institutions is to large corporations and project financing, we do not have any material concern for this exposure.

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", "estimate", "expect", "intend", "may", "plan", "probability", "risk", "project", "should", "seek", "target" 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 the fragility of any economic recovery, both globally and in Japan; our ability to successfully implement its business and capital strategy; the success of our business alliances including those in the consumer finance industry; exposure to new risks as we expand the scope of our business; significant credit-related costs; declines in the value of our securities portfolio. 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 or the registration statement 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, our operating results, and investors' decisions.