Sumitomo Mitsui Financial Group, Inc.

# Major questions and answers on the financial results for 1H, FY3/2013

Frequently asked questions on the financial results for 1H, FY3/2013, announced on November 14, 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/2013_3/h2409_e4_01.pdf

## 1. Financial results for 1H, FY3/2013

Q1. Please explain the major factors of the increase in SMFG's consolidated Net income compared with the half-year earnings forecast announced in May.

A1. SMFG's consolidated Net income for the first half of FY3/2013 was JPY 331.0 billion, JPY 81.0 billion higher than our May forecast. On a SMBC's non-consolidated basis, Ordinary profit was JPY 35.5 billion lower than our May forecast, mainly due to an incurrence of Losses on stocks, despite a high level of Gains on bonds and a decrease in Total credit cost. However, Net income was JPY 39.7 billion higher than our May forecast, mainly due to a decrease in valuation allowance associated with deferred tax assets resulting from a reversal of loan loss provisions. Contribution of SMFG's subsidiaries and affiliates to SMFG's consolidated Net income was JPY 91.3 billion, JPY 41.3 billion higher than our May forecast, mainly due to an increase in Net income of SMBC Consumer Finance and Cedyna resulting from a decrease in credit costs, as well as good performance of SMBC's overseas banking subsidiaries.

Q2. Please explain major factors of the net reversal of SMBC's non-consolidated Total credit cost.

A2. SMBC's non-consolidated Total credit cost for the first half of FY3/2013 was a net reversal of JPY 24.4 billion. This was mainly due to the following: a decrease in incurrence of credit cost as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions; reversal of provisions for certain borrowers; and reversal of provisions due to a decline in the reserve ratio resulting from an improvement in our loan portfolio.

Q3. Please explain SMFG's Core Tier I ratio (common equity Tier 1 capital ratio) as of September 30, 2012.

A3. SMFG's Core Tier I ratio, on a pro forma basis as of September 30, 2012 was around

7.5% on a Basel III fully-loaded basis, and around 9.5% on a Basel III transitional basis. SMFG was identified as one of the global systemically important financial institutions (G-SIFIs). The additional loss absorbency requirements for G-SIFIs which will be phased in from 2016 will be initially set in November 2014. According to the updated list of G-SIFIs which was published from the Financial Stability Board (FSB) in November 2012, SMFG was allocated in the bucket of 1% loss absorbency requirements.

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 that is 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

Q4. Please explain the major factors in the upward revision of SMFG's consolidated Net income forecast for FY3/2013 compared with the May forecast.

A4. SMFG's consolidated Net income for FY3/2013 is forecasted to be JPY 540 billion, JPY 60.0 billion higher than our May forecast. SMBC's non-consolidated Net income is forecasted to be JPY 20 billion higher than our May forecast, mainly due to a decrease in valuation allowance associated with deferred tax assets, despite an expected decrease in Ordinary profit of JPY 110 billion due to an increase in losses on stocks. We also expect contribution of SMFG's subsidiaries and affiliates to be JPY 40 billion higher, following the half-year results.

Q5. Please explain the reason for the annual cash dividend per share forecast being unchanged while SMFG's consolidated Net income forecast has been raised.

A5. The annual cash dividend per share forecast for FY 3/2013 has been unchanged at JPY 100. This is mainly because we aim to strengthen our capital base to address strengthening of global financial regulations through accumulation of retained earnings and at the same time, we secure a certain level of dividend payout ratio with the current annual cash dividend forecast.

## 3. Others

Q6. Please explain the progress of the medium-term management plan.

A6. The results for the first half of FY3/2013 show good progress towards the financial targets of the medium-term management plan, as shown below.

- Core Tier I ratio (pro forma)[*1]: around 7.5% (FY3/2014 target: 8%)
- Consolidated Net income RORA: 1.2% (FY3/2014 target: 0.8%)
- Overhead ratio (SMFG consolidated): 51.7% (FY3/2014 target: 50%-55%)
- Overhead ratio (SMBC non-consolidated): 45.5% (FY3/2014 target: 45%-50%)
- Overseas banking profit ratio[*]: 30.7%[*2] (FY3/2014 target: 30%)

*1 SMFG consolidated basis; Basel III fully-loaded basis

*2 Based on the assumption under the medium-term management plan exchange rate of USD 1 = JPY 85