

Major questions and answers on the financial results for 1H, FY3/2014

Frequently asked questions on the financial results for 1H, FY3/2014, announced on November 12, 2013 and our answers are as follows. For the overview of the financial results, please refer to the announcement posted on our website at:

http://www.smfg.co.jp/english/investor/financial/latest_statement/2014_3/h2509_e4_01.pdf

1. Financial results for 1H, FY3/2014

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

A1. SMFG's consolidated Net income for 1H, FY3/2014 was JPY 505.7 billion, JPY 174.7 billion increase year-on-year. On a SMBC non-consolidated basis, Net income was JPY330.2 billion, an increase of JPY 90.5 billion. Banking profit (before provision for general reserve for possible loan losses) increased by JPY 24.5 billion mainly due to increased profits from the Treasury Unit; Total credit cost improved by JPY 53.9 billion; Gains (losses) on stocks recovered by JPY 210.1 billion; while tax expense increased by JPY 159.8 billion, and Other non-recurring gains (losses) fell by JPY 39.6 billion. Additionally, subsidiaries and affiliates such as market-facing SMBC Nikko Securities also have shown steady results.

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

A2. SMBC's non-consolidated Total credit cost for 1H, FY3/2014 was a net reversal of JPY 78.3 billion. This was mainly due to the following: a decrease in the incurrence of credit cost as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions, in addition to an improvement in economy; a reversal of provisions made in previous years due to an improvement of business conditions of certain borrowers and an increase in the value of held real estate collateral; and a reversal of provisions due to a decline in the reserve ratio resulting from an improvement in our loan portfolio.

Q3. Please explain SMFG's Common equity Tier 1 capital ratio as of September 30, 2013.

A3. SMFG's Common equity Tier 1 capital ratio as of September 30, 2013 stood at 10.35%.

2. Earnings forecasts

Q4. Please explain the major factors in the upward revision of SMFG's consolidated Net income forecast for FY3/2014 compared to the May forecast.

A4. SMFG's consolidated net income forecast for FY3/2014 announced on May 2013 has been revised upwards by JPY 170 billion to JPY 750 billion. SMBC's non-consolidated net income forecast for FY3/2014 has also been revised upwards by JPY 80 billion to JPY 510 billion. This is a result of an expected decrease in SMBC's Total credit cost and steady results of other consolidated subsidiaries and affiliates such as SMBC Nikko Securities.

Q5. Please explain the reason for the lowering of SMFG's consolidated net income forecast for 2H, FY3/2014 compared to the May forecast.

A5. SMFG's consolidated net income forecast for 2H, FY3/2014, derived by subtracting 1H, FY3/2014 results from the full year FY3/2014 forecast, has been lowered by JPY 45.7 billion to JPY 244.3 billion. This is due to a lowering of SMBC's non-consolidated net income forecast by JPY 20 billion and other consolidated subsidiaries' and affiliates' net income forecast by JPY 25 billion. For SMBC, we do not expect the same positive profit contribution from the Treasury Unit in 2H, FY3/2014 as in the 1H, FY3/2014, accordingly, banking profit has been unchanged from our May forecast, although total credit cost is expected to decline. Regarding our other consolidated subsidiaries and affiliates, we do not expect large deviations from our May forecast except for SMBC Nikko Securities.

Q6. Please explain the reason for the SMFG's interim dividends per share for common stock being unchanged while annual dividend forecast has been raised.

A6. We determine the annual dividend based on our annual results. Therefore, interim dividends for common stock remain unchanged at JPY 55 per share. We have revised annual dividend forecast to be JPY 120 per share, an increase by JPY 10 from our May forecast.

3. Others

Q7. Please explain the progress of the medium-term management plan.

A7. We achieved and exceeded all financial targets in the medium-term management plan ending FY3/2014 as shown below.

- Common equity Tier 1 capital ratio^{*1}: 9.9% (FY3/2014 target: 8%)
- Consolidated Net income RORA: 1.6% (FY3/2014 target: 0.8%)
- Overhead ratio (SMFG consolidated): 50.6% (FY3/2014 target: 50%-55%)

- Overhead ratio (SMBC non-consolidated): 44.9% (FY3/2014 target: 45%-50%)
- Overseas banking profit ratio : 31.9% *2(FY3/2014 target: 30%)

*1 SMFG consolidated basis; Basel III fully-loaded basis, based on the definition as of March 31, 2019.

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

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: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; exposure to new risks as we expand the scope of our business; and incurrence of significant credit-related costs. 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 registration statement on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and results of operations, and investors’ decisions.