Sumitomo Mitsui Financial Group, Inc.

# Major questions and answers on the financial results for FY3/2014

Frequently asked questions on the financial results for FY3/2014, announced on May 14, 2014 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/h2603_e4_01.pdf

## 1. Financial results for FY3/2014

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

A1. SMFG's consolidated Net income was JPY 835.4 billion, JPY 41.3 billion higher compared with the previous fiscal year. On a SMBC non-consolidated basis, Ordinary profit increased by JPY 281.6 billion, mainly due to a net reversal of JPY 123.9 billion in Total credit cost and a recovery in Gains (losses) on stocks from a drop in devaluation losses. Net income on a SMBC non-consolidated basis was down by JPY 12.5 billion to JPY 605.3 billion, mainly because tax costs for the previous fiscal year were contained resulting from elimination of operating loss carryforwards which led SMBC to revise the criteria under which it recognized deferred tax assets pursuant to the practical guidelines issued by the JICPA.
Other major factors relating to subsidiaries and affiliates were: net income of SMBC Consumer Finance lower by approximately JPY 19.0 billion due to provisions for refund claims of JPY 38.7 billion; net income of SMBC Nikko Securities higher by approximately JPY 18.0 billion; and net income of Kansai Urban Banking Corporation higher by approximately JPY 14.0 billion mainly due to a decrease in credit costs.

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 FY3/2014 was a net reversal of JPY 123.9 billion due to several factors: lower incurrence of credit cost as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions, amid an improving economy; a reversal of provisions made in previous years due to improvements in business conditions of certain borrowers, progress of scheduled repayments, and gains from sales of collateral properties; 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 March 31, 2014.

A3. SMFG's Common equity Tier 1 capital ratio as of March 31, 2014 stood at 10.63%.

## 2. Earnings forecasts

Q4. Please explain the major negative factors of SMFG's consolidated Net income forecast for FY3/2015 compared with FY3/2014.

A4. SMFG's consolidated Net income forecast for FY3/2015 is JPY 680 billion, lower by JPY 160 billion. SMBC's non-consolidated Net income target is down by JPY 100 billion to JPY 510 billion, due to an expected rise in expenditures to strengthen the business platform in Asia, and an expected increase in Total credit cost to zero in light of the recent economic environment, in contrast to a net reversal of JPY 120 billion in FY3/2014.

Net income at SMBC Consumer Finance is expected to boost after recording significant amount of provisions for interest refund claims in FY3/2014. Meanwhile, other major subsidiaries including SMBC Nikko Securities plan to increase expenditures aimed at enhancing profit growth. Aggregate performance of subsidiaries and affiliates excluding SMBC is expected to remain steady.

Q5. Please explain the economic assumptions of target earnings for FY3/2015 such as interest and exchange rates.

A5. We assume that both the yen and U.S. dollar interest rates will be unchanged from March 31, 2014. The assumption of the foreign exchange rate is 100 yen per U.S. dollar and 135 yen per Euro.

## 3. Others

Q6. Please explain the achievements of the medium-term management plan from FY3/2012 to FY3/2014.

A6. We continued to exceed all financial targets of the medium-term management plan and steadily improved our financial strength, as shown below.

- Common equity Tier 1 capital ratio*1 : 10.3% (FY3/2014 target: 8%)
- Consolidated Net income RORA : 1.4% (FY3/2014 target: 0.8%)
- Overhead ratio (SMFG consolidated) : 53.0% (FY3/2014 target: 50%-55%)
- Overhead ratio (SMBC non-consolidated) : 47.9% (FY3/2014 target: 45%-50%)
- Overseas banking profit ratio : 33.0%*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

Q7. Please explain the main points of the new medium-term management plan.

A7. SMFG has launched a medium-term management plan for the three years from FY3/2015 to FY3/2017.

The new medium-term management plan was developed as the first step toward realizing our vision for the next decade: the growth of the SMFG group amid the dynamically changing economic, financial and regulatory environment.

Our vision for the next decade is as follows.

- We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region.

Specifically, we aim to achieve the following points during the next decade.

➢ We will become a truly Asia-centric institution.

➢ We will develop the best-in-class earnings base in Japan.

➢ We will realize true globalization and continue to evolve our business model.

We also set four management goals of the three-year medium-term management plan.

- Develop and evolve client-centric business models for main domestic and international businesses
- Build a platform for realizing Asia-centric operations and capture growth opportunities
- Realize sustainable growth of top-line profit while maintaining soundness and profitability
- Upgrade corporate infrastructure to support next stage of growth

At the same time, we have set five financial targets as follows.

| | |
|---|---|
| ・Growth rate of Consolidated gross profit | : Around +15%*1 (Growth) |
| ・Consolidated ROE | : Around 10% (Profitability) |
| ・Consolidated Net income RORA | : Around 1% (Profitability) |
| ・Consolidated overhead ratio | : In the mid 50% (Profitability) |
| ・Common equity Tier 1 capital ratio*2 | : Around 10% (Financial soundness) |

*1 FY2016 targeted consolidated gross profit in comparison with FY2013 figure.

*2 Basel III fully-loaded basis, based on the definition as of March 31, 2019.

We will focus on the growth of our top-line profit, while securing the four profitability and soundness target ratios at the current level which are already quite high.

Regarding our capital policy, we aim to increase the dividend per share in a stable manner by implementing measures for the sustainable growth of shareholder value. To this end, we aim to achieve higher profitability and growth through growth investments with the focus on efficiency of our capital, while enhancing retained earnings to maintain financial soundness.

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.