Sumitomo Mitsui Financial Group, Inc.

# Major questions and answers on the financial results for 1H, FY3/2016

Frequently asked questions and our answers on the financial results for 1H, FY3/2016, announced on November 13, 2015 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/2016_3/h2709_e4_01.pdf

## 1. Financial results for 1H, FY3/2016

Q1. Please explain the major factors of the year-on-year decrease in SMFG's consolidated Profit attributable to owners of parent.

A1. SMFG's consolidated Profit attributable to owners of parent was JPY 388.1 billion, JPY 91.4 billion lower compared with the six months ended September 30, 2014.
Consolidated gross profit was up by JPY 62.6 billion year-on-year to JPY 1,512.7 billion. This was largely due to the contribution from increased profits on Equity brokerage commissions and Underwriting commissions at SMBC Nikko Securities driven by the collaboration with SMBC, higher profits at SMBC Consumer Finance mainly from an increase in loan guarantee outstanding, and a rise in credit card revenue at Sumitomo Mitsui Card.
On the other hand, consolidated Ordinary profit was down by JPY 148.7 billion year-on-year to JPY 631.8 billion by reason of the following factors: (i) a JPY 48.0 billion rise in General and administrative expenses due to expenditures aimed at enhancing our top-line growth, (ii) a JPY 43.4 billion decrease in Equity in gains (losses) of affiliates which altered to a net loss, mainly due to an impairment loss on goodwill of investments in affiliates, and (iii) a JPY 112.9 billion increase in Total credit cost due to reduced gains on reversal of provisions at SMBC.

Q2. Please explain the major factors of the year-on-year increase in SMBC's non-consolidated Total credit cost.

A2. Although SMBC's non-consolidated Total credit cost was a net reversal of JPY 27.6 billion, it was a JPY 96.6 billion cost increase compared with the six months ended September 30, 2014.
While the economic environment grows steadily, incurrence of new credit cost is continuously prevented by our individualized efforts to assist certain borrowers to improve their businesses and financial conditions. However, Total credit cost increased mainly due to a decrease in reversal of provisions for large borrowers made in the previous years, and a decline in the year-on-year comparison of reserve ratio based on recent actual results of loan losses.

Q3. Please explain major factors of the year-on-year decrease in SMFG's consolidated Equity in gains (losses) of affiliates.

A3. SMFG's consolidated Equity in gains (losses) of affiliates was a net loss of JPY 43.4 billion mainly because of an impairment loss on goodwill of investments in one of our affiliates in Indonesia, PT Bank Tabungan Pensiunan Nasional Tbk (BTPN), reflecting a market price decline.

Q4. Please explain SMFG's consolidated Common equity Tier 1 capital ratio as of September 30, 2015.

A4. SMFG's consolidated Common equity Tier 1 capital ratio as of September 30, 2015 stood at 11.72%.

**2. Earnings targets**

Q5. Please explain the major factors of SMFG's consolidated Profit attributable to owners of parent target for FY3/2016 compared with FY3/2015 results.

A5. SMFG's consolidated Profit attributable to owners of parent target for FY3/2016 is JPY 760 billion, higher by around JPY 10 billion compared with FY3/2015 results.

Consolidated gross profit target is up by around JPY 50 billion as SMBC Nikko Securities and other subsidiaries continue to grow, while profits from SMBC's Treasury Unit, which were strong in FY3/2015, are expected to decrease.

On the other hand, consolidated Ordinary profit target is JPY 1,220 billion, JPY 100 billion decrease compared with FY3/2015 due to the following factors: (i) spending of expenses is expected to continue for the purpose of enhancing our top-line growth; (ii) an impairment loss on goodwill of investments in BTPN is factored into the target; and (iii) in light of the recent economic environment, Total credit cost at SMBC is expected to be zero from a net reversal of JPY 80 billion in FY3/2015.

Meanwhile, SMFG's consolidated Profit attributable to owners of parent target is higher than FY3/2015, due to the absence of the negative impact of the tax reform, which recorded JPY 30 billion of a partial reversal of deferred tax assets in the previous year, and a decrease in tax burden resulting from the reduction of the corporate tax rate.

## 3. Others

Q6. Please explain SMFG's policy related to the reduction of strategic shareholdings.

A6. The book value of domestic listed stocks on a SMFG consolidated basis was approximately JPY 1.8 trillion as of September 30, 2015. We set forth our policy related to the reduction of strategic shareholdings, as shown below.

We will continuously mitigate the risk from stock price fluctuations in order to have a more stable and robust financial base. Toward achieving an appropriate level of the Ratio of Stocks-to-CET1 capital (*1) as one of the G-SIFIs, we aim to have the assurance of reducing the current Ratio by half within approximately five years.

*1 The Ratio of Stocks-to-CET1 capital =

SMFG consolidated basis The book value of domestic listed stocks / Common Equity Tier 1 capital (*2)

*2 Basel III fully-loaded basis, excluding net unrealized gains on Other securities.

We will continue to move forward in achieving the reduction target by having a constructive dialogue with counterparties based on mutual understandings. Although it depends on Common Equity Tier 1 Capital, we estimate the reduction by around up to 30% (JPY 500 billion) of the listed stocks outstanding.

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

A7. We are moving steadily forward toward achieving the financial targets of the medium-term management plan, as shown below.

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| · Growth rate of Consolidated gross profit: | +4.4%(*1) | (target: around+15%(*2)) |
| · Consolidated ROE: | 10.8%(*1) | (target: around 10%) |
| · Consolidated Net income RORA: | 1.18%(*1) | (target: around 1%) |
| · Consolidated overhead ratio: | 56.3% | (target: in the mid 50%) |
| · Common equity Tier 1 capital ratio(*3): | 12.1% | (target: around 10%) |

*1 Annualized.

*2 FY3/2017 targeted consolidated gross profit in comparison with the FY3/2014 figure.

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

Q8. Please explain SMFG's policy related to shareholder returns.

A8. We aim to increase our shareholder value and enhance shareholder return by focusing on our ROE target of around 10% in our medium-term management plan, and realizing sustainable growth, while maintaining financial soundness.

We intend to enhance shareholder return by measures such as raising the dividend per share in a stable manner, while taking into account the economic environment, financial regulatory changes, our profit outlook and capital position and other factors.

With regards to dividends, we forecast annual dividends for common stock for FY3/2016 to be JPY150 per share and the half of which, JPY75 per share, will be paid as an interim dividend.