Sumitomo Mitsui Financial Group, Inc.

Major questions and answers on the financial results for FY3/2016

Frequently asked questions and our answers on the financial results for FY3/2016, announced on May 13, 2016 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/h2803_e4_01.pdf

1. Financial results for 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 646.7 billion, JPY 106.9 billion lower compared with the previous fiscal year.
Consolidated Gross profit was down by JPY 76.4 billion year-on-year largely due to sluggish growth in sales of foreign bonds and investments trusts at SMBC Nikko Securities.
In addition, (i) an increase of Total credit cost by JPY 95.0 billion mainly due to reduced gains on reversal of provisions at SMBC, (ii) a rise in provisions for losses on interest repayments at SMBC Consumer Finance and Cedyna for future interest refund claims (the combined amount was up by JPY 76.0 billion year-on-year to JPY 141.0 billion), and (iii) recording a goodwill impairment loss of JPY 57.0 billion of our equity-method affiliated company PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN") due to a decline in its share price, led to a decrease of consolidated Ordinary profit by JPY 335.9 billion year-on-year.
On the other hand, tax burden decreased by JPY 216.3 billion, mainly resulting from realizing tax benefits reserved in the previous years at SMBC.

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

A2. SMFG's consolidated Total credit cost was a net cost of JPY 102.8 billion, a JPY 95.0 billion rise compared with the previous fiscal year.
Total credit cost for SMBC on a non-consolidated basis was a net reversal of JPY 3.2 billion, which was an increase of JPY 76.9 billion year-on-year. This was mainly due to (i) reduced gains on reversal of provisions made in the past by SMBC, while the incurrence of new credit cost remained at a low level reflecting the steady economy in Japan and (ii) deterioration in credit quality of resource-related obligors in our overseas business resulting from falling resource prices.

Total credit cost for consolidated subsidiaries and affiliates was up by JPY 18.0 billion mainly due to an increase of cost at SMBC Consumer Finance coupled with their business expansion.

Q3. Please explain SMFG's consolidated Common equity Tier 1 capital ratio as of March 31, 2016.

A3. SMFG's consolidated Common equity Tier 1 capital ratio as of March 31, 2016 stood at 11.81%.

2. Earnings targets

Q4. Please explain the major factors of SMFG's consolidated Profit attributable to owners of parent target for FY3/2017 compared with FY3/2016 results.

A4. SMFG's consolidated Profit attributable to owners of parent target for FY3/2017 is JPY 700 billion, higher by JPY 53.3 billion compared with FY3/2016 results.

While the severe business environment is expected to continue partly due to the impact of negative interest rates, consolidated Gross profit target is up by around JPY 96 billion.

This is because we expect an increase in gross profits at Marketing Unit with approximately the same amount as FY3/2016, while profits at SMBC's Treasury Unit are anticipated to decrease. In addition, among the consolidated subsidiaries and affiliates, we expect an increase in profits at SMBC Nikko Securities and the contribution from GE Japan which was acquired by Sumitomo Mitsui Finance and Leasing on April 1, 2016.

While we anticipate a rise in General and administrative expenses and Total credit cost, consolidated Ordinary profit target for FY3/2017 is up by approximately JPY 35 billion year-on-year to JPY 1,020 billion and Profit attributable to owners of parent target is JPY 700 billion, higher by JPY 53.3 billion compared with FY3/2016.

Q5. Please explain the economic assumptions of the FY3/2017 earnings target such as interest and exchange rate.

A5. We assume that the yen interest rate will be unchanged from March 31, 2016. Our assumptions of the foreign exchange rate are JPY 110 per U.S. dollar and JPY 125 per Euro.

3. Others

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

A6. As for FY3/2016, since the business environment was worse than the assumptions made under the medium-term management plan, top-line profit fell short and as a result, indicators of profitability were below the financial targets as shown below.

· Growth rate of Consolidated gross profit:	+ 0.2%(*1)	(target: around+15%(*1))
· Consolidated ROE:	8.9%	(target: around 10%)
· Consolidated Net income RORA:	0.97%	(target: around 1%)
· Consolidated overhead ratio:	59.4%	(target: in the mid 50%)
· Common equity Tier 1 capital ratio(*2):	11.9%	(target: around 10%)

*1 Consolidated Gross profit increase in comparison with the FY3/2014 figure

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

Q7. Please explain the progress and future schedule regarding the reduction of strategic shareholdings.

A7. Our medium- and long-term plan to reduce strategic shareholdings is that "We aim to have the assurance of reducing the Ratio of Stocks-to-CET1(*3) by half within approximately five years, which is reducing book value of up to about 30% of domestic listed stocks or about JPY 50 billion."

The Ratio of Stock-to-CET1 capital as of March 31, 2016 was 27.3%, which was 0.9% lower than the Ratio of 28.2% as of September 30, 2015. In order to achieve the reduction target, we will first aim to obtain consent of sales from clients for a total of JPY 150 billion by March 2017 (aggregated amount from September 2015 to March 2017).

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

SMFG consolidated basis The book value of domestic listed stocks / Common Equity Tier 1 capital (*4)

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

Q8. Please explain the impact of the negative interest rate policy.

A8. The introduction of the negative interest rate policy brings negative impact such as a decline in lending rate and yield of JGB in the short-term, but also will bring positive impact. We would like to take advantage of new business opportunities arising from medium- and long-term overcoming deflation in Japanese economy, such as the full-scale shift "from savings to investment" and the revitalization of customer's financial needs affected by lower interest rates.

Q9. Please explain the adequacy of provisions for losses on interest repayments at Consumer Finance business recorded in FY3/2016.

A9. In FY3/2016, SMBC Consumer Finance revised the future estimated amount of interest refund claims based on the current trends and recorded additional provisions for losses on interest repayments. Although subject to the future trends of claims, we believe that our provisions for losses on interest repayments are at an adequate level at this moment, taking into account the following factors: (i) a declining trend in the number of interest refund claims, (ii) new refund claimers are not added anymore as we have set the maximum lending rate in accordance with the Interest Rate Restriction Act for new clients after 2008, and (iii) our anticipation of steady decline in interest refund claims due to our ongoing work for revising the existing lending rate which exceeds the maximum interest rate. Our current provision is about 3 times the refunds paid in the previous fiscal year.

Q10. Please explain SMFG's policy related to shareholder returns.

A10. We aim to increase our shareholder value and enhance shareholder return by realizing sustainable growth, while maintaining financial soundness. We also 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.

The annual dividends on common stock for FY3/2016 remains JPY 150 per share, unchanged from our original announcement because Profit attributable to owners of parent for FY3/2016 was below the original target due to temporary negative factors.

As for FY3/2017, with our target of Profit attributable to owners of parent at JPY 700 billion, we forecast the annual dividends on common stock to be JPY 150 per share and JPY 75 per share for an interim dividend. This will bring the dividend payout ratio, the dividends as a percentage of Profit attributable to owners of parent, at 30%, which has been our medium- and long-term target.