

Major Q&A at SMBC Group IR Day 2025

1. Wholesale Business Unit

Fumihiko Ito, Executive Officer and Senior Managing Director

Yukihiro Mabuchi, Executive Officer and Senior Managing Director

Q1. What will drive the ROCET1 without gains on sales of equity holdings to 20% by FY3/29?

A1. Growing core business will raise ROCET1 reflecting our actual capability. Interest income will lead the growth by both margins improvement and volume growth of loan and deposits. Fee income is also expected to grow by providing group-wide solutions for robust corporate actions.

Q2. After completing the current reduction plan of equity holdings, what pace of further reductions is anticipated? Do you plan to reduce the balance to zero?

A2. We will firstly achieve our five year plan to reduce by JPY 600 billion as swiftly as possible. Encouragingly, even clients who were resistant are understanding the recent environment and are beginning to make their own reduction plans. Although the balance may not reach zero given that some equity holdings support business alliances, we will continue negotiations to achieve additional reduction.

Q3. What drive the significant increase in loan balances and how sustainable is it?

A3. Our loan balance to large corporates has increased by JPY 7.7 trillion since FY3/20, driven by five, six large M&A bridge loans totaling about JPY 2-3 trillion in last six months. Although M&A bridge loans will roll off as they are refinanced into permanent funding, demand remains very strong and the pipeline is meaningfully higher YoY. Assuming no adverse shift in the business environment, corporate actions will remain robust over the next one to three years, supporting continued loan growth and further improvement in ROCET1.

Q4. What is the profitability outlook given increasing loan balances alongside narrowing spreads? How intense is competitive pressure?

A4. While spreads are temporarily declining with short-term bridge loans, we aim to enhance overall profitability by supporting corporate actions end to end across the value chain. By capturing bridge loan opportunities, we expect to maximize our DCM share when the loans are refinanced into permanent funding. Foreign bonds underwriting is also increasing, placing us No. 1 among Japanese financial institutions in league tables. As a result, ROCET1 is expected to be 14.7% in 1Q FY3/26, higher than plan and materially higher YoY. As we expand transaction share, we also capture other transactions such as carve out, privatization and re-IPOs and we will continue to capture multiple profitable opportunities along the value

chain to further raise ROCET1.

Looking ahead, competition could intensify if peers cut spreads. However, we will not lower spreads indiscriminately and will instead secure profitability by accurately addressing client needs and optimizing the total economics of each relationship.

Q5. What led to the shift from yen liquid deposits to time deposits?

A5. In a negative interest rate environment, interest income doesn't differ between time deposits and liquid deposits. However, as interest rates rise, we are gradually seeing a shift of funds into time deposits. While customers' needs come first, it's desirable for us to keep the current level of liquid deposits, therefore we promote CMSs to secure sticky transactional deposits and new business such as Trunk.

As clients' investment needs are changing, we will capture transaction on a group-basis, engaging in discussions on both the asset and liability sides of the balance sheet management.

Q6. Is there any change in clients' business cycles?

A6. Alongside ongoing reduction of equity holdings, a wide range of corporate actions has been executed. Listed companies are increasingly focused on creating corporate value which leads to higher demand for M&A, digital transformation, and CAPEX investment across sectors such as semiconductors, autos, and materials.

By steadily addressing these needs, we will expand fee business such as M&A, DCM, and ECM, and improve ROCET1.

2. Retail Business Unit

Akio Uemura, Executive Officer and Senior Managing Director

Q1. How do you expect deposit beta to trend from here?

A1. We currently assume a deposit beta of 40%, but we will flexibly calibrate it in line with market trends or customer behavior. As more customers are using Olive as their main bank account, we believe that we are securing sticky deposits.

(Anchi)

In retail business, it is important to manage the total cost, including deposit interest cost. Our cost per acquisition (CPA), an indicator of total account acquisition cost including promotional spend, has been declining steadily as Olive gains wider recognition. We also incorporate credit costs when assessing the profitability of lending products.

Q2. What is the strength of Olive?

A2. Olive is a comprehensive digital financial service platform centered on bank accounts and payments, which we are leveraging to diversify our profit sources and enhance profitability. When Olive was launched, policy rate was assumed to be 0%. With interest rates now rising, the Olive business turned profitable one year ahead of the initial plan and will achieve cumulative profit two years ahead of the plan. We will continue to improve profitability by expanding the platform through collaborations with SBI Group and PayPay.

Q3. Considering the competitors offering higher interest rates, do you consider adjusting your deposit taking strategy?

A3. We will not change our core strategy despite intensifying competition for deposit taking. Offering promotional rates would erode profitability and would be unlikely to attract sticky transactional deposits.

We take different approach to each customer segment. For affluent customers, it is important to be the first call bank when financial event arise such as real estate transactions or the sale of a business. For working age customers, our top priority is to be their main bank, delivering reliable, day-to-day services that meet expectations. Inheritance-related wealth transfer are sizable, increasing deposits in working generations. As longer lifespans create a time gap between inheritance events and the peak in wealth management needs, we will leverage programs such as the SMBC Elder Program to keep clients engaged and well served throughout this period.

Q4. What is the wealth management business strategy through Olive?

A4. Flexible Consulting provided through a collaboration with SBI Group plays a key role. Its target is the “digital affluent segment,” customers with financial assets of JPY 30 million or more who conduct securities transactions online on a self-directed basis. We estimate that the potential customer base is approximately six million and will increase by a further one million over the next ten years. Since these customers do not require outbound sales, we offer proposals both in person and via Olive as needed, while enabling them to transact primarily through the SBI Group’s online platform.

Q5. How will generative AI impact the wealth management business?

A5. We plan to leverage AI to support relationship managers engaged face-to-face coverage, identifying prospective customers and tailoring approaches. We will also use AI on Olive to automate proposal generations and deliver next-best-action recommendations tailored to each customer’s usage and profile. For example, under Flexible Consulting with the SBI Group, AI will diagnose portfolio risk and propose appropriate, risk-aligned allocations, recognizing that some customers’ portfolios may carry greater risk than they intend. These initiatives will improve operational efficiency and enhance customer convenience.

Q6. What is the outlook for deposit balance when the overall deposit base in Japan is likely to decline over time?

A6. While we expect the overall deposit pool in Japan to decrease over time, we still see ample room to grow our deposits because there are many markets outside the major metropolitan areas that we have not yet fully penetrated. In fact, Olive has been effective in acquiring new customers in regional areas and we therefore believe there remains meaningful room for deposit growth.

Q7. What is the cost control strategy going forward?

A7. The bank, securities, and trust businesses have each reduced the number of branches. Going forward we plan to integrate our wealth management operations and optimize branch allocation on a group-wide basis to achieve further cost reductions. We will also review customer acquisition cost and discontinue campaigns that do not meet our thresholds in order to keep costs under control.

3. Global Business Units

Yoshihiro Hyakutome, Deputy President and Executive Officer

Keiichiro Nakamura, Executive Officer and Senior Managing Director

Q1. What is the likelihood of achieving a 10% investment ROE at YES BANK in five years and what synergies do you expect?

A1. Following governance issues under prior management, YES BANK was restructured by a consortium led by State Bank of India and is now entering a growth phase. Performance is recovering, with deposits increasing, and with further improvement we believe a c.10% investment ROE is achievable.

One of the synergies is collaboration with our wholesale business. Currently, there are around 1,400 Japanese companies operating in India, about one-tenth of the number in China. As Indian government has asked for our support in facilitating Japanese investment, we will leverage YES BANK's franchise to help clients enter and expand in the Indian market. In addition, India's Priority Sector Lending regulation requires 40% of loans to designated sectors such as rural areas. To comply, YES BANK has incurred costs by purchasing qualifying assets, while SMICC holds surplus PSL-eligible assets. We therefore expect cost synergies by sourcing PSL within our Group.

Q2. While you have announced a 20% investment in YES BANK, the RBI has authorized an investment up to 24.99%. When do you expect the 20% stake to close and the impact on CET1 ratio to be recognized? Is there a possibility of increasing the stake beyond 20%?

A2. As of now, only the acquisition of a 20% stake has been agreed. We will close the transaction promptly once remaining conditions are met. While timing cannot be guaranteed at this stage, closing in the 1H FY3/26 is possible. The impact on the CET1 ratio is about 24 bps and is already incorporated into current capital plan. Given RBI approval up to 24.99%, we will evaluate additional purchases if opportunities arise and will disclose promptly if and when a decision is made.

Q3. Will the reduction of low-profit assets continue under the next Medium-Term Management Plan and could it result in losses?

A3. In FY3/25, we reduced low-profits assets by roughly JPY 2 trillion in RWA. In FY3/26, we intend to continue reductions at a similar or slightly lower level than in FY3/25, classifying approximately 15–20% of total RWA as low-profit assets.

While the FY3/25 reduction of project finance in Europe incurred losses, both non-Japanese and Japanese corporate finance balances were reduced via maturities and par sales without losses. Our base case is to let loans run off at maturity; we will consider disposals opportunistically, recognizing that sales can generate losses and will proceed with discipline

considering overall profit.

The Global Banking Business Unit is currently delivering strong profit growth, especially in the Americas, which provides capacity to absorb any disposal losses.

Q4. What is your confidence in achieving the FY3/29 bottom-line profit contribution target of JPY 120 billion for the Multi-Franchise strategy?

A4. Profit has been pressured by higher expenses and elevated non-performing loans at SMICC, but as it normalizes and taking into account loan and deposit growth at SMBC Indonesia, we view the target as challenging yet achievable. Given the capital invested, delivering the targeted bottom-line profit contribution is essential to profitability. We are working closely with local management teams on concrete improvement plans.

Q5. Will governance-related costs, which have been already rising, increase further with the YES BANK investment?

A5. The YES BANK investment itself is not expected to materially increase governance costs. That said, regulatory expectations, especially in the U.S. and Europe, are rising as our scope of activities expands (e.g., sponsor finance and DCM businesses). We therefore anticipate some ongoing expenditures alongside top-line growth.

On the other hand, we are advancing offsetting measures, including streamlining operations with our new India offshoring hub. We expect overhead ratio to peak and then moderate.

Q6. Is there a possibility of reversing the forward-looking provision booked in FY3/25?

A6. We continue to monitor the U.S. tariffs impact, but it is too early to reverse the provision. The tariff rates were finalized only recently and we need additional time to assess the impact.

Q7. What is the status of your consideration of stablecoin use?

A7. In many Asian jurisdictions, regulatory discussions remain at an early stage with issues related compliance, collateral management, and other requirements. We are conducting comprehensive discussions, including with investee banks, but have not yet advanced to specific use cases.

Q8. How do you assess the Jefferies partnership to date and what is the outlook?

A8. The partnership has been highly beneficial in adding capabilities that SMBC and SMBC Nikko previously lacked. In the U.S., where we started first, collaborated deals are growing steadily; we now aim to scale this model across EMEA and Asia. There is ample room to expand and we expect to unlock further revenue opportunities by expanding joint client coverage.

Q9. What is the current status and outlook for loan spreads?

A9. Widening spreads reflect disciplined, return-focused lending and this trend can be seen broadly across regions. In the Americas and EMEA in particular, we are reallocating from low-profit assets into higher-profit assets such as subscription finance, NAV finance, LBOs, and securitization. We expect continued improvement in spreads.

4. Global Market Business Unit

Arihiro Nagata, Executive Officer and Senior Managing Director

Q1. What is your outlook for BoJ policy and yen-denominated bonds management?

A1. We expect yen rates to rise further. Normally, rate hikes flatten the curve, but with the BoJ holding about half of outstanding JGBs, we estimate the 10-year yield has been suppressed by roughly 80–100 bps for stock effects. As quantitative tightening progresses, that effect should fade and the curve should shift higher in parallel alongside rate hikes. While many expect the next hike in January 2026, we see a risk of an earlier move, as soon as October, and would expect the 10-year yield to rise in parallel toward around 1.8% during this fiscal year. From a portfolio management perspective, as the 10-year moves up from the current 1.6%, we will gradually unwind our hedge position and rebuild portfolio before yields approach 2%. However, the U.S. inflation path including tariff effects remains uncertain and we must also assess how this uncertainty affects the BoJ's policy decisions.

U.S. equities have been resilient even to negative news, with wealth effects supporting fundamentals, but we must watch for a reversal that could weigh on corporate earnings. We are also mindful of rate risk, with expansionary fiscal policy, U.S. interest expense has surpassed defense spending, and even if cuts begin it is unclear that market yields will fall. A U.S. slowdown would spill over to Japan and could complicate BoJ normalization. While factoring in the risk that the “world with interest rates” could turn into a “world that was supposed to have interest rates,” we will continue to our nimble portfolio management.

Q2. What is your outlook for foreign bonds management?

A2. In our bond portfolio management, we kept yen-denominated bonds low during the BoJ's period of large-scale easing and operated primarily in foreign bonds instead. With yen rates now rising, we basically think that we do not need to stretch for returns in foreign bonds.

While the U.S. appears to resume rate cuts, given resilient fundamentals and elevated inflation it is unclear that cuts will lower long-term yields; therefore we have already reduced our foreign-bonds balance.

Q3. What are your strengths and strategy in Sales & Trading?

A3. SMBC's profit size in S&T exceeds that of SMBC Nikko currently but we aim to bring them to comparable levels by FY3/32.

SMBC Group should have a competitive edge in JPY rates by the combination of a megabank and one of the former Big Four securities houses. In the U.S. where we focus on investment grade credit trading, we intend to expand our flow business by leveraging our primary dealer status in U.S. rates. We will also use our strong balance sheet to deepen financing businesses linked to Sales & Trading. In Europe, we will continue to build capabilities and intend to extend our yen-rates advantage in Japan and Asia globally.

Q4. Could Japan see the U.K. Truss shock in ultra-long yields?

A4. Many market participants might be reminded of the Truss shock when observing moves in ultra-long JGBs after the U.S. tariff announcement in April this year. Since the Upper House election, both ruling and opposing parties have taken expansionary fiscal stances (e.g., potential consumption-tax cuts and cash handout) which appears to have contributed to additional upward pressure at the long end. That said, we view the recent rise in ultra-long yields as driven primarily by supply–demand imbalances and should be resolved over time through actions by the Ministry of Finance and the BoJ and through market dynamics even if yields do not return to prior levels. I view the Truss shock as the U.K. specific and the probability of similar event happening in Japan is not high. We will monitor yen depreciation risk as concerns about expansionary fiscal policy in Japan tend to appear first in FX.

Q5. How do you strengthen foreign-currency funding under a high-rate environment with intense deposit competition?

A5. We are reinforcing foreign currency deposit taking by strengthening transaction banking which is led jointly by Global Markets Business Unit and Global Banking Business Unit. Further integration of Corporate Treasury and Markets Treasury will enhance funds transfer pricing management and market-funding capacity.

Q6. How do you see the business environment and what is your outlook on full-year profit?

A6. Our business had impacted from the U.S. tariff in April but recovered after May. Maintaining our equity portfolio has supported solid profits as the Nikkei 225 has set record highs. We expect net business profit in the first half will exceed target and highly likely to achieve the net business profit target of JPY 340 billion we initially set for FY3/26.

Q7. What is the strength of Global Markets Business Unit differentiating from peers?

A7. Since the tenure of former head Mr. Koike, we have inherited and emphasized the “three I’s” - Insight, Imagination, and Intelligence – sharpening our ability to discern the essence and identify trends. Guided by this ethos, we engage markets with discipline and integrity every day. We believe this philosophy underpins our results.

5. CFO Sessions

Kazuyuki Anchi, Group CFO

Q1. How do you view the year-to-date underperformance of share price relative to peers?

A1. I think that one factor is our ROE remaining below peers. Therefore, the improvement of profitability in our overseas businesses, particularly in Asia, is essential. In addition, media reports regarding potential additional investment in India's YES BANK have led some investors to question the balance between growth investment and shareholder returns. Moreover, while the U.S. banks delivered very strong April–June results in Sales & Trading and Equities, our capacity to monetize volatility through balance sheet deployment and risk taking still remains behind peers, highlighting the relative weakness of our securities business. Some of the strategies will take time to bear fruit, but we will especially focus on two: (1) deliver results within the current framework, positioning YES BANK as the last piece of our Multi Franchise Strategy and (2) control capital position and return excess capital to shareholders when it arises.

Q2. While expecting strong performance to continue from the second quarter onward, do you have any plan to implement measures preparing for future risks?

A2. While we continue to assess the impact of tariffs on our clients, the business environment remains favorable and I expect tariff effects to be smaller than initially expected. We also anticipate solid performance in the second half.

In FY3/25, we implemented measures to enhance future ROE, such as the sales of project finance assets in Europe, but we currently do not have any plan for FY3/26.

Q3. How do you think about the CET1 ratio target?

A3. We have set a CET1 ratio target of 10% ± 0.5% and intend to operate basically around the 10% midpoint. For the next Medium-Term Management Plan, we will reassess the target level considering the our intended business portfolio and rating agencies' capital assessments.

The businesses we are strengthening, such as securities business and Sales & Trading, are more volatile. By expanding the share of stable, asset-light businesses such as transaction banking, we aim to avoid a material increase in the CET1 target. At the same time, based on our dialogues with rating agencies, we recognize the need to maintain a buffer against the decline in unrealized gains on securities. Taking these factors together, we will set an appropriate CET1 ratio target.

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