

Major Q&A at the Round-Table Discussion with Outside Directors

Participants:

Director Sonosuke Kadonaga

Director Jun Sawada

Director Charles D. Lake II

Director Senior Managing Executive Officer Kazuyuki Anchi

Q1. Did enhanced risk management enable you to set a “most likely” target ?

Anchi: I recognize that we have established a management framework that enables proactive risk-taking under an appropriate risk management structure. In particular, as market risk and credit risk are core risks in the banking business, we control them by identifying appropriate risk levels through quantitative measurement and assessment. In addition, unrealized gains on equity holdings as well as the upward revision of our CET1 ratio target support our capacity for risk-taking. Our targets also retains sufficient flexibility to respond to changes in the business environment during the year. As a result of these enhancements, we have become capable of setting “most likely” targets.

Lake: As an outside director, I regard the establishment of a robust risk management and internal control framework as one of the Board’s key responsibilities. Above all, the most important role is to exercise proactive governance—making timely, well-informed decisions and support risk-taking by ensuring thorough deliberation on risks. This requires integrated approach, where management, the Board, and the risk management function engage in continuous and aligned discussions, rather than operating separately. SMBC Group has already built a risk management framework consistent with G-SIB standards and has secured the necessary expertise and talent. Given this foundation, it is critical to discuss appropriate risk-taking in real time across both formal and informal settings. I strive to contribute to these discussions not only at Board meetings but through various opportunities.

Q2. Given the recent increase in volatility, is the framework in place to support proactive investment with appropriate risk management?

Anchi: Our risk appetite framework links the external environment to our business strategy by defining acceptable risk levels and types. Our new Medium-Term Management Plan (hereafter “Plan”) has been formulated on this basis, with a focus on prudent risk management and a well-balanced portfolio.

Key priorities includes:

- stable growth in core businesses
- expansion of asset-light businesses with more stable earnings, such as transaction banking and

asset management

- measured growth in relatively higher-risk areas such as Global Markets, supported by a strong capital base

The 50 basis points increase in the CET1 ratio target reflects our intention to maintain sufficient capital to retain flexibility to respond to future opportunities or requirements. At the same time, we intend to limit capital deployment to inorganic investments compared with the previous Plan.

Q3. How do you assess the risk-taking culture of the SMBC Group as an outside director, and what discussions are taking place at the Board in light of the Multi-Franchise Strategy?

Lake: Achieving sustainable global growth as a G-SIB requires strategies that reflect lessons learned from past inorganic investments, including the Multi-Franchise Strategy. The new Plan has been developed on this basis. Proactively identifying key issues and potential uncertainties and fostering a shared perspectives between management and the Board enable us to adapt effectively to unforeseen circumstances. The key focus is whether we can make agile and rational decisions that appropriately balance risk and growth. Over the past year, I believe we have engaged in constructive discussions that enhance corporate value and have made appropriate decisions, including in the formulation of the new Plan.

Kadonaga: SMBC Group has a strong culture of incorporating an investor perspective into inorganic investments decisions, including disciplined actions such as withdrawals when necessary. On the other hand, there are many companies that commit resources with a long-term perspective even under challenging circumstances and eventually deliver results. In this sense, it is also important to maintain a strong commitment to past investments and drive profitability. The new Plan reflects this balance: while maintaining selective stance to inorganic investments, it places greater emphasis on improving profitability and delivering outcomes from the existing portfolio.

Sawada: The new Plan emphasizes strategy execution. To integrate global operations under a unified governance framework in the future, it will be necessary to accelerate governance integration, which may require various investments including inorganic initiatives. However, this is a consideration for the next Plan and beyond. The current priority is to improve the profitability of existing investments.

Q4. What kind of advice or guidance are you providing to support the growth of overseas business?

Sawada: I believe that global governance should be strengthened proactively. Based on my experience, it is difficult to address everything at once. Therefore, we have started by distinguishing domestic and overseas operations and discussing a model for managing the Group on a global basis.

Lake: The U.S. market is the center of global finance, with strong economic fundamentals and rapid innovation including AI. As SMBC Group aims to achieve top-tier global status, a deep understanding of local market dynamics is critical. Based on my experience in the U.S., I actively pose questions to management.

I highly value that the Group's Americas platform is not merely a branch of a Japanese bank but is run by local talent at both the Board and management levels, with day-to-day operations driven by a local growth strategy. At the same time, it is important to establish a framework that enables agile local decision-making in an increasingly uncertain environment. With proper alignment between local management and headquarters, I believe the Group can respond swiftly to opportunities. I continue discussions with management on how to strengthen this framework in various settings.

Kadonaga: The Group's global approach has evolved significantly in recent years, shifting from a headquarters-led model to one where strategies are developed through close engagement with local teams. In this context, global governance means that strategies are built on locally formulated plans, discussed across the organization, and finalized at headquarters. The new Plan was developed through this process and has received positive feedback from Board members in the Americas.

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