

## **Q&A at the FY3/2026 Small Meeting with CEO**

### **Q1: Are the FY3/27 target and the Medium-Term Management Plan based on a most likely scenario?**

A1: We have set the FY3/27 targets based on the most likely scenario, consistent with the approach taken since I became Group CEO. Our Medium-Term Management Plan is also grounded on this principle, although defining the assumptions over a three-years horizon involves a degree of difficulty.

We recognize that some investors perceive our targets as conservative. While certain assumptions, such as foreign exchange and interest rates, may be conservative for some extent, our core earnings targets are not intended to be so. In aligning top-down financial targets with bottom-up estimates from Business Units, a degree of uncertainty, including geopolitical tensions in the Middle East, may have been incorporated. However, our fundamental principle of setting targets based on the most likely scenario remains unchanged.

### **Q2: How will you narrow the gap in ROE compared with peers?**

A2: ROE targets may fluctuate depending on assumptions such as one-off items, gains on stocks, credit costs, and the capital position. As such, we do not place excessive emphasis on the future ROE.

Our top priority is to achieve profit growth on core earnings each year, excluding one-off items. This has been achieved over the past two years and will continue to be a key focus going forward.

Our Medium-Term Management Plan does not assume utilizing unrealized gains on our foreign equity. However, we will continue to explore options with a view to taking appropriate action over the next three years. Efforts to accelerate the reduction of equity holdings is underway, with the target to sell JPY 300 billion over the remaining three years, alongside measures to increase realized gains.

Through these initiatives, we aim to narrow the ROE gap with our peers.

### **Q3: What risks do you anticipate during the Medium-Term Management Plan?**

A3: One of the key risks identified in the formulation of the Medium-Term Management Plan was the potential inability to secure sufficient deposits, which could lead to slower growth in domestic lending. The Plan assumes to increase deposits by JPY 7 trillion, however, we may need to restrain loan growth if deposits growth falls short of expectation due to changes in the macro environment.

That said, our funding sources have been diversified, including the recent issuance of straight bonds for the first time in twelve years. As a result, a framework has been established that enables execution of the Plan even under a certain level of stress. Regarding the tensions in the Middle East, which is currently our most significant concern, I expect that the situation will eventually stabilize.

### **Q4: What is your assessment of current domestic interest rates and the outlook?**

A4: The ten-year interest rate has risen to around 2.8%, with market expectation that it could exceed 3%

if there is no rate hike in June.

Further increases in long-term interest rates, combined with continued yen depreciation, could lead to instability in financial markets. Against this backdrop, I assume that the next rate hike may be implemented in either June or July.

However, given the 2% inflation target, a ten-year interest rate of 3% is not considered unusual.

**Q5: Why did you raise the CET1 ratio target?**

A5: As unrealized gains on stocks are expected to decline over the next three years due to the reduction of equity holdings, we determined to raise our CET1 ratio target by 0.5% from the perspective of maintaining our credit ratings. However, based on the current situation and our planned portfolio going forward, a significant increase in risk is not anticipated. Accordingly, no further increase in our target is considered at this stage.

**Q6: Can Olive maintain its competitive advantage amid intensifying competition for deposits?**

A6: Competition for deposit acquisition is gradually intensifying, with peers launching various initiatives.

That said, I believe we can maintain Olive’s competitive advantage. Brand recognition continues to grow and an increasing number of partnership proposals is being received, supporting our efforts to enhance convenience and expand services.

When we launched Olive, the target of 12 million accounts was considered achievable, based on the number of primary account users, while further expansion was recognized as challenging. The subsequent increase in the target to 15 million reflects stronger-than-expected progress.

Through partnerships with various companies, Olive has been attracting new customer segments with previously limited engagement. Additional account acquisition is also expected from the recently announced alliance with SoftBank and Fujitsu Corp. to build a sustainable healthcare platform.

Further initiatives to expand our customer base, including measures tailored to regional cities and senior customers, are under consideration. Based on these efforts, I am confident that Olive remains highly competitive.

**Q7: What is the competitive environment for the wealth management business?**

A7: AUM growth in FY3/26 was strong, even compared with peers, reflecting progress in bank–securities collaboration and the early focus on shifting “from savings to investment” by channeling bank deposits into securities products.

Going forward, our one-stop service offering will be enhanced through bank-securities collaboration, alongside strengthening face-to-face approach. In addition, digital capabilities will be expanded through “Olive Consulting” to capture demand across a broad range of customers.

**Q8: What is your outlook for domestic corporate loan balances and spreads?**

A8: Loan balances are expected to increase by approximately JPY 5 trillion over the three years, representing moderate growth compared with the previous Medium-Term Management Plan.

We will continue to expand lending to large corporates supported by strong funding demands and expect to generate additional investment banking fees. At the same time, low-return assets will be reduced to maintain overall loan balances.

Funding demand has been very strong over the past two years and is expected to continue this fiscal year, supported by M&A, digital transformation, AI, and environmental initiatives. However, it is difficult to forecast how long this trend will persist. Over the next five years, loan growth is expected to moderate and eventually converge to a level higher than GDP growth.

Loan spreads are expected to increase going forward. Changes in liquidity conditions may lead to shifts in banks' lending stances, which could support higher spreads. In addition, increased participation of private credit in Japan is expected to provide further upward pressure on spreads.

On the other hand, the recent decline in spreads reflects an increase in short-term bridge financing for M&A. While this trend may persist given the strong pipeline, we will seek to enhance overall profitability by capturing ancillary fee income.

**Q9: What is your vision for the alliance with Jefferies?**

A9: We are satisfied with the progress of our collaboration. Going forward, we plan to increase our economic ownership up to 20% and establish a joint venture in the Japanese equities business.

While further strengthening the partnership may be a future option, our top priority is to steadily deliver results within the existing framework. Through the establishment of the joint venture, we aim to bring our securities wholesale business closer to global standards. This transformation will be advanced over time and ensure that translated into tangible results.

**Q10: What measures will you take to enhance profitability of the Multi-Franchise strategy?**

A10: The primary factor behind the lower-than-expected profit growth under the previous Medium-Term Management Plan was the inability to control credit costs. In addition to Vietnam and India, credit costs of a certain scale were recorded in Indonesia at OTO/SOF last fiscal year. However, we have now completed the necessary measures during the previous Plan.

In Indonesia, reducing funding costs remains a key priority, with a focus on strengthening deposit acquisition from individuals and SMEs. In India, synergies among SMBC's branch, YES BANK, and SMICC are beginning to materialize.

The initial approach was to grow acquired businesses over time, even if it required a longer investment horizon. However, this is no longer necessarily the case.

I have been telling internally that no additional capital will be allocated unless tangible results are

achieved within the next three years. Over the past few years, engagements are conducted not only with our internal executives and teams but also with the management of our investees, conveying a more disciplined message through repeated dialogue. As a result, there is now a stronger sense of commitment across the organization.

**Q11: Can you further accelerate the reduction of equity holdings?**

A11: We reduced equity holdings by approximately JPY 120 billion last fiscal year. While further reductions have become more challenging as negotiations have largely run their course, we aim to reduce same level this fiscal year.

In the past, we have tended to prioritize measures for holdings with larger book values. Going forward, we will also accelerate actions for holdings with relatively smaller book values but meaningful market values. We aim to achieve our target as early as possible and proceed to the next phase of reductions.

**Q12: How will the use of AI transform the banking business?**

A12: AI is already being utilized to enhance productivity in our own operations, including contact center operations and the preparation of proposal materials for corporate clients.

Over the longer term, more advanced AI agents may be adopted by corporates, potentially enabling banking transactions to be conducted without human involvement.

At present, the focus remains in exploring a range of possibilities. Given the pace of technological innovation, it is difficult to predict the future direction at this point. However, we will continue to examine concrete strategies as we move forward.

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