

# Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for fiscal 2005 ended March 31, 2006.

# 1. Operating Results

Operating results for fiscal 2005 include the results of 162 consolidated subsidiaries (114 in Japan and 48 overseas) and 63 subsidiaries and affiliates accounted for by the equity method (36 in Japan and 27 overseas).

Gross profit showed a year-on-year increase of  $\pm 65.1$  billion to  $\pm 2,090.1$  billion, primarily attributable to an increase of  $\pm 103.4$  billion in income from fees and commissions generated by the consulting business for individuals, which includes sales of investment trusts and pension-type insurance products.

After factoring in general and administrative expenses, total credit cost and gains on stocks, ordinary income of ¥963.5 billion was posted, for a year-on-year increase of ¥993.8 billion, compared with ordinary loss of ¥30.3 billion registered in the previous term. The previous term's loss was attributable to the recording of a massive amount of credit cost resulting from non-performing loan (NPL) write-offs and provisioning by SMBC, the banking subsidiary of SMFG, to complete the intensive improvement in asset quality. As a result, credit cost in the reporting period was down sharply from the previous term.

Extraordinary gains and income taxes resulted in net income of \$686.8 billion, compared with net loss of \$234.2 billion loss in the previous term, a year-on-year improvement of \$921.0 billion.

#### Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

| March 31   | <b>2006</b> (A) | 2005 (B) | Increase (decrease)<br>(A) – (B) |
|--|-----------------|----------|----------------------------------|
| Consolidated subsidiaries                                      | 162             | 167      | (5)                              |
| Subsidiaries and affiliates accounted for by the equity method | 63              | 53       | 10                               |

#### **Income Summary**

| Year ended March 31         2006 (A)         2005 (B)         (A) - (B)           Consolidated gross profit.         ¥2,029,0149         ¥2,024,990         ¥ 68,159           Net interest income         1,161,607         1,171,342         (9,735)           Trust fees         8,631         2,609         6,022           Net interest income         619,591         516,109         103,482           Net trading income         267,511         190,540         76,971           General and administrative expenses         (853,796)         (852,715)         (1,081)           Credit cost (A)         (333,571)         (1,196,797)         863,226           Write-off of loans         (69,355)         (753,939)         690,044           Provision for specific reserve         (45,047)         (493,947)         448,900           Provision for specific reserve for possible loan losses         (120,078)         201,216         (321,294)           Others         (99,091)         (144,666)         45,575         Gains (losses) on stocks         47,119         (101,918)         149,037           Equity in earnings of affiliates         963,554         (30,293)         993,847         77,422         4,745           Ordinary profit (loss)         963,554         (30  | Income Summary   | Millions of yen |              |                                  |
|---|--|-----------------|--------------|----------------------------------|
| Net interest income         1,161,607         1,171,342         (9,735)           Trust fees         3,631         2,609         6,022           Net trading income         32,807         144,387         (111,580)           Net other operating income         32,807         144,387         (111,580)           Credit cost (A)         (853,796)         (852,715)         (1,081)           Credit cost (A)         (853,796)         (852,715)         (1,081)           Credit cost (A)         (93,355)         (759,399)         690,044           Provision for specific reserve         (69,355)         (759,399)         690,044           Provision for general reserve for possible loan losses         (120,078)         201,216         (321,294)           Others         (99,091)         (144,666)         45,575         Gains (losses) on stocks         47,119         (101,918)         149,037           Equity in earnings of affiliates         31,887         27,142         4,745         (18,233)         69,005         (87,238)           Ordinary profit (loss)         Seeson impairment of fixed assets         (12,303)         /         (12,303)           Income (loss) before income taxes and minority interests         (1,43,362         (108,535)         1,151,897 <tr< th=""><th>Year ended March 31</th><th><b>2006</b> (A)</th><th>2005 (B)</th><th>Increase (decrease)<br/>(A) – (B)</th></tr<>  | Year ended March 31                                      | <b>2006</b> (A) | 2005 (B)     | Increase (decrease)<br>(A) – (B) |
| Trust fees       8,631       2,609       6,022         Net fees and commissions       619,591       516,109       103,482         Net other operating income       32,807       144,387       (111,580)         Deneral and administrative expenses       (853,796)       (852,715)       (1,081)         Credit cost (A)       (333,571)       (1,196,797)       863,226         Write-off of loans       (69,355)       (759,399)       690,044         Provision for specific reserve       for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (100,58)       201,216       (321,294)       (119,01918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Ordinary profit (loss)       (100,554       (30,293)       993,847         Extraordinary gains (losses)       1,014,362       (108,535)       1,151,897         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income (loss)       0.014       4(03,043)       4(39,180)       -       8,869       (6,869)         Deferred       (108,535)       1,151,897       1,043,362       (108,535)       1,151,897  | Consolidated gross profit                                | ¥2,090,149      | ¥ 2,024,990  | ¥ 65,159                         |
| Net fees and commissions $619,591$ $516,109$ $103,482$ Net trading income $32,807$ $144,387$ $(111,580)$ General and administrative expenses $(853,796)$ $(852,715)$ $(1,081)$ Credit cost (A) $(333,571)$ $(1,196,797)$ $863,226$ Write-off of loans $(69,355)$ $(759,399)$ $690,044$ Provision for specific reserve       for possible loan losses $(12,078)$ $201,216$ $(321,294)$ Others       (10,1918) $149,037$ $448,900$ $(120,078)$ $201,216$ $(321,294)$ Others       (104,666) $45,575$ $(18,233)$ $69,005$ $(87,238)$ Ordinary profit (loss)       sees) $31,887$ $27,142$ $4,745$ Other income (expenses) $(12,303)$ $/$ $(12,303)$ $/$ $(12,303)$ Ordinary profit (loss)       sees $79,807$ $(78,242)$ $158,049$ Losses on impairment of fixed assets $(12,303)$ $/$ $(12,303)$ $/$ $(12,303)$ Income (loss) before income taxes and minority interests $(69,818)$ $(30,638)$ $(39,180)$   | Net interest income                                      | 1,161,607       | 1,171,342    | (9,735)                          |
| Net trading income         32,807         144,387         (111,580)           Net other operating income         267,511         190,540         76,971           General and administrative expenses         (853,796)         (852,715)         (1,081)           Credit cost (A)         (853,571)         (1,196,797)         863,226           Write-off of loans         (69,355)         (759,399)         690,044           Provision for specific reserve         (45,047)         (443,947)         448,900           Provision for specific reserve for possible loan losses         (120,078)         201,216         (321,294)           Others         (99,091)         (144,666)         45,575         44,745           Gains (losses) on stocks         47,119         (101,918)         149,037           Equip in earnings of affiliates         31,887         27,142         4,745           Other income (expenses)         (18,233)         69,005         (87,238)           Ordinary profit (loss)         963,554         (30,293)         993,847           Extraordinary gains (losses)         (12,303)         /         (12,303)           Income (loss) before income taxes and minority interests         1,043,362         (108,535)         1,151,897           Income taxes:  | Trust fees   | 8,631           | 2,609        | 6,022                            |
| Net other operating income         267,511         190,540         76,971           General and administrative expenses         (853,796)         (852,715)         (1,081)           Credit cost (A)         (333,571)         (1,196,797)         863,226           Write-off of loans         (69,355)         (759,399)         690,044           Provision for general reserve for possible loan losses         (120,078)         201,216         (321,294)           Others         201,216         (321,294)         (99,091)         (144,666)         45,575           Gains (losses) on stocks         47,119         (101,918)         149,037         21,216         (321,294)           Other income (expenses)         (18,233)         69,005         (87,238)         06,005         (87,238)           Ordiary profit (loss)         963,554         (30,293)         993,847         79,807         (78,242)         158,049           Losses on impairment of fixed assets         (12,303)         /         (12,303)         /         (12,303)           Income taxes:         Current         (69,818)         (30,638)         (39,180)         -           Refund  | Net fees and commissions                                 | 619,591         | 516,109      | 103,482                          |
| General and administrative expenses       (853,796)       (852,715)       (1,081)         Credit cost (A)       (333,571)       (1,196,797)       863,226         Write-off of loans       (69,355)       (759,399)       690,044         Provision for specific reserve       (45,047)       (493,947)       448,900         Provision for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (101,918)       149,037       144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (90,005)       (87,238)       69,005       (87,238)         Ordinary profit (loss)       (108,554       (30,293)       993,847         Extraordinary gains (losses)       /       (12,303)       /       (12,303)         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (108,535)       1,151,897       (108,535)       1,151,897         Minority interests in net income       (59,800)       (50,983)       (8,817)         Vet income (loss)       (48,841)   | Net trading income                                       | 32,807          | 144,387      | (111,580)                        |
| Credit cost (A)       (1,196,797)       863,226         Write-off of loans       (69,355)       (759,399)       690,044         Provision for specific reserve       (45,047)       (493,947)       448,900         Others       (99,091)       (144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (12,303)       69,005       (87,238)         Ordinary profit (loss)       963,554       (30,293)       993,847         Extraordinary gains (losses)       7(12,303)       /       (12,303)         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income (loss)       Income (loss)       (50,983)       (8,817)       -       8,869       (8,869)         Deferred       (108,53)       (173,983)       (59,983)       (8,817)       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810   | Net other operating income                               | 267,511         | 190,540      | 76,971                           |
| Write-off of loans       (69,355)       (759,399)       690,044         Provision for specific reserve       (45,047)       (493,947)       448,900         Provision for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (99,091)       (144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (18,233)       69,005       (87,238)         Ordinary profit (loss)       963,554       (30,293)       993,847         Extraordinary gains (losses)       963,554       (30,293)       993,847         Extraordinary gains (losses)       (12,303)       /       (12,303)       /       (12,303)         Losses on impairment of fixed assets       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303)       /       (12,303) <th>General and administrative expenses</th> <th>(853,796)</th> <td>(852,715)</td> <td>(1,081)</td>  | General and administrative expenses                      | (853,796)       | (852,715)    | (1,081)                          |
| Provision for specific reserve       (45,047)       (493,947)       448,900         Provision for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (99,091)       (144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (18,233)       69,005       (87,238)         Ordinary profit (loss)       963,554       (30,293)       993,847         Extraordinary gains (losses)       79,807       (78,242)       158,049         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Income (loss) before income taxes and minority interests       31,584       1,032       30,552         Current       (69,818)       (30,638)       (39,180)         Refund       -       8,869       (8,869)         Deferred       (226,901)       (52,912)       (173,989)         Minority interests in net income       (59,800)       (50,983)       (8,817)         Net income (loss)       486,841       ¥ (231,967)       ¥ 934,810         [Reference]       Incode (loss)       48,810 <th>Credit cost (A)</th> <th>(333,571)</th> <td>(1,196,797)</td> <td>863,226</td>  | Credit cost (A)  | (333,571)       | (1,196,797)  | 863,226                          |
| Provision for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (199,091)       (144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       69,055       (87,238)       69,005       (87,238)         Ordinary profit (loss)       101,918       149,037       18,887       27,142       4,745         Other income (expenses)       69,0554       (30,0293)       993,847         Extraordinary gains (losses)       101,918       149,037         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)       -       8,869       (8,869)         Deferred       (59,800)       (50,983)       (8,17)       (12,303)       (426,901)       (52,912)       (173,989)         Minority interests in net income       (59,800)       (50,983) <th>Write-off of loans</th> <th>(69,355)</th> <td>(759,399)</td> <td>690,044</td>   | Write-off of loans                                       | (69,355)        | (759,399)    | 690,044                          |
| Provision for general reserve for possible loan losses       (120,078)       201,216       (321,294)         Others       (199,091)       (144,666)       45,575         Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       69,055       (87,238)       69,005       (87,238)         Ordinary profit (loss)       101,918       149,037       18,887       27,142       4,745         Other income (expenses)       69,0554       (30,0293)       993,847         Extraordinary gains (losses)       101,918       149,037         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)       -       8,869       (8,869)         Deferred       (59,800)       (50,983)       (8,17)       (12,303)       (426,901)       (52,912)       (173,989)         Minority interests in net income       (59,800)       (50,983) <th>Provision for specific reserve</th> <th>(45,047)</th> <td>(493,947)</td> <td>448,900</td>   | Provision for specific reserve                           | (45,047)        | (493,947)    | 448,900                          |
| Gains (losses) on stocks       47,119       (101,918)       149,037         Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (18,233)       69,005       (87,238)         Ordinary profit (loss)       963,554       (30,293)       993,847         Extraordinary gains (losses)       (12,303)       /       (12,303)         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Income (loss) before income taxes and minority interests       31,584       1,032       30,552         Income taxes:       (69,818)       (30,638)       (39,180)         Current       6(9,818)       (30,638)       (39,180)         Minority interests in net income       (50,983)       (8,817)         Net income (loss)       (50,983)       (8,817)         Yet (301,987)       ¥(301,987)       ¥(1,196,797)       ¥ 894,810   |  | (120,078)       | 201,216      | (321,294)                        |
| Equity in earnings of affiliates       31,887       27,142       4,745         Other income (expenses)       (18,233)       69,005       (87,238)         Ordinary profit (loss)       963,554       (30,293)       993,847         Extraordinary gains (losses)       79,807       (78,242)       158,049         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund       –       8,869       (8,869)         Deferred       (59,800)       (50,983)       (8,817)         Net income (loss)       ¥ 686,841       ¥ (234,201)       ¥ 921,042         Y 6886,841       ¥ (234,201)       ¥ 921,042         Y 6886,841       ¥ (234,201)       ¥ 921,042         Y 686,841       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810         [Reference]       (1,196,797)       ¥ 894,810   | Others   | (99,091)        | (144,666)    | 45,575                           |
| Other income (expenses)         (18,233)         69,005         (87,238)           Ordinary profit (loss)         963,554         (30,293)         993,847           Extraordinary gains (losses)         79,807         (78,242)         158,049           Losses on impairment of fixed assets         (12,303)         /         (12,303)           Gains on collection of written-off claims (B)         31,584         1,032         30,552           Income (loss) before income taxes and minority interests         1,043,362         (108,535)         1,151,897           Income taxes:         (69,818)         (30,638)         (39,180)           Refund         –         8,869         (8,869)           Deferred         (52,912)         (173,989)           Minority interests in net income         (50,983)         (8,817)           Net income (loss)         ¥         686,841         ¥ (234,201)         ¥ 921,042           Total credit cost (A) + (B)         ¥         (301,987)         ¥(1,196,797)         ¥ 894,810  | Gains (losses) on stocks                                 | 47,119          | (101,918)    | 149,037                          |
| Other income (expenses)         (18,233)         69,005         (87,238)           Ordinary profit (loss)         963,554         (30,293)         993,847           Extraordinary gains (losses)         79,807         (78,242)         158,049           Losses on impairment of fixed assets         (12,303)         /         (12,303)           Gains on collection of written-off claims (B)         31,584         1,032         30,552           Income (loss) before income taxes and minority interests         1,043,362         (108,535)         1,151,897           Income taxes:         (69,818)         (30,638)         (39,180)           Refund         –         8,869         (8,869)           Deferred         (52,912)         (173,989)           Minority interests in net income         (50,983)         (8,817)           Net income (loss)         ¥         686,841         ¥ (234,201)         ¥ 921,042           Total credit cost (A) + (B)         ¥         (301,987)         ¥(1,196,797)         ¥ 894,810  | Equity in earnings of affiliates                         | 31,887          | 27,142       | 4,745                            |
| Extraordinary gains (losses)       79,807       (78,242)       158,049         Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund       –       8,869       (8,869)         Deferred       (52,912)       (173,989)         Minority interests in net income.       (50,983)       (8,817)         Net income (loss)       ¥       686,841       ¥ (234,201)       ¥       921,042         ¥       (301,987)       ¥(1,196,797)       ¥       894,810         [Reference]       600       600       600       600  | Other income (expenses)                                  | (18,233)        | 69,005       | (87,238)                         |
| Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund       –       8,869       (8,869)         Deferred       (52,912)       (173,989)         Minority interests in net income.       (50,983)       (8,817)         Net income (loss)       ¥       686,841       ¥ (234,201)       ¥       921,042         Total credit cost (A) + (B)       [Reference]       ¥ (301,987)       ¥(1,196,797)       ¥ 894,810   | Ordinary profit (loss)                                   | 963,554         | (30,293)     | 993,847                          |
| Losses on impairment of fixed assets       (12,303)       /       (12,303)         Gains on collection of written-off claims (B)       31,584       1,032       30,552         Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund       –       8,869       (8,869)         Deferred       (52,912)       (173,989)         Minority interests in net income.       (50,983)       (8,817)         Net income (loss)       ¥       686,841       ¥ (234,201)       ¥       921,042         Total credit cost (A) + (B)       [Reference]       ¥ (301,987)       ¥(1,196,797)       ¥ 894,810   | Extraordinary gains (losses)                             | 79,807          | (78,242)     | 158,049                          |
| Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund  | Losses on impairment of fixed assets                     | (12,303)        | i i i        | (12,303)                         |
| Income (loss) before income taxes and minority interests       1,043,362       (108,535)       1,151,897         Income taxes:       (69,818)       (30,638)       (39,180)         Refund  | Gains on collection of written-off claims (B)            | 31,584          | 1,032        | 30,552                           |
| Current       (69,818)       (30,638)       (39,180)         Refund       –       8,869       (8,869)         Deferred       (226,901)       (52,912)       (173,989)         Minority interests in net income       (59,800)       (50,983)       (8,817)         Net income (loss)       ¥       686,841       ¥       (234,201)       ¥       921,042         Total credit cost (A) + (B)       [Reference]       ¥       (301,987)       ¥(1,196,797)       ¥       894,810   | Income (loss) before income taxes and minority interests | 1,043,362       | (108,535)    | 1,151,897                        |
| Refund         -         8,869         (8,869)           Deferred         (226,901)         (52,912)         (173,989)           Minority interests in net income         (59,800)         (50,983)         (8,817)           Net income (loss)         ¥ 686,841         ¥ (234,201)         ¥ 921,042           Total credit cost (A) + (B)         ¥ (301,987)         ¥(1,196,797)         ¥ 894,810           [Reference]         Image: Comparison of the second secon  | Income taxes:  |                 |              |                                  |
| Deferred         (226,901)         (52,912)         (173,989)           Minority interests in net income.         (59,800)         (50,983)         (8,817)           Net income (loss)         ¥ 686,841         ¥ (234,201)         ¥ 921,042           Total credit cost (A) + (B)         ¥ (301,987)         ¥ (1,196,797)         ¥ 894,810           [Reference]         Image: Comparison of the second se  | Current  | (69,818)        | (30,638)     | (39,180)                         |
| Minority interests in net income.       (59,800)       (50,983)       (8,817)         Net income (loss)       ¥ 686,841       ¥ (234,201)       ¥ 921,042         Total credit cost (A) + (B)       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810         [Reference]       Image: Comparison of the second secon | Refund   | _               | 8,869        | (8,869)                          |
| ¥ 686,841       ¥ (234,201)       ¥ 921,042         Total credit cost (A) + (B)       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810         [Reference]       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810   | Deferred   | (226,901)       | (52,912)     | (173,989)                        |
| Total credit cost (A) + (B)       ¥ (301,987)       ¥ (1,196,797)       ¥ 894,810         [Reference]       ¥   | Minority interests in net income                         | (59,800)        | (50,983)     | (8,817)                          |
| [Reference]   | Net income (loss)  | ¥ 686,841       | ¥ (234,201)  | ¥ 921,042                        |
|   | Total credit cost (A) + (B)                              | ¥ (301,987)     | ¥(1,196,797) | ¥ 894,810                        |
|   | [Reference]  |                 |              |                                  |
|   |  | ¥ 1,225.4       | ¥ 1,014.4    | ¥ 211.0                          |

Notes: 1. Consolidated gross profit = (Interest income - Interest expenses) + Trust fees + (Fees and commissions (income)

--Fees and commissions (expenses)) + (Trading profile – Trading losses) + (Other operating income – Other operating expenses)
 2. Total credit cost for the year ended March 31, 2006 includes gains on collection of written-off claims.

3. Consolidated banking profit = SMBC's nonconsolidated banking profit (before provision for general reserve for possible loan losses)

+ SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.) Deposits (excluding negotiable certificates of deposit) as of March 31, 2006, stood at \$70,834.1 billion, a \$2,359.2 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at \$2,708.6 billion, a decrease of \$4.6 billion over the same period. Loans and bills discounted increased \$2,467.3 billion to \$57,267.2 billion, while securities increased \$1,272.1 billion to \$25,505.8billion. During the term, stockholders' equity increased \$1,678.6 billion to \$4,454.3 billion, due to the posting of net income, an increase in unrealized gains on the valuation of securities, and a capital increase through the public offering of new shares and the secondary offering of treasury stock.

#### Assets, Liabilities and Stockholders' Equity

| March 31                           | <b>2006</b> (A) | 2005 (B)    | Increase (decrease)<br>(A) – (B) |
|------------------------------------|-----------------|-------------|----------------------------------|
| Assets                             | ¥107,010,575    | ¥99,731,858 | ¥7,278,717                       |
| Loans and bills discounted         | 57,267,203      | 54,799,805  | 2,467,398                        |
| Securities                         | 25,505,861      | 24,233,701  | 1,272,160                        |
| Liabilities                        | 101,443,151     | 95,934,927  | 5,508,224                        |
| Deposits                           | 70,834,125      | 68,474,861  | 2,359,264                        |
| Negotiable certificates of deposit | 2,708,643       | 2,713,270   | (4,627)                          |
| Minority interests                 | 1,113,025       | 1,021,203   | 91,822                           |
| Stockholders' equity               | 4,454,399       | 2,775,728   | 1,678,671                        |

### 2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2006 amounted to \$1,342.7 billion, which is an increase of \$648.0billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are directly credited to stockholders' equity, increased by  $\pm 677.0$  billion over the same period, to  $\pm 1,373.5$  billion. The increase in unrealized gains on other securities resulted from an increase in unrealized gains on stocks in the amount of  $\pm 997.6$  billion year on year due to higher stock prices.

#### Unrealized Gains (Losses) on Securities

|                             | Millions of yen                   |            |                  |                      |                                   |                  |                      |
|-----------------------------|-----------------------------------|------------|------------------|----------------------|-----------------------------------|------------------|----------------------|
|                             |                                   | 2006       |                  |                      | 2005                              |                  |                      |
| March 31                    | Net unrealized gains (losses) (A) | (A) – (B)  | Unrealized gains | Unrealized<br>losses | Net unrealized gains (losses) (B) | Unrealized gains | Unrealized<br>losses |
| Held-to-maturity securities | ¥ (30,781)                        | ¥ (28,963) | ¥ 580            | ¥ 31,361             | ¥ (1,818)                         | ¥ 2,114          | ¥ 3,933              |
| Other securities            | 1,373,337                         | 676,998    | 1,771,170        | 397,833              | 696,339                           | 801,356          | 105,017              |
| Stocks                      | 1,702,690                         | 997,637    | 1,722,129        | 19,438               | 705,053                           | 750,480          | 45,426               |
| Bonds                       | (297,233)                         | (312,194)  | 988              | 298,222              | 14,961                            | 34,971           | 20,010               |
| Others                      | (32,120)                          | (8,445)    | 48,052           | 80,172               | (23,675)                          | 15,903           | 39,579               |
| Other money held in trust   | 209                               | 5          | 209              | —                    | 204                               | 300              | 95                   |
| Total                       | 1,342,765                         | 648,041    | 1,771,960        | 429,195              | 694,724                           | 803,771          | 109,046              |
| Stocks                      | 1,702,690                         | 997,637    | 1,722,129        | 19,438               | 705,053                           | 750,480          | 45,426               |
| Bonds                       | (328,288)                         | (340,909)  | 1,294            | 329,583              | 12,621                            | 36,554           | 23,932               |
| Others                      | (31,636)                          | (8,686)    | 48,535           | 80,172               | (22,950)                          | 16,735           | 39,686               |

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit bought in "Deposits with banks" and beneficiary claims on commodity investment trust in "Commercial paper and other debt purchased."

Unrealized gains (losses) on stocks are mainly calculated using the average market price during the final month of the respective reporting period. The rest of the securities are valuated at the market price as of the balance sheet date.

 "Other securities" and "Other money held in trust" are valuated and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.

"Unrealized gains (losses) on other securities" as of March 31, 2006 include losses of ¥3,193 million that were recognized in the income statement by applying fair value hedge accounting, which are included in the amount to be directly included in stockholders' equity. "Unrealized gains (losses) on other securities" as of March 31, 2005 include gains of ¥469 million that were recognized as income by applying fair value hedge accounting and valuation gains of ¥82 million on embedded financial instruments in their entirety that were recorded as income because their embedded derivatives are not measured separately. Therefore, ¥551 million was excluded from the amount to be directly included in stockholders' equity.

# 3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2006 was 12.39%. (Please refer to "Capital Ratio" section on page 122 for more information.)

Total capital, which constitutes the numerator in the capital ratio calculation equation, was \$8,094.3 billion, representing a \$2,074.2 billion increase from the previous fiscal year-end. The main factors were the posting of net income, the issuance of new shares through public offering and private placement,

and the secondary offering of treasury stock.

On the other hand, risk-weighted assets, the denominator in the equation, increased \$4,769.7 billion to \$65,322.3 billion from the previous fiscal year-end. This is principally attributable to increases in loans made overseas, and the active marketing of housing loans and unsecured loans to small and medium-sized enterprises.

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#### **Consolidated Capital Ratio**

|  | Millions of yen |             |                        |  |
|--|-----------------|-------------|------------------------|--|
|  |                 | 2005 (D)    | Increase<br>(decrease) |  |
| March 31   | <b>2006</b> (A) | 2005 (B)    | (A) – (B)              |  |
| Tier I capital (A)                                 | ¥ 4,645,905     | ¥ 3,262,250 | ¥1,383,655             |  |
| Tier II capital included as qualifying capital (B) | 4,067,736       | 3,262,250   | 805,486                |  |
| Deductions (C)                                     | (619,279)       | (504,430)   | (114,849)              |  |
| Total capital (D) = (A) + (B) – (C)                | 8,094,361       | 6,020,069   | 2,074,292              |  |
| Risk-adjusted assets (E)                           | 65,322,349      | 60,552,620  | 4,769,729              |  |
| Capital ratio = (D) / (E) $\times$ 100             | 12.39%          | 9.94%       | 2.45%                  |  |

## 4. Dividend Policy

Given the public nature of its business and respecting the stockholders' interests, SMFG subscribes to a fundamental policy of paying dividends as deemed appropriate in view of the need to increase capital and preserve sound operation.

The term-end dividend was determined taking into account the need for a sufficient amount of retained earnings for SMFG as a whole to enhance Tier I capital. As a result, SMFG paid an annual dividend of \$3,000 per share of common stock. Annual dividends for preferred stock were paid in the predetermined amounts for each category of preferred stock.

SMFG did not pay an interim dividend for the reporting period.