

**Major Questions and Answers on the Financial Results**  
**for the Fiscal Year ended March 31, 2006**

This document contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this document: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

The followings are frequent asked questions and their answers on the financial results for the fiscal year ended March 31, 2006, announced on May 23, 2006.

**1. SMBC's Financial Results for Fiscal 2005**

Q. What was the reason for the year-over-year change in Banking profit\*? What was the reason for the increase from the revised forecast announced in November 2005?

A. Banking profit\* increased by JPY 25.1 billion year over year to JPY 965.6 billion.

Gross banking profit increased by JPY 29.2 billion, because profits of the Marketing Units increased steadily mainly due to the increase in non-interest income generated from sales of investment trusts, etc. On the other hand, Expenses increased by JPY 4.1 billion.

Compared with our revised forecast announced in November 2005, Banking profit\* was JPY 15.6 billion higher mainly because Gross banking profit was JPY 7.1 billion higher than the forecast, mainly thanks to greater-than-expected sales of investment trusts, etc. In addition, Expenses were JPY 8.5 billion lower than expected due to the continued rationalization of operations.

*\*Banking profit before provision for general reserve for possible loan losses*

Q. What was the progress in reducing Expenses?

A. In fiscal 2005, Expenses increased by JPY 4.1 billion year over year to JPY 586.5 billion.

The increase in Expenses was attributable to increase in Non-personnel expenses caused by investment in consumer finance businesses under the strategic alliance with Promise Co., Ltd., and to enhancement of sales promotion targeting our retail customers, although further rationalization measures, such as workforce streamlining, were taken in

existing business operations. The number of employees fell by 698 year over year to 20,322.

## 2. SMBC's Balance Sheet

Q. What was the reason for the change in loan balance?

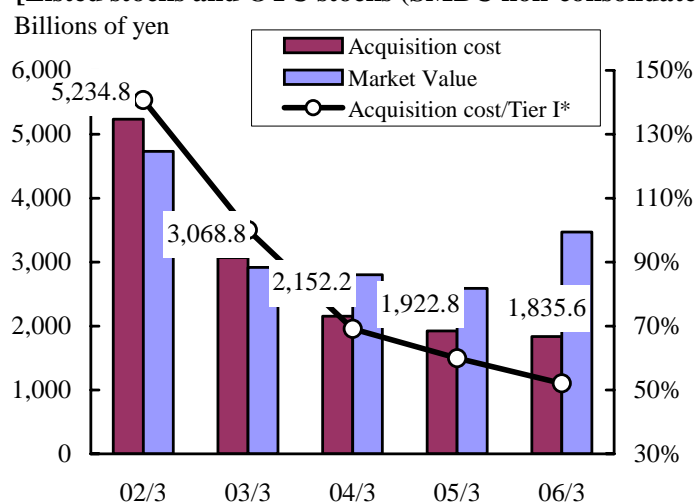
A. The loan balance as of March 31, 2006 increased by approximately JPY 1,790 billion from March 31, 2005. Domestic loans (excluding offshore banking account) increased by approximately JPY 790 billion, while overseas loans (including offshore banking account) increased by approximately JPY 1 trillion.

Despite the reduction of domestic Risk-monitored loans by approximately JPY 840 billion, total domestic loans increased mainly due to the reinforcement of origination of unsecured loans to small-and medium-sized enterprises (SMEs) and mortgage loans. Overseas loans increased mainly due to the increase of loans to corporations with higher credit ratings and project finance.

Q. Is reduction of stockholdings progressing?

A. We sold approximately JPY 180.0 billion worth of stocks in fiscal 2005, and successfully reduced the level of stockholdings in book value basis to the targeted level of approximately 50% of Tier 1 capital.

### < Reduction of Stockholdings > [Listed stocks and OTC stocks (SMBC non-consolidated)]



\* Tier 1 Capital: SMBC consolidated basis

Q. What was the amount of Net deferred tax assets as of March 31, 2006? What was the reason for the decrease?

A. The balance sheet amount of Net deferred tax assets as of March 31, 2006, was JPY 976.2 billion, a decrease of JPY 526.0 billion compared with March 31, 2005.

This is mainly due to steady collection of Deferred tax assets with recognition of Income before income taxes, as well as the increase in Deferred tax liabilities related to the increase in Net unrealized gains on Other securities, due to the favorable condition of the Japanese stock markets.

Q. On a SMFG consolidated basis, what is the ratio of Net deferred tax assets to Tier I capital under the current Basel Accord?

A. The balance sheet amount of Net deferred tax assets as of March 31, 2006 on a SMFG consolidated basis, was JPY 1,002.1 billion, a decrease of JPY 550.8 billion compared with March 31, 2005, while the amount of Tier I capital was JPY 4,645.9 billion, an increase of JPY 1,383.6 billion compared with March 31, 2005.

As a result, the ratio of Net deferred tax assets to Tier I capital as of March 31, 2006 substantially decreased by approximately 26 percentage points compared with March 31, 2005 to 21.6%, well below 40%, the upper limit for BIS capital ratio calculation under the Japanese regulatory guidelines for March-end 2006.

### 3. SMBC's Asset Quality

Q. What was the reason for the decrease in Problem Assets based on the Financial Reconstruction Law ("Problem Assets")?

A. The balance of Problem Assets as of March 31, 2006 was JPY 960.1 billion, a decrease of JPY 864.5 billion compared with March 31, 2005. The decrease was led by such factors as:

- upward migrations of borrowers' category due to revitalizations and reorganizations, and
- our continuous effort for reduction through sales of collateralized real estates and bulk-sales of problem assets.

The Problem Asset ratio as of March 31, 2006 turned 1.7%, a 1.6 percentage points decrease year-over-year.

A breakdown of the decrease in Problem Assets is as follows: Bankrupt and

quasi-bankrupt assets decreased by JPY 283.8 billion, Doubtful assets decreased by JPY 451.0 billion, and Substandard loans decreased by JPY 129.7 billion.

Q. Total credit cost in fiscal 2005 was JPY 230.9 billion, decreased by approximately JPY 70 billion compared with the original forecast at the beginning of the year, JPY 300.0 billion. Please explain the factors behind the decrease.

A. The decrease was led by such factors as:

- reversal of costs booked beforehand through disposal of non-performing loans such as "off-balancing",
- strengthening of collection and increase in collaterals and guarantees, etc., and
- reversal of reserves due to upward migrations of borrowers' category through recovery in borrowers' financial condition.

Q. What were the reserve ratios for Problem Assets?

A. Reserve ratios for the unsecured portion of Problem Assets by each borrowers' category are as follows: 100% for both Bankrupt and quasi-bankrupt assets and Doubtful assets, and 52.6% for Claims to Substandard borrowers. Reserve ratio for Doubtful assets increased by 5.4 percentage points and the ratio of Claims to Substandard borrowers increased by 7.6 percentage points compared with March 31, 2005. Also, reserve ratio for unsecured portion of total Problem Assets was 80.4%, a 0.4 percentage points increase year-over-year.

Q. What was the amount of credit cost on a SMFG consolidated basis? What was the reason for the difference compared with SMBC non-consolidated figure?

A. Credit cost in fiscal 2005 was JPY 302.0 billion on a SMFG consolidated basis and JPY 230.9 billion on a SMBC non-consolidated basis, and the difference was JPY 71.1 billion. Credit costs of subsidiaries engaging in lending business, such as The MINATO BANK, LTD. and Kansai Urban Banking Corporation, and mortgage loan guarantees accounted for a large portion of the difference.

#### 4. SMBC's Business Strategy

Q. Please explain the results of unsecured loans to SMEs in fiscal 2005 and the plan for fiscal 2006.

A. Origination of unsecured loans to SMEs increased by approximately JPY 40 billion year over year to more than JPY 3.7 trillion in fiscal 2005, comprising of approximately JPY 1.6 trillion in *Business Select Loan ("BSL")*, approximately JPY 320 billion in *Creceer Loan*, and approximately JPY 1.8 trillion in *N Funds and others*.

Our origination target on unsecured loans to SMEs for fiscal 2006 is approximately JPY 3.8 trillion in total.

Q. Please give the results of the financial consulting for individuals.

A. The balance of investment trusts held by individuals under SMBC account increased by approximately JPY 540 billion compared with March 31, 2005 to more than JPY 2.8 trillion as of March 31, 2006. Sales of pension-type insurances was approximately JPY 660 billion, an increase of approximately JPY 80 billion year over year, and the cumulative total since their launch in October 2002 was approximately JPY 1.7 trillion.

Meanwhile, origination of mortgage loans (residential purpose) in fiscal 2005 increased by approximately JPY 160 billion year over year to approximately JPY 2.09 trillion, and the balance increased to more than JPY 10 trillion as of March 31, 2006. In October 2005, we introduced in Japan a new-type of mortgage loan with insurance which covers the loan balance in the case the borrower is diagnosed with one of the three major fatal diseases. Origination of the new loan, which has been favorably received by customers, in the 6 months from October 2005 to March-end 2006 reached approximately JPY 100 billion.

#### 5. Earnings Forecasts

Q. Please give SMFG's and SMBC's earnings forecasts for fiscal 2006.

A. SMFG's consolidated Ordinary profit and Net income forecasts for fiscal 2006 are JPY 1,010 billion and 570 billion, respectively. At the same time, SMBC's non-consolidated Banking profit\* and Net income forecasts are JPY 940 billion and 460 billion respectively.

\*Banking profit before provision for general reserve for possible loan losses

Q. Please explain SMBC's non-consolidated Banking profit\* forecast for fiscal 2006.

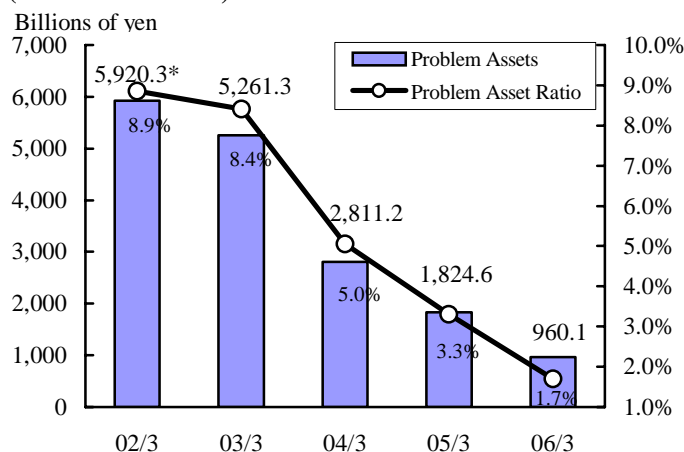
A. SMBC's non-consolidated Banking profit\* in fiscal 2006 is expected to decrease by approximately JPY 26 billion to JPY 940 billion, mainly due to an expected decrease in the Marketing Units' gross profits of approximately JPY 11 billion resulting from decreases in profits from sales of derivatives, offsetting increases in profits in investment banking related businesses including loan syndication. We plan to increase investment banking related profits through various initiatives to reinforce business promotion framework for corporate business including the establishment of a Corporate Advisory Division. Another Banking profit depressing factor is a projected increase in expenses mainly from investments in marketing channels such as domestic network with regard to financial consulting for individuals and overseas network, although we intend to take further rationalization measures.

*\*Banking profit before provision for general reserve for possible loan losses*

Q. Please explain SMBC's plan for reducing non-performing loans.

A. We will reduce the balance of Problem assets and the Problem asset ratio further by steadfastly continuing our efforts in off-balancing, corporate revitalizations, and prevention of further deterioration of borrowers' financial conditions. Since the balance of Problem assets and Problem asset ratio have already decreased to JPY 960.1 billion and approximately 1.7%, respectively, the balance of Problem assets is expected to decrease only slightly in fiscal 2006 compared with the previous results.

**< Problem Assets Based on the Financial Reconstruction Law ("Problem Assets") : SMBC non-consolidated >**



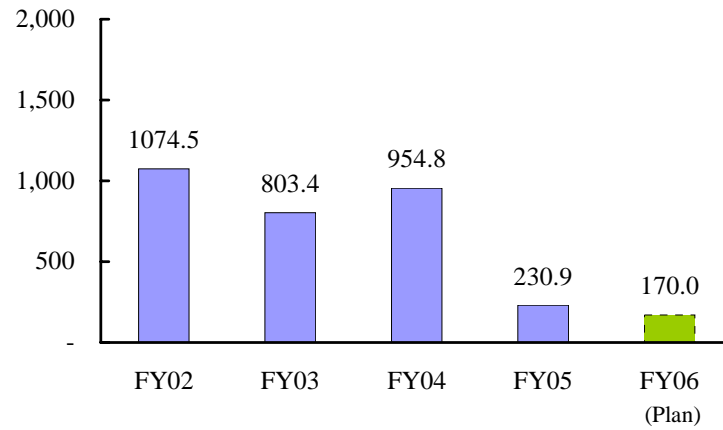
\* Includes the former Wakashio bank

Q. Please explain SMBC's non-consolidated Total credit cost forecast for fiscal 2006.

A. We expect SMBC's non-consolidated Total credit cost for fiscal 2006 to be approximately JPY 170 billion.

**< Total credit cost: SMBC non-consolidated >**

(Billions of yen)



Reference: Page 20 of the "Financial Results Fiscal Year 2005 Supplementary Information"

### 23. Earnings Forecast for FY2006

Sumitomo Mitsui Financial Group, Inc.

<Non-consolidated> (Billions of yen)

	Six-month period	FY2006	FY2005
	ending Sep. 30, 2006	Forecast	Result
Operating income	320.0	360.0	55.4
Ordinary profit	315.0	355.0	48.2
Net income	315.0	355.0	73.4

(Billions of yen)

	Six-month period	FY2006	FY2005
	ending Sep. 30, 2006	Forecast	Result
Total dividend	-	55.1	48.0

Dividend per share forecast (Yen)

	Six-month period	FY2006	FY2005
	ending Sep. 30, 2006	Forecast	Result
Common stock	-	4,000	3,000
Type 1 Preferred stock	-	-	10,500
Type 2 Preferred stock	-	28,500	28,500
Type 3 Preferred stock	-	13,700	13,700
1st - 12th series Type 4 Preferred stock	-	135,000	135,000
1st Series Type 6 Preferred stock	-	88,500	88,500

<Consolidated> (Billions of yen)

	Six-month period	FY2006	FY2005
	ending Sep. 30, 2006	Forecast	Result
Ordinary income	1,750.0	3,700.0	3,705.1
Ordinary profit	440.0	1,010.0	963.6
Net income	260.0	570.0	686.8

(Reference)

Sumitomo Mitsui Banking Corporation

<Non-consolidated> (Billions of yen)

	Six-month period	FY2006	FY2005
	ending Sep. 30, 2006	Forecast	Result
Gross banking profit	720.0	1,540.0	1,552.1
Expenses	(300.0)	(600.0)	(586.5)
Banking profit (before provision for general reserve for possible loan losses)	420.0	940.0	965.6
Ordinary profit	340.0	780.0	720.9
Net income	210.0	460.0	519.5
Total credit cost (*)	(85.0)	(170.0)	(230.9)

(\*) (Provision for general reserve for possible loan losses) + (Credit cost included in non-recurring losses)  
+ (Gains on collection of written-off claims included in Extraordinary gains)