

Major Questions and Answers on the Financial Results
for the Six Months ended September 30, 2007.

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 frequently asked questions and their answers on the financial results for the six months ended September 30, 2007, announced on November 19, 2007.

1. SMBC's Financial Results for the first half of FY2007

Q1. What was the reason for the year over year change in Banking profit*? What was the reason for the increase from the earnings forecast announced in May 2007?

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

A1. Banking profit increased by JPY 79.3 billion year over year to JPY 390.9 billion.

This was mainly due to a JPY 55.4 billion year over year decrease in Losses on bonds, reflecting a reduction in bond exposure with losses in the first half of FY2006 in order to prepare for anticipated interest rate hike, and a JPY 33.7 billion year over year increase in Net interest income mainly led by expansion of Loan to deposit spread.

Compared with the earnings forecast announced in May 2007, Banking profit was higher by JPY 25.9 billion mainly due to the greater-than-expected profits of the Treasury Unit including gains on sales of bonds amid declining interest rates in domestic and overseas markets, and an increase in revenue from foreign currency-related transactions reflecting customers' hedging needs under the sharp appreciation of the Japanese yen since this summer.

Q2. Please explain about Expenses.

A2. In the first half of FY2007, Expenses increased by JPY 30.1 billion year over year to JPY 327.6 billion. This was mainly due to the aggressive investment in strategic business areas in order to improve customer convenience and enhance competitiveness. Expenses in the first half were in line with the earnings forecast

announced in May.

Q3. Total credit cost in the first half of FY2007 was JPY 114.2 billion, which was higher than the earnings forecast announced in May as well as the previous year's result. Please explain the factors behind the increase.

A3. SMBC's total credit cost in the first half of FY2007 was JPY 44 billion higher than the earnings forecast announced in May, because SMBC made loss provisions for (a) U.S. subprime loan related exposures, and (b) an unanticipated deterioration in the credit quality of certain borrowers. The result was JPY 80 billion higher than the previous year's result, because, in the previous year, SMBC recorded Gains on reversal of reserve for possible loan losses through work-out of non-performing assets and improvements in borrower categories. In the first half of this fiscal year, however, there were no such gains, in addition to the additional factors of credit costs explained above.

Q4. What was the amount of Total credit cost on a SMFG consolidated basis? What was the reason for the difference vis-à-vis the cost on a SMBC non-consolidated basis?

A4. Total credit cost on a SMFG consolidated basis increased by JPY 85.1 billion year over year, to JPY 143.1 billion, mainly due to the increase in SMBC's non-consolidated total credit cost.

Subsidiaries engaging in lending business, such as THE MINATO BANK, LTD., and Kansai Urban Banking Corporation, and credit card and leasing business accounted for most of the difference of JPY 28.9 billion in total credit cost between SMFG consolidated basis and SMBC non-consolidated basis.

Q5. Please explain in more details about SMBC's losses on stocks of JPY 103.8 billion, attributable to such factors as write-downs on shares of equity method affiliates. Also, how were these losses reflected in SMFG's consolidated P/L?

A5. SMBC wrote down shares mainly of alliance partners in consumer finance business, such as Promise Co., Limited, an equity method affiliated company, and OMC Card, Inc., whose share prices as of September-end 2007 fell more than certain degree of their acquisition cost.

A rough breakdown of SMBC's non-consolidated write down is as follows: (a) approximately JPY 46 billion on shares of Promise, net of loss provisions for investments of JPY 78 billion recorded in the last fiscal year, (b) approximately JPY 44

billion on shares and trust beneficiary interests of OMC Card, and (c) approximately JPY 6 billion on shares of Central Finance Co., Ltd.

SMFG, the holding company, also owns shares of Central Finance, and wrote down and recorded losses in its non-consolidated P/L of approximately JPY 4 billion. However, as Promise and Central Finance are equity method affiliated companies, write-downs related to these companies at SMBC do not affect SMFG's consolidated P/L in accordance with the accounting rules for consolidated financial statements.

Earnings of affiliated companies are reflected in SMFG's consolidated P/L using the equity method. Specifically, SMFG's pro-rata share of each company's Net income is recognized as Equity in earnings/ losses of affiliates.

OMC Card was not SMFG's equity method affiliated company in the first half of FY2007. Therefore, approximately JPY 44 billion of write down in the company's shares and trust beneficiary interests on SMBC's non-consolidated P/L were directly reflected in SMFG's consolidated P/L in the first half.

2. SMBC's Balance Sheet

Q6. What was the reason for the change in loan balance?

A6. Total loan balance as of September 30, 2007 increased by approximately JPY 1,270 billion from March 31, 2007. While domestic loans (excluding offshore banking account) decreased by approximately JPY 140 billion, overseas loans (including offshore banking account) increased by approximately JPY 1,410 billion.

Domestic loans decreased mainly due to a decrease in loans to the Government. On the other hand, overseas loans increased mainly due to increases in loans to corporations with high credit ratings and project finance reflecting a strong loan demand in the market.

The balance of problem assets based on the Financial Reconstruction Law as of September 30, 2007 was JPY 773.6 billion, an increase of JPY 34.9 billion compared with March 31, 2007. As a result, problem asset ratio as of September 30, 2007 was 1.2%, unchanged from the ratio as of March 31, 2007.

Q7. On a SMFG consolidated basis, what is the ratio of Net deferred tax assets to Tier I capital under the Basel Accord?

A7. The balance sheet amount of Net deferred tax assets as of September 30, 2007, on a SMFG consolidated basis, was JPY 860.3 billion, an increase of JPY 24 billion from March 31, 2007. Meanwhile, the amount of Tier I capital was JPY 4,069.3 billion as of September 30, 2007. Consequently, the ratio of Net deferred tax assets to Tier I capital as of September 30, 2007 decreased by 0.3 percentage point from March 31, 2007 to 21.1%, well below 30%, the upper limit for BIS capital ratio calculation under the Japanese regulatory guidelines for September-end 2007.

3. SMBC's Business Strategy

Q8. Please give the results of the financial consulting for individuals.

A8. The balance of investment trusts held by individuals under SMBC account increased by approximately JPY 200 billion from March 31, 2007, to approximately JPY 3.6 trillion as of September 30, 2007, and SMBC continued to maintain its position as a top-tier bank in sales of investment trusts. Sales of pension-type insurance in the first half of FY2007 was approximately JPY 210 billion, a decrease of approximately JPY 25 billion year over year, but the cumulative total amount of sales since its launch in October 2002 reached approximately JPY 2.4 trillion.

The origination of mortgage loans (residential purpose) in the first half of FY2007 decreased by approximately JPY 200 billion year over year to approximately JPY 700 billion, mainly due to a declining demand for refinancing debts, negatively affected by the rise in interest rates, and due to a decreasing number of condominiums sales. Meanwhile, as of September 30, 2007, the balance of mortgage loans (residential purpose) decreased by approximately JPY 30 billion compared with March-end 2007, to approximately JPY 9.89 trillion after securitization of approximately JPY 170 billion in the first half of FY2007.

Q9. Please explain the results of origination of Business Select Loan in the first half of FY2007 and the expectation going forward.

A9. In the first half, the originated amount of Business Select Loan, an unsecured loan product to SMEs with annual sales of less than JPY 1 billion, decreased by approximately JPY 160 billion to JPY 470 billion year over year. This is because SMBC has already established a sufficient level of exposure and customer base for the product and has focused on improving the quality of its loan portfolio. Going forward, in addition to continuing to improve the quality of its portfolio, SMBC will provide additional products and services for existing customers of Business Select Loan.

4. Earnings Forecasts

Q10. Please give us SMFG's and SMBC's earnings forecasts for FY2007.

A10. SMFG's consolidated Ordinary profit and Net income forecasts for FY2007 are JPY 940 billion and JPY 570 billion, respectively. SMBC's non-consolidated Banking profit* and Net income forecasts are JPY 830 billion and JPY 315 billion, respectively.

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

Q11. Why is Net income for FY2007 expected to be JPY 570 billion, JPY 30 billion above the earnings forecast announced in May, though Net income in the first half was JPY 170.6 billion, approximately JPY 50 billion below the forecast announced in May?

A11. This is because Gains on change in equity of approximately JPY 100 billion will be recorded in the second half of FY2007 as Extraordinary gains due to the mergers of leasing subsidiaries.

For more details on the change in equity, please refer to "Appendix 2" of the press release of October 26, 2007, titled "Revision of Earnings Forecasts for Fiscal 2007."

Q12. Please explain SMBC's non-consolidated Banking profit* forecast for FY2007 with regard to changes from the results in the previous fiscal year.

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

A12. SMBC's non-consolidated Banking profit is forecasted to increase by approximately JPY 90 billion year over year to JPY 830 billion. This is because Gross banking profit is forecasted to increase by approximately JPY 150 billion mainly due to (a) an increase in Non-interest income in the targeted growth areas such as financial consulting for individuals, solution providing for corporations and investment banking, (b) an increase in Net interest income on loans and deposits driven by the rise in market interest rates, and (c) the recovery of profits of the Treasury Unit which experienced losses on bonds in FY2006. Meanwhile, Expenses are planned to increase by JPY 60 billion year over year to JPY 660 billion as we will proactively increase (a) system investment to strengthen businesses in the targeted growth areas, (b) investment for the expansion of the branch network and (c) expenses for reinforcement of human resources.

Q13. Please explain SMBC's non-consolidated Total credit cost forecast for FY2007.

A13. We expect SMBC's non-consolidated Total credit cost in FY2007 to be approximately

JPY 110 billion. This is because SMBC expects to record a gain on reversal of provisions for credit losses of approximately JPY 100 billion in the second half of FY2007, led by a decrease in the historical loan loss ratio.

5. Subprime-related Exposure

Q14. What is the total amount of losses on sale and write-downs on securitized products related to U.S. subprime mortgage loans in the first half of FY2007?

A14. Information on SMBC's investments in securitized products related to U.S. subprime mortgage-related exposure are described in page 22, "Subprime-related exposure and its impact on the business results for the first half of FY2007," of the "Supplementary Information" for Financial Results for six months ended September 30, 2007, announced on November 19, 2007. As shown, in the first half, SMBC reduced its amount of holdings in securitized products such as RMBSs and ABSCDOs and recorded losses on sale of approximately JPY 4 billion. Also, SMBC wrote off approximately JPY 17 billion of the remaining securitized products with fair value below 50% of face value as of September 30, 2007. In addition, SMBC made approximately JPY 11 billion in provisions for warehousing loans which were collateralized with subprime loan related assets.

Q15. Please explain about the exposure and the unrealized gains/losses of securitized products related to U.S. subprime mortgage loans as of September-end 2007 as well as more recent situation of unrealized gains/losses. Also, please explain about the balance of loans other than investments related to U.S. subprime mortgage loans.

A15. As of September-end 2007, SMBC held approximately JPY 70 billion of exposures on securitized products related to U.S. subprime mortgage loans after the write off, and held approximately JPY 18 billion of net unrealized losses on such exposures. On the other hand, SMBC had net unrealized gains on "Other securities" of JPY 1,517.7 billion.

As of November 8, 2007, SMBC held net unrealized losses on above mentioned securitized products of approximately JPY 50 billion, a JPY 32 billion increase in unrealized losses compared with September-end, mainly due to a lower market value after the massive downgrading of subprime-related products by major rating agencies in October. On the other hand, SMBC had net unrealized gains on "Other securities" of approximately JPY 1,600 billion as of October-end 2007.

Meanwhile, SMBC provided warehousing loans of approximately JPY 40 billion in the U.S. as of September 30, 2007, and of which JPY 25 billion was collateralized with

U.S. subprime mortgage loan related assets. Consequently, SMBC has established loss provisions for such portion of loans in the amount of approximately JPY 11 billion in the first half. As of November 8, 2007, the fair value of the above mentioned collateralized subprime loan related assets declined by approximately JPY 5 billion compared with September 30, 2007.

Q16. How does SMBC evaluate subprime-related securitized products?

A16. At SMBC, we categorize nearly all subprime-related securitized products as “other securities” with fair value, and assess and evaluate them in accordance with the Practical Guideline to Accounting Standards for Financial Instruments. The fair values we apply to the evaluation are the prices indicated by securities firms.

Q17. Does SMFG have exposures related to so-called “SIVs (Structured Investment Vehicles)”?

A17. SMFG does not own any SIVs. Moreover, SMFG does not have any investments in securities issued by SIVs.

6. Alliance Strategy, etc.

Q18. Please explain in detail about the strategic alliance with OMC Card in the credit card business.

A18. For details, please refer to the press release posted on our web-site at

http://www.smfg.co.jp/news_e/e200065_01.html

Reference: Page 20 of the “Financial Results for the six months ended September 30, 2007 Supplementary Information”

24. Earnings Forecast for FY2007

Sumitomo Mitsui Financial Group, Inc.

<Non-consolidated>

(Billions of yen)

	FY2007		FY2006 Result
	Forecast	Change	
Operating income	110.0	(266.5)	376.5
Operating profit	105.0	(267.9)	372.9
Ordinary profit	90.0	(274.5)	364.5
Net income	80.0	(283.6)	363.6

Dividend per share forecast

(Yen)

	FY2007		FY2006 Annual Result
	Interim	Annual Forecast	
Common stock	5,000	10,000	7,000
1st - 12th series type 4 preferred stock	67,500	135,000	135,000
1st series type 6 preferred stock	44,250	88,500	88,500

(Reference)

(Billions of yen)

Total dividend planned	44.8	89.6	66.6
------------------------	------	------	------

<Consolidated>

(Billions of yen)

	FY2007		FY2006 Result
	Forecast	Change	
Ordinary income	4,300.0	398.7	3,901.3
Ordinary profit	940.0	141.4	798.6
Net income	570.0	128.6	441.4

(Reference)

Sumitomo Mitsui Banking Corporation

<Non-consolidated>

(Billions of yen)

	FY2007		FY2006 Result
	Forecast	Change	
Gross banking profit	1,490.0	145.5	1,344.5
Expenses	(660.0)	(56.1)	(603.9)
Banking profit (before provision for general reserve for possible loan losses)	830.0	89.4	740.6
Ordinary profit	600.0	26.7	573.3
Net income	315.0	(0.7)	315.7

Total credit cost (*)	(110.0)	(20.5)	(89.5)
-----------------------	---------	--------	--------

(*) (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)