

Internal Audit System

The Audit Department of SMFG is responsible for objectively conducting internal audits for the Group in a process separate from the oversight exercised by the Board of Directors on the shareholders' behalf.

The Audit Department conducts internal audits to assess the soundness of business operations and assets, as well as to verify that the Group's internal control system, including compliance and risk management, is appropriate and effective. The Audit Department is also responsible for supervising internal audits at each Group company. It reviews the internal audit system of each company by monitoring the Company's internal audits on a regular basis.

The results of the audits are periodically reported to the Board

of Directors and the Management Committee. Based on these findings, the Audit Department administers guidance and makes proposals to the audited departments and offices, as well as to the respective auditing departments of Group companies.

At SMBC, the Internal Audit Department and the Credit Review Department have been set up within the Internal Audit Unit to conduct internal audits. The Internal Audit Department audits compliance as well as the management of market risk, liquidity risk, processing risk, and systems risk. The Credit Review Department monitors credit risk management, including the accuracy of ratings and self-assessment.

Recognizing the importance of internal auditing, other Group companies have also set up units to undertake this operation.

