Capital Ratio Information

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The consolidated capital ratio at the end of March 2007 and thereafter is calculated using the method stipulated in "Standards for Bank Holding Company to Examine the Adequacy of Its Capital Based on Assets, Etc. Held by It and Its Subsidiaries Pursuant to Article 52-25 of the Banking Law" (Notification 20 issued by the Japanese Financial Services Agency in 2006; hereinafter referred to as "the Notification"). The consolidated capital ratio at the end of March 2006 was calculated using the method stipulated in "Standards for Consolidated Capital Ratio Pursuant to Article 52-25 of the Banking Law" (Ordinance 62 issued by the Ministry of Finance in 1998; hereinafter referred to as "the Ordinance").

In addition to the method stipulated in the Notification to calculate consolidated capital ratio (referred to as "First Standard" in the Notification), SMFG has adopted the foundation internal ratings-based approach for calculating credit risk-weighted asset amounts and implemented market risk controls.

"Capital Ratio Information" is a new section of the Annual Report for this fiscal year only as Basel II became effective from March 31, 2007. Further, the section was prepared based on the Notification and the terms and details in the section may differ from the terms and details in other sections of the Annual Report.

Scope of Consolidation

1. Consolidated Capital Ratio Calculation

- Number of consolidated subsidiaries: 181
  Please refer to "Principal Subsidiaries and Affiliates" of page 176 for their names and business outline.
- Scope of consolidated subsidiaries for calculation of consolidated capital ratio is based on the scope of consolidated subsidiaries for preparing consolidated financial statements.
- There are no affiliates to which the proportionate consolidation method is applied.
- There are no companies engaged exclusively in ancillary banking business or in developing new businesses as stipulated in Article 52-23 of the Banking Law.

2. Deduction from Capital

- Number of nonconsolidated subsidiaries subject to deduction from capital: 127
  Principal subsidiaries: S.B.L. Jupiter Co., Ltd. (Office rental, etc.)
  SBCS Co., Ltd. (Venture capital and consulting)
- Number of financial affiliates subject to deduction from capital: 76
  Please refer to "Principal Subsidiaries and Affiliates" of page 176 for their names and business outline.

3. Restrictions on Movement of Funds and Capital within Holding Company Group

There are no special restrictions on movement of funds and capital among SMFG and its group companies.

4. Companies Subject to Deduction from Capital with Capital below Basel II Required Amount and Total Shortfall Amount

Not applicable.

■ Capital Structure Information (Consolidated Capital Ratio (First Standard))

Regarding the calculation of capital ratio as of March 31, 2007, certain procedures were performed by KPMG AZSA & Co. pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Industry Committee Report No. 30), and as of March 31, 2006, certain procedures were performed by KPMG AZSA & Co. pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework by External Auditors Based on Practical Guidelines Concerning External Audit of Internal Controls of Financial Institutions" (JICPA Industry Audit Committee Report No. 30). The certain procedures performed by the external auditor are not part of the audit of consolidated financial statements. The certain procedures performed on our internal control framework for calculating the capital ratio are based on procedures agreed upon by SMFG and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to capital ratio calculation.

		Millions of yen	
March 31		2007	2006
Tier I capital:	Capital stock	¥ 1,420,877	¥ 1,420,877
	Capital surplus	57,773	1,229,225
	Retained earnings	1,386,436	944,112
	Treasury stock	(123,454)	(4,393)
	Cash dividends to be paid	(66,619)	—
	Foreign currency translation adjustments	(30,656)	(41,475)
	Stock acquisition rights	14	—
	Minority interests	1,399,794	1,104,244
	Goodwill and others	(100,850)	(6,686)
	Gain on sale on securitization transactions	(40,057)	—
	Total Tier I capital (A)	3,903,257	4,645,905
Tier II capital:	Unrealized gains on other securities after 55% discount	825,432	627,807
	Land revaluation excess after 55% discount	39,367	39,934
	General reserve for possible loan losses	35,309	742,614
	Excess amount of provision	175,921	—
	Subordinated debt	2,564,195	2,657,378
	Total Tier II capital	3,640,226	4,067,736
	Tier II capital included as qualifying capital (B)	3,640,226	4,067,736
Deductions*:	(C)	690,759	619,279
Total qualifying capital:	(D) = (A) + (B) - (C)	¥ 6,852,723	¥ 8,094,361
Risk-adjusted assets:	On-balance sheet items	¥47,394,806	¥58,984,821
	Off-balance sheet items	8,713,413	5,952,321
	Market risk items	412,044	385,206
	Operational risk	4,020,082	—
	Total risk-adjusted assets (E)	¥60,540,346	¥65,322,349
Tier I risk-adjusted capital ratio:	(A) / (E) x 100	6.44%	7.11%
Total risk-adjusted capital ratio:	(D) / (E) x 100	11.31%	12.39%
Required capital:	(E) x 8%	¥ 4,843,227	¥ —

* "Deductions" refers to deductions stipulated in Article 8-1 of the Notification (Article 7-1 of the Ordinance) and includes willful holding of securities issued by other financial institutions and securities stipulated in Clause 2 (Clause 2 of Article 7-1 of the Ordinance).

(Reference)

The consolidated capital ratio as of March 31, 2007, calculated using the formula stipulated in the Ordinance is 10.59%.

Capital Requirements

March 31, 2007	Billions of yen
Capital requirements for credit risk:	
Internal ratings-based approach	¥5,155.6
Corporate exposures:	3,185.5
Corporate exposures (excluding specialized lending)	2,836.8
Sovereign exposures	42.8
Bank exposures	126.6
Specialized lending	179.3
Retail exposures:	763.6
Residential mortgage exposures	332.1
Qualifying revolving retail exposures	81.1
Other retail exposures	350.4
Equity exposures:	424.6
Grandfathered equity exposures	336.2
PD/LGD approach	35.7
Market-based approach	52.7
Simple risk weight method	52.7
Internal models method	—
Credit risk-weighted assets under Article 145 of the Notification	301.5
Securitization exposures	158.9
Other exposures	321.3
Standardized approach	487.1
Total capital requirements for credit risk	5,642.7
Capital requirements for market risk:	
Standardized measurement method	4.7
Interest rate risk	3.2
Equity position risk	0.6
Foreign exchange risk	0.9
Commodities risk	—
Options	—
Internal models method	28.2
Total capital requirements for market risk	33.0
Capital requirements for operational risk	321.6
Total amount of capital requirements	¥5,997.2

Notes: 1. Capital requirements for credit risk are capital equivalent to "credit risk-weighted assets x 8%" under the standardized approach and "credit risk-weighted assets x 8% + expected loss amount" under the internal ratings-based approach. Regarding exposures to be deducted from capital, the deduction amount is added to the amount of required capital.
2. The above amounts are after credit risk mitigation.
3. There were no eligible purchased corporate receivables as of March 31, 2007.
4. "Other exposures" includes estimated lease residual values, purchased receivables and other assets.

Internal Ratings-Based (IRB) Approach

1. Scope

SMFG and the following consolidated subsidiaries have adopted the foundation IRB approach for exposures as of March 31, 2007.

(1) Domestic Operations

Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited, SMBC Guarantee Co., Ltd. and SMBC Finance Service Co., Ltd.

(2) Overseas Operations

Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation of Canada, Banco Sumitomo Mitsui Brasileiro S.A., PT Bank Sumitomo Mitsui Indonesia, SMBC Leasing and Finance, Inc., SMBC Capital Markets, Inc., SMBC Capital Markets Limited, and SMBC Derivative Products Limited

Further, of consolidated subsidiaries that have adopted the standardized approach for exposures as of March 31, 2007, SMBC Leasing Company, Limited, THE MINATO BANK, LTD., and Kansai Urban Banking Corporation are scheduled to adopt the foundation IRB approach from March 31, 2010.

Note: Directly controlled SPCs and limited partnerships for investment of consolidated subsidiaries using the foundation IRB approach have also adopted the foundation IRB approach. Further, the IRB approach is applied to equity exposures on a group basis, including equity exposures of consolidated subsidiaries applying the standardized approach.

2. Exposures by Asset Class

(1) Corporate Exposures

A. Corporate, Sovereign and Bank Exposures

(A) Rating Procedures

- "Corporate, sovereign and bank exposures" includes credits to domestic and overseas C&I companies, individuals for business purposes (domestic only), sovereigns, public sector entities, and financial institutions. Business loans such as apartment construction loans, and SME loans with standardized screening process (hereinafter referred to as "standardized SME loans") are, in principle, included in "retail exposures". However, credits of more than ¥100 million are treated as corporate exposures in accordance with the Notification.
- An obligor is assigned an obligor grade by first assigning a financial grade using a financial strength grading model and data obtained from the obligor's financial statements. The financial grade is then adjusted taking into account the actual state of the obligor's balance sheet and qualitative factors to derive the obligor grade (for details, please refer to "Credit Risk Assessment and Quantification" on page 38). Different rating series are used for domestic and overseas obligors – J1 ~ J10 for domestic obligors and G1 ~ G10 for overseas obligors – as shown below due to differences in actual default rate levels and portfolios' grade distribution. Different PD (Probability of Default) values are applied also.
- In addition to the above basic rating procedure which builds on the financial grade assigned at the beginning, in some cases, the obligor grade is assigned based on the parent company's credit quality or credit ratings published by external rating agencies. The Japanese government, local authorities and other public sector entities with special basis for existence and unconventional financial statements are assigned obligor grades based on their attributes (for example, "local municipal corporations"), as the data on these obligors are not suitable for conventional grading models. Further, credits to individuals for business purpose, business loans and standardized SME loans are assigned obligor grades using grading models developed specifically for these exposures.
- PDs used for calculating credit risk-weighted assets are estimated based on the default experience for each grade and taking into account possibility of estimation errors. In addition to internal data, external data are used to estimate and validate PDs. The definition of default is the definition stipulated in the Notification (an event that would lead to an exposure being classified as "substandard loans," "doubtful assets" or "bankrupt and quasi-bankrupt assets" occurring to the obligor).

Obligor Grade			
Domestic Corporate	Overseas Corporate	Definition	Borrower Category
J1	G1	Very high certainty of debt repayment	Normal Borrowers
J2	G2	High certainty of debt repayment	
J3	G3	Satisfactory certainty of debt repayment	
J4	G4	Debt repayment is likely but this could change in cases of significant changes in economic trend or business environment	
J5	G5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of significant changes in economic trend or business environment	
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems	
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution
J7R	G7R	Of which substandard borrowers	Substandard Borrowers
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers
J9	G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Effectively Bankrupt Borrowers
J10	G10	Legally or formally bankrupt	Bankrupt Borrowers

(B) Portfolio

a. Domestic Corporate, Sovereign and Bank Exposures

	Billions of yen					
	Exposure amount					
March 31, 2007	Total	On-balance sheet assets	Off-balance sheet assets	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight
J1-J3	¥18,261.6	¥13,350.4	¥4,911.1	0.10%	44.97%	22.88%
J4-J6	14,378.6	11,355.4	3,023.2	0.84	41.78	63.13
J7 (excluding J7R)	1,978.0	1,759.6	218.4	10.67	40.63	161.66
Japanese government and local municipal corporations	10,983.0	10,875.2	107.8	0.00	44.70	0.46
Other	6,793.1	6,016.1	777.0	1.26	43.48	70.91
Default (J7R, J8-J10)	991.9	965.0	26.9	100.00	43.45	—
Total	¥53,386.2	¥44,321.7	¥9,064.5	—	—	—

Notes: 1. "Other" includes exposures guaranteed by credit guarantee corporations, exposures to public sector entities and voluntary organizations, and exposures to obligors not assigned obligor grades because they have yet to close their books (for example, newly established companies), as well as business loans and standardized SME loans of more than ¥100 million.
2. "LGD" stands for loss given default.

b. Overseas Corporate, Sovereign and Bank Exposures

	Billions of yen					
	Exposure amount					
March 31, 2007	Total	On-balance sheet assets	Off-balance sheet assets	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight
G1-G3	¥12,579.4	¥6,984.1	¥5,595.3	0.22%	43.73%	38.57%
G4-G6	670.4	478.4	192.0	1.71	44.66	105.65
G7 (excluding G7R)	152.0	71.5	80.5	27.13	44.89	251.83
Other	163.6	121.5	42.1	0.94	44.88	86.24
Default (G7R, G8-G10)	88.7	77.8	10.9	100.00	44.95	—
Total	¥13,654.1	¥7,733.3	¥5,920.8	—	—	—

Note: "Other" includes exposures to obligors not assigned obligor grades because they have yet to close their books (for example, newly established companies).

B. Specialized Lending (SL)

(A) Rating Procedures

- "Specialized lending" is sub-classified into "project finance," "object finance," "commodity finance," "income-producing real estate" (IPRE) and "high-volatility commercial real estate" (HVCRE) in accordance with the Notification. Project finance is financing of a single project, such as a power plant or transportation infrastructure, and cash flows generated by the project is the primary source of repayment. Object finance includes aircraft finance and ship finance, and IPRE and HVCRE include real estate finance (a primary example is non-recourse real estate finance). There were no commodity finance exposures as of March 31, 2007.
- Each SL product is assigned a grade using grading models based primarily on the expected loss ratio, and qualitative assessment. As with obligor grades, there are ten grade levels but the definition of each grade differs from that of obligor grade which is focused on PD.

  Credit risk-weight asset amount for the SL category is calculated by mapping the expected loss-based facility grades to the below five categories of the Notification.

(B) Portfolio

a. Project Finance, Object Finance and IPRE

March 31, 2007	Risk weight	Billions of yen: Project finance	Object finance	IPRE
Strong:				
Residual term less than 2.5 years	50%	¥100.4	¥ 3.2	¥ 274.6
Residual term 2.5 years or more	70%	435.9	64.8	695.7
Good:				
Residual term less than 2.5 years	70%	34.8	1.0	44.7
Residual term 2.5 years or more	90%	146.8	10.0	105.0
Satisfactory	115%	31.4	9.0	56.4
Weak	250%	22.7	8.2	1.5
Default	—	3.6	—	—
Total		¥775.6	¥96.3	¥1,177.9

b. HVCRE

March 31, 2007	Risk weight	Billions of yen
Strong:		
Residual term less than 2.5 years	70%	¥ 5.9
Residual term 2.5 years or more	95%	5.6
Good:		
Residual term less than 2.5 years	95%	86.8
Residual term 2.5 years or more	120%	46.4
Satisfactory	140%	162.0
Weak	250%	—
Default	—	—
Total		¥306.7

(2) Retail Exposures

A. Residential Mortgage Exposures

(A) Rating Procedures

- "Residential mortgage exposures" includes mortgage loans to individuals and some real estate loans in which the property consists of both residential and commercial facilities such as a store or rental apartment units, but excludes apartment construction loans.
- Mortgage loans are rated as follows.

Mortgage loans are allocated to a portfolio segment with similar risk characteristics in terms of (a) default risk determined using loan contract information, results of exclusive grading model and borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, and (b) recovery risk at time of default determined using LTV (Loan To Value) calculated based on the assessment value of collateral real estate. PDs and LGDs are estimated based on the default experience for each segment and taking into account possibility of estimation errors.

Further, the portfolio is subdivided based on the lapse of years from contract date and the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

(B) Portfolio

March 31, 2007	Billions of yen: Exposure amount: Total	On-balance sheet assets	Off-balance sheet assets	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight
Mortgage loans						
PD segment:						
Not delinquent						
Use model	¥8,925.2	¥8,818.8	¥106.4	0.32%	45.91%	25.11%
Other	915.3	915.3	—	0.62	70.60	67.60
Delinquent	39.1	31.9	7.3	26.34	51.49	287.54
Default	119.3	116.7	2.6	100.00	46.09	26.54
Total	¥9,998.9	¥9,882.7	¥116.2	—	—	—

Notes: 1. "Delinquent" loans are past due loans and loans to obligors categorized as "Borrowers Requiring Caution" that do not satisfy the definition of default stipulated in the Notification.
2. "Other" includes loans guaranteed by employers.

B. Qualifying Revolving Retail Exposures (QRRE)

(A) Rating Procedures

- "Qualifying revolving retail exposures" includes card loans and credit card balances.
- Card loans and credit card balances are rated as follows.

Card loans and credit card balances are allocated to a portfolio segment with similar risk characteristics determined based, for card loans, on the credit quality of loan guarantee company, credit limit, settlement account balance and payment history, and, for credit card balances, on repayment history and frequency of use.

PDs and LGDs used to calculate credit risk-weighted asset amounts are estimated based on the default experience for each segment and taking into account possibility of estimation errors.

Further, the effectiveness of segmentation in terms default risk and recovery risk is validated periodically; internal data are used to estimate and validate PDs and LGDs; and the definition of default is the definition stipulated in the Notification.

(B) Portfolio

	Billions of yen								
	Exposure amount								
		On-balance sheet assets		Off-balance sheet assets					
March 31, 2007	Total	Balance	Increase		Undrawn amount	Average CCF	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight
Card loans									
PD segment:									
Not delinquent…	¥ 430.4	¥ 356.3	¥ 74.1	¥—	¥ 141.8	52.24%	2.45%	79.11%	58.93%
Delinquent......	29.9	29.2	0.7	—	4.3	15.33	9.81	81.16	126.30
Credit card balances									
PD segment:									
Not delinquent…	904.3	599.4	305.0	—	3,497.3	8.72	1.09	80.49	26.27
Delinquent......	6.0	4.9	1.1	—	—	—	71.46	83.42	152.96
Default	14.4	12.3	2.2	—	—	—	100.00	83.22	48.93
Total........................	¥1,385.1	¥1,002.1	¥383.0	¥—	¥3,643.4	—	—	—	—

Notes: 1. On-balance sheet exposure amount is estimated by estimating the amount of increase in each transaction balance and not by multiplying the undrawn amount by CCF (credit conversion factor).
2. "Average CCF" is "on-balance sheet exposure amount ÷ undrawn amount" and provided for reference only. It is not used for estimating on-balance sheet exposure amounts.
3. Past due loans of less than three months are recorded in "delinquent."

C. Other Retail Exposures

(A) Rating Procedures

- "Other retail exposures" includes business loans such as apartment construction loans, standardized SME loans, and consumer loans such as My Car Loan.
- Business loans, standardized SME loans and consumer loans are rated as follows.
  a. Business loans and standardized SME loans are allocated to a portfolio segment with similar risk characteristics in terms of (a) default risk determined using loan contract information, results of exclusive grading model and borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, and (b) recovery risk determined based on, for standardized SME loans, obligor attributes and, for business loans, LTV. LGD is estimated based on the default experience for each segment and taking into account possibility of estimation errors.
  b. Rating procedures for consumer loans depends on whether the loan is collateralized. Collateralized consumer loans are allocated to a portfolio segment using the same standards as for mortgage loans of "A. Residential Mortgage Exposures." Uncollateralized consumer loans are allocated to a portfolio segment based on account history. PDs and LGDs are estimated based on the default experience for each segment and taking into account possibility of estimation errors.

  Further, the effectiveness of segmentation in terms default risk and recovery risk is validated periodically, and internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

(B) Portfolio

	Billions of yen					
	Exposure amount					
March 31, 2007	Total	On-balance sheet assets	Off-balance sheet assets	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight
Business loans						
PD segment:						
Not delinquent						
Use model	¥1,805.5	¥1,790.1	¥15.4	1.82%	60.42%	64.34%
Other	208.7	208.7	0.0	1.78	53.09	62.24
Delinquent	352.2	348.5	3.7	10.99	60.21	98.65
Consumer loans						
PD segment:						
Not delinquent						
Use model	370.1	356.3	13.8	1.47	45.11	51.30
Other	249.3	247.1	2.3	1.76	66.29	64.45
Delinquent	37.2	36.9	0.3	23.10	49.81	116.06
Default	195.8	184.0	11.8	100.00	56.46	44.71
Total	¥3,218.8	¥3,171.5	¥47.3	—	—	—

Notes: 1. "Business loans" includes apartment construction loans and standardized SME loans.
2. "Delinquent" loans are past due loans and loans to obligors categorized as "Borrowers Requiring Caution" that do not satisfy the definition of default stipulated in the Notification.
3. "Other" includes loans guaranteed by employers.

(3) Equity Exposures and Credit Risk-Weighted Assets under Article 145 of the Notification

A. Equity Exposures

(A) Rating Procedures

When acquiring equities subject to the PD/LGD approach, issuers are assigned obligor grades using the same rules as those of general credits to C&I companies, sovereigns and financial institutions. The obligors are monitored (for details, please refer to page 39) and their grades are revised if necessary (credit risk-weighted asset amount is set to 1.5 times when they are not monitored individually). In the case there is no credit transaction with the issuer or it is difficult to obtain financial information, internal grades are assigned using ratings of external rating agencies if it is a qualifying investment. In the case it is difficult to obtain financial information and it is not a qualifying investment, the simple risk weight method under the market-based approach is applied.

(B) Portfolio

a. Equity Exposure Amounts

March 31, 2007	Billions of yen
Market-based approach	¥ 166.8
Simple risk weight method	166.8
Listed equities (300%)	45.6
Unlisted equities (400%)	121.2
Internal models method	—
PD/LGD approach	367.5
Grandfathered equity exposures	3,965.0
Total	¥4,499.3

Notes: 1. The above exposures are equity exposures stipulated in the Notification and differ from “stocks” described in the consolidated financial statements.
2. “Grandfathered equity exposures” amount was calculated in accordance with Supplementary Provision No. 15 of the Notification.

b. PD/LGD Approach

	Billions of yen		
March 31, 2007	Exposure amount	Weighted-average PD	Weighted-average risk weight
J1-J3	¥350.0	0.05%	105%
J4-J6	8.9	0.47	176
J7 (excluding J7R)	4.4	9.30	432
Other	4.2	2.24	275
Default (J7R, J8-J10)	0.0	100.00	—
Total	¥367.5	—	—

Notes: 1. The above exposures are “equity exposures” stipulated in the Notification to which the PD/LGD approach is applied and differ from “stocks” of consolidated financial statements.
2. “Other” includes exposures to public sector entities.

B. Credit Risk-Weighted Assets under Article 145 of the Notification

(A) Rating Procedures

Exposures under Article 145 of the Notification include credits to funds. In the case of such exposures, in principle, each underlying asset of the fund is assigned an obligor grade to calculate the asset’s credit risk-weighted asset amount and the amounts are totalized to derive the credit risk-weighted asset amount of the fund. When stocks account for more than half of the underlying assets of the fund, or it is difficult to directly calculate the credit risk-weighted asset amount of individual underlying assets, the credit risk-weight asset amount of the fund is calculated using the simple majority adjustment method, in which the equity exposure’s risk weight is applied to the entire fund, or the simple risk weight method (risk weight of 400% or 1,250%).

(B) Portfolio

March 31, 2007	Billions of yen
Exposures under Article 145 of the Notification	¥1,896.2

(4) Securitization Exposures

A. Risk Management Policies and Procedures

Definition of securitization exposure has been clarified in order to properly identify, measure, evaluate and report risks, and a risk management department, independent of business units, has been established to centrally manage risks from recognizing securitization exposures to measuring, evaluating and reporting credit risk-weighted assets.

The Group takes one of the following positions in securitization transactions.

- Originator (a direct or indirect originator of underlying assets; or a sponsor of an ABCP conduit or a similar program that acquires exposures from third-party entities)
- Investor
- Other (for example, provider of swap for preventing a mismatch between dividend on trust beneficiary rights and cash flows generated by underlying assets on which the rights are issued)

B. Credit Risk-Weighted Asset Calculation Methodology

There are three method of calculating the credit risk-weighted asset amount of securitization exposures subject to the IRB approach: the external ratings-based approach, supervisory formula, and internal assessment approach. The methods are used as follows.

- First, securitization exposures are examined and the external ratings-based approach is applied to qualifying exposures.
- The remaining exposures are examined and the supervisory formula is applied to qualifying exposures.
- The remaining exposures are deducted from capital (risk weight of 1,250%).

Credit risk-weighted asset amount for securitization exposures subject to the standardized approach is calculated mostly using ratings published by qualifying rating agencies or based on weighted-average risk weights of underlying assets as stipulated in the Notification.

C. Accounting Policy on Securitization Transactions

Accounting treatment of securitization of financial assets is as follows. Extinguishment of financial assets is recognized when the contractual rights over the financial assets is exercised, forfeited or control over the rights is transferred to a third-party, and the difference between the book value of the financial assets and the amount received/paid is recorded as the term's gain/loss. When the control over the contractual rights is not deemed to have been transferred, the securitization transaction is treated as a financial transaction such as a mortgage loan.

When a portion of financial assets satisfies the extinguishment condition, the extinguishment of the said portion is recognized and the difference between the book value of the extinguished portion and the amount received/paid is recorded as the term's gain/loss. The book value of the extinguished portion is calculated by allocating the book value of the financial assets based on the proportion of the financial assets' fair value that the extinguished portion represents.

Further, the remaining portion is subject to self-assessment, and write-offs and provisions are made as necessary.

D. Qualifying External Ratings Agencies

When computing credit risk-weighted asset amounts for securitization exposures using the external rating-based approach under the IRB approach or standardized approach, the risk weights are determined by mapping the ratings of qualifying rating agencies to the risk weights stipulated in the Notification. The qualifying rating agencies are Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd., Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Ratings Ltd. When there are more than one rating for an exposure, the second smallest risk weight is used.

E. Portfolio

(A) Securitization Transactions as Originator

a. As Originator (excluding as Sponsor)

(a) Underlying Assets

	Billions of yen						
	March 31, 2007			Fiscal 2006			
	Underlying asset amount						
	Total	Asset transfer type	Synthetic type	Securitized amount	Default amount	Loss amount	Gains/losses on sales
Claims on corporates	¥ 330.2	¥ 181.5	¥148.7	¥ 520.5	¥13.3	¥4.3	¥ —
Mortgage loans	1,550.9	1,550.9	—	789.7	0.3	0.0	26.8
Retail loans (excluding mortgage loans)	450.4	—	450.4	341.2	20.1	2.1	—
Other claims	174.7	5.9	168.8	0.4	0.0	0.2	—
Total	¥2,506.3	¥1,738.4	¥768.0	¥1,651.7	¥33.7	¥6.6	¥26.8

Notes: 1. The above amounts include the amount of underlying assets securitized during the term without entailing securitization exposure.
2. "Default amount" is the total of underlying assets which are past due three months or more and defaulted underlying assets.
3. There were no securitization exposures subject to early amortization provision.
4. There were no credit risk-weighted assets calculated using Supplementary Provision 15 of the Notification.
5. "Other claims" includes claims on PFI (Private Finance Initiative) businesses and lease fees.

(b) Securitization Exposures

i. Underlying Assets by Asset Type

	Billions of yen		
March 31, 2007	Term-end balance	To be deducted from capital	Increase in capital equivalent
Claims on corporates	¥183.4	¥ 1.7	¥ —
Mortgage loans	142.7	29.9	40.1
Retail loans (excluding mortgage loans)	111.1	6.8	—
Other claims	8.4	8.4	—
Total	¥445.6	¥46.7	¥40.1

ii. Risk Weights

	Billions of yen	
March 31, 2007	Term-end balance	Required capital
20% or less	¥175.1	¥ 1.2
100% or less	76.7	1.0
650% or less	2.0	0.7
Capital deduction	191.8	46.7
Total	¥445.6	¥49.6

b. As Sponsor

(a) Underlying Assets

	Billions of yen					
	March 31, 2007			Fiscal 2006		
	Underlying asset amount					
	Total	Asset transfer type	Synthetic type	Securitized amount	Default amount	Loss amount
Claims on corporates	¥1,014.3	¥1,014.3	¥—	¥5,898.5	¥206.0	¥204.8
Mortgage loans	—	—	—	—	—	—
Retail loans (excluding mortgage loans)	37.1	37.1	—	0.5	0.0	0.0
Other claims	124.2	124.2	—	175.0	1.5	1.3
Total	¥1,175.6	¥1,175.6	¥—	¥6,074.0	¥207.5	¥206.0

Notes: 1. The above amounts include the amount of underlying assets securitized during the term without entailing securitization exposure.
2. "Default amount" is the amount of defaulted underlying assets and those past due three months or more.
3. "Default amount" and "loss amount" when acting as a sponsor of securitization of customer claims are estimated using the following methods and alternative data are used as it is difficult to obtain relevant data in a timely manner because the underlying assets are recovered by the customer.
(1) "Default amount" estimation method
• For securitization transactions subject to the external ratings-based approach, the amount is estimated based on information on underlying assets obtainable from customers, etc.
• For securitization transactions subject to supervisory formula, the amount is estimated based on obtainable information on, or default rate of, each obligor. Further, when it is difficult to estimate the amount using either method, it is conservatively estimated by assuming that the underlying asset is a default asset.
(2) "Loss amount" estimation method
• For securitization transactions subject to the external ratings-based approach, the amount is the same amount as the default amount estimated conservatively in (1) above.
• For securitization transactions subject to supervisory formula, when expected loss ratios of defaulted underlying assets can be determined, the amount is estimated using the ratios. When it is difficult to determine the ratios, the amount is the same amount as the default amount estimated in (1) above.
4. "Other claims" includes lease fees.
5. There were no securitization exposures subject to early amortization provision.
6. There were no credit risk-weighted assets calculated using Supplementary Provision 15 of the Notification.

(b) Securitization Exposures

i. Underlying Assets by Asset Type

	Billions of yen		
March 31, 2007	Term-end balance	To be deducted from capital	Increase in capital equivalent
Claims on corporates	¥807.7	¥13.1	¥—
Mortgage loans	—	—	—
Retail loans (excluding mortgage loans)	37.1	—	—
Other claims	100.3	—	—
Total	¥945.1	¥13.1	¥—

Note: "Other claims" includes lease fees.

ii. Risk Weights

	Billions of yen	
March 31, 2007	Term-end balance	Required capital
20% or less	¥809.4	¥ 5.6
100% or less	103.1	3.7
650% or less	18.9	2.4
Capital deduction	13.7	13.1
Total	¥945.1	¥24.9

(B) Securitization Transactions in which the Group is the Investor

a. Securitization Exposures

(a) Underlying Assets by Asset Type

March 31, 2007	Billions of yen		
	Term-end balance	To be deducted from capital	Increase in capital equivalent
Claims on corporates	¥301.6	¥76.9	¥—
Mortgage loans	379.3	—	—
Retail loans (excluding mortgage loans)	17.8	—	—
Other claims	124.0	1.3	—
Total	¥822.8	¥78.2	¥—

Notes: 1. "Other claims" includes securitization products.
2. There were no credit risk-weighted assets calculated using Supplementary Provision 15 of the Notification.

(b) Risk Weights

March 31, 2007	Billions of yen	
	Term-end balance	Required capital
20% or less	¥668.5	¥ 4.7
100% or less	26.2	1.6
650% or less	—	—
Capital deduction	128.1	78.2
Total	¥822.8	¥84.4

(5) Analysis of Actual Losses

A. Comparison of Actual Losses This and Previous Fiscal Years

SMFG recorded total credit cost (general provisions, nonperforming loan write-offs and gains on collection of written-off claims) of ¥145.0 billion on a consolidated basis in fiscal 2006, a year-over-year decrease of ¥157.0 billion.

SMBC recorded ¥89.5 billion in total credit cost on a nonconsolidated basis in fiscal 2006, a year-over-year decrease of ¥141.4 billion, attributable mainly to improvement in asset quality. In terms of exposure category, credit cost for corporate exposures increased ¥9.6 billion yen to ¥58.7 billion, and credit cost for other retail exposures increased ¥10.3 billion yen to ¥43.9 billion, mainly due to higher default rates.

Total Credit Cost (Notes 1, 2 and 3)

	Billions of yen		
	Fiscal 2006	Fiscal 2005	Increase (decrease)
SMFG (consolidated) total	**¥145.0**	¥302.0	¥(157.0)
SMBC (consolidated) total	**122.9**	275.0	(152.1)
SMBC (nonconsolidated) total	**89.5**	230.9	(141.4)
Corporate exposures	**58.7**	49.1	9.6
Sovereign and bank exposures	**(0.7)**	(0.4)	(0.3)
Residential mortgage exposures	**0.5**	(0.1)	0.6
QRRE	**(0.1)**	0.7	(0.8)
Other retail exposures	**43.9**	33.6	10.3

Notes: 1. The above amounts do not include credit costs for equity exposures and exposures on capital market-driven transactions, and gains/losses on exposures subject to Article 145 of the Notification.
2. Exposure category amounts do not include general provisions for Normal Borrowers.
3. Bracketed fiscal year amount indicates gains generated by reversal of provisions, etc.
4. Credit costs for residential mortgages and QRRE guaranteed by consolidated subsidiaries are not included in the total credit cost of SMBC (nonconsolidated).

B. Comparison of Estimated and Actual Losses

Loss estimates will be evaluated in comparison with actual loss experience starting in fiscal 2007 as SMFG will begin estimating losses in accordance with the Notification in fiscal 2007.

Standardized Approach

1. Scope

The following consolidated subsidiaries have adopted the standardized approach for exposures as of March 31, 2007 (i.e. consolidated subsidiaries not listed in "IRB Approach: 1. Scope" on page 125).

(1) Consolidated subsidiaries planning to adopt phased rollout of foundation IRB approach

SMBC Leasing Company, Limited, THE MINATO BANK, LTD., and Kansai Urban Banking Corporation

The three subsidiaries will adopt the foundation IRB approach from March 31, 2010.

(2) Other consolidated subsidiaries

These are consolidated subsidiaries judged not to be significant in terms of credit risk management based on the type of business, scale and other factors. These subsidiaries will adopt the standardized approach on a permanent basis.

2. Credit Risk-Weighted Asset Calculation Methodology

A 100% risk weight is applied to claims on corporates in accordance with Article 145 of the Notification, and risk weights corresponding to country risk scores published by the Organization for Economic Co-operation and Development are applied to claims on sovereigns and financial institutions.

3. Exposure Balance by Risk Weight Segment

	Billions of yen	
March 31, 2007		Assigned country risk score
0%	¥1,078.7	¥ 83.7
10%	562.3	—
20%	574.4	261.9
35%	1,247.5	—
50%	97.7	1.9
75%	643.5	—
100%	5,128.1	0.4
150%	16.6	—
Total	¥9,348.9	¥348.0

Notes: 1. The above amounts are exposures amounts after credit risk mitigation (before deduction of direct write-offs).
2. Equity exposures are not included.

Credit Risk Mitigation Techniques

1. Credit Risk Management Policy and Procedures

Credit risk mitigation (CRM) techniques are taken into account in calculating credit risk-weighted asset amounts. Specifically, amounts are adjusted for eligible financial or real estate collateral, guarantees or credit derivatives, or by netting loans against obligors' deposits.

(1) Scope and Management

A. Collateral (Eligible Financial or Real Estate Collateral)

SMBC designates deposits and securities as eligible financial collateral, and land and buildings as eligible real estate collateral.

Real estate collateral is evaluated taking into account its fair value, appraisal value, and current condition, and our lien position. Real estate collateral must maintain sufficient collateral value in the event security rights must be exercised due to delinquency. However, during the period from acquiring the rights to exercising the rights, the property may deteriorate or suffer damages from natural disasters, or there may be changes in lien position due to, for example, attachment or establishment of lien by a third-party. Therefore, regular monitoring of collateral is implemented according to the type of property and the type of security interest.

B. Guarantees and Credit Derivatives

Guarantors are sovereigns, municipal corporations, credit guarantee corporations and other public sector entities, financial institutions and C&I companies. Counterparties to credit derivative transactions are mostly domestic and overseas banks and securities companies.

Credit risk-weight asset amounts are calculated taking into account credit risk mitigation of guarantees and credit derivatives acquired from entities with sufficient ability to provide protection such as sovereigns, municipal corporations and other public sector entities of comparable credit quality, and financial institutions and C&I companies with sufficient credit ratings.

C. Netting of Loans against Deposits

SMBC verifies the legal effectiveness of netting arrangement for loans and deposits for each transaction. Specifically, lending transactions subject to netting of loans against deposits are stipulated in the "Agreement on Bank Transactions", and fixed-term deposits which have fixed maturity and cannot be transferred to third-party entities are subject to netting. Regarding deposits with us submitted as collateral, their effect as credit risk mitigant is taken into account under the above A. eligible financial collateral framework.

Further, daily maturity and balance (including post-netting situation) monitoring of subject loans and deposits is implemented in accordance with the Notification. When there is a maturity/currency mismatch, netting is executed after making adjustments as stipulated in the Notification, and credit risk-weighted asset amount is calculated after netting.

(2) Concentration of Credit Risk and Market Risk

At SMBC, there is a framework in place for controlling concentration of risk in obligors with large exposures which includes credit limit guidelines, risk concentration monitoring, and reporting to Credit Risk Committee (please refer to page 41). Further, exposures to these obligors are monitored on a group basis, taking into account risk concentration in their parent companies in cases of guaranteed exposures.

When marketable financial products (for example, credit derivatives) are used as credit risk mitigants, market risk generated by these products is controlled by setting upper limits.

2. Exposure Balance after CRM

March 31, 2007	Billions of yen Eligible financial collateral	Billions of yen Eligible real estate collateral
Foundation IRB approach	¥2,325.5	¥2,661.4
Corporate exposures	1,675.0	2,660.2
Sovereign exposures	0.1	1.2
Bank exposures	650.4	0.1
Standardized approach	133.4	—
Total	¥2,458.9	¥2,661.4

March 31, 2007	Billions of yen Guarantee	Billions of yen Credit derivative
Foundation IRB approach	¥3,659.7	¥226.0
Corporate exposures	3,044.9	226.0
Sovereign exposures	58.3	—
Bank exposures	294.8	—
Residential mortgage exposures	261.3	—
QRRE	—	—
Other retail exposures	0.4	—
Standardized approach	90.2	—
Total	¥3,749.9	¥226.0

Derivative Transactions

1. Risk Management Policy and Procedures

(1) Policy on Collateral Security and Impact of Deterioration of Our Credit Quality

Collateralized derivative is a CRM technique in which collateral is delivered or received regularly in accordance with replacement cost. The Group conducts collateralized derivative transactions as necessary, thereby reducing credit risk. In the event our credit quality deteriorates, however, the counterparty may demand additional collateral, but its impact is deemed to be insignificant.

(2) Netting

Netting is another CRM technique, and "close-out netting" is the main type of netting. In close-out netting, when a default event, such as bankruptcy, occurs to the counterparty, all claims against, and obligations to, the counterparty, regardless of maturity and currency, are netted out to create a single claim or obligation.

Close-out netting is applied to foreign exchange and swap transactions covered under a master agreement with a net-out clause or other means of securing legal effectiveness, and the effect of CRM is taken into account only for such claims and obligations.

2. Credit Equivalent Amounts

(1) Derivative Transactions

A. Calculation Method

Current exposure method

B. Credit Equivalent Amounts

March 31, 2007	Billions of yen
Gross replacement cost	¥2,901.8
Gross add-on amount	3,931.1
Gross credit equivalent amount	6,832.9
Foreign exchange related transactions	2,932.7
Interest rate related transactions	3,616.1
Gold related transactions	—
Equities related transactions	2.3
Precious metals (excluding gold) related transactions	—
Other commodity related transactions	265.1
Credit default swaps	16.7
Reduction in credit equivalent amount due to netting	3,253.1
Net credit equivalent amount	3,579.8
Collateral amount	216.6
Qualifying financial collateral	122.7
Qualifying real estate collateral	93.9
Net credit equivalent amount (after taking into account credit risk mitigation effect of collateral)	¥3,579.8

Note: Net credit equivalent amount was the same before and after taking into account the CRM effect of collateral as the foundation IRB approach and simple approach of the standardized approach have been adopted.

(2) Notional Principal Amounts of Credit Derivatives

March 31, 2007	Billions of yen	
	Notional principal amount	Of which for CRM
Protection purchased	¥1,260.4	¥226.0
Protection provided	1,067.4	—

Market Risk

1. Scope

The following approaches are used to calculate market risk equivalent amounts.

(1) Internal Models Approach

General market risk of SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, SMBC Capital Markets, Inc., SMBC Capital Markets Limited, and SMBC Derivative Products Limited

(2) Standardized Measurement Method

- Specific risk
- General market risk of consolidated subsidiaries other than SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, SMBC Capital Markets, Inc., SMBC Capital Markets Limited, and SMBC Derivative Products Limited

2. Valuation Method Corresponding to Transaction Characteristics

All assets and liabilities held in the trading book – therefore, subject to calculation of market risk equivalent amount – are transactions with high market liquidity. Securities and monetary claims are carried at the fiscal year-end market price, and derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.

Operational Risk

1. Methodology for Calculating Operational Risk Equivalent Amounts

The Basic Indicator Approach has been adopted to calculate operational risk equivalent amounts as of March 31, 2007.

Equity Exposures in Banking Book

1. Risk Management Policy and Procedures

Securities in the banking book are properly managed, for example, by setting upper limits on the allowable amount of risk under the market or credit risk management framework selected according to their holding purpose and risk characteristics. For securities held as "other securities," the upper limits are also set in terms of price fluctuation risk.

Regarding stocks of subsidiaries, assets and liabilities of subsidiaries are managed on a consolidated basis, and risks related to stocks of affiliates are recognized separately. Their risk as equity is not measured as upper limits on the allowable amount of risk are set for stocks of subsidiaries and affiliates, and the limits are established within the "risk capital limit" of SMFG, taking into account the financial and business situations of the subsidiaries and affiliates.

2. Valuation of Securities in Banking Book and Other Significant Accounting Policies

Stocks of subsidiaries and affiliates are carried at amortized cost using the moving-average method. Other securities with market prices are carried at their average market prices during the final month of the fiscal year. Securities other than these securities are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method) and those with no available market prices are carried at cost using the moving-average method.

Net unrealized gains (losses) on other securities, net of income taxes, are reported as a component of "net assets." Derivative transactions are carried at fair value.

3. Consolidated Balance Sheet Amounts and Fair Values

	Billions of yen	
March 31, 2007	Balance sheet amount	Fair value
Listed equity exposures	¥3,980.3	¥3,980.3
Stocks of subsidiaries and affiliates and equity exposures other than above	519.0	—
Total	¥4,499.3	¥ —

4. Gains (Losses) on Sale and Devaluation of Stocks of Subsidiaries and Affiliates and Equity Exposures

Fiscal 2006	Billions of yen
Gains (losses)	¥44.7
Gains on sale	62.8
Losses on sale	1.5
Devaluation	16.6

Note: The above amounts are "gains (losses) on stocks and other securities" in the consolidated statements of income.

5. Unrealized Gains (Losses) Recognized on Consolidated Balance Sheet but Not on Consolidated Statements of Income

March 31, 2007	Billions of yen
Unrealized gains (losses) recognized on consolidated balance sheet but not on consolidated statements of income	¥1,982.6

Note: The above amount is for stocks of Japanese companies and foreign stocks with market prices.

6. Unrealized Gains (Losses) Not Recognized on Consolidated Balance Sheet or Consolidated Statements of Income

March 31, 2007	Billions of yen
Unrealized gains (losses) not recognized on consolidated balance sheet or consolidated statements of income	¥65.7

Note: The above amount is for stocks of affiliates with market prices.

■ Interest Rate Risk in Banking Book

Interest rate risk in the banking book fluctuates significantly depending on the method of recognizing maturity of demand deposits (such as current accounts and ordinary deposits which funds can be withdrawn on demand) and the method of predicting early withdrawal from fixed-term deposits and prepayment of consumer loans. Key assumptions made by SMBC in measuring interest rate risk in the banking book are as follows.

1. Method of Recognizing Maturity of Demand Deposits

The total amount of demand deposits expected to remain with the bank for the long term (with 50% of the lowest balance during the past three years as the upper limit) is recognized as a core deposit amount and interest rate risk is measured for each maturity with 3 years as the maximum term (the average is 1.5 years).

2. Method of Estimating Early Withdrawal from Fixed-term Deposits and Prepayment of Consumer Loans

Rate of early withdrawal from fixed-term deposits and rate of prepayment of consumer loans are estimated and the rates are used to calculate cash flows used for measuring interest rate risk.

Outlier Framework (Sumitomo Mitsui Banking Corporation and Subsidiaries)

Banks experiencing declines in economic value of the banking book by more than 20% of the sum of Tier I and Tier II capital as a result of a standardized interest rate shock are deemed "outlier banks" from fiscal 2006.

SMBC measures the amount of decline in economic value monthly. At the end of March 2007, the amount of decline in economic value was 2.1% of sum of Tier I and Tier II capital, far below the criterion of "outlier bank."

	Billions of yen
	Decline in economic value
Impact of yen interest rate	¥119.7
Impact of US dollar interest rate	33.6
Impact of Euro interest rate	3.4
Total	¥165.8
Total / Tier I + Tier II	2.1%

Note: "Decline in economic value" is the decline of present value after a standardized interest rate shock (1st and 99th percentile of observed interest rate changes using a 1 year holding period and 5 years of observations).

Exposure Balance by Type of Assets, Geographic Region, Industry and Residual Term

1. Exposure Balance by Type of Asset, Geographic Region and Industry

	Billions of yen				
March 31, 2007	Loans, etc.	Bonds	Derivatives	Other	Total
Domestic operations (excluding offshore banking accounts)					
Manufacturing	¥ 8,135.7	¥ 132.7	¥ 400.5	¥2,846.4	¥ 11,515.2
Agriculture, forestry, fishery and mining	179.1	1.1	9.0	66.7	255.9
Construction	1,772.1	57.9	14.6	185.3	2,029.8
Transport, information, communications and utilities	3,793.9	137.7	97.7	880.6	4,909.9
Wholesale and retail	6,982.3	64.3	433.6	685.1	8,165.2
Financial and insurance	7,593.2	1,275.2	1,217.3	322.3	10,408.0
Real estate	8,766.4	89.1	40.0	262.0	9,157.5
Services	7,010.9	65.6	87.5	515.1	7,679.1
Local municipal corporations	1,133.8	750.2	1.1	2.6	1,887.7
Other industries	18,412.1	7,912.8	160.7	3,771.8	30,257.3
Subtotal	¥63,779.4	¥10,486.5	¥2,461.9	¥9,537.9	¥ 86,265.7
Overseas operations and offshore banking accounts					
Sovereigns	¥ 315.8	¥ 82.5	¥ 8.4	¥ —	¥ 406.6
Financial institutions	2,473.8	243.9	805.3	0.0	3,523.0
C&I companies	8,964.0	258.8	263.0	—	9,485.7
Others	2,075.2	350.4	41.3	293.8	2,760.7
Subtotal	¥13,828.8	¥ 935.5	¥1,117.9	¥ 293.8	¥ 16,176.0
Total	¥77,608.2	¥11,422.0	¥3,579.8	¥9,831.6	¥102,441.7

Notes: 1. The above amounts are exposure amounts after credit risk mitigation.
2. The above amounts do not include equity exposures and credit risk-weighted assets under Article 145 of the Notification.
3. "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
4. "Loans, etc." includes loans, commitments and off-balance sheet assets except other derivatives, and "Other" includes equity exposures and standardized approach applied funds.

2. Exposure Balance by Residual Term

	Billions of yen				
March 31, 2007	Loans, etc.	Bonds	Derivatives	Other	Total
To 1 year	¥22,237.0	¥ 3,747.2	¥ 389.4	¥ 176.6	¥ 26,550.3
More than 1 year to 3 years	11,762.0	1,628.6	1,232.6	503.0	15,126.2
More than 3 years to 5 years	11,734.2	1,451.8	1,058.7	621.5	14,866.1
More than 5 years to 7 years	4,508.1	1,382.4	431.9	162.9	6,485.3
More than 7 years	20,365.9	3,212.1	467.2	110.4	24,155.7
No fixed maturity	7,000.9	—	—	8,257.2	15,258.2
Total	¥77,608.2	¥11,422.0	¥3,579.8	¥9,831.6	¥102,441.7

Notes: 1. The above amounts are exposure amounts after credit risk mitigation.
2. The above amounts do not include equity exposures and credit risk-weighted assets under Article 145 of the Notification.
3. "Loans, etc." includes loans, commitments and off-balance sheet assets except other derivatives, and "Other" includes equity exposures and standardized approach applied funds.
4. "No fixed maturity" includes exposures not classified by residual term.

3. Term-end Balance of Exposures Past Due 3 Months or More or Defaulted and Their Breakdown

(1) By Geographic Region

March 31, 2007	Billions of yen
Domestic operations (excluding offshore banking accounts)	¥1,948.3
Overseas operations and offshore banking accounts	135.0
Asia	81.9
North America	42.3
Other regions	10.8
Total	¥2,083.3

Notes: 1. "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries, and the term-end balances are calculated based on the obligor's domicile country.
2. The above amounts are credits subject to self-assessment, including mainly off-balance sheet credits to obligors categorized as "Substandard Borrowers" or lower under self-assessment.
3. The above amounts include partial direct write-offs (direct reductions).

(2) By Industry

March 31, 2007	Billions of yen
Domestic operations (excluding offshore banking accounts)	
Manufacturing	¥ 123.6
Agriculture, forestry, fishery and mining	6.3
Construction	196.4
Transport, information, communications and utilities	155.8
Wholesale and retail	170.5
Financial and insurance	16.6
Real estate	556.5
Services	452.2
Other industries	270.4
Subtotal	¥1,948.3
Overseas operations and offshore banking accounts	
Financial institutions	¥ 1.1
C&I companies	133.9
Others	—
Subtotal	¥ 135.0
Total	¥2,083.3

Notes: 1. "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. The above amounts are credits subject to self-assessment, including mainly off-balance sheet credits to obligors categorized as "Substandard Borrowers" or lower under self-assessment.
3. The above amounts include partial direct write-offs (direct reductions).

4. Term-end Balances of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and Loan Loss Reserve for Specific Overseas Countries

(1) By Geographic Region

	Billions of yen		
March 31	**2007**	2006	Increase (decrease)
General reserve for possible loan losses	**¥ 683.6**	¥ 742.6	¥ (59.0)
Loan loss reserve for specific overseas countries	**1.9**	2.4	(0.5)
Specific reserve for possible loan losses	**693.7**	1,089.6	(395.9)
Domestic operations (excluding offshore banking accounts)	**661.0**	1,048.4	(387.4)
Overseas operations and offshore banking accounts	**32.7**	41.2	(8.5)
Asia	**14.1**	21.9	(7.8)
North America	**12.9**	16.2	(3.3)
Other regions	**5.7**	3.1	2.6
Total	**¥1,379.2**	¥1,834.6	¥(455.4)

Notes: 1. "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries, and the term-end balances are calculated based on the obligor's domicile country.
2. "Specific reserve for possible loan losses" includes partial direct write-offs (direct reductions).

(2) By Industry

March 31	2007	2006	Increase (decrease)
	Billions of yen		
General reserve for possible loan losses	¥ 683.6	¥ 742.6	¥ (59.0)
Loan loss reserve for specific overseas countries	1.9	2.4	(0.5)
Specific reserve for possible loan losses	693.7	1,089.6	(395.9)
Domestic operations (excluding offshore banking accounts)	661.0	1,048.4	(387.4)
Manufacturing	43.6	43.5	0.1
Agriculture, forestry, fishery and mining	0.4	0.5	(0.1)
Construction	37.5	141.9	(104.4)
Transport, information, communications and utilities	48.7	62.8	(14.1)
Wholesale and retail	82.7	70.8	11.9
Financial and insurance	8.7	57.1	(48.4)
Real estate	157.7	301.7	(144.0)
Services	154.6	273.9	(119.3)
Other industries	127.1	96.2	30.9
Overseas operations and offshore banking accounts	32.7	41.2	(8.5)
Financial institutions	0.9	0.7	0.2
C&I companies	31.8	40.5	(8.7)
Others	—	—	—
Total	¥1,379.2	¥1,834.6	¥(455.4)

Notes: 1. "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. "Specific reserve for possible loan losses" includes partial direct write-offs (direct reductions).

5. Loan Write-Offs by Industry

Fiscal 2006	Billions of yen
Domestic operations (excluding offshore banking accounts)	
Manufacturing	¥10.6
Agriculture, forestry, fishery and mining	0.0
Construction	5.6
Transport, information, communications and utilities	14.9
Wholesale and retail	21.3
Financial and insurance	1.1
Real estate	(10.2)
Services	16.2
Other industries	25.4
Subtotal	¥84.9
Overseas operations and offshore banking accounts	
Financial institutions	¥ 0.0
C&I companies	(3.5)
Others	—
Subtotal	¥ (3.5)
Total	¥81.4

Note: "Domestic operations" comprises the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.