

March 5, 2007

Daiwa Investment Conference (Tokyo) / Spring, 2007

Five Questions on SMFG

**Teisuke KITAYAMA, President
Sumitomo Mitsui Financial Group, Inc.**





Today's Agenda

- Q 1 : What is the overview of the financial results for the 3rd quarter ended Dec. 31, 2006? P. 2**
 - Q 2 : What is the update on re-pricing of loans? P. 8**
 - Q 3 : What is the update on establishing solid corporate platform? P.11**
 - Q 4 : What is the “Innovation” of SMFG? P.14**
 - Q 5 : What is the policy hereafter on consumer finance business? P.24**
 - Closing P.26**
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-

Q 1 : What is the overview of the financial results for the 3rd quarter ended Dec. 31, 2006?



A1-1: Top-line profit decreased mainly due to lower profits of SMBC Treasury Unit. Credit cost also decreased, resulting in consolidated net income of JPY 396.1 billion.

(Billions of yen)

	9 months ended Dec. 31, 2006	Year over year change	Earnings forecast for FY2006* ²	Original earnings forecast for FY2006* ³
[SMFG consolidated]				
Gross profit	1,367.2	(177.8)	-	-
Ordinary profit	604.1	(184.6)	950	1,010
Net income	396.1	(203.6)	570	570
[SMBC non-consolidated]				
Gross banking profit	948.6	(196.6)	1,445	1,540
Banking profit* ¹	499.4	(207.0)	845	940
Credit cost	(54.1)	+60.7	(100)	(170)
Ordinary profit	440.9	(159.6)	760	780
Net income	303.5	(160.2)	460	460

*1 Banking profit (before provision for general reserve for possible loan losses)

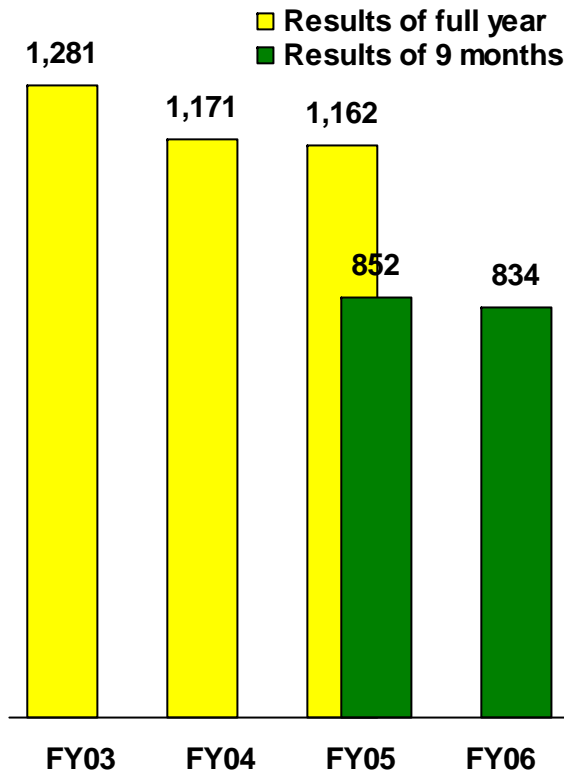
*2 announced on Nov. 22, 2006 *3 announced on May. 23, 2006



A1-2: Net interest income decreased slightly year-over-year. However, quarterly net interest income on loans and deposits increased.

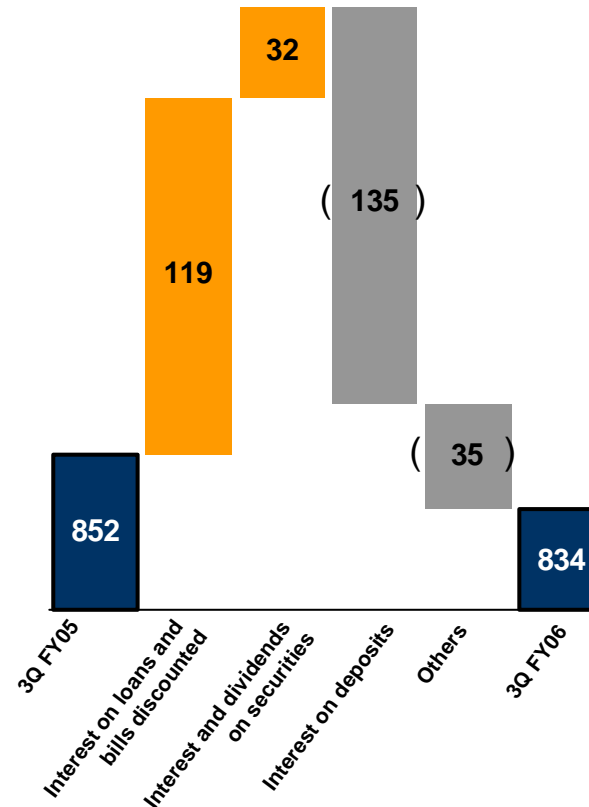
Net interest income

(Billions of yen)



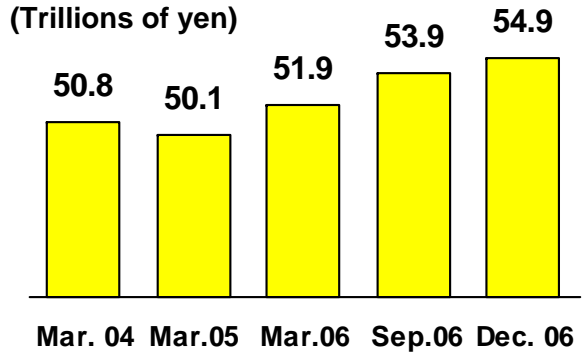
Factor of year over year change

(Billions of yen)



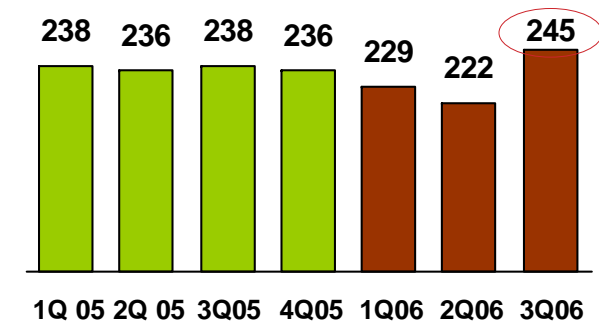
Loan balance*1

(Trillions of yen)



Quarterly Net interest income on loans and deposits*2

(Billions of yen)



*1 Balance of Loans and bills discounted on SMBC's non-consolidated basis

*2 Net interest income on loans and deposits = Interest on loans and discounts (excluding interest and dividends on securities) – Interest on deposits

(SMFG consolidated basis unless otherwise stated)

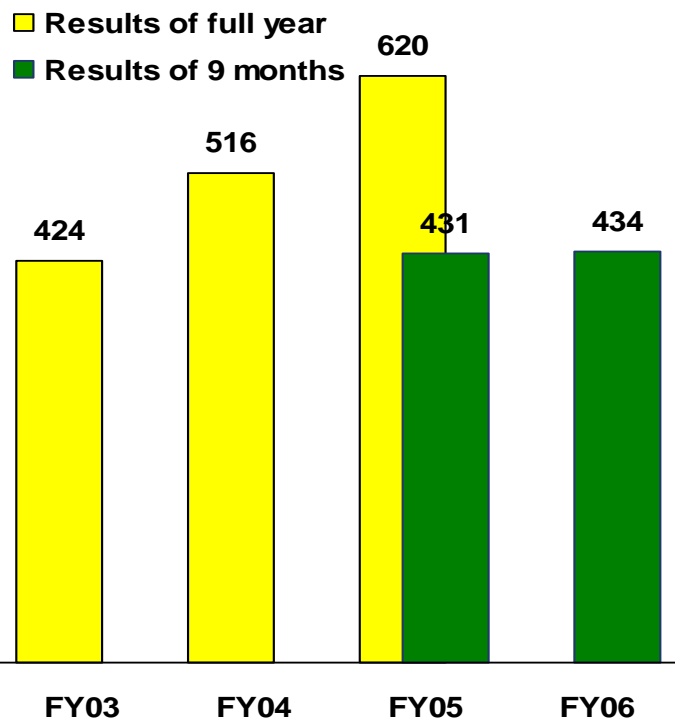


A1-3: Net fees and commissions were at the same level year over year.

[SMFG consolidated]

Net fees and commissions

(Billions of yen)



[SMBC non-consolidated]

Year-over-year change in SMBC

(Billions of yen)



<Major items>

<YoY change>

Investment trust	→
Pension-type insurance	↘
Securities intermediary business	→
Loan syndication	→
Structured finance	→

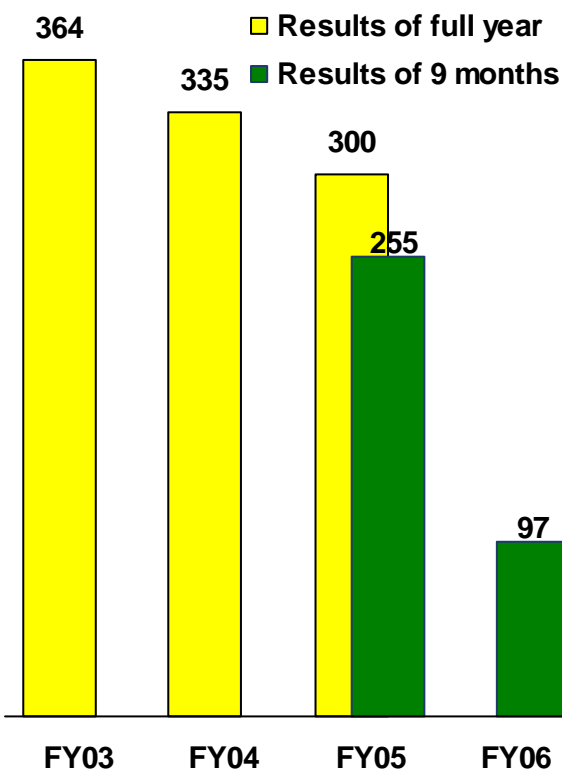


A1-4: Sum of net trading income and net other operating income decreased due to (a) losses on bonds sold to reduce interest rate risk, and (b) suspension of sales of derivative products.

[SMFG consolidated]

**Net trading income
+ Net other operating income**

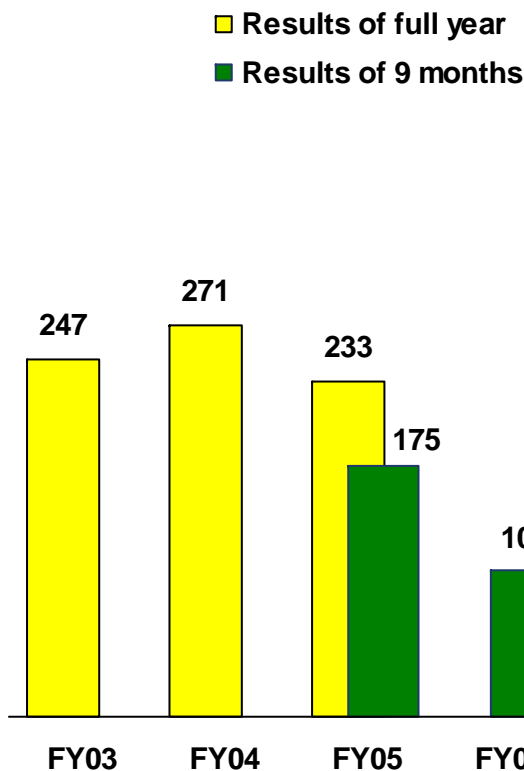
(Billions of yen)



[SMBC non-consolidated]

**Net trading income +
Net other operating income
(excluding gains/losses on bonds)**

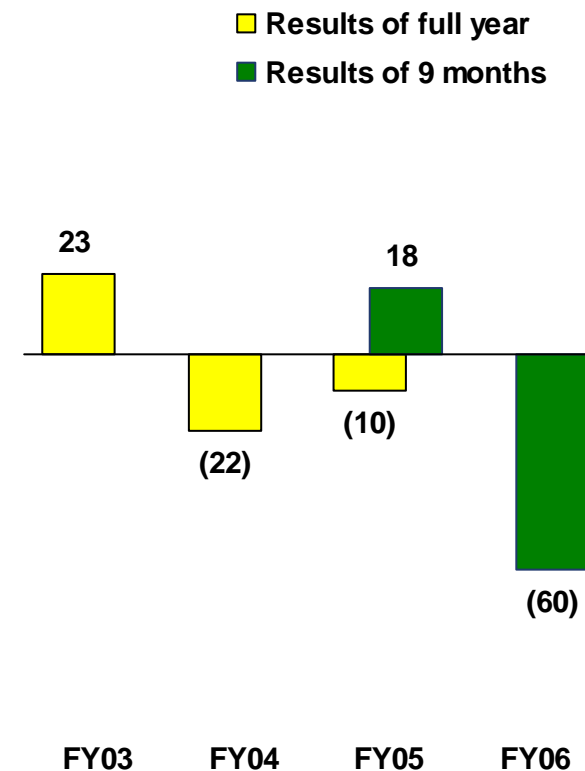
(Billions of yen)



[SMBC non-consolidated]

Gains (losses) on bonds

(Billions of yen)

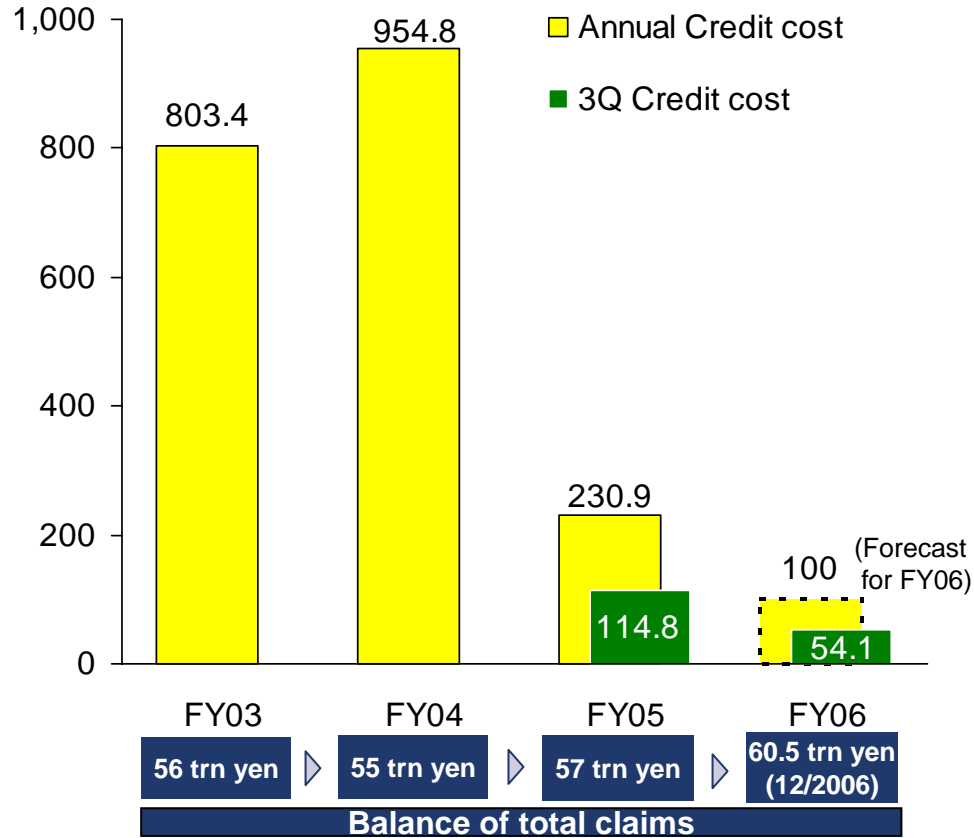




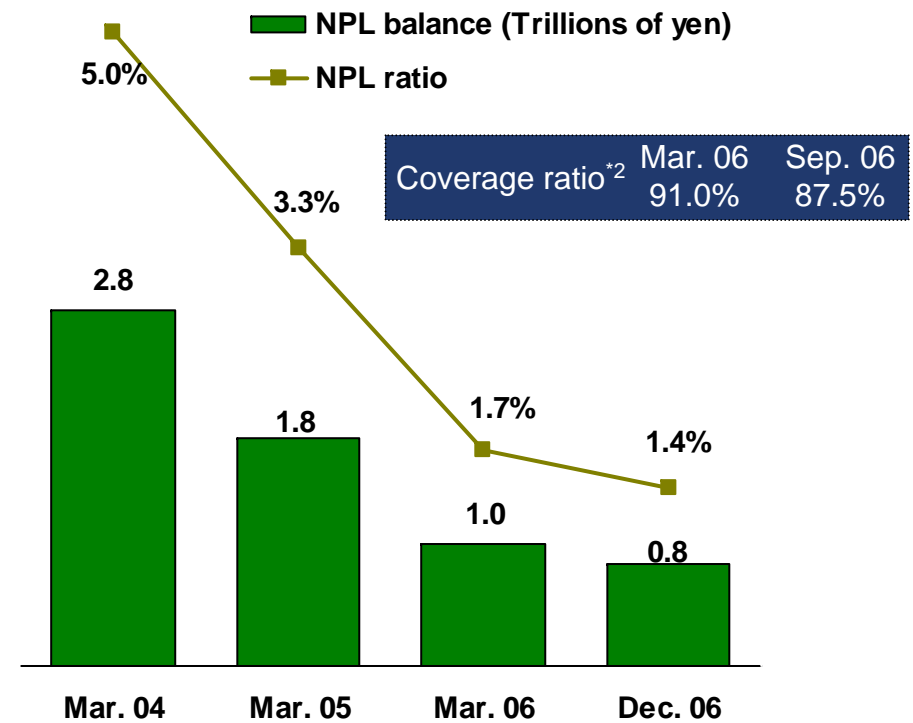
A1-5: Credit cost, NPL balance and NPL ratio steadily decreased.

Total Credit Cost

(Billions of yen)



NPL balance and NPL ratio*1



(SMBC non-consolidated basis)

*1 NPL ratio: total NPL outstanding divided by total loans and other claims

*2 Coverage ratio: (Portion secured by collateral or guarantees, etc. + Specific Reserve + General Reserve for Substandard loans) / Disclosed Problem assets based on the Financial Reconstruction Law

Q 2 : What is the update on re-pricing of loans?



A2: Steady progress in re-pricing loans since short-term interest rates were raised in July 2006.

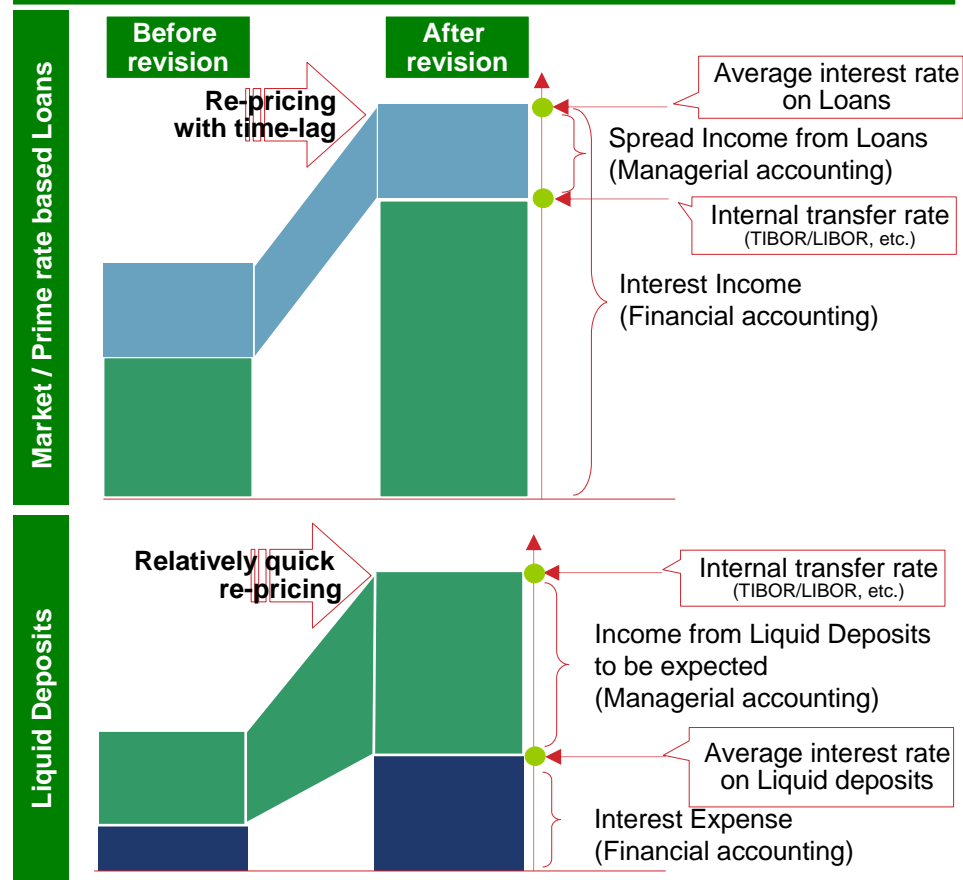
Progress in re-pricing of Domestic Loans by Types of Loans

(Trillions of yen)	9/06 balance	3/06 →6/06	3/06 →9/06
Market-rate based, re-priced within 1-year	19	+0.06	+0.22
Prime-rate based	10	+0.01	+0.19
Prime-rate based (housing loan, etc.)	7	(0.01)	(0.02)

Average Loan Balance and Spread by Business Unit (Managerial Accounting Basis)

(Trillions of yen)	Average balance		Average spread	
	1H/FY06	Year change	1H/FY06	Year change
Consumer Banking Unit	14.8	+0.4	1.69	(0.04)
Middle Market Banking Unit	21.1	0.0	1.44	(0.11)
Corporate Banking Unit	9.8	+0.1	0.67	(0.08)

Effects of Interest Rate Increase (image)

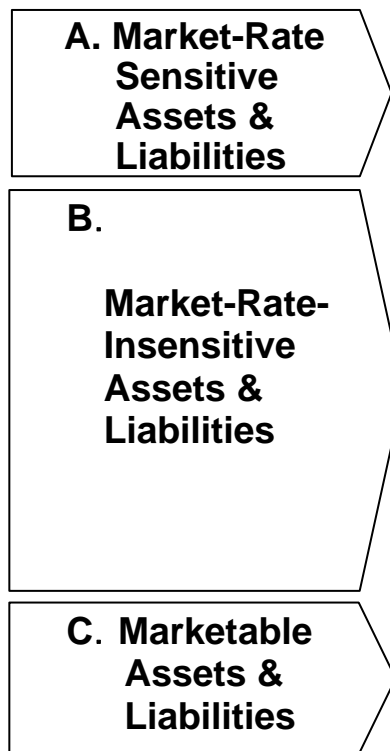


(SMBC non-consolidated basis)



<Reference> Impact of short-term interest rate rise on net interest income (image)

Excerpted B/S (as of 3/2006, trillions of yen)								
Loans and Bonds	Deposits							
Domestic Lendings 47	Domestic Deposits 61							
<table border="1"> <tr> <td>Floating Rate Lendings (LIBOR / TIBOR)</td> <td rowspan="3">Treasury Dept. (ALM operations)</td> <td>Time Deposits 17</td> </tr> <tr> <td>Floating Rate Lendings (STPR^{*1})</td> <td>Liquid Deposits 40</td> </tr> <tr> <td>Loans with more than 1yr Repricing Period</td> <td></td> </tr> </table>	Floating Rate Lendings (LIBOR / TIBOR)	Treasury Dept. (ALM operations)	Time Deposits 17	Floating Rate Lendings (STPR ^{*1})	Liquid Deposits 40	Loans with more than 1yr Repricing Period		
Floating Rate Lendings (LIBOR / TIBOR)	Treasury Dept. (ALM operations)		Time Deposits 17					
Floating Rate Lendings (STPR ^{*1})			Liquid Deposits 40					
Loans with more than 1yr Repricing Period								
Yen Bond Portfolio 15	Others 4							



Possible Impacts on Various Items affecting Net Interest Income	
Loans and Bonds	Deposits
- Neutral assuming no change in credit spread	↑ Spread Effect ^{*3} <#1> (TIBOR - Time Deposit Yield)
↓ Basis Effect ^{*2} (STPR ^{*1} - TIBOR)	↑ Spread Effect ^{*3} <#2> (TIBOR - Liquid Deposit Yield)
- Assuming interest rate risks of Fixed Rate Lendings are hedged	
- Dependent on Yen Bond Portfolio Structure	

*1 STPR : Short Term Prime Rate

*2 Basis Effect: arises when re-price of STPR differs from re-price of TIBOR in terms of timing, magnitude, etc

*3 Spread Effect: arises when the spread between TIBOR and deposit yield becomes wider as interest rates rise

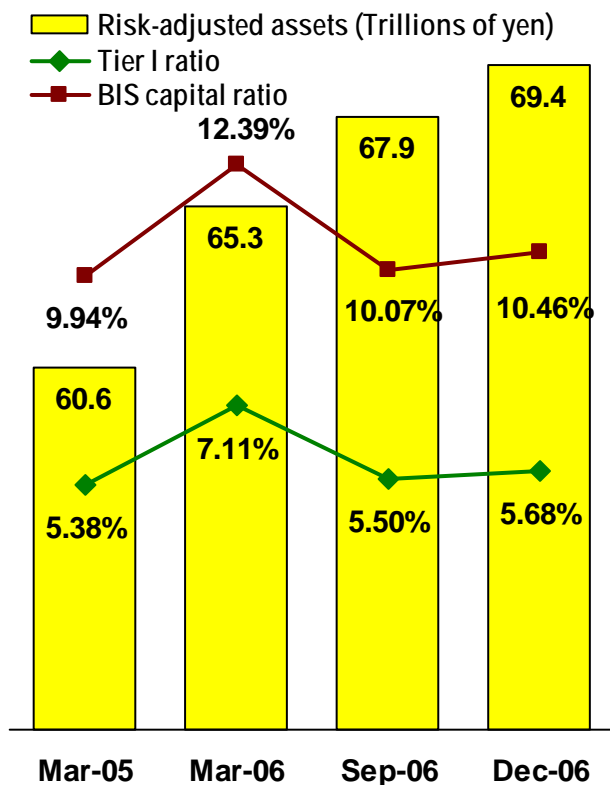
(SMBC's managerial accounting basis)

Q 3 : What is the update on establishing solid corporate platform?

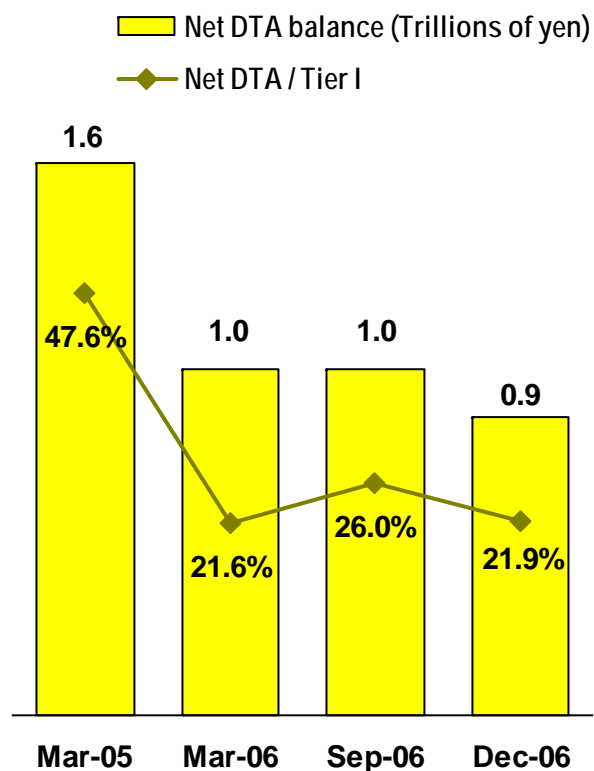


A3-1: Further strengthened financial base through full repayment of public funds and Tier I finance (issuance of preferred securities). Secured capital ratio of mid-10% level.

BIS capital ratio



Deferred tax assets (DTA)



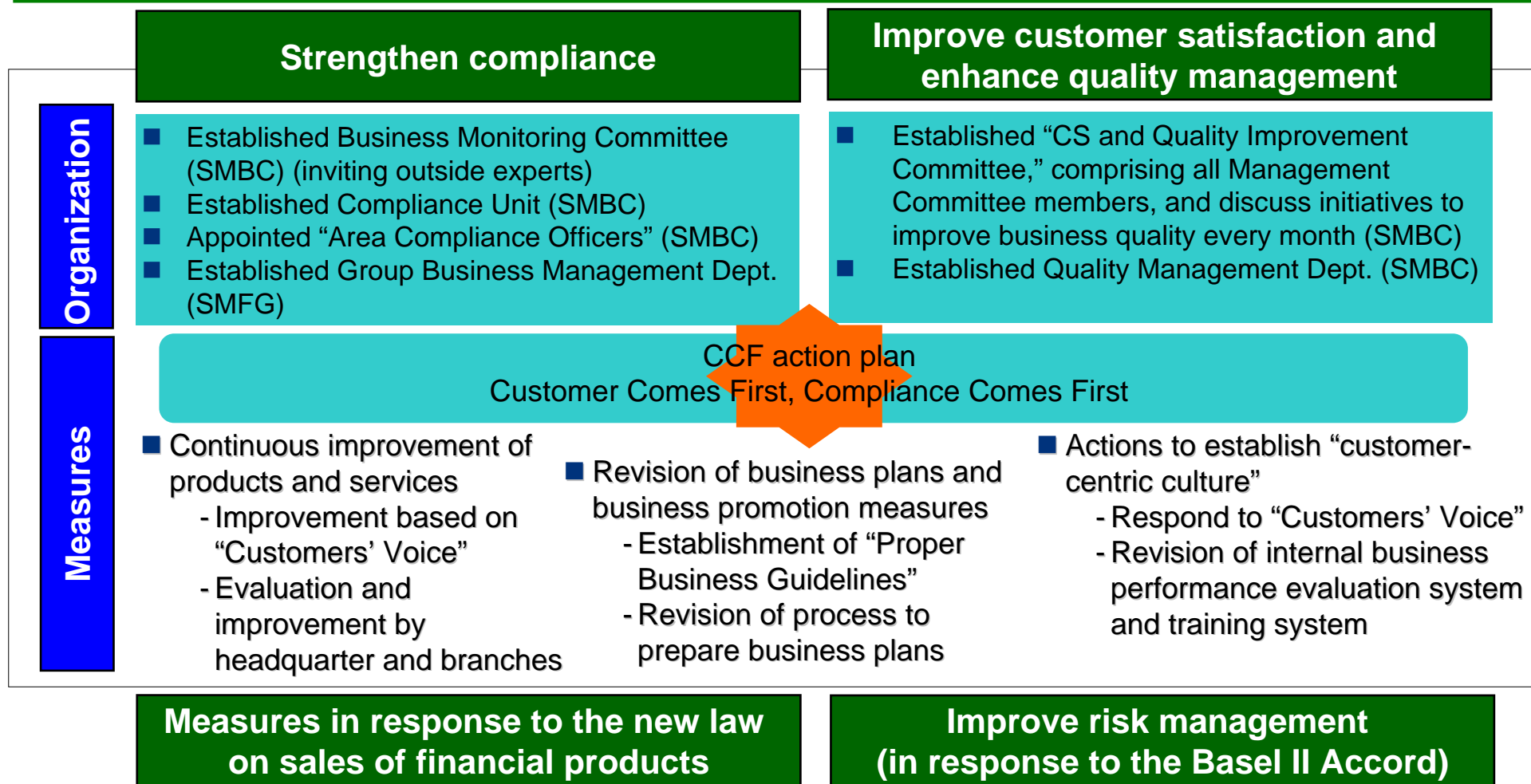
Progress in Capital Strategy

- **Completed repayment of public funds** in October 2006 while avoiding dilution
- Strengthened capital base through **non-dilutive Tier 1 financing** in December 2006 to proactively support business growth
- **Revised dividend forecast** for FY 2006 upward from JPY 4,000 to JPY 7,000 (per common share)

(SMFG consolidated basis unless otherwise stated)



A3-2: Steadily strengthening platform for supporting sustainable growth through action plans to strengthen compliance and customer-centric approach.



Q 4 : What is the “Innovation” of SMFG?




A4-1: Established various innovative business models in strategic business areas through both organic and alliance approaches, and quickly made them profitable.

	Consumer business	Corporate business
Organic	Asset management consulting “Open architecture” policy SMBC Consulting Plaza / Office Fund wrap	Unsecured loans to SMEs Business Select Loan SMBC Crecer Loan V-fund Loan
	Housing loan Super-long term fixed-rate housing loan Insurance for 3 major fatal diseases Special housing loan offered via Internet	Large corp. and overseas businesses Structured finance Loan syndication
Alliance	Consumer finance Promise	Investment banking business Daiwa Securities Group Daiwa Securities SMBC NIF-SMBC Ventures
	Credit card NTT DoCoMo	
	Internet banking Yahoo Japan	Leasing Auto-leasing Sumitomo Corporation Group Sumisho Lease Sumisho Auto Leasing
	Walk-in insurance agency service Mitsui Life Insurance Sumitomo Life Insurance	



A4-1 (Case 1): Financial consulting for individuals (asset management consulting and housing loans) -Speedy introduction of innovative products responding to customer needs

(As of Jan. 31, 2007, products provided by Sumitomo Mitsui Banking Corporation)

Supplied products	Investment trusts	53 investment trusts Domestic bonds: 3 Domestic stocks: 18 Foreign bonds: 9 Foreign stocks: 11 Balanced funds: 5 Foreign investment trusts: 7	<div style="background-color: yellow; border-radius: 50%; padding: 2px; display: inline-block;">Since Dec. 1998</div> <div style="background-color: #008000; color: white; padding: 5px; margin: 5px;"><Suppliers> 20 companies</div> <div style="background-color: #008000; color: white; padding: 5px; margin: 5px;">8 companies</div> <div style="background-color: #008000; color: white; padding: 5px; margin: 5px;">4 companies</div> <div style="background-color: #f4cccc; padding: 5px; text-align: center;">“Open architecture”</div>
	Pension-type insurances	11 products	
	Single premium whole-life insurances	8 products	
	Securities intermediation	2 primary foreign bonds (World Bank bonds, etc.) 6 secondary foreign bonds (U.S. Treasury, etc.) 14 structured bonds	
	Investment advisory services	Fund wrap	
			<Principal securities company> <Investment advisory company> SMBC Friend Securities
Original products	Investment products	6 foreign currency deposits (Fixed-term deposits, etc.) 4 structured deposits etc.	<div style="background-color: #fff2cc; border-radius: 50%; padding: 2px; display: inline-block;">Since Oct. 2005</div> <div style="background-color: #fff2cc; padding: 5px; text-align: center;">  The first large bank to sell such product </div>
	Loan products	Floating/ fixed rate housing loan Super-long term fixed-rate housing loan Housing loan with insurance for 3 major fatal diseases* Non-residential housing loans etc.	

* Won “2006 Nikkei Superior Products and Services Awards for Excellence.”
Expanded coverage to include 5 major chronic diseases in Aug. 2006.



A4-1 (Case 1): Financial consulting for individuals (asset management consulting and housing loans) -Marketing channels set to match customer activity patterns

Customer segment	Channel	<Number of channels*>
Private banking segment	Private Banking Dept.	2
Asset management segment	Block Consumer Business Office	35
	Loan Promotion Office	112
Asset building segment	Branch	408
	SMBC Consulting Plaza	67
	SMBC Consulting Office	19
Mass segment	Remote banking channel	

SMBC Consulting Plaza / Office

Since Mar. 2004

- Specialized in consulting
- Expanded to 86* locations
- Locations and business hours are set to match activity patterns of customers.

▶ Open also on weeknights and weekends



Internet banking

- Covers customers' expanding needs for Internet transaction
- Housing loan and asset management transactions

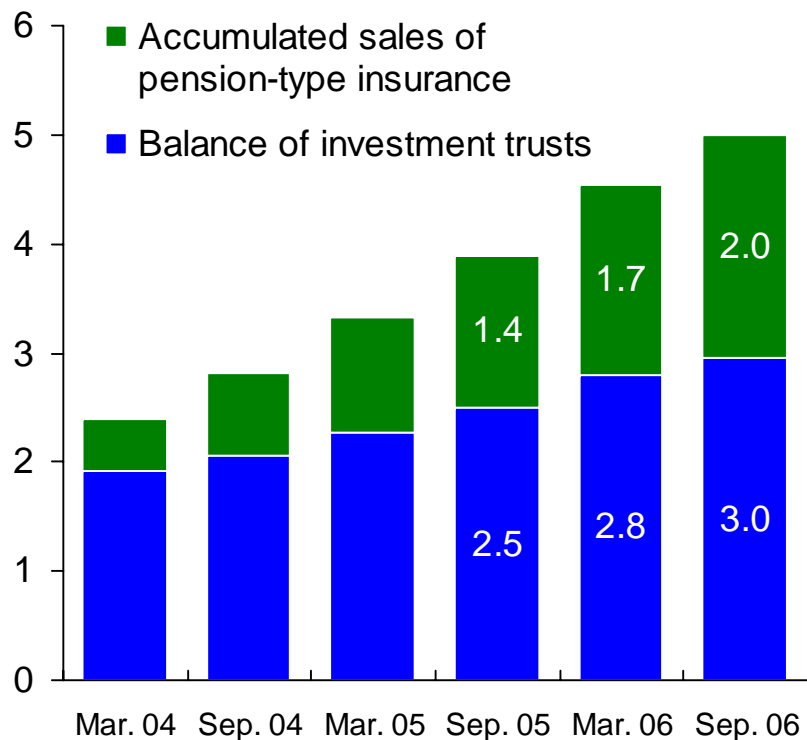
*As of Jan. 31, 2007



<Reference> Results in asset management consulting and housing loans

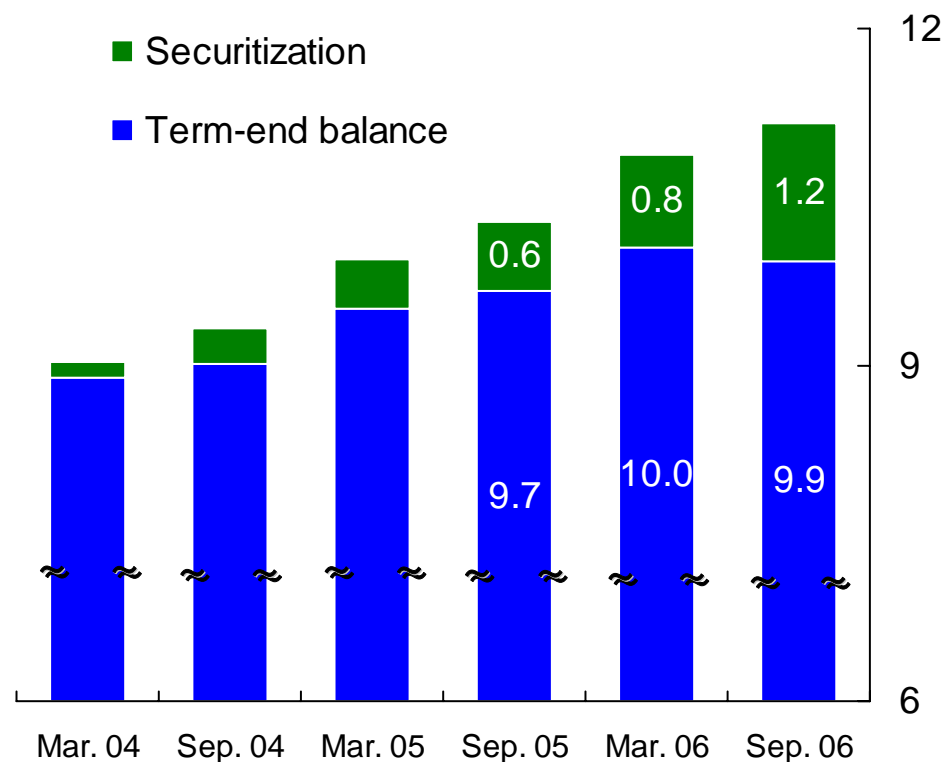
Balance of investment trust and pension-type insurance

(Trillions of yen)



Balance of housing loans*

(Trillions of yen)



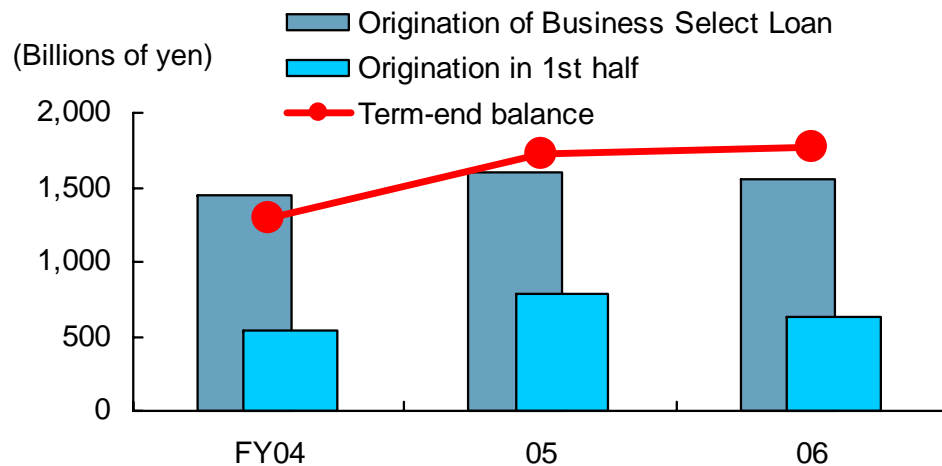
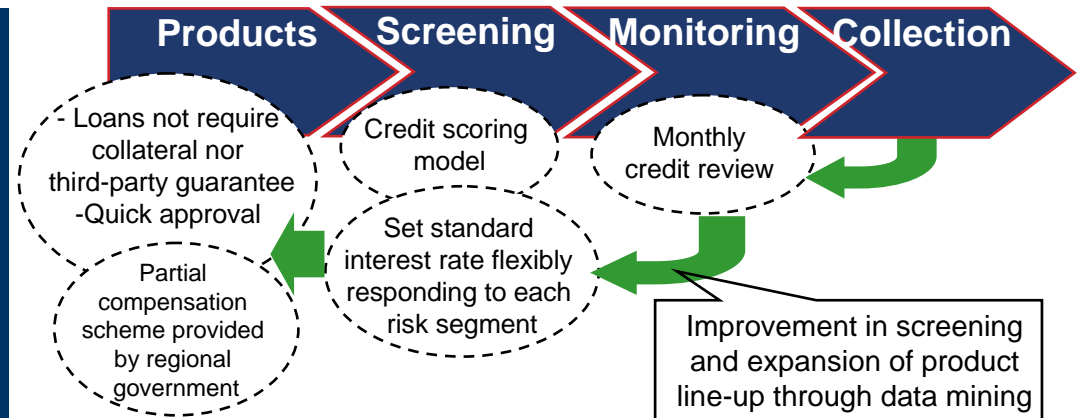
*Residential purpose.

(SMBC non-consolidated basis)



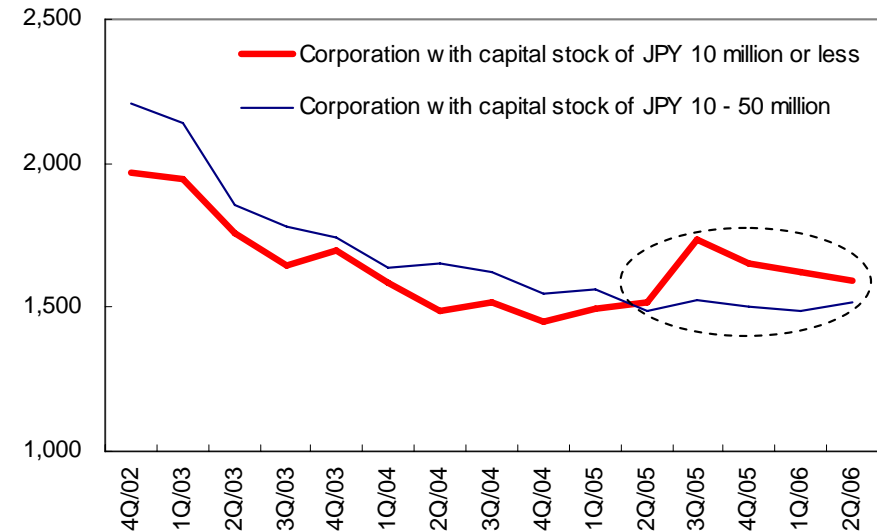
A4-1 (Case 2): Unsecured loans to SMEs (“Business Select Loan”)

- ✓ Aggressively promoting portfolio-based lending not requiring collateral or third-party guarantee, with speedy credit assessment and proper margin Since Mar. 2002
- ✓ Shifted to stable growth phase of securing risk-adjusted returns while changing portfolio composition



(SMBC non-consolidated basis)

Number of bankruptcy in Japan (classified by size of capital stock)



(Source) Tokyo Shoko Research



A4-1 (Case 3): Specific overseas business areas (structured finance, loan syndication, etc.)

- ✓ Globally promoting financial solutions with competitive edge
- ✓ Focusing on specific business areas with high growth potential and establishing effective network and efficient operations

Financial Services with Competitive Edge (trends in league tables)*1

	2004	2005	2006
➤ Project Finance (Global)			#1 *2
-Advisories Closed	-	-	(\$17.1b)
-Mandated Lead Arranger	#6 (\$3.5b)	#10 (\$2.7b)	-
➤ Loan Syndication in Asia (ex. Japan)	#5 (\$3.1b)	#6 (\$3.4b)	#2 (\$8.4b)
➤ European PFI (2004) UK PFI (2005)	#5 (£417m)	#1 (£672m)	-
➤ Global Ship Finance	#8 (\$0.9b)	-	#9 (\$3.2b)
➤ Trade Finance	Awarded by professional financial		
➤ Custodian Services	journals		

(Source) Project Finance International, Dealogic, Basis Point, Thomson IFR, etc.

*1 "-": rankings either do not exist or below #11

SMFG was ranked at No. 1 among Japanese Banks other than the global project finance mandated lead arranger.

*2 Won "Global Advisor of the Year" rewarded by Project Finance International

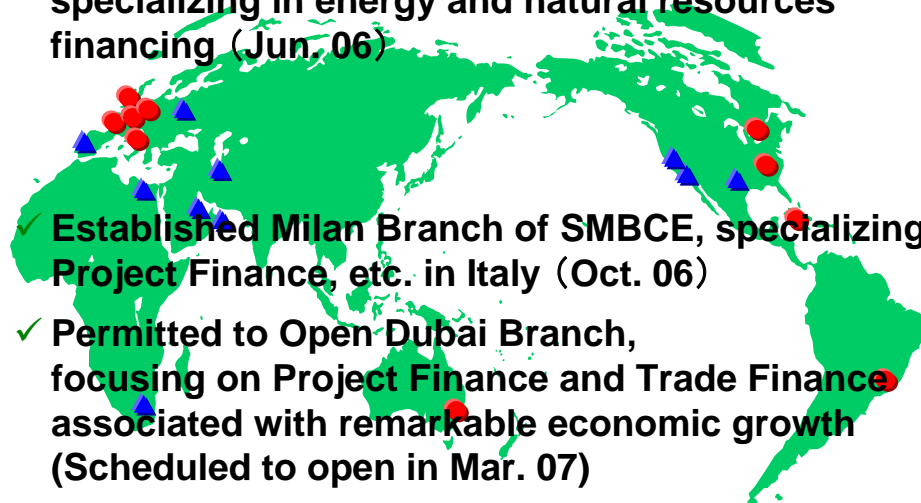
Recent Actions

- ✓ Established Houston (U.S.A.) Rep. Office, specializing in energy and natural resources financing (Jun. 06)

- ✓ Established Milan Branch of SMBCE, specializing Project Finance, etc. in Italy (Oct. 06)

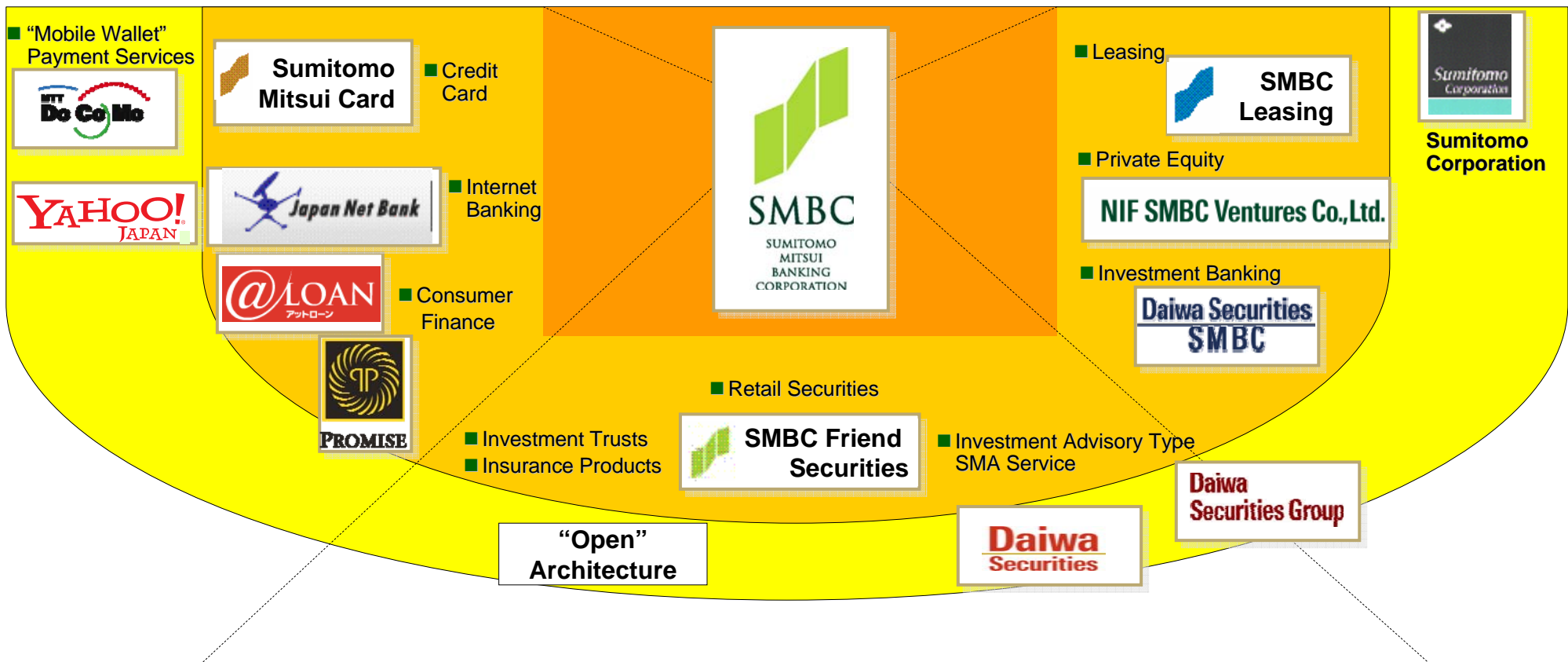
- ✓ Permitted to Open Dubai Branch, focusing on Project Finance and Trade Finance associated with remarkable economic growth (Scheduled to open in Mar. 07)

- ✓ Established Ship Finance Department in Tokyo (Nov. 06)





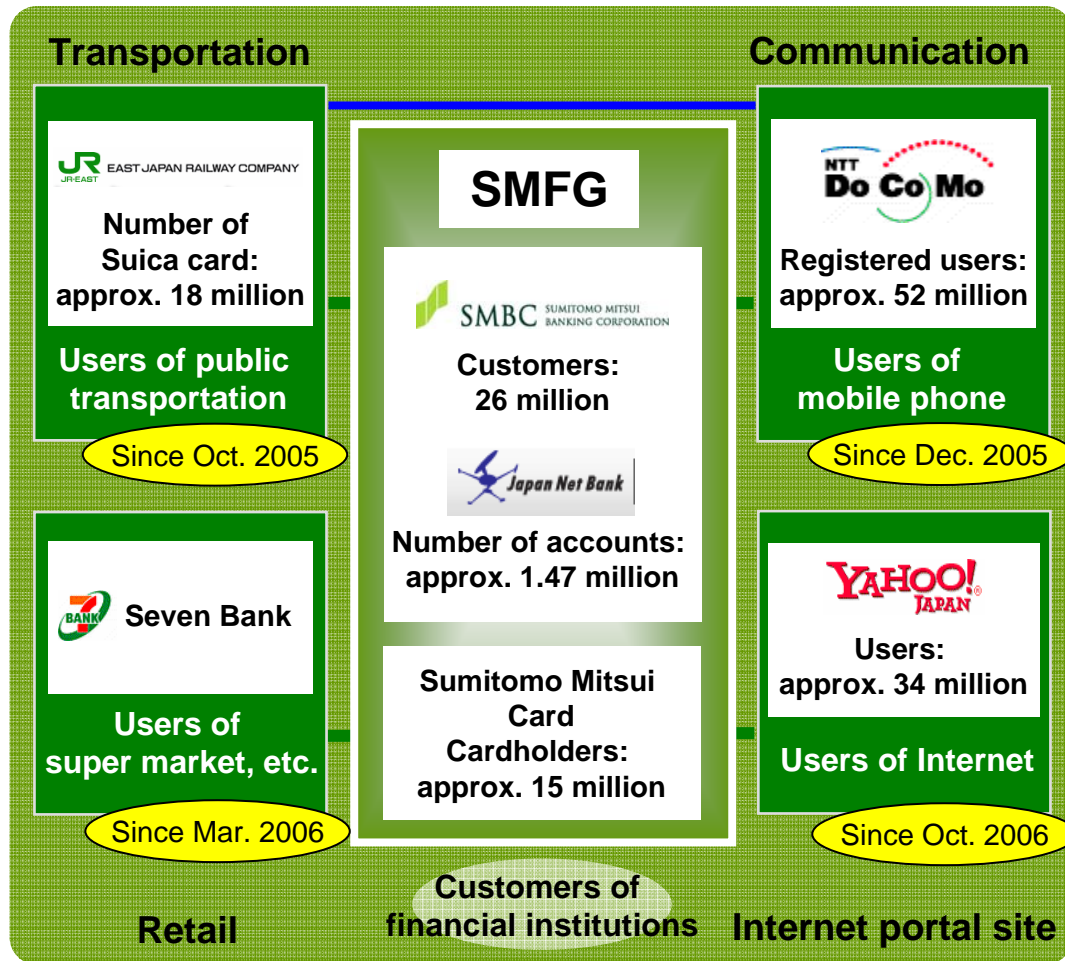
A4-2: Promote alliance with leading companies in strategic business areas in order to leverage expertise, channel network and customer base.



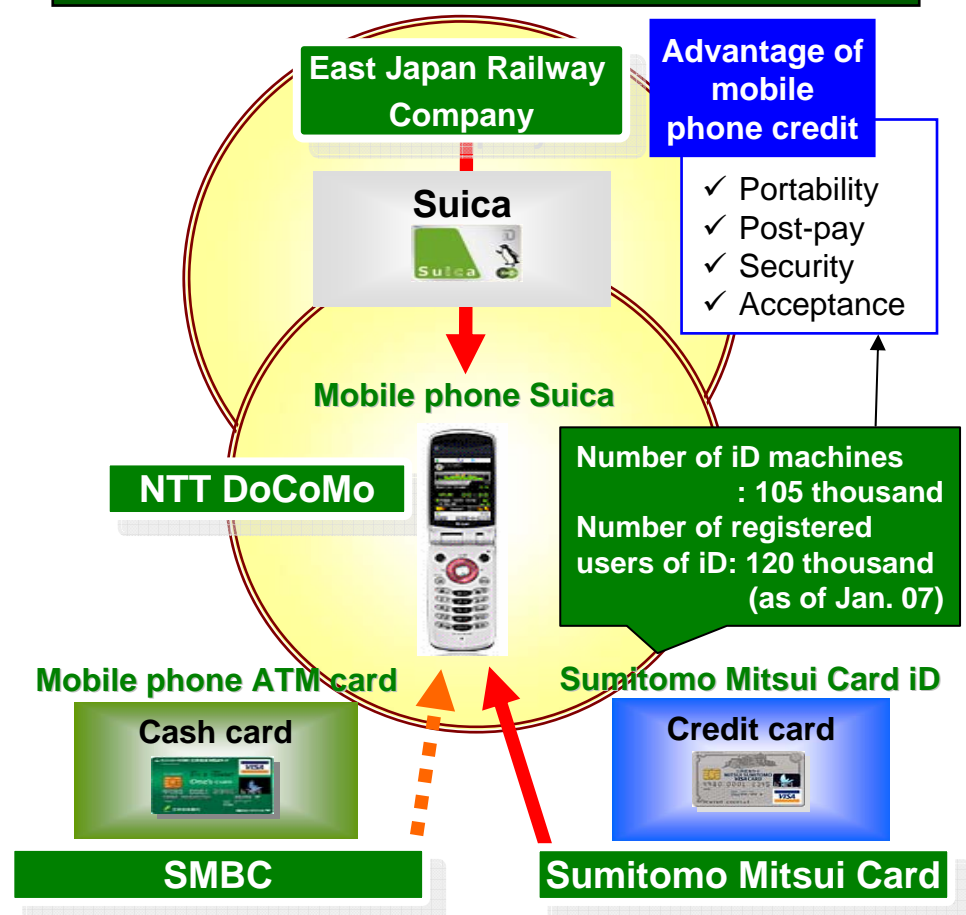


A4-2 (Case 1): Settlement finance

-Expanding customer base and improving customer convenience through various alliances



Installing various functions into mobile phone

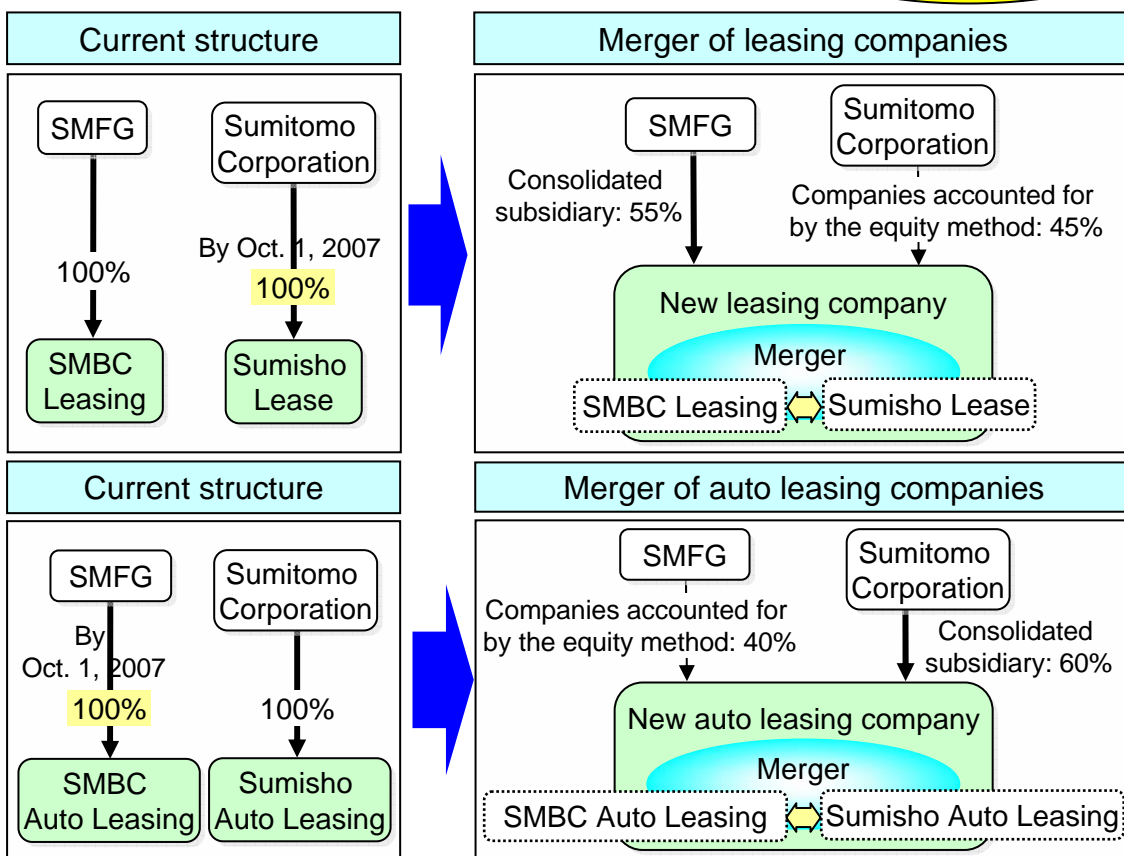




A4-2 (Case 2): Leasing and auto leasing -Combining customer bases and know-how through alliance with Sumitomo Corporation Group

Overview of alliance

Scheduled
in Oct. 2007



Position in industry after merger

(Trillions of yen)

	Company name	Operating assets	Leasing volume
1	Orix ^{*2}	5.9	2.0
	New leasing company + New auto leasing company	2.6	2.3
2	Hitachi Capital	1.8	1.8
3	SMBC Leasing	1.6	1.5
4	Diamond Lease	1.4	0.9
5	Sumisho Lease	1.0	0.8

Leasing (all types)^{*1}

	Company name	No. of cars (Thousands)
1	ORIX Auto Corporation	529
	New auto leasing company	470
2	Sumisho Auto Leasing	236
3	SMBC Auto Leasing	234
4	Mitsubishi Auto Credit-Lease + Diamond Auto Lease	180
5	Nippon Car Solutions	171

Auto leasing^{*3}

*1 FY05 non-consolidated basis, source: financial disclosure of each company

*2 FY05 consolidated basis

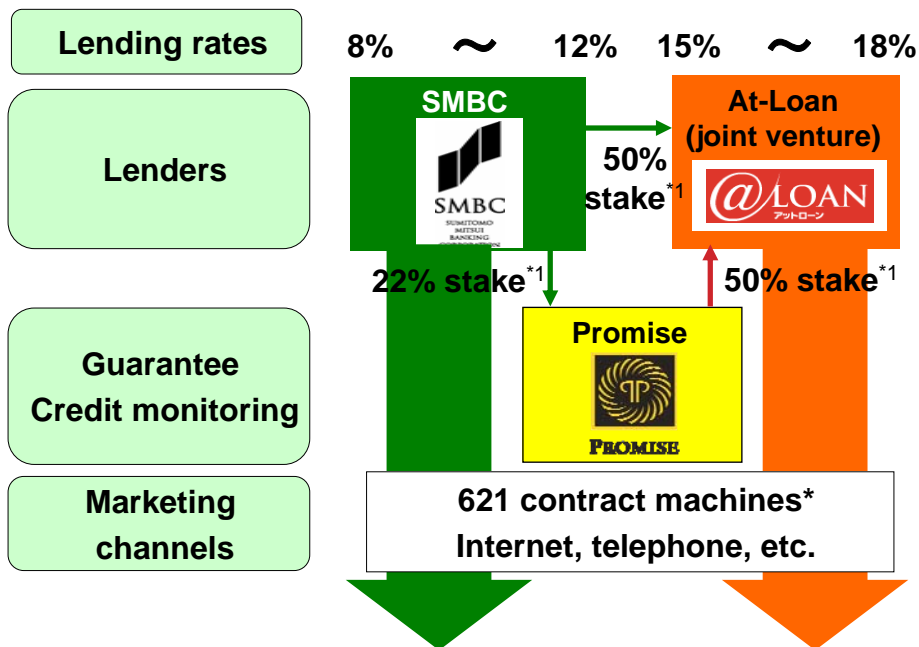
*3 Based on FY05 results, source: Yano Research Institute

Q 5 : What is the policy hereafter on consumer finance business?

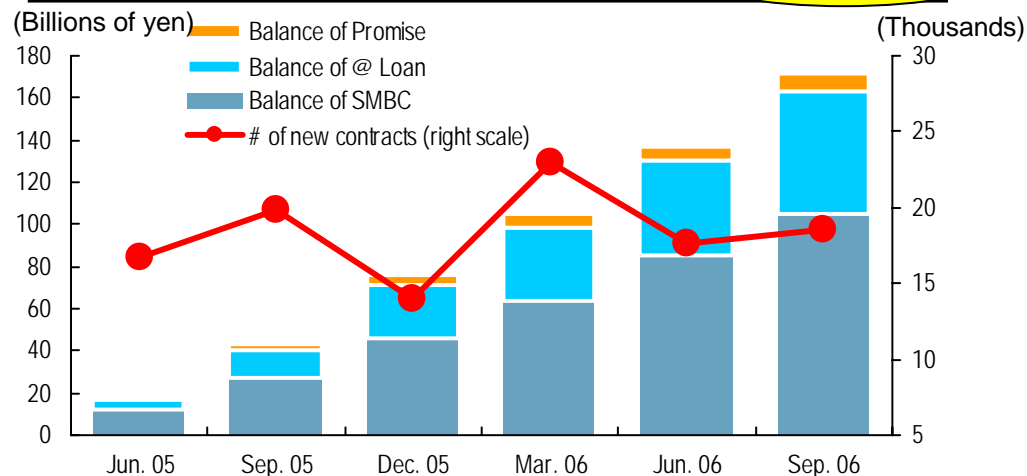


A5: Loan balance is steadily increasing. Partially revised business model following regulatory changes in consumer finance industry.

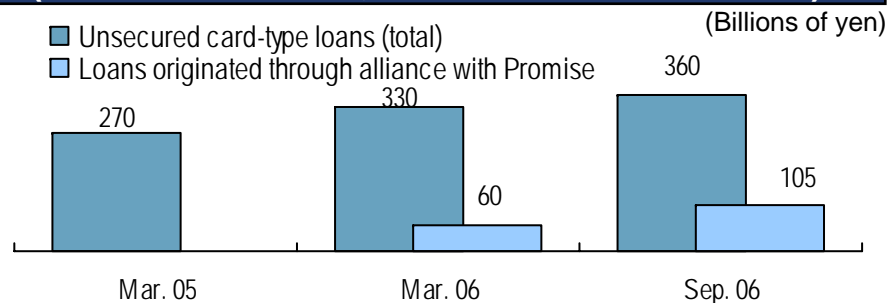
- ✓ Reduced the number of lenders to two (SMBC and At-Loan) in Feb. 2007.
- ✓ Continuously grow collaborative business through measures such as expanding loan contract machine network to regional cities, etc.



Progress of collaborative business Since Apr. 2005



Balance of unsecured card-type loans (Term-end balance, SMBC non-consolidated)

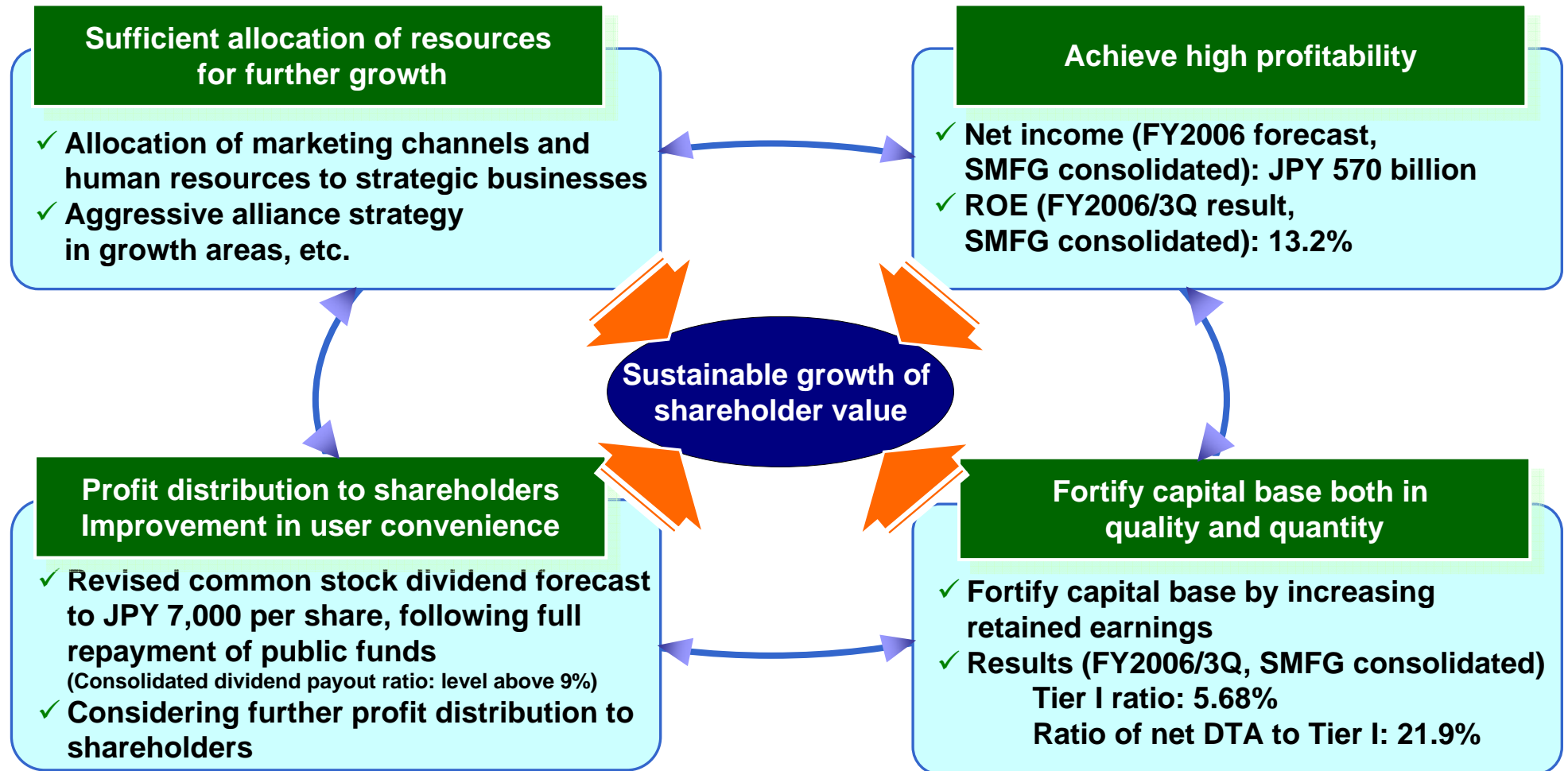


*1 Share ownership ratio: as of Sep. 06.

*2 As of Feb. 07.

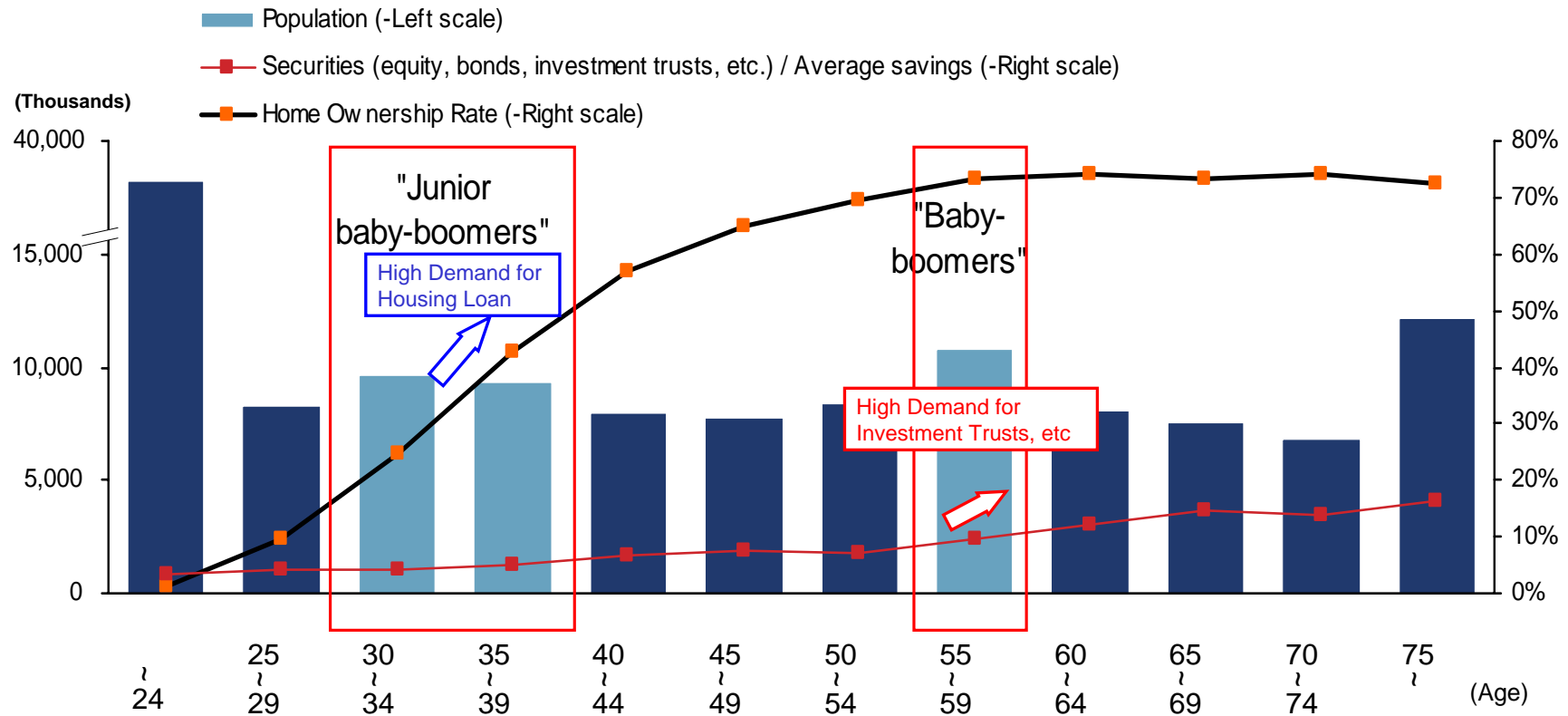


Closing



Appendices

Appendix (1) Japanese population by age, home ownership rate and financial assets



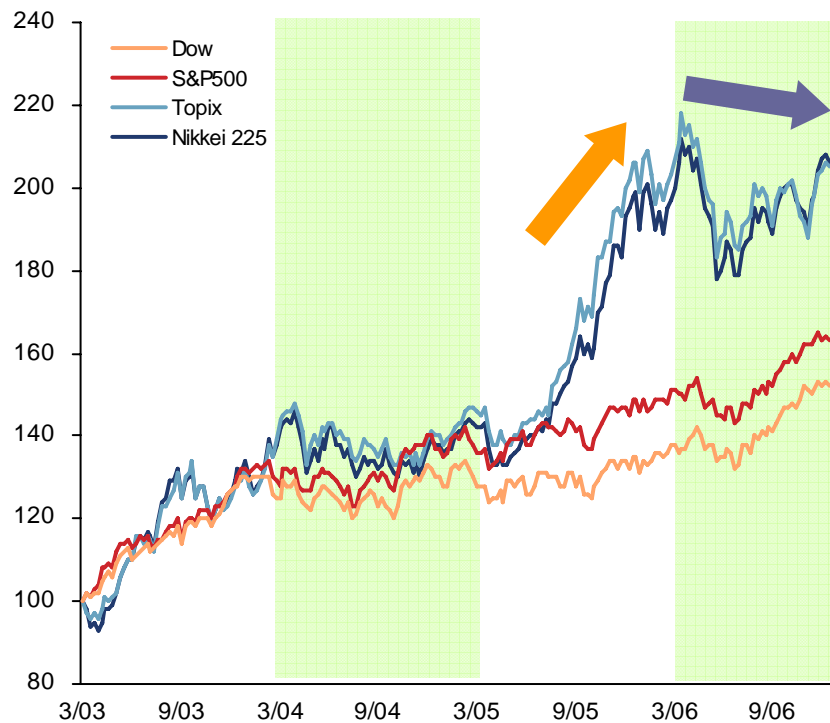
Source: Statistics bureau, Ministry of Internal Affairs and Communications*

* Housing and Land Survey (10/2003) from the Statistics Bureau (Ministry of Internal Affairs and Communications)
 National Survey of Family Income and Expenditure (FY 2004) from the Statistics Bureau (Ministry of Internal Affairs and Communications)

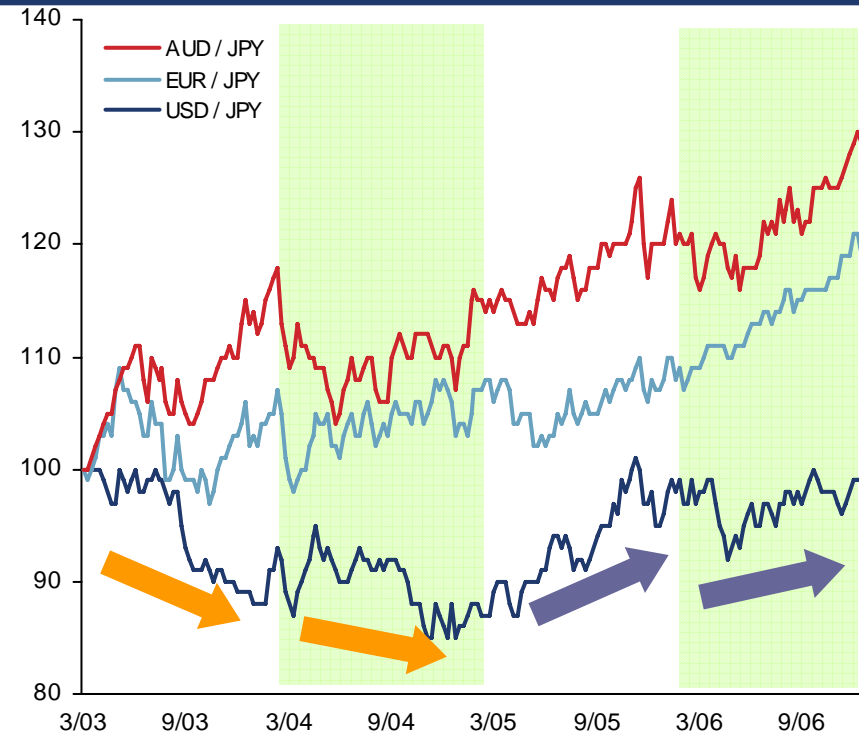


Appendix (2) Stock price and foreign exchange rate trends

Stock Price Performance (Indexed)*



Currency Exchange Rates (Indexed)*



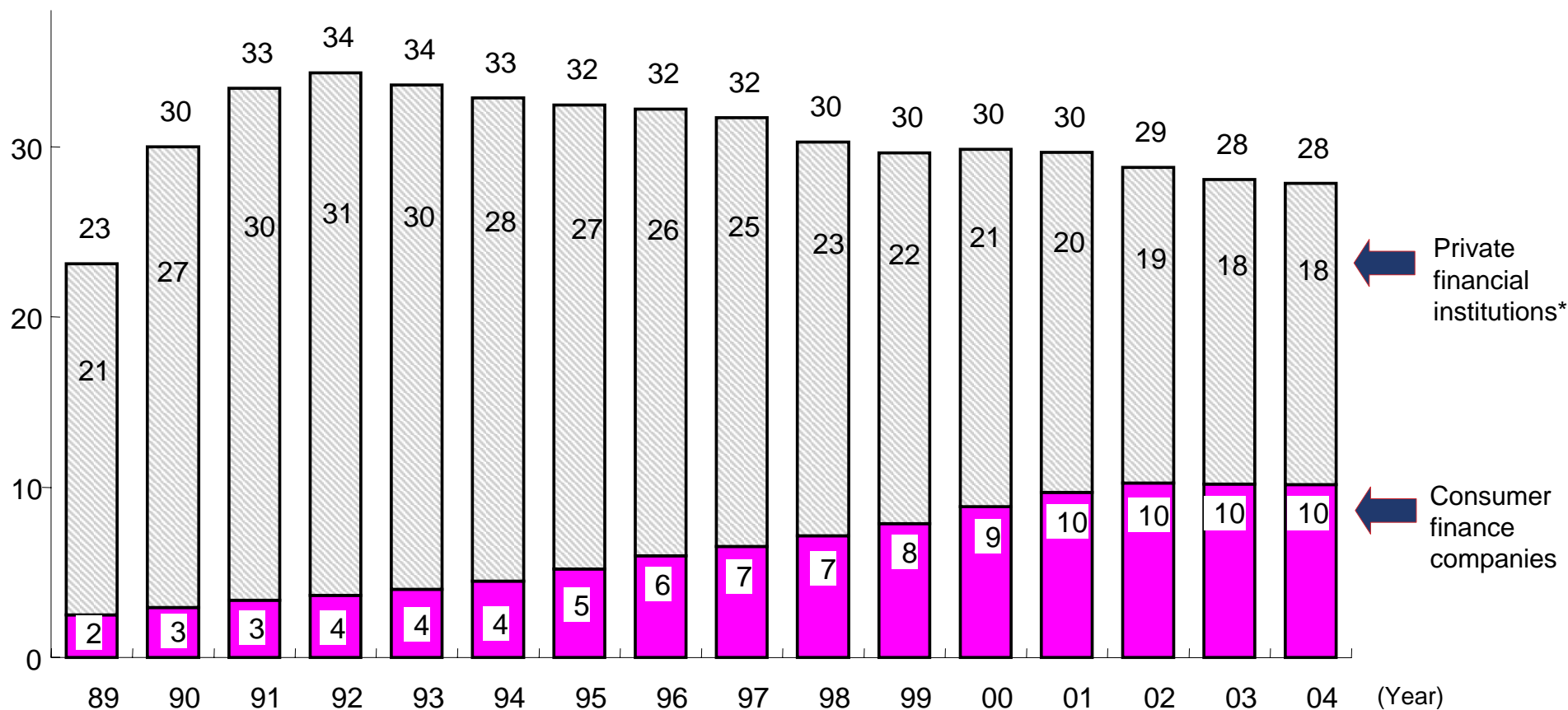
Investment trust sales at SMBC (billion yen)	FY2003	2004	2005	1H FY2006
	847	882	1,361	503

Investment trust sales at SMBC (billion yen)	FY2003	2004	2005	1H FY2006
	847	882	1,361	503

*3/03=100

Appendix (3) Balance of consumer finance

(Trillions of yen)



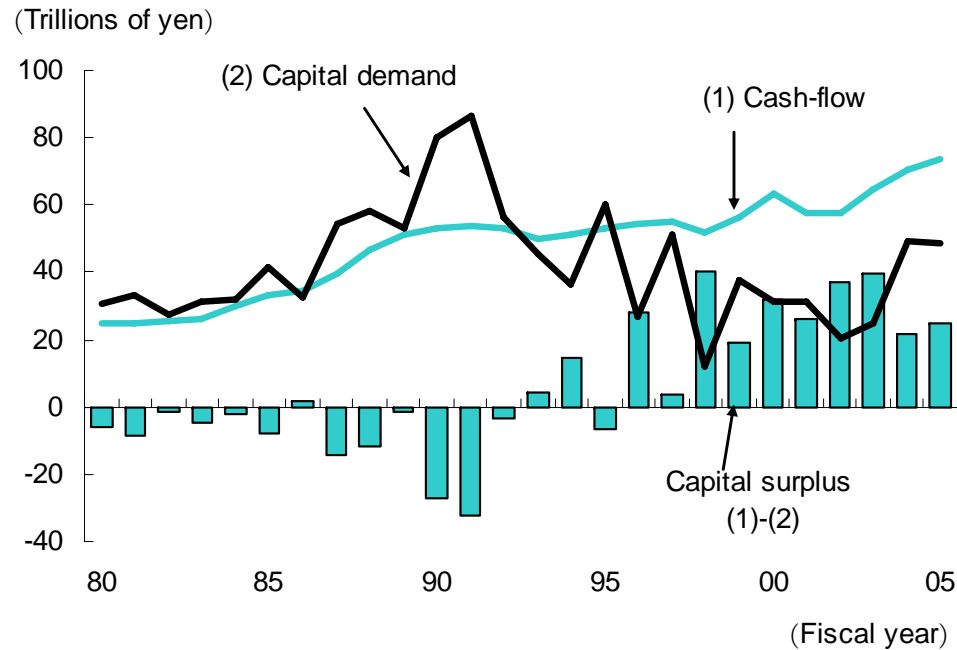
(Source) Japan Consumer Credit Industry Association

*Banks, credit unions, insurance companies, etc.



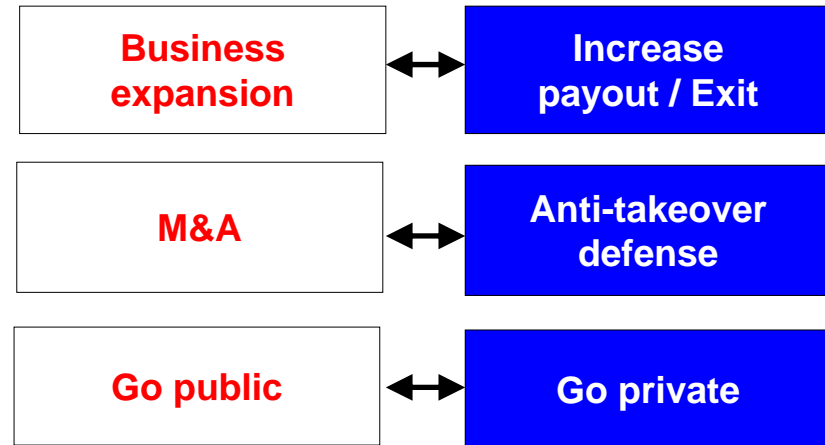
Appendix (4) Excessive cash position of corporate sector

Capital demand and cash-flow of Japanese corporations



(Source) Financial Statements Statistics of Corporations by Industry, Ministry of Finance Japan

Growing shareholders interest in effective use of excess cash

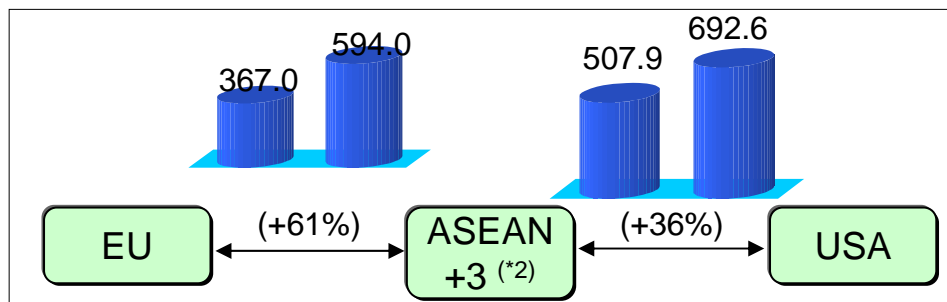
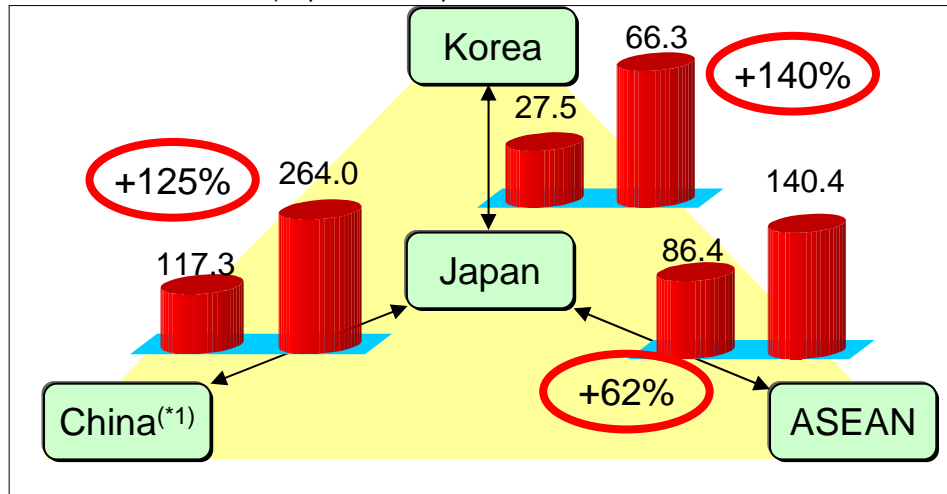


Growing importance of, and increasing opportunities in, solution-providing business for corporations

Appendix (5) Globalization of business activities

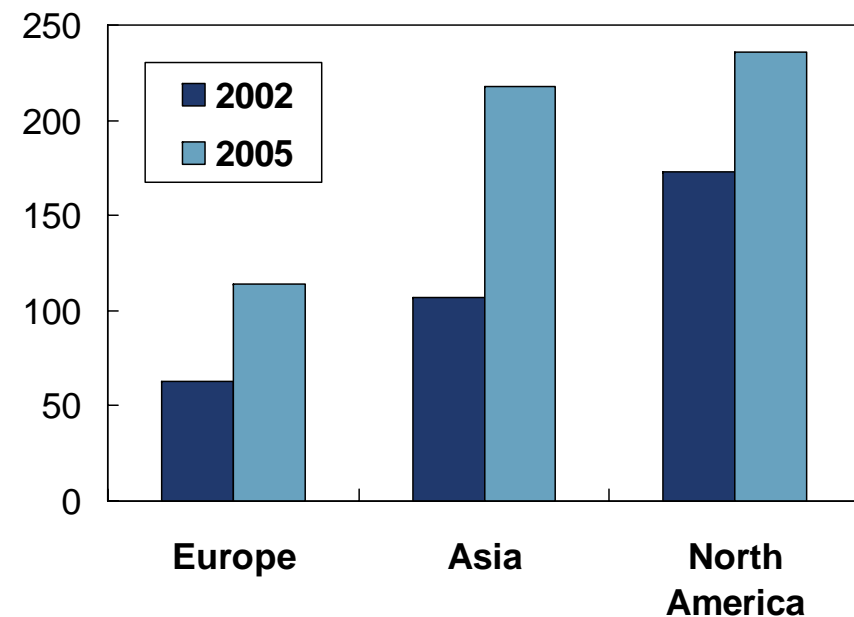
Increasing trades among Japan, China, Korea, ASEAN, from 1998 to 2004: +115%

(Import and export, billions of dollars)



Increasing sales of overseas subsidiaries of Japanese corporations

(Billions of dollars)



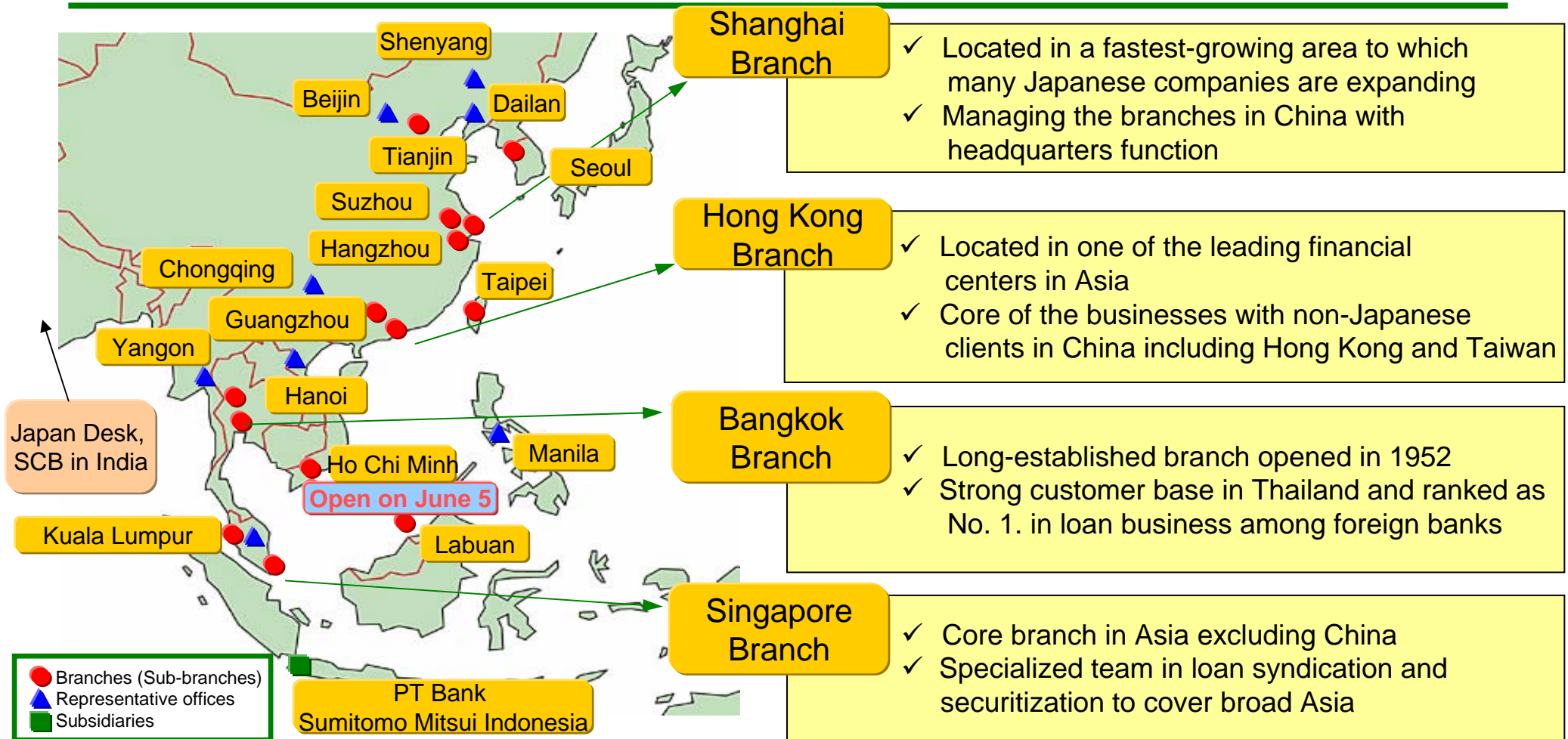
(Source) Quarterly Survey of Overseas Subsidiaries, Ministry of Economy, Trade and Industry

*1 Figures of China are the sum of those of PRC including Hong Kong and Taiwan

*2 "ASEAN+3" are ASEAN, China, Korea and Japan



Appendix (6) Network in Asia (SMBC)





This material 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 material: 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.