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Presentation at the Merrill Lynch Japan Conference 2008

"Seven Questions from Investors"

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＜Presentation Summary＞

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(Cover page)

Good afternoon, ladies and gentlemen.

I am Kitayama, President of Sumitomo Mitsui Financial Group.

It is my great pleasure to be here with you today to make a presentation.

I would also like to thank Merrill Lynch for organizing this conference.

Please turn to next page.

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Today, I picked up seven most frequently asked questions and will explain answers for them to present SMFG's business environment, results so far and strategies going forward.

As far as I know, these 7 questions were top-listed a week ago, but now I know the most frequently asked question is different, which is our exposure to Lehman Brothers Holdings and its affiliates. So, before moving to 7 questions, I would like to answer to that question at first.

Today we made an announcement regarding our claims to Lehman Brothers Holdings and its affiliates. SMFG's group-wide exposure to Lehman Brothers Group is;

- about 980 million dollars of credit exposure and
- about 500 million yen of bonds.

Of the credit exposure, about 880 million dollars are secured by collaterals and so on, therefore, we currently expects the associated loss amount to be about 10 billion yen.

We plan to execute necessary provisions or write-offs in this fiscal year.

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First, I would like to explain my understanding of current business environment.

Please turn to page 3.

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In our three year medium-term management plan, "LEAD THE VALUE" plan, started last year, we formulated our growth strategy paying attention to the "five macro trends," as listed on the top-left of this page. Clearly, out of our initial plan is the sub-prime crisis which has triggered turmoil of global financial markets. And now, the world economy is facing substantial down-side risks.

Last year, at this conference, I said "the market may move into 'a process of adjustment in asset pricing,' and this process would be opportunities for SMFG."

Currently, we are experiencing this process, accompanied by the new factor of slowing world economy. The instability of global financial markets continues, but with unprecedented level. And it might be more extensive, radical and probably painful as we've just experienced over the weekend.

It is very difficult to predict how this adjustment process will go on, but I could make a comment to a question: "how long will the asset price adjustment process last?"

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One of the root problems of the financial crisis this time is huge in-balance between asset prices and personal income, which was caused by aggressive attitude for risk-taking and leverage under high economic growth, easy monetary policies and excess liquidity worldwide.

We can find a typical example of asset price adjustment process after Japanese real estate bubble reached to the peak of the real estate price index in 1990. At the initial stage, the process was expected to last only for several years; however, the process eventually lasted for more than 10 years before the price index hit the bottom when the real estate price and personal income finally met.

What is shown by this experience, I think, is that the asset price adjustment process will continue until its economic rational is satisfied, once the real adjustment of asset price starts. I personally think that the adjustment process of U.S. housing market is exposed to the risk of being extended further, against the general observation of reaching to an end at around the 1st half of next year.

And now, the concern for possible recessionary scenario is growing in Japan. Under this business environment, from a short-term perspective, we should tackle the source of down-side risks as early as possible. However, from a medium- to long-term perspective, we also should implement initiatives for future growth with "cautious optimism."

Next, I would like to explain the recent business performance of our group under such business environment. Please go on to page 6.

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I will start with SMFG's key achievements in fiscal 2007, the last fiscal year. I would summarize the year as a fairly good first year of the medium-term management plan while coping with uncertainty in business environment triggered by "subprime loan problem."

Specifically, as the first step toward realizing the medium-term plan, SMBC almost achieved the annual plan on top-line profit despite negative impact related to subprime, thanks to treasury operation capturing market opportunities and international banking operation with aggressive increase in overseas assets. On shareholder return, SMFG increased its dividend payout exceeding the original plan, and consolidated payout ratio turned above 20%. Also, we steadily developed future drivers in the targeted growth business areas through both organic and inorganic approaches.

On the other hand, fiscal 2007 was the year that we had to quickly cope with uncertainty in business environment. Specifically, we quickly reduced subprime related exposure, and wrote off and provisioned for the remainder. Therefore, the current subprime-related exposure is minimized.

On page 7 and 8, for your reference, we present financial highlights in fiscal 2007 and the impacts of subprime-related exposure on our P/L, respectively.

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Next, I would like to explain about the points on our 1st quarter results.

First, SMBC's core earnings, namely, Marketing Units' gross profit was almost in line with the budget. The decrease of profits in the domestic Marketing Units, especially in the Middle Market Banking Unit, was covered by the profit growth in the International Banking Unit, proactively leveraging the improvement in our competitive position in the overseas market. Here, please note that in general, financial performance of Japanese commercial banks including SMBC has seasonality that the first quarter results tend to show relatively low progress ratio.

Second, SMBC incurred about 30 billion yen losses on bonds through reduction in its fixed income exposure, responding to the hike of long-term interest rates both in domestic and overseas markets after April.
Third, credit costs increased year over-year to 83.8 billion yen.
The recent business environment including domestic economy is getting tougher compared to our initial assumption. For instance, as shown on bottom right, we assumed this fiscal year's Japan's nominal GDP growth rate to be 1.4%, however, according to the recent outlook by Japan Research Institute, annual nominal GDP growth is expected to turn to minus. We will carefully examine our earnings plan for this fiscal year, based on the most recent progress in the 2nd quarter.
On page 10, for your reference, the information regarding our 1st quarter top-line items are described.
Next, I will explain about the third topic, the credit cost. Please turn to page 12.

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SMBC's Total credit cost in the first quarter of fiscal 2008 was 84 billion yen, with relatively high progress ratio of 47% on our annual forecast of 180 billion yen. 3 major factors of this high progress ratio are shown on the right.
Number one, higher-than-expected deterioration costs due to worsening in business performance of clients classified to substandard or above. Number two, higher-than-expected credit costs associated with Business Select Loan, targeting small companies with annual sales of less than 1 billion yen. Number three, lack of gains through off-balancing of non-performing loans in the first quarter.
We have internally simulated that total credit costs could increase by more than 50 billion yen in the case of 1% decline in nominal GDP growth rate from our initial assumption. Therefore, I understand that first two factors of Q1 credit costs were the reflection of slower-than-expected macro economy. However, regarding the third factor, I would like to point out that the processes of off-balancing NPLs are expected to progress in the 2nd half of fiscal years, and that collection gains or losses are expected in the 2nd half as well.
I have to admit that credit costs in domestic market could increase compared to our initial forecast, if the slow-down of domestic economy certainly continues all through this fiscal year. Nevertheless, the impact would not be as large as we experienced in the past, especially for domestic portfolio.
Next, I would like to explain the fact that the quality of our domestic loan portfolio has dramatically improved compared to four or five years ago.

Please go on to page 13.

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First, I would like to talk about off-balancing costs of doubtful assets or below. Four years ago, SMBC had about 1.6 trillion yen of doubtful assets. And mainly through its workout process, SMBC incurred annual off-balancing costs of about 200 billion yen. Now, in March 2008, the balance of doubtful assets is reduced to one-third, of which the amount without any collateral, guarantee, or allowance is limited to about 50 billion yen. It would be difficult for us to imagine the situation of having, for example, 100 billion yen of off-balancing cost out of such improved balance sheet.

Please turn to page 14.

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Next is about deterioration costs of substandard assets or above. Four years ago, SMBC had more than 400 billion yen of uncovered exposure in substandard assets and 4.3 trillion yen of assets under watch-list borrowers, resulted in 750 billion yen of deterioration costs. Now, in March 2008, the uncovered exposure in substandard assets decreased to around 100 billion yen level. And the balance of assets under watch-list borrowers also decreased to 2.6 trillion yen. It would be difficult for us to imagine, once again, the situation of having several hundreds billion yen of deterioration costs out of current balance sheet.

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On the domestic industry segment front, you can see that our exposure to construction and real estate industries, which once had been a heavy burden on our financial condition, has steadily improved in terms of both quality and concentration. For example, the problem asset ratio of domestic real estate industry was substantially reduced, and the balance of real estate non-recourse finance are expanded to around 1.6 trillion yen, with as high quality as more than 80 % of this portfolio being classified to “Strong” and “Good” under Basel II slotting criteria.

Remaining less than 5 trillion yen is well diversified in terms of sub-segment, with exposure to real estate leasing companies, large general real estate companies, and developers split into about 50%, 20%, and 20%, respectively. Accordingly, we do

not expect substantial deterioration of the portfolio within short period of time.
Please turn to page 16.

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Next, I'd like to explain the recent situation of Business Select Loan, which I touched upon as one of the factors for Q1 credit costs. Along with the worsening domestic economic environment, the default rate of this product is increasing and recently reaching to the level beyond the spread after funding cost.

On the other hand, since two years ago, we have implemented a more stringent screening standard in order to manage the increasing default of SMEs belonging to specific sectors. As a result, default ratio of newly originated loans under the new standard is within expected level, so I am confident that the new standard is effective to improve credit portfolio of Business Select Loan.

In the last fiscal year, though decreased by about 300 billion yen compared with the previous year under our emphasis on the improvement in quality of the portfolio, we originated 900 billion yen of Business Select Loan and the balance as of March 2008 was about 1.5 trillion yen.

Recently, we have been working to reinforce our credit risk management systems by utilizing historical customer data in addition to our credit scoring model. Going forward, we aim to improve profitability of client segment of Business Select Loan also through actively utilizing loans guaranteed by the Loan Guarantee Association as effective measures for risk sharing, and through further strengthening cross-sell of products such as money transfers and foreign exchanges.

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In addition to the improvement in the quality of loan portfolio, I would like to touch upon how we have been improving credit risk management.

With regard to our credit risk management system, based on what we learned through the "Intensive Resolution Period" of non-performing loan problem, we have been continuously strengthening the system responding to changes in business environment. We will further strengthen risk management system in order to deal with recent changes, such as, expansion of overseas credits.

It is not to say that we are optimistic for the trend of future credit cost. We must carefully watch how credit level of "normal assets" may deteriorate according to the slowdown of the economy. And, as far as the slowdown of the macro-economy is concerned, we do not expect negative impact would become meaningfully larger than what our internal simulation model indicates.

The real challenge would be, as we currently see in Lehman's case, a sudden default of high-grade, globally operating financial institutions, with which a bank usually has sizable market transactions. Such default is hard to predict and it might have relatively large negative impact on our financial results. However, we believe current earnings power of SMFG and improved capital position have made SMFG resilient enough to weather such a crisis. Please turn to page 18.

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Next, we summarized loan exposure of our subsidiary banks. One of the highlights during the past four years might be the expansion of the loan balance in Kansai Urban Banking Corporation. Shown through the comparison of the left and the right charts, there are two key points:

#1: During these four years, Kansai Urban expanded consumer loans, which actually are mortgages, as well as its loans to its SME clients, and

#2: The expansion of loans to SMEs is well covered by collaterals.

Kansai Urban has relatively high proportion of its loan balance in real estate sector, this is because the bank expanded well-diversified loans to corporate clients, centered on brokers of single-family houses and condominiums and, by leveraging the relationship with them, it also expanded housing loans. The point is that these loan books are well-diversified.

In bankruptcies of medium-sized developers in the past several months, Kansai Urban's exposure was reasonably secured. Accordingly, I understand that the bank has not excessively expanded unsecured credits to medium-sized developers that have strong risk appetite.

Moreover, in respond to worsening real estate market, Kansai Urban established specialized department in headquarters and increased the number of staffs, in order to realize reinforced and centralized management of its exposure to real estate industry.

Next, I would like to explain the situation of expenses, as my answer to the fourth question. Please turn to page 20.

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From the last fiscal year, according to the medium-term plan, we are increasing expenses with the aim to strengthen targeted growth areas, such as (i) expansion of channel network both in Japan and overseas, (ii) fortification of IT infrastructure including installment of new operation terminals into all domestic branches and so on.

Please turn to page 21.

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On this page, peer comparisons of profitability and efficiency are shown for your reference. In the middle, we are still maintaining the best efficiency ratio among 3 mega banks. As touched upon in the previous page, expenses in the short term is essential in order to support our medium-term growth. Going forward, efficiency ratio may go up temporarily affected by tougher-than-expected business environment, however, operational efficiency remains as our priority.

Next, I would like to explain our initiatives for strengthening domestic growth business areas. Please turn to page 23.

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In the domestic market, our aim is to steadily capture business opportunities in environment and its change under a “macro trend,” such as (i) high ratio of deposits to financial assets of individuals and (ii) diversified settlement tools in small money settlement market from a medium-term perspective. From the next page, I will explain about initiatives to realize these.

Please turn to page 24.

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First, on financial consulting for individuals, as shown on the left, led by our aggressive business expansion so far, the balance of individual clients’ investment products under SMBC accounts, such as investment trusts and pension-type insurances increased steadily. We believe that 15% ratio of such investment products to total assets under accounts including deposits is among the best of peers, though, shows large room left to sell such products.

In December 2007, we started to sell full-range insurance products such as whole-life and medical insurance. So far, the business shows a good start evidenced by the number of contracts reaching approximately 2,800 in just 6 and half months. Going forward, we will fortify our products and services lineup accurately responding to changes in customer needs.

On the right, we are aggressively expanding channel network centered on the three

major areas in Japan, namely, Tokyo Metropolitan area, Kinki area such as Osaka, and Tokai area such as Nagoya, to support our sustainable growth.
Please turn to page 25.

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Next, I would like to touch upon our credit card business. As shown on the left, proportion of credit card settlement to the Japanese household consumption has been increasing in recent years, but just reached to 15%. Credit card settlement is expected to grow further, supported by increase in service acceptance and so on.
In order to capture this opportunity, we announced the future operating platform for our credit card business in February this year. SMFG's three affiliated companies: Central Finance, OMC Card and QUOQ, will be merging in April 2009. As shown on the right, the merged company, combined with Sumitomo Mitsui Card, is expected to be ranked at 2nd in terms of number of cardholders in Japan.
Going forward, we aim to realize top-line and cost synergies through measures such as promotion of collaborative business, systems integration and so on.
Please turn to page 26.

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Next, I will touch upon corporate banking business. As a seamless financial institution, one of our focus is to provide optimal solutions to clients' management issues in the field across individuals, corporations and overseas, and thereby maximizing our profit opportunity.
For this aim, three cross-sectional departments are collaborating with front offices to provide and execute financial solutions for clients' management issues such as business succession. And, business results so far have been steadily improving.
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In investment banking, we are fortifying initiatives in the field where demand is increasing due to changes in market environment. For example, domestic loan syndication was ranked at 1st for the first time. In this fiscal year, we successfully arranged "Samurai Loans," for overseas clients such as IBM and Walt Disney who had financing needs in the Japanese market which is relatively stable compared with the U.S.
In domestic real estate finance market, there is increasing demand for us partly due

to withdrawal of overseas lenders. On the other hand, in general, slowdown in domestic real estate market might result in increase in risks. Therefore, we are carefully selecting projects with better risk-return profile.

Next, I will explain about our initiatives overseas. Please turn to page 29.

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In the overseas market, we have been implementing initiatives to capture opportunities arose under a "macro trend," such as (i) increase in project finance in the field such as natural resource and energy, (ii) the rise of high-growth and emerging markets including Asia.

Please turn to page 30.

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First, on overseas lending, as shown here, both loan balance and loan spread are steadily increasing supported by factors such as (i) strong demand in various sectors including natural resources, energy and financial institutions, and (ii) weaker stance on lending by overseas banks. Going forward, while we will aggressively seek for higher return, we will carefully select opportunities by not taking excessive credit risk under increasing anxiety on slow-down or recession of global macro-economy centered on U.S. and Europe.

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On page 31, in the right, overseas exposure classified by credit ratings are described as your reference. Our overseas exposure is increased mainly in the low-risk segment, whose probability of default (PD) is below 20 basis points.

Please turn to page 32.

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In overseas, we have a priority on strengthening (i) businesses in the markets where we can expect high-economic growth, and (ii) products which we have global competitive advantage.

According to this, as shown on the top-left, we are actively opening new offices in growing markets such as Asia, Middle East and Eastern Europe to strengthen coverage in such areas. Also, on the right, we are strengthening focal products such as loan syndication, project finance, and ship finance.

In addition to such organic efforts, to realize quicker and stronger growth in

overseas markets where the environment is changing dramatically, we are pursuing inorganic strategy, specifically, business collaboration including capital investment with overseas banks which have competitive edge in SMFG's focal areas.
The investment to Barclays, 500 million Pound investment, announced in June this year is a good example of this strategy. We are also promoting strategic alliances with Vietnam Eximbank and other competitive local banks in Asian countries.
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An objective of strategic investment to Barclays is to establish a solid relationship with Barclays to explore profit opportunities in the long term through developing and strengthening collaborative businesses.
Barclays has a massive channel network in overseas including emerging markets such as South Africa, India, Russia and so on. Also, it has globally-competitive products and business fields such as commodities and wealth management.
We are now discussing with Barclays how we would cooperate in such areas.
Next, please turn to page 35 for the last topic, our capital policy.

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Regarding capital, we aim to improve our returns to our invested resources as well as to enhance our capital base both in quality and quantity, by setting financial targets for return on risk-adjusted assets and for Tier I capital ratio of around 8% in March 2010. Our basic policy here is to pursue sustainable growth of our corporate value, by sustaining well-balanced growth cycle between profit, capital, and risk-adjusted assets.
However, after the second half of last fiscal year, our business environment has increasingly become less transparent and uncertain. In order to realize sustainable growth going forward, we need to be, not only prudent enough to eliminate the emergence and expansion of possible sources of loss quickly, but also audacious enough to proactively capture new growth opportunities.
I am proud of our group's results in developing innovative business models and establishing competitive services in new markets in a timely manner, represented by, for example, financial consulting for individuals and unsecured loan products to SMEs. Through maximizing "Spirit of innovation," "Speed," and "Solution & Execution," three sources of our corporate value behind such results, we would like to go through less transparent and uncertain business environment to meet

investors' expectations.

Thank you very much for your attention. Now, I would like to take any questions you may have.

(End)