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Presentation at the Bank of America Merrill Lynch Japan Conference 2010
"Recent Major Questions from Investors"

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＜Presentation Summary＞

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(Cover page)

Good afternoon, ladies and gentlemen.

It is my great pleasure to be here this afternoon to make a presentation.

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

Today, I'd like to walk you through the key advances we have made in recent months, by answering and addressing the most frequently asked questions from the investors, as listed on page 1.

Now let's go on to page 3.

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Although the Japanese economy will continue to recover, the pace appears to be slowing down, because the drivers of economic growth since the spring time last year are losing their strengths: growth rates of exports and industrial production are falling, and effects of stimulus measures are waning as indicated by the slowing consumer expenditures on durable goods.

Moreover, the downgrading of economic outlook and announcement of virtual additional monetary easing by Federal Reserve in August have triggered the rapid appreciation of Japanese yen and the decline of the Japanese stock market.

As a result, the economic slowdown could become a little more apparent in the near future. However, we do not estimate that nominal GDP growth rate for this fiscal year will deviate substantially from around zero percent.

In addition, given the declining trend in corporate bankruptcies, we do not expect credit cost to increase drastically. For your information, we estimate the sensitivity of SMBC's Total credit cost toward nominal GDP growth rate to be an increase of around 60 to 70 billion yen for one percent decline in nominal GDP growth rate.

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Regarding the financial markets, with the Bank of Japan's decision on additional monetary easing at the end of August, short-term interest rates are unlikely to rise in the near future, and long-term interest rates will test the bottom in the medium term. However, we expect they will fluctuate for the time being, considering current higher volatility. In the United States, we expect interest rates will continue to decline due to expectations for additional monetary easing amid growing concerns about economic slowdown and deflation.

The bottom two graphs show the trend of exchange rates and Nikkei Stock Average. According to our estimate, a 10-yen appreciation against the US dollar would decrease SMBC's Banking profit by around 7 billion yen, and SMBC's Net unrealized gains (losses) on equity holdings would be "zero" when the Nikkei Stock Average is between 8,000 and 8,500 yen. At current levels, fluctuations in capital markets will have a limited impact on our earnings.

Next, I will explain the summary of 1st quarter results.

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SMFG's consolidated net income in the 1Q, FY3/11 was 212 billion yen, already exceeding first-half forecast and 60% of the full-year forecast.

SMBC's non-consolidated Banking profit increased by 24.5 billion yen year-over-year, since we achieved our targets in Marketing units despite weak loan demand, and also increased Gains on bonds through ALM operations by quickly responding to the decline in interest rates.

Moreover, in addition to a decrease in SMBC's Total credit cost, Nikko Cordial Securities recorded good results, Cedyna turned profitable, and some other subsidiaries increased their profits mainly by decreasing their credit costs.

We have not revised earnings forecasts for FY3/11, but this does not mean that any material negative events have occurred additionally.

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In the beginning of this fiscal year, we forecasted SMBC's non-consolidated Total credit cost to be 220 billion yen, assuming a nominal GDP growth rate to be around zero percent in FY3/11. Actually, SMBC's non-consolidated Total credit cost in the 1Q was only 10.8 billion yen, or just 5% of the full-year forecast, mainly due to a) detailed responses to our clients, b) reversal of loan loss reserve from written-off loans, c) a decrease in credit costs for foreign-currency-denominated claims due to the yen appreciation, and so on.

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SMBC's non-consolidated Gains on bonds increased in the 1Q, FY3/11 to 75 billion yen, principally due to ALM operations quickly responding to declining interest rates mainly in overseas.

We have increased the amount of risks since the beginning of this fiscal year assuming declining interest rates globally. Considering current higher volatility and expected fluctuation in interest rates, we will continue to closely monitor interest rate trends and flexibly manage our bond portfolio. By the way, Unrealized gains on bonds as of June-end 2010, was 118 billion yen.

Next, I will explain our growth business areas we mentioned during the equity roadshow in January and at other events. Now, I will start with our overseas growth strategy.

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We believe it is necessary to enhance our initiatives in our overseas business, particularly in Asia where economies continue to grow at a high pace. We aim to increase the proportion of Banking profit generated by International Banking Unit within Marketing units from 20% in FY3/10, to approximately 30% in the medium term.

Regarding overseas loans, as shown on the top right chart, we could sustain our loan balance in Asia, while the overall balance has declined due to our cautious stance on lending in other regions after the financial crisis. In addition, as shown on the bottom left chart, the spread on overseas loans has remained favorable.

Going forward, we will increase our overseas loans by building strong relationships with both Japanese and non-Japanese companies, especially in Asia.

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Page 11 and 12 show our approaches in Asia.

Capitalizing on the expansion of FTA (Free Trade Agreement) and EPA (Economic Partnership Agreement) within Asian region, companies are optimizing their production costs through regional specialization.

We aim to expand our overseas business by capturing the dynamic changes in money flow, by providing our highly regarded Cash Management Services.

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Demand for infrastructure in Asia is expected to reach as much as about 8 trillion US dollars in the next 10 years. In Japan, the public and private sectors are cooperating together to capture a big piece of this demand. We will capture the infrastructure investment-related financing needs globally, leveraging our industry-leading capabilities in project finance.

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Here, I would like to explain our business operation in Asia.

We are responding to our clients' diversifying needs quickly and realizing efficiency by expanding our marketing channel network taking into account the characteristics of each market. In Asia, we will continue to offer differentiated products and services through our own network and business alliances with leading financial institutions in each country.

By the way, there were media reports stating that we are seeking to acquire U.S. regional banks. We view North America as another attractive market, in addition to Asia, in terms of market size and compatibility of business practices. However, the media reports are focusing on pieces of information discussed by a business unit, and we do not have any specific plan at this moment.

Next, I would like to explain our strategy on securities business, another growth business area.

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As you know, we made Nikko Cordial Securities as SMBC's wholly-owned subsidiary in last October. Collaboration between a) SMBC and Nikko, and b) retail and wholesale arm of Nikko is progressing.

As you see on the right-bottom chart, in 1Q, FY3/11, Nikko achieved the highest Ordinary profit among its peers, due mainly to good performance in sales of investment trusts, in addition to synergies with SMBC. Moreover, Nikko made steady progress, with enhancing bond trading capability, including being named as a primary dealer of JGB in April this year.

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Last March, Nikko announced medium-term management plan ending FY3/13 and have taken initiatives, aiming to be the No.1 comprehensive securities company in Japan with competitiveness globally.

Left hand side of the slide shows major initiatives, and right hand side shows the progress. For example, in the retail business, a) SMBC and Nikko started securities intermediary business for individual customers last April, and b) SMBC, Nikko and Barclays Bank started joint private banking operation in Japan last June. In the wholesale business, in the 1Q, Nikko was ranked No. 3 in the bonds underwriting with the market share of 16%. Regarding overseas operation, Nikko plans to begin operations in London, New York and Hong Kong within this running fiscal year.

We believe enhancing Nikko's wholesale business is necessary in order to further increase our capability to respond clients' needs. In addition to further strengthening collaboration with SMBC, we will invest both in human resources and in capital, and enhance our enterprise value by establishing a new client-centric business model: by combining commercial banking and securities services.

Next, let me explain our consumer finance strategy.

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Page 18 and 19 show our structure for consumer finance business and credit card business, and we have not changed our basic approach.

Regarding consumer finance business, although the number of refund claims reduced on year-on-year basis, we still view the business environment to be severe, due mainly to the impact of the introduction of an upper limit on aggregate borrowings. However, we believe that sound borrowing needs of consumers will remain and consumer finance business will bear stable profitability in the medium to long run. Therefore, we will continue to focus on the business as part of our retail business lineup.

To respond to the severe environment, Promise group is executing its structural reform and striving to streamline its business framework by adopting radical cost-cutting measures.

Regarding credit card business, we made Cedyna our consolidated subsidiary in last May. Going forward, we will increase profit as a group by pursuing top-line synergies, economies of scale through system integration between Sumitomo Mitsui Card and Cedyna, and acceleration of Cedyna's management restructuring.

Next, I will explain our capital policy and response to liquidity regulations.

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We have strengthened our capital base both in quality and in quantity, through two common equity offerings in the last fiscal year. As a result, SMFG's consolidated Tier I ratio as of June 2010 was 11.56%.

Although the calibration and phase-in arrangements are reported to be finalized in the near future, we do not intend to execute another equity offering in order to meet capital requirements under discussion.

This is because we believe we have secured enough capital compared to economic capital required to the moderate risk profile of our group's business model, and because we will continue to control risk-adjusted assets.

Going forward, we will keep on strengthening our capital base in both quality and quantity by accumulating retained earnings, while maintaining sufficient return to our shareholders.

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Percentage of equity holdings on SMBC non-consolidated basis vis-à-vis SMFG's consolidated Tier I capital is approximately 31% as of June 2010.

We are striving to reduce the percentage to the level of around 25%, which represents around 300 billion yen reduction, by March 2013. The amount we sold in the 1Q was only around 1 billion yen, partly considering the level of stock prices. However, it is easier than before for us to consider the disposal of equity holdings because additional disclosure requirements for equity holdings and the adoption of International Financial Reporting Standards, or IFRS, seem to be making our customers more acceptable to our potential reduction of equity holdings. We plan to pursue further sales of our equity holdings, after consulting with our customers.

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Based on stable domestic deposit base, our loan to deposit ratio is 72% as of June 2010, which is relatively low compared with our global peers. On the other hand, to invest asset aggressively in overseas, we believe that it is necessary to secure stable deposits base and medium to long term funding are necessary.

We issued US dollar denominated senior bonds in last July, 1 billion US dollar for 3 year and 5 year bonds respectively. We will further expand and diversify our funding sources of foreign currency, considering expansion of our overseas business.

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Finally, I would like to touch upon our management policy going forward.

We set our management policy of this fiscal year as "Forward looking - Transforming our business model to grow steadily under a new regulatory and competitive environment" and "Emphasizing return on risks and costs, in order to improve asset quality, and to thoroughly control expenses and credit costs".

To achieve our financial targets of, "around 10% consolidated ROE in the medium term" and "Maintaining over around 10% of consolidated Tier I ratio," we would like to pursue a well-balanced growth cycle of profitability, economic capital, and risk-adjusted assets or investment for growth, with sustaining operational efficiency as our priority, while properly responding to a new regulatory environment.

Thank you very much for your attention. I would be more than happy to take any questions you may have.

(End)