



SMFG SUMITOMO MITSUI
FINANCIAL GROUP

ANNUAL REPORT
2006

YEAR ENDED MARCH 31, 2006

SUMITOMO MITSUI FINANCIAL GROUP
SUMITOMO MITSUI BANKING CORPORATION

Our Mission

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

Profile (as of March 31, 2006)

Company Name:	Sumitomo Mitsui Financial Group, Inc.
Head Office:	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan
Chairman of the Board:	Masayuki Oku (Concurrent President at Sumitomo Mitsui Banking Corporation)
President:	Teisuke Kitayama (Concurrent Chairman of the Board at Sumitomo Mitsui Banking Corporation)
Establishment:	December 2, 2002
Capital Stock:	¥1,420.8 billion
Business Description:	Management of the affairs of banking subsidiaries (under the stipulations of the Banking Law) and of non-bank subsidiaries, and ancillary functions
Stock Exchange Listings:	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)

Shares Issued and Outstanding (as of June 30, 2006)

Ordinary Shares:	7,424,172.77
Type 2 Preference Shares:	67,000
Type 3 Preference Shares:	695,000
Type 4 Preference Shares (1st series):	4,175
Type 4 Preference Shares (2nd series):	4,175
Type 4 Preference Shares (3rd series):	4,175
Type 4 Preference Shares (4th series):	4,175
Type 4 Preference Shares (5th series):	4,175
Type 4 Preference Shares (6th series):	4,175
Type 4 Preference Shares (7th series):	4,175
Type 4 Preference Shares (8th series):	4,175
Type 4 Preference Shares (9th series):	4,175
Type 4 Preference Shares (10th series):	4,175
Type 4 Preference Shares (11th series):	4,175
Type 4 Preference Shares (12th series):	4,175
Type 6 Preference Shares (1st series):	70,001

Credit Ratings

Credit ratings for applicable companies within SMFG as of July 31, 2006 are as follows:

● Sumitomo Mitsui Banking Corporation

	Long-term	Short-term
Moody's	A1	P-1
S&P	A	A-1
Fitch	A-	F1
R&I	A	a-1
JCR	A+	J-1+

● Sumitomo Mitsui Card Company, Limited

	Long-term	Short-term
JCR	A+	J-1+

● SMBC Leasing Company, Limited

	Long-term	Short-term
R&I	A	a-1
JCR	A+	J-1

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. Important factors that might cause such a material difference include, but are not limited to, those economic conditions referred to in this material as assumptions.

In addition, 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.

Sumitomo Mitsui Financial Group, Inc.

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August 2006

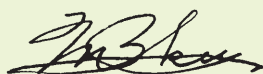


We are pleased to present to you the Annual Report 2006, summarizing our activities and results in fiscal 2005 and our business policy for fiscal 2006 onward.


All of us at SMFG, the directors, officers and employees, will continue to make every effort to enhance our customers' trust and our shareholders' and the market's confidence in SMFG. We intend to achieve these goals by quickly and accurately providing new value that answers our customers' increasingly diversified and sophisticated needs, thereby leading to greater profitability that will further solidify our financial base.

We look forward to your continued support and encouragement as we move forward in the new stage of our development.

August 2006



Masayuki Oku
Chairman of the Board



Teisuke Kitayama
President

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President's Message

As the president of the Sumitomo Mitsui Financial Group (SMFG), I would firstly like to take this opportunity to express my gratitude for your continued interest in and support for SMFG. In this report, we summarize the business results for fiscal 2005 of the Group, and present an explanation of the policies we intend to pursue in fiscal 2006.

Fiscal 2005 Highlights

Steady progress made in the first year of our current medium-term management plan

We completed our period of "intensive improvement in asset quality" in fiscal 2004, and our goal for fiscal 2005 (the first year of our current four-year medium-term management plan) was to secure a solid profit level. As a means to this end, we followed a policy of focusing our business resources on priority areas to expand earnings, while at the same time taking steps to normalize credit cost.

We successfully strengthened the earning power not only of SMBC, but also of other Group companies such as Sumitomo Mitsui Card, SMBC Leasing, and the Japan Research Institute (JRI), and, as a result, SMBC reported net income of ¥519.5 billion on a nonconsolidated basis, and SMFG reported net income of ¥686.8 billion on a consolidated basis. Both these figures were well in excess of our initial forecasts.

Not only did we achieve a dramatic reduction in credit cost, SMBC's balance of problem assets (non-performing

loans as defined under the Financial Reconstruction Law) was brought below the ¥1 trillion mark, in turn sharply lowering the problem asset ratio below 2%. Thus, SMFG achieved a significant enhancement in the quality of its assets during the reporting period.

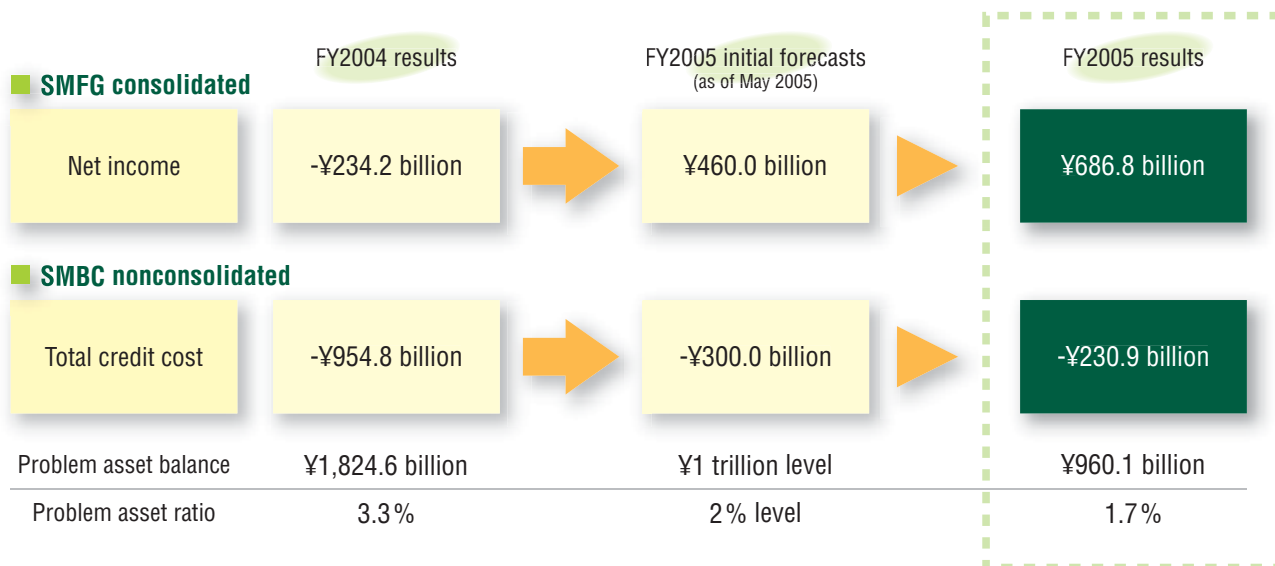
We also greatly reinforced our financial base through the public offering of new shares and secondary offering of treasury stock in the combined amount of ¥588.6 billion from late January through early February, in addition to the high level of net income that we posted.

Thus, the Group made substantial progress during the reporting period in raising earnings, enhancing asset quality, and strengthening its financial base.

Establishing new strategic businesses and strengthening existing ones; taking steps to ensure sustainable growth

We pressed ahead steadily with the establishment of new strategic businesses and the strengthening of existing ones, as an essential prerequisite for a sustainable increase in our corporate value. Specifically, we further stepped up our collaboration with the Daiwa Securities Group, and our business alliance with Promise in the unsecured consumer loan business got off to a smooth start in its first year. We also made great strides in forming business alliances with leading providers of social infrastructure services, including the mobile communications carrier NTT DoCoMo, in the field of settlement finance.

Not all developments during the reporting period were



favorable, however. In December 2005, SMBC received a cease and desist order from the Fair Trade Commission of Japan, and in April 2006, an administrative order from the Financial Services Agency, with respect to the manner in which it marketed interest rate swaps to a number of corporate borrowers in the past. I would like to take this opportunity to apologize sincerely to all customers and shareholders of the Group, as well as all other stakeholders, for the worry and inconvenience that this chain of events undoubtedly caused. At SMFG, we are taking all possible steps to ensure that such conduct does not reoccur. In addition, as described below we are exerting our full efforts, via a variety of measures, to regain the trust of our stakeholders and the general public.

Fiscal 2006 Business Policy

Our primary goal for fiscal 2006 is to regain the trust of all our stakeholders and lay the groundwork for sustainable future growth. To this end we are renewing our commitment to realizing our core mission, which is, as stated in our management philosophy, "to provide optimum added value to our customers and together with them achieve growth," and will always view business matters from the customer's perspective. In addition, we are taking steps to ensure rigorous compliance with laws and regulations.

Against the backdrop of these objectives, during the current business term our efforts will be focused on two initiatives: leveraging the power and expertise of the entire Group to provide high-quality financial products and services to assist our customers' value creation; and building a solid business base.



Teisuke Kitayama
President

Providing high-quality financial products and services to assist customers' value creation

With respect to the first initiative mentioned above, by putting ourselves in our customers' place, we are able to offer financial products and services that assist their value-creation efforts. Such an approach will enable the Group to expand its customer base, create a high-quality earnings structure, and open the way for SMFG to achieve long-term sustainable growth in its role as a financial services group.

Consumer Banking

Further upgrade consulting services

- Provide new products & services adapted to the changing business environment
- Increase marketing channels and consultants

Expand services through business alliances

- Credit payment service using mobile phones (with NTT DoCoMo)
- Consumer finance services (with Promise)
- Internet banking (with Yahoo! Inc.)

Corporate Banking

Improve capability to provide solutions to customers' management issues

- Solutions to management issues such as business expansion, corporate reorganization, and entry into overseas markets
- Establishment of Corporate Advisory Division

Meet customers' diversifying financing needs

- Unsecured loans for SMEs
- Loan syndication
- Loan securitization

Expansion of customer base

Establishment of a sustainable earnings structure



Specifically, we will continue to develop and offer new and more sophisticated products and services to our retail customers, responding to changes in the business environment, such as deregulation, and catering to the increasingly diverse needs of customers. We are also expanding our network of offices at which consulting services are offered, to provide our customers with a wider range of more sophisticated consulting services.

We are also enhancing the quality of our services through SMBC's collaboration with leading players in other industries, such as Promise in consumer financing and NTT DoCoMo in mobile communications. In addition, we are strengthening collaboration between SMBC and other members of the Group.

For our corporate customers, while working to raise our solution-providing capabilities, we are also responding to the diversifying fund procurement needs of our clients by offering unsecured loans such as the *Business Select Loan* to SMEs, and via investment banking services for larger companies. In addition, by leveraging the specialist expertise of SMBC Leasing in a wide range of leasing operations, of JRI in IT consulting, and of Daiwa Securities SMBC in the investment banking business, we are able to provide our customers with comprehensive solutions harnessing the full power of the Group.

Building a Solid Business Base

Turning to our second initiative, we are pursuing our goal of establishing a solid business base, the prerequisite for sustainable growth, through the following initiatives.

Reinforcement of Internal Control System

We are working to reinforce our internal control framework encompassing compliance, quality management, customer satisfaction, and internal audits.

Further reinforce internal controls

Thorough compliance

Strengthen framework for product quality enhancement and customer satisfaction promotion

Upgrade risk management

Strengthen internal audits

Review performance-linked compensation, and employ more sophisticated human resources management

Firstly, at SMBC a Compliance Unit was established in April 2006 to oversee redoubled efforts by the bank's management and staff to comply with all relevant laws, and a Quality Management Department was established to oversee product and service quality as well as customer satisfaction by actively soliciting customers' views and requests and ensuring that they are appropriately incorporated in the bank's management policies. Finally, SMBC has organized a Business Monitoring Committee composed mainly of outside experts, including the bank's own outside directors, to oversee the whole range of compliance, quality management, and customer satisfaction activities. In addition to these initiatives by SMBC, SMFG itself has also established a Group Business Management Department to inject extra efficiency and rigor into its oversight and verification duties as a holding company, as well as to strengthen its auditing capabilities with regard to all Group companies. This enables SMFG to exercise tighter internal control over business operations across the whole Group.

We are also reviewing our employee performance evaluation system, and employing more sophisticated human resources management system.

Strengthening the Group's Financial Base

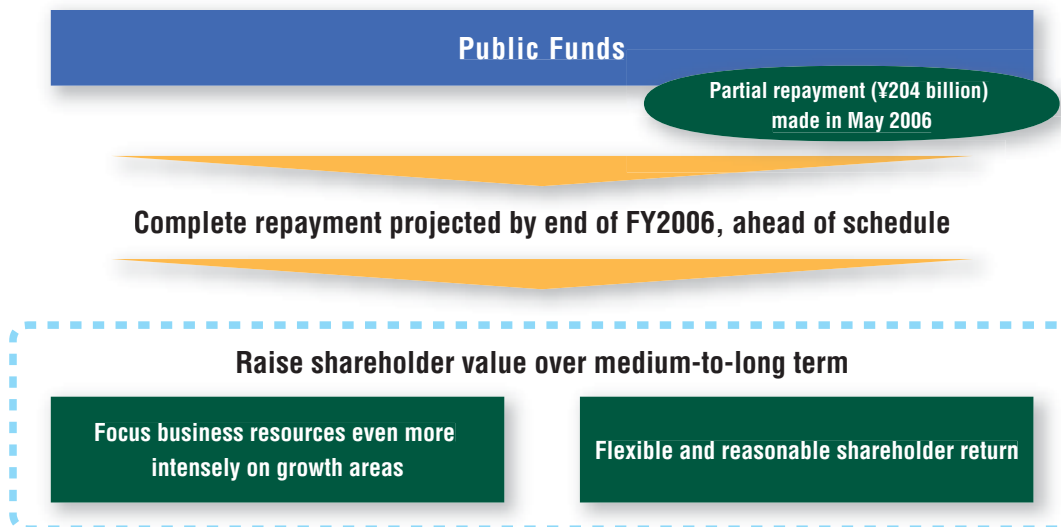
To further strengthen our financial base, we will continue to enhance our capital in terms of both quality and quantity. In May 2006, SMFG repaid ¥204.0 billion (on a book-value basis) in public funds, and, predicated on obtaining regulatory approval, we hope to repay the remaining

balance (ahead of the original schedule) by the end of fiscal 2006. When the public funds are fully repaid, we plan to begin vigorously injecting more of our business resources into growth areas in order to improve our corporate value over the medium-to-long term. We will also actively examine establishing a more flexible and effective policy on shareholder return.

In Closing

The major driving force behind SMFG's strong competitiveness is our ability to quickly pinpoint growth areas, and leverage our proprietary business models, business alliances and high efficiency to realize business opportunities. As competition becomes fiercer within the financial sector, it is essential that we continue to leverage these strengths to provide our customers with even more valuable and well-timed products and services. In this way, we will build up a large following of loyal customers and continue to grow as their financial services group of choice. By achieving steady success in this area, we will prove worthy of the trust shown in us by our shareholders and the general public. As we engage in these endeavors, I hope that you will all continue to favor us with your support and encouragement.

Strengthening our financial base





SUMITOMO MITSUI BANKING CORPORATION



www.smbc.co.jp/global/

Business Profile:

- Deposit taking
- Lending
- Securities retail sales and trading
- Securities investment
- Fund transfer
- Foreign exchange
- Insourcing of financial futures transactions
- Corporate bond trustee and custody services
- Trust bank business (money claim trustee services related to asset securitization business)
- Investment trust sales
- Securities intermediary business
- Retail sales of insurance products

Company Name:
Sumitomo Mitsui Banking Corporation

Business Profile:
Banking

Establishment:
June 6, 1996

Head Office:
1-2, Yurakucho 1-chome,
Chiyoda-ku, Tokyo

Employees:
16,050 (as of March 31, 2006)

Network: (as of June 30, 2006)

Domestic:	1,432 locations*
Branches	459
(including 28 specialized deposit account branches)	
Subbranches	148
Agent	1
Offices handling nonbanking business	17
Automated service centers	807
Overseas:	33 locations
Branches	16
Subbranches	4
Representative offices	13

*Excluding ATMs installed at corporate client facilities and convenience stores



Masayuki Oku
President

I am delighted to have the opportunity of addressing you all once again and extending my sincerest thanks to you for your continued support of SMBC.

Fiscal 2005 Highlights

After resolving the non-performing loan problem in fiscal 2004, we moved forward into a new phase in fiscal 2005, the term under review. In this new phase, we placed greater emphasis on managerial soundness and on improving the quality of our financial services to satisfy the needs of our customers.

For the reporting term, our net income on a nonconsolidated basis came to ¥519.5 billion, compared with a net loss of ¥136.8 billion in the previous term. This improvement is mainly attributable to a substantial decline in credit cost, which was reduced from more than ¥950 billion for the previous term to ¥230.9 billion for the reporting term. This figure also reflects steady growth in gross banking profit, chiefly the

(¥ billion)

■ Consolidated	2006	2005	2004
Year ended March 31			
For the Year:			
Operating income.....	¥ 2,750.2	¥ 2,691.3	¥ 2,717.0
Operating profit (loss)	862.0	(99.7)	282.1
Net income (loss)	563.5	(278.9)	301.6
At Year-End:			
Net assets	¥ 3,598.2	¥ 2,633.9	¥ 2,722.1
Total assets	104,418.5	97,478.3	99,843.2

result of strong sales of investment trusts.

To broaden our array of products and services, we introduced such products as a housing loan with loan repayment insurance in the event that the borrower is diagnosed with one of three major fatal diseases, and single-premium whole life insurance. We also established a project team, called "Next Wing," to implement a new style of marketing that incorporates a woman's perspective, and to develop products and services specifically tailored to the needs of female customers. To meet the increasingly sophisticated and diverse needs of our corporate customers, we have applied the techniques employed for *Business Select Loan* and other products for mid-sized companies and SMEs that do not require collateral or a third-party guarantee to a new product for larger companies, the *SMBC Crecer Loan*, and are engaged in a solutions business for M&A, strategic capital, business alliances, and business division/subsidiary spin-offs for large corporate customers.

In December 2005, SMBC received a cease and desist order from the Fair Trade Commission of Japan, and in April 2006, an administrative order from the Financial Services Agency, with respect to the manner in which it marketed interest rate swaps to a number of corporate borrowers in the past. I would like to take this opportunity to sincerely apologize to all customers and shareholders of the Group, as well as all other stakeholders, for the concern and inconvenience that this chain of events undoubtedly caused. We at SMBC take this matter very seriously, and are making utmost efforts to prevent a recurrence and to regain the trust of our stakeholders and the general public.

Fiscal 2006 Business Policy

In fiscal 2006, the current term, we will work hard to thoroughly implement our policy of "putting the customer first" and "enhancing the quality of products and services." To this end, we reviewed our business operations framework and implemented major organizational reform in April 2006.

To put the customer first, we will not only concentrate on quickly and accurately providing solutions that answer a wide variety of customer needs, but will also focus on ensuring accountability: we will fulfill our obligation to meet our responsibilities, including accountability, by adequately explaining to customers why we consider certain solutions to be best for them. As an equal partner that achieves growth together with its customers, SMBC will put greater emphasis on two-way communication.

Regarding the enhancement of the quality of our products and services, we believe that quality determines quantity amid the current slow-growth economy. In accordance with our managerial principles: 1) to provide optimum added value to our customers and together with them achieve growth; 2) to create sustainable shareholder value through business growth; and 3) to provide a challenging and professionally rewarding work environment for our dedicated employees, we will work to improve quality in all aspects of our operations to attain sustainable growth.

In accordance with our basic policies described above, in consumer banking we will develop and launch new products and services in a timely manner in response to the diversifying needs of our retail customers amid a changing business environment and financial deregulation. We will also further expand our marketing network, mainly SMBC Consulting Plazas (open on weekday nights and also on weekends, in addition to ordinary business hours), to improve customer convenience.

In corporate banking, we will improve our ability to provide solutions to management issues such as business expansion, corporate reorganization and expansion into overseas markets, and thereby help raise the corporate value of our customers. We will accurately respond to the diversified financing needs of our customers by continuing to provide unsecured loans such as our *Business Select Loan* for SMEs, as well as syndicated loans for large companies.

Outside Japan, we will respond to our customers' global financial needs by establishing marketing channels in regions with sharp economic growth, by promoting project financing and other competitive investment banking products, and by further strengthening cooperation between domestic and overseas networks.

Management Mission

The future that we face will be characterized by increasing complexity and accelerated change. However, our management mission is and will remain "becoming a globally competitive top bank with the highest trust of our customers, our stockholders, the market and society." We view changes in our environment to be a positive development, and actively seek to capitalize on any new business opportunities that may arise. We will maintain our customer-centric approach and be attentive to market trends, to aggressively meet all future challenges with our traditional enterprising spirit.



SUMITOMO MITSUI CARD COMPANY, LIMITED



Company Name:
Sumitomo Mitsui Card
Company, Limited

Business Profile:
Credit card services

Establishment:
December 26, 1967

Head Office:
Tokyo Head Office:
5-2-10, Shimbashi,
Minato-ku, Tokyo
Osaka Head Office:
4-5-15, Imahashi,
Chuo-ku, Osaka

Employees:
1,783 (as of March 31, 2006)



Koichi Tsukihara
President

Business Profile:

- **Credit card services**
Shopping services for cardholders;
settling accounts with affiliated
merchants
- **Credit finance**
Loans to cardholders;
cashing services;
revolving/installment payments;
loan guarantee business
- **Sales promotion**
Issuance of gift certificates;
other services for cardholders and
affiliated merchants
- **Ancillary businesses**
Payment collection agency;
operational service provider (card
issuance, invoicing cardholders,
settlement of accounts of other cards)

(¥ billion)

Year ended March 31	2006	2005	2004
For the Year:			
Revenues from credit card operations.....	¥4,181.3	¥3,598.7	¥3,258.4
Operating revenue	148.2	132.1	126.3
Operating profit	25.9	23.1	18.5
At Year-End:			
Number of cardholders (in thousands).....	14,067	13,462	12,758
Number of merchant outlets (in thousands)	3,434	3,089	2,892

As the pioneer in the issuance of the Visa Card in Japan and a leader in the domestic credit card industry, Sumitomo Mitsui Card Company, Limited enjoys the strong support of its many customers.

It also plays a major role as one of the strategic businesses of SMFG. Leveraging its strong brand image and its excellent capabilities across a wide range of card-related services, the company meets customers' credit needs through the provision of settlement and financing services.

Specifically, the company is focusing its efforts on a basic strategy of strengthening its earnings power through various initiatives to increase the number of cardholders and affiliated merchants, as well as to become the card provider of choice among a growing number of users. In fiscal 2005, jointly with NTT DoCoMo, Inc., the company developed *Mitsui Sumitomo Card iD*®, a new electronic credit settlement service employing NTT DoCoMo's Mobile Wallet ("Osaifu-Keitai®") phones, and this has proved popular.

Sumitomo Mitsui Card has entered into an alliance with China UnionPay Co., Ltd., which operates an inter-bank settlement network in China. Under the agreement, the two companies have begun offering a new type of settlement service for Chinese tourists visiting Japan.

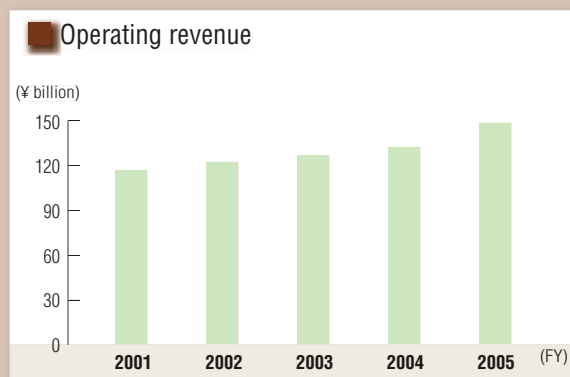
Sumitomo Mitsui Card is also actively marketing services in the field of payment of utility charges, hospital bills, and so on. The company is making every effort to match its credit card services to the diverse lifestyles of its customers, and to ensure all services are safe, convenient and attractive.

NEWS



The *Mitsui Sumitomo Card iD*® service is available at stores displaying the "iD" sign. Customers can access the service just by holding up their mobile phone (specifically, the NTT DoCoMo Mobile Wallet ("Osaifu-Keitai®")) in front of the reader device for just a few seconds. This is a simple and convenient way to pay for purchases.

Since this is a credit card system, not a prepaid system, aggregate payment for numerous separate purchases can be made later to Sumitomo Mitsui Card, freeing the customer from the need for a money redepositing operation. Moreover, as the mobile phones are protected by sophisticated security features, they can be used with no worries.



www.smbc-card.com



★Currently available in Japanese only



SMBC LEASING COMPANY, LIMITED



Company Name:
SMBC Leasing Company,
Limited

Business Profile:
Leasing

Establishment:
September 2, 1968

Head Office:
Tokyo Head Office:
3-9-4, Nishishimbashi,
Minato-ku, Tokyo
Osaka Head Office:
3-10-19, Minamisenba,
Chuo-ku, Osaka

Employees:
893 (as of March 31, 2006)



Koji Ishida
President

Business Profile:

- **Corporate leasing**
Leasing to meet companies' domestic and overseas capital investment needs
- **Real estate leasing**
Leasing services that enable owners of commercial real estate such as office buildings and warehouses to more effectively utilize their assets
- **Sales-type leasing and product leasing**
Leasing sales promotion tools for manufacturers and dealers
- **Internet leasing**
Effective leasing over the Internet
- **Select Lease**
Speedy leasing to small and medium-sized enterprises
- **Leasing of eco-friendly equipment**
Leasing in collaboration with companies providing energy conservation services
- **Car leasing**
Car leasing through SMBC Auto Leasing Company, Limited
- **Rental business**
Renting personal computers and other IT equipment

(¥ billion)

Year ended March 31	2006	2005	2004
Revenue from leasing operations.....	¥615.5	¥580.0	¥555.7
Operating revenue.....	619.7	589.1	553.0
Operating profit.....	32.2	28.0	23.2

SMBC Leasing Company, Limited specializes in providing tailor-made solutions for corporate customers' large-scale capital investment needs. The company offers a broad spectrum of leasing products ranging from PCs and other IT equipment, manufacturing facilities and machine tools, to commercial real estate properties (shops, factories, and warehouses) and overseas facilities for Japanese companies expanding abroad.

Additionally, in collaboration with SMBC, SMBC Leasing offers the "Select Lease" service, specially designed for small and medium-sized enterprises. The company also offers online services such as *Net Lease* and a comprehensive asset management service. These are just some of the company's extensive lineup of services.

Through the leasing of energy-saving and environmental protection facilities and the promotion of the reuse of equipment at the end of the leasing period, the company displays the strong focus on CSR in its management stance. At the same time, the company is strengthening the whole group's business base through the leasing of motor vehicles (for personal as well as commercial use), rental of PCs and various measuring instruments, and the sale of lease trusts.

SMBC Leasing has just recorded five straight years of increases in revenues and profits. In the future, the company will continue enhancing its lineup of value-added services.

NEWS

Marketing Systems

- Sales Force Automation (SFA)
- Net Lease*
- Product leasing (small items)
- Card system for credit screening

Core Management Systems

- Integrated customer data
- Expenses
- Contracts
- Sales accounting
- Properties
- Lease accounting
- Billing and collections
- Securitization of receivables

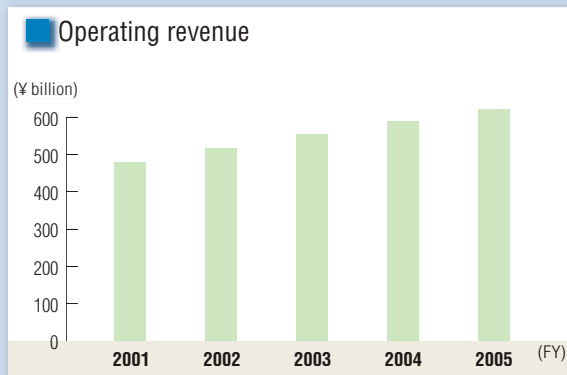
Financing & Accounting Systems

- Financing
- Accounting

Information Systems

- Business performance data
- Business strategy planning

In April 2006 a new core computer system went into operation at SMBC Leasing. The most outstanding feature of this new core computer system is its seamless integration of the functions and databases of the subsidiary systems employed in the company's data management sections, marketing sections, and financing & accounting sections. This has led to a dramatic improvement in the efficiency of both front-line and administrative operations. By making full use of the advantages of this new system, the company aims to raise its business efficiency (both front office and back office), and thereby speed up its leasing operations and make them more efficient. In this way, we are working to enhance customer service.



www.smbcleasing.co.jp



★Currently in Japanese only



The Japan Research Institute, Limited

**Company Name:**

The Japan Research Institute, Limited

Business Profile:

Systems development, data processing, and management consulting and economic research

Establishment:

November 1, 2002

Head Office:**Tokyo Head Office:**

16, Ichibancho, Chiyoda-ku, Tokyo

Osaka Head Office:

1-5-8, Shimmachi, Nishi-ku, Osaka

Employees:

2,871 (as of March 31, 2006)



Yasuyuki Kimoto
President

Business Profile:

- **Computer systems development and information processing service**
Design and development of information systems; outsourcing services
- **Consulting business**
Consulting in the fields of management innovation and information technology
- **Think-tank services**
Economic analyses and strategy design; new business incubation

(¥ billion)

Year ended March 31	2006	2005	2004
Operating revenue.....	¥115.8	¥111.2	¥105.1
Operating profit.....	5.2	6.3	7.6

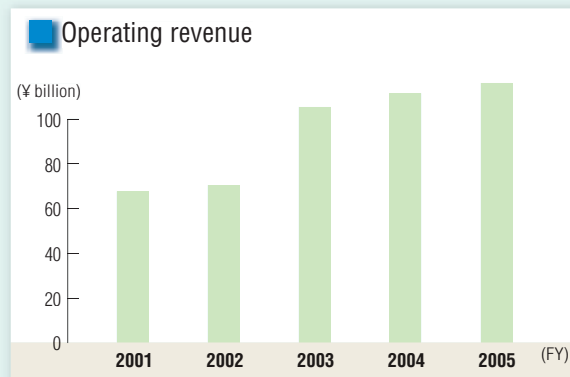
The Japan Research Institute, Limited (JRI) is a comprehensive information services company that seamlessly combines the three functions of systems integration, consulting, and think-tank. With the aim of accomplishing its fundamental corporate mission of working together with its customers in adding new value to their businesses, JRI offers a “three-in-one” management approach that enables it to identify issues that need to be addressed, make specific proposals for their solution, and provide full backup support at the implementation and subsequent stages. The other side of JRI’s raison d’être is to engage in “knowledge engineering” activities in which each individual solution helps generate a value-creation chain involving a wide spectrum of economic and social elements.

Since its establishment more than 35 years ago, JRI has been undertaking the planning and design of strategic information systems for its customers, and providing outsourcing services. In addition to these services, JRI now offers a wide range of other services, including consulting on management strategies for private-sector companies and administrative reform for the government, analyses of the domestic and overseas economies, proposals for government policy-making, and assistance in the incubation of new business ventures.

NEWS



In July 2006, JRI spun off part of its operations to create JRI Solutions, Limited with the aim of strengthening the provision of information technology solutions to corporate customers outside our Group. The new company will leverage the extensive fund of know-how in system development and operations amassed by JRI in its long years of service (principally to SMFG companies) to offer the very best IT solutions to a wider array of customers in the general industrial, financial, and public sectors.



www.jri.co.jp/english/






SMFG's Strengths and Challenges

The following pages examine the strengths of the Sumitomo Mitsui Financial Group as well as the efforts we have made to overcome the challenges we face to further increase the Group's corporate value.



SMFG's Strengths

- 
- ▶ **Speed, Efficiency, and Profitability (SMBC)**
 - Speed in Making Businesses Profitable (page 17)
 - High Efficiency (page 18)
 - Strength in Profitability (page 19)
 - ▶ **Businesses with Competitive Advantage**
 - Financial Consulting for Individual Customers (page 24)
 - Unsecured Loans to SMEs (page 27)
 - Investment Banking (page 30)
 - ▶ **Comprehensive Strengths as a Financial Services Group**
 - Collaboration between Strong Subsidiaries
 - Alliances with Leading Companies



SMFG's Challenges

- ▶ **Creation of New Business Lines through Alliances**
 - Mobile Phone Credit Service (page 20)
 - Consumer Finance (page 20)
 - Internet Banking (page 21)
 - New Asset Management Service for Individuals (page 21)

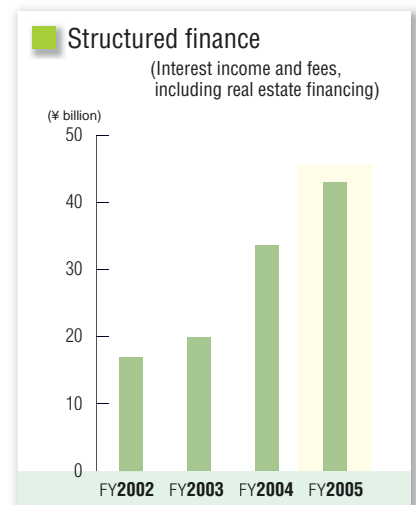
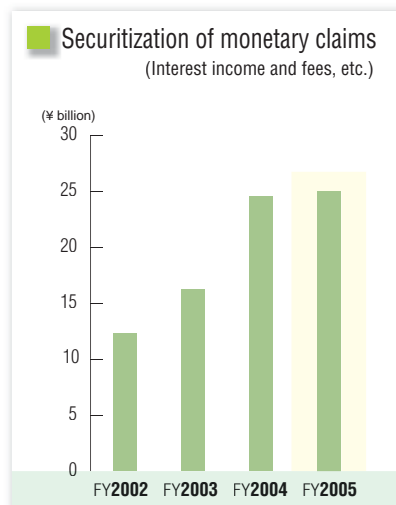
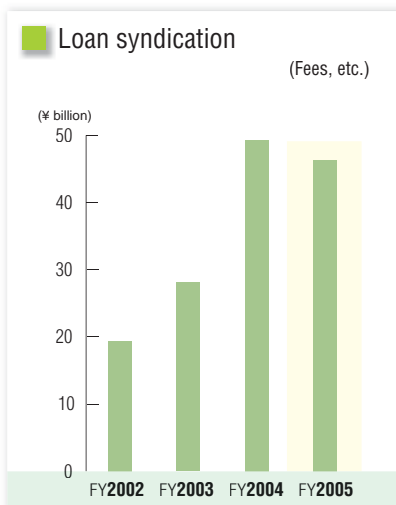
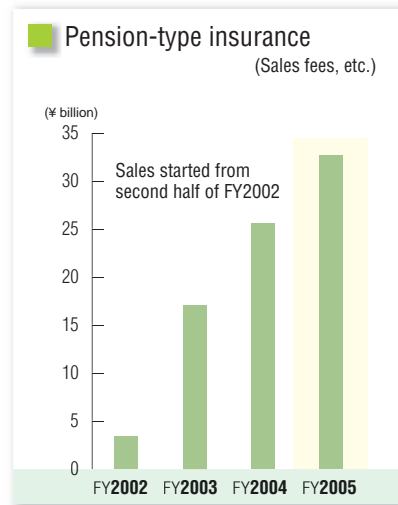
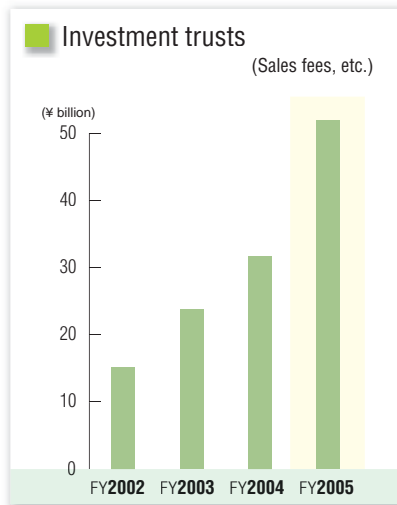
▶ Speed, Efficiency, and Profitability

Speed in Making Businesses Profitable (SMBC)

By placing priority on acting quickly, SMBC has developed highly competitive businesses in many markets.

We are confident that we have one of the best business portfolios among Japanese banks. Many of SMBC's businesses are growing—now generating an annual gross

profit of between ¥20 billion and ¥50 billion each. These businesses include financial consulting for individuals (primarily sales of investment trusts and pension-type insurance products) and the investment banking business (loan syndication, securitization of monetary claims and structured finance).

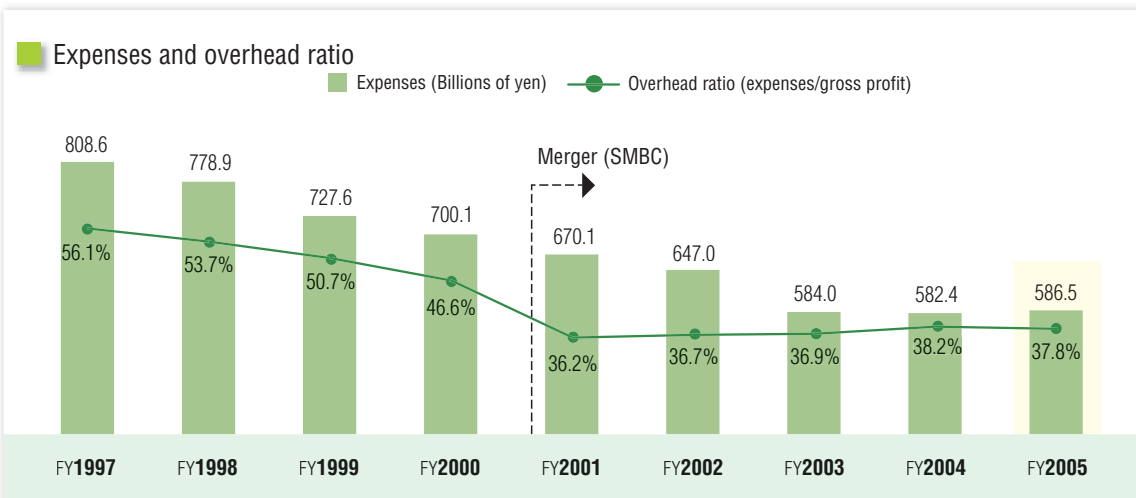


High Efficiency (SMBC)

SMBC has substantially reduced expenses by integrating branches whose marketing areas overlap, and streamlining its workforce.

As a result, SMBC's overhead ratio, an important indicator of efficiency, is below 40%. This figure, which expresses expenses as a percentage of gross banking profit, indicates a high level of efficiency, not just by domestic standards but also by global standards.

We are dedicated to working even harder to provide products and services that create value for our customers. To accomplish this, we will allocate substantial resources to strategic fields, such as financial consulting for individuals and unsecured loans to SMEs, and to other initiatives, including expanding our service network. At the same time, we will continue our efforts to maintain a high level of efficiency, which is one of our greatest strengths.



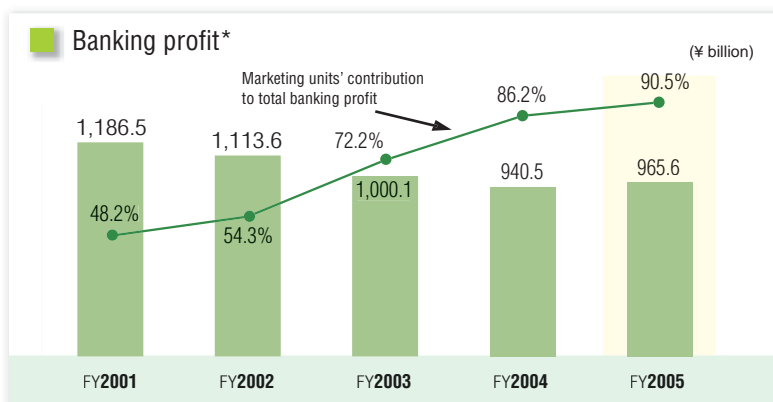
Strength in Profitability (SMBC)

In fiscal 2005, SMBC's banking profit—the fundamental indicator of a bank's profitability—increased ¥25.1 billion to ¥965.6 billion.

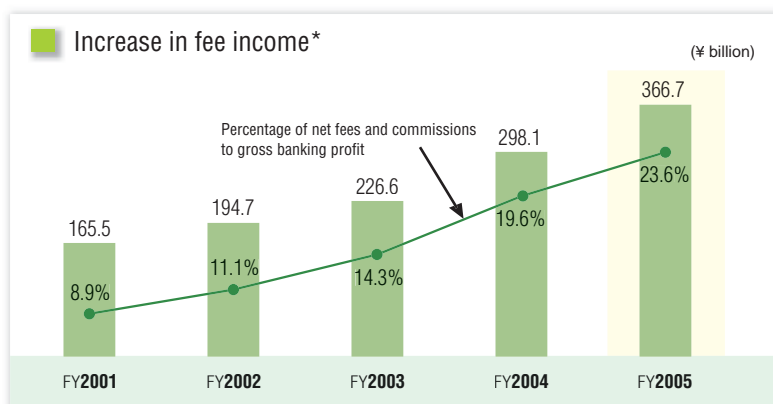
SMBC's banking profit comprises the profits of marketing units, such as Consumer Banking and Middle Market Banking. The marketing units' profit consists of interest income from deposit-taking and lending transactions and fee income from various businesses. The marketing units' profits have continued to grow, and their contribution to total banking profit has been rising steadily. Thus, SMBC's banking profit ranks among the highest of Japanese

banks, and it has also created a stable earnings base that will not be substantially affected by interest rate fluctuations or other capital market trends.

Moreover, SMBC is establishing an earnings base that is not wholly dependent on interest income derived from deposit-taking and lending transactions, as fee income (net fees and commissions) has been growing steadily. This is mainly due to the increase in fee income generated by providing optimal solutions that meet customers' needs in businesses such as financial consulting for individuals and the investment banking business.



* Before provisions to general reserve for possible loan losses



* Net fees and commissions

Creation of New Business Lines through Alliances

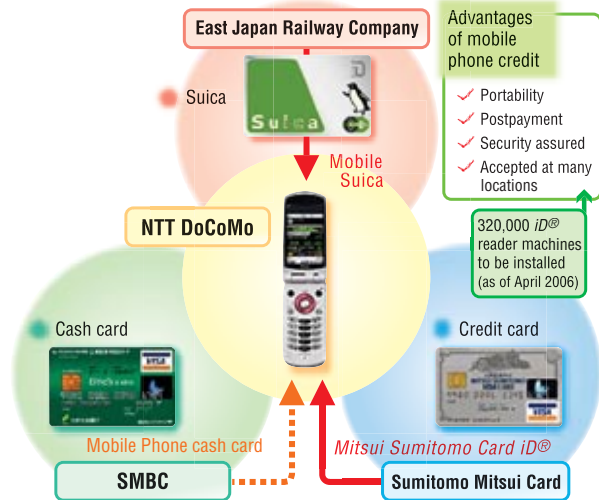
Mobile Phone Credit Service

In April 2005, SMFG, SMBC and Sumitomo Mitsui Card agreed to form a business and capital alliance with NTT DoCoMo. The main purpose was to jointly operate a new credit-payment service that uses mobile phones. Based on the agreement, in December 2005, we established a new service—the *Mitsui Sumitomo Card iD*®—and started providing the new credit-payment service utilizing the *Mobile Wallet* (“Osaifu-Keitai®”) handset of NTT DoCoMo.

Offering the advantages of portability and security, the *Mobile Wallet* handset not only acts as a *Mitsui Sumitomo Card iD*® and DCMX credit card, but also as a means of storing and using Suica and other types of e-money. In the future, we plan to add SMBC’s cash card and other functions to mobile phones.

By responding to the many credit settlement needs of mobile phone users, we are determined to develop the Mobile Phone Credit Service into one of the primary means in Japan of making small cash purchases electronically.

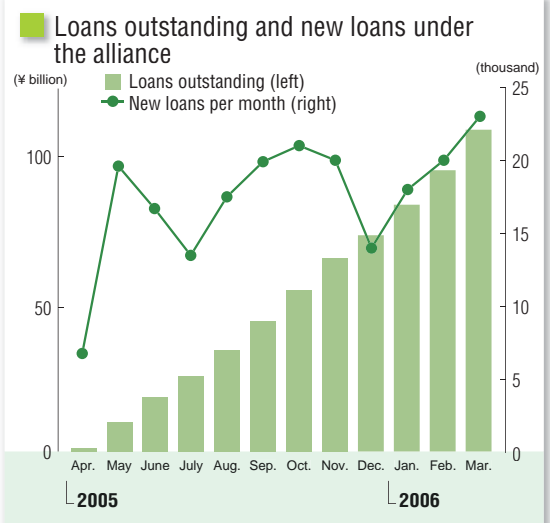
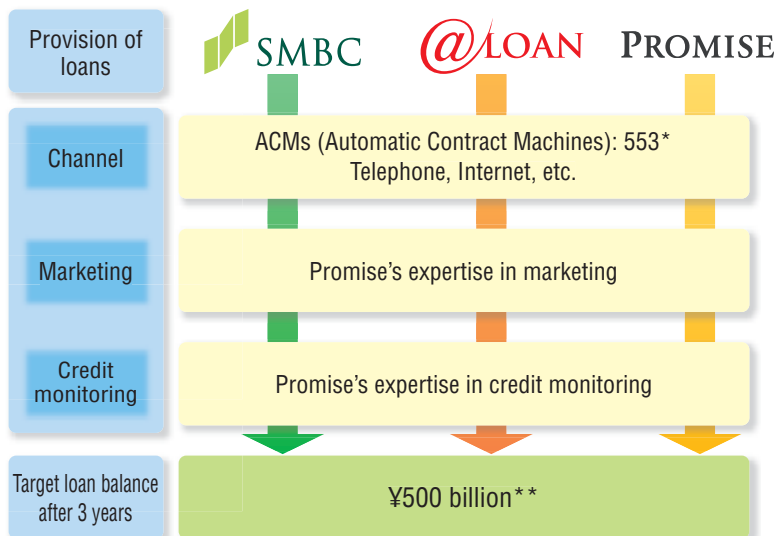
- Incorporating numerous functions into mobile phones, an indispensable item for daily life



Consumer Finance

In April 2005, SMBC, At-Loan and Promise began offering three types of consumer loans, leveraging a strategic alliance formed in June 2004. The volume of these loans has increased steadily to the point where the combined

loans outstanding of the three companies stood at ¥106.4 billion at the end of March 2006. By installing more loan contract machines, among other measures, we will continue to meet the financing needs of our customers.



* As of March 31, 2006

** Total for SMBC, At-Loan (including loans originally booked by At-Loan before the start of the alliance) and Promise

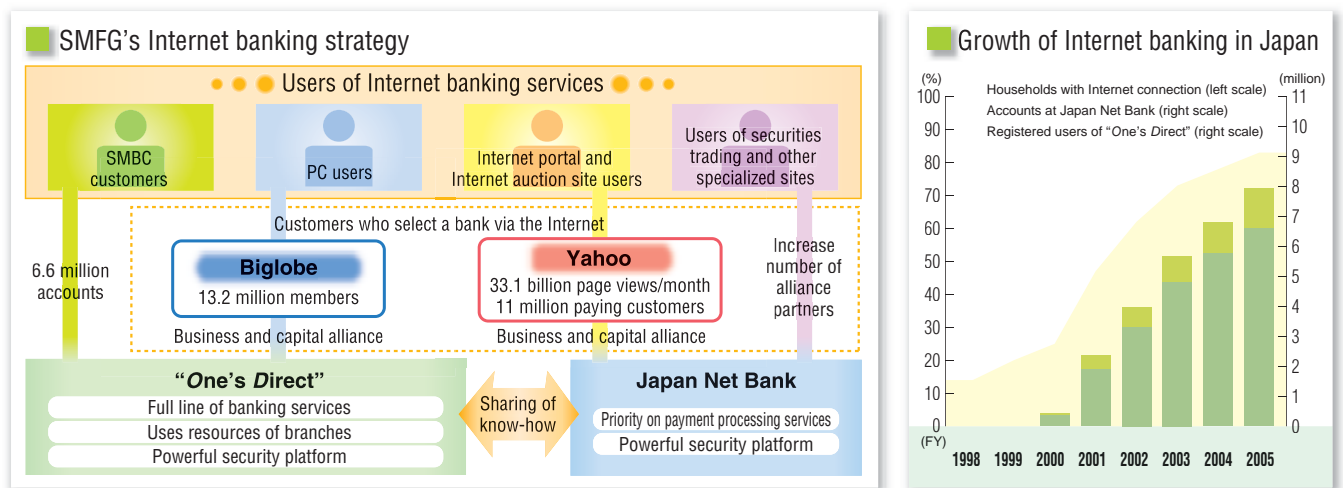
Internet Banking

In March 2006, SMBC, Japan Net Bank (SMBC's Internet banking subsidiary) and Yahoo Japan agreed to form a business and capital alliance. The objective is to create and develop a new type of Internet financial services business by combining the Internet banking business of Japan

* An Internet banking service which enables customers to make remittances and deposits, among other services, 24 hours a day. SMBC ranked first in Gomez's "On-line Banking Service Ranking" (in June 2006) and "Mobile Banking Site Ranking" (in May 2006).

Net Bank and the Internet portal business of Yahoo Japan. The agreement was signed in June 2006.

Combining this new business with SMBC's "One's Direct"* and other services, we aim to develop Internet banking into one of our growth business bases by precisely meeting the wide-ranging needs of Internet users.



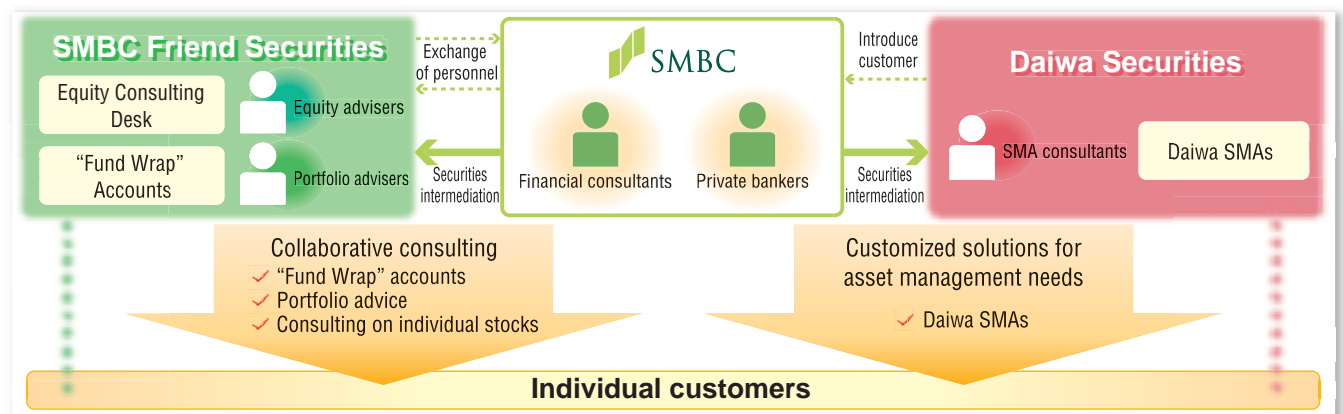
New Asset Management Service for Individuals

In March 2006, SMFG decided to make SMBC Friend Securities a wholly owned subsidiary, subject to the approval of regulatory authorities. This will permit greater collaboration between SMBC and SMBC Friend Securities in order to strengthen financial services for individuals. Collaboration will include the joint development and provision of fund wrap services for individuals.

In May 2006, SMBC and Daiwa Securities agreed to

cooperate in services for individuals. This will include the provision by SMBC of "Daiwa SMA," Japan's leading brand in the separately managed account (SMA) market.

Through these collaborations, we plan to further upgrade our financial consulting services and private banking services for individuals. We are committed to meeting the increasingly sophisticated and diverse asset management needs of our customers.





Organizational Reforms at SMFG and SMBC

SMFG and SMBC both implemented organizational reforms during the term under review. The major reforms are as follows:

Organizational Reforms at SMFG

1. Reinforcement of Group-based management of subsidiaries and affiliates

SMFG established the Investment Banking Planning Dept. to strengthen its organizational structure and facilitate the promotion of investment banking business across the Group.

2. Strengthening of organizational structure to promote CSR activities

SMFG established the Group CSR Dept. within the Corporate Planning Dept., responsible for the planning of CSR activities, as well as external communication on the Group's CSR initiatives.

3. Reinforcement of holding company function

SMFG established the Group Business Management Dept. to enhance the management and monitoring functions of SMFG as a holding company.

Organizational Reforms at SMBC

SMBC renewed its commitment to providing optimum added value to its customers and together with them achieve growth by reinforcing its "customer-centric approach" and establishing a new organizational structure that will enable it to actively respond to customer needs. The new organizational structure will enable SMBC to accelerate business development and strengthen internal control.

SMBC implemented a number of measures to reinforce its framework for developing its corporate banking business. One such measure is the establishment of a Corporate Advisory Division, which actively provides solutions to corporate customers' management issues.

With regard to internal control, SMBC established a Quality Management Dept. to actively reflect customer views in its operations and management policies, and will continue to make every effort to improve the quality and service of our products and enhance customer satisfaction.

The details of the reorganization of SMBC are as follows:

1. Strengthening banking business for corporations— Reorganization of the Middle Market Banking Unit (MMBU) and the Corporate Banking Unit (CPBU)

(1) Reorganization of marketing channels

SMBC established a new type of marketing organization,

the Corporate Advisory Division (CAD), which actively provides solutions to management issues of its corporate customers. Different groups were established for each industry in the CAD, where an accumulation of know-how and information on each industry will be concentrated. With a staff of approximately 140 professionals, the CAD utilizes this information and provides comprehensive management solutions to various customer needs, such as business expansion and M&As, working in close collaboration with departments of the International Banking Unit and the Investment Banking Unit, credit departments, research departments, Daiwa Securities SMBC Co., Ltd., and marketing channels such as Corporate Banking Departments and Corporate Business Offices.

The establishment of the CAD has further strengthened SMBC's capability to provide the most appropriate solutions to customers, thereby contributing to their efforts to enhance corporate value and realizing one of its management philosophies—"to achieve growth together with customers."

(2) Organizational reforms at headquarters

To promote the domestic banking business for corporations in an integrated way, SMBC combined the Planning Dept. of the MMBU and the Planning Dept. of the CPBU into a new department: the Planning Dept., CPBU & MMBU ("PDCM"). The PDCM has two internal departments, the Solution Promotion Dept. and the Real Estate Financial Solution Dept. The Solution Promotion Dept. supports the business operations of the marketing channels so that they can maintain a proper balance in their efforts to achieve both short-term and medium-term goals.

Meanwhile, the Real Estate Financial Solution Dept., which acts as the bank's central repository of real estate information, proposes real-estate-related financial solutions to the bank's customers.

SMBC also established a Small and Medium Enterprises Business Promotion Dept. ("SMED") to centralize the currently dispersed SME product development, strategic planning, and branch support functions in one department, thereby strengthening its capability to support SME customers' financial needs.

The Planning Dept., Business Promotion Dept. and Business Owner Banking Dept. of the MMBU, and the Planning Dept. of the CPBU were integrated into the CAD or the above-mentioned departments.

(3) Organizational changes in credit departments

Reflecting the completion of the process of disposal of

nonperforming loans, SMBC reorganized the credit departments of the MMBU and the CPBU (Credit Dept. I, II, III, MMBU, and Credit Dept. I, II, CPBU) into Credit Dept. I, II, MMBU and Credit Dept., CPBU in order to further improve the efficiency of those departments. It also made the Structured Finance Credit Dept. into an independent department. The Credit Dept. III of the MMBU and the Credit Dept. I and II of the CPBU will be dissolved.

2. Strengthening banking business for corporations— Reorganization of the Investment Banking Unit ("IVBU")

To provide better products and services in line with the bank's customer-centric approach, SMBC reorganized the departments of the IVBU, as detailed below, with the goal of reducing the number of departments responsible for serving customer needs in financing and asset management consulting, leading to more effective operation.

(1) To strengthen its capability to respond to corporate customers' financing needs, SMBC integrated the Corporate Finance Services Dept. into the Syndication Dept. At the same time, SMBC established the Corporate Finance Administration Dept. within the Syndication Dept. The dispersed middle office functions of loan syndication and corporate bond-related business are centrally administered by the new department.

(2) To strengthen its capability to respond to the asset management needs of customers, SMBC integrated the asset management consulting function of the former Business Promotion Dept. into the Derivatives & Financial Engineering Dept. The department was renamed the "Financial Engineering Dept."

(3) To integrate money settlement and financing services, SMBC transferred the Electronic Commerce Banking Dept. (ECBD) and the Global Investors Services Dept., to the IVBU. These two departments and the Asset Finance Dept. were combined to create the Settlement Finance Unit in the IVBU. At the same time, the ECBD was reorganized: the Global Cash Management Dept. of the ECBD was dissolved, and the Transaction Business Promotion Dept. was established within the ECBD.

3. Strengthening consumer banking business in the Consumer Banking Unit ("CSBU")

(1) SMBC established the Marketing Dept. within the Planning Dept. of the CSBU to strengthen its marketing by obtaining a better grasp of customer needs.

(2) To enhance its private banking business, SMBC divided the Private Banking Dept. into two organizations:

the Private Banking Dept. (headquarters responsible for strategic planning and product development); and the Private Banking Business Offices I and II (marketing channels in Tokyo and Osaka).

(3) SMBC established the Defined Contribution Dept. within the Life Planning Service Dept. The new department is responsible for the management of defined contribution pension plans under the Defined Contribution Pension Plan Act, a new business which SMBC entered into in April 2006.

4. Enhancing customer satisfaction and strengthening compliance capabilities

(1) To actively reflect customer views in its operations and management policies, SMBC established the Quality Management Dept. (QMD), which acts as a central contact point where all customer opinions and requests are directed. Accordingly, the Customer Relations Dept., hitherto responsible for handling customer complaints and requests, was reorganized as an internal department of the QMD. The QMD checks products and services from the customer's perspective from the development stage, and utilizes customer opinions and requests to improve existing products and services, thereby enhancing products, services and customer satisfaction.

(2) To strengthen its compliance capabilities, SMBC positioned the General Affairs Dept. and the Legal Dept. within the newly established Compliance Unit.

The General Affairs Dept. is composed of four departments, as listed below:

Operational Risk Management Dept.

- Supervises operational risk management

Antimonopoly Law Monitoring Dept.

- Manages compliance issues with regard to the Antimonopoly Law

Financial Products Compliance Dept.

- The former Securities Compliance Dept. (renamed and given more responsibilities)

Financial Crime Prevention Dept.

- Handles matters related to the Depositor Protection Law

(3) To promote collaboration among audit departments and to conduct consistent and accurate audits, SMBC established an Internal Audit Planning Dept. within the Internal Audit Dept.



Advertisement for SMBC Consulting Plazas

The member companies of the SMFG are working together to enhance their consumer financial services.

At SMBC, we offer value-added financial services under the brand name "One's Next." This reflects the emphasis we place on helping customers determine the next step of their financial plans according to their stage of life. By creating services that address specific customer needs, we are working to make SMFG into the No. 1 financial group in consumer financial services.

Specifically, we are leveraging our capabilities to develop outstanding products and services, our consulting abilities—provided by staff with high level expertise—and our area marketing approach to provide superior financial services to our customers. Pension-type insurance sales in fiscal 2005 amounted to ¥664.8 billion. Sales of foreign bonds came to ¥100.3 billion. As of March 31, 2006 the outstanding balance of investment trusts under management was ¥2,803.1 billion, and that of housing loans was ¥13,771.8 billion. These achievements underscore the popularity of our services.

In December 2005 we commenced the sale of a new product, single-premium whole life insurance, with a lineup of five plans offered by three life insurance companies. By the end of March 2006, sales amounted to ¥16.7 billion.

Consulting Business

In addition to single-premium whole life insurance, fiscal 2005 SMBC's Consumer Banking Unit introduced new investment trusts and pension-type insurance products, as well as a securities intermediary service, to bolster its lineup of financial products and services to address the asset management needs of our individual customers.

Additionally, to create a business model involving a true fusion of our banking and securities businesses with the aim of maximizing the synergy between them, we are planning to expand our lineup of consulting services on stock trading by offering a fund wrap service and other services in collaboration with SMBC Friends Securities Co., Ltd. In the loan business, since December 2005 we have been offering a loan for new car purchases by means of the Internet only. We then followed up this innovative car loan in April 2006 with a similar product for housing loans, in which the entire clerical process—from application to receipt of loan—can be carried out via the Internet or the conventional postal service. Also from April 2006, we began offering a new free-of-charge service whereby customers can make advanced loan repayments or switch their interest-rate options via the Internet.

In this way, we are working to offer a diverse lineup of products and services that meet specific customer needs.



Introducing a new type of housing loan offered online



Introducing a new type of auto loan offered online



SMBC Shirokane Takanawa Consulting Office

As of the end of March 2006, the bank had expanded its network of Consulting Plazas to 66 locations. At the Plazas, customers can receive advice on personal asset management or loans on weekends and national holidays, as well as in the evening on weekdays. By March 31, we had opened 14 SMBC Consulting Offices—small-scale dedicated offices that provide individuals with advice concerning the management of their personal assets. In the current fiscal year, the bank opened an SMBC Consulting Office on May 8 at Shirokane Takanawa (an upscale residential area of Tokyo) and an SMBC Consulting Plaza on June 20 at Chigasaki (a seaside resort area near Yokohama). Also, in the central Osaka district of Umeda, we opened the Osaka Apartment House Loan Promotion Office on May 15. This is a loan consulting plaza for landowners considering the construction of apartment buildings. The plazas are operated in collaboration with real estate companies. We intend to continue actively expanding our network of Consulting Plazas and Offices to provide our customers with convenient and friendly consulting services.

Topics



Products and Services Targeting Female Customers

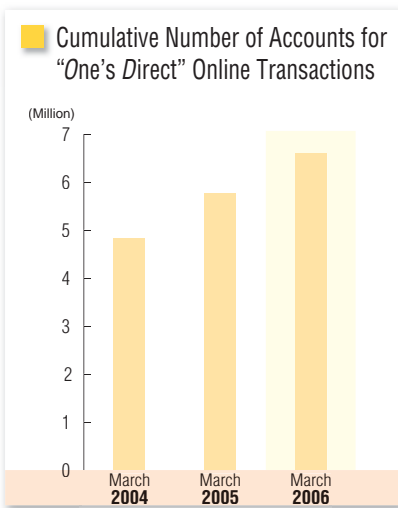
SMBC set up a project team in October 2005 to implement a new style of marketing based on women's perspectives, and to develop products and services specifically tailored to the needs of the bank's female customers. The SMBC Consulting Office in Shirokane Takanawa, opened in May 2006, was planned by the project team in collaboration with senior interior designer staff from The Conran Shop, under the concept of creating a space that is more attractive and approachable for women than the ordinary bank office.

Other notable products and services designed by the project team include the *Six Assets Balanced Fund*, which was jointly designed with female staff from Daiwa Asset Management Co., Ltd., and the *Woman PLUS* mortgage loan, which is specially designed to address the particular lifestyle needs of women. The team continues to design and develop products and services for this customer segment hitherto neglected by banks.

“Members Only” Services

In February 2006 SMBC concluded an agreement with Benefit One, Inc. with the aim of offering “members only” services. The agreement paved the way for the start-up of two new services targeted at company employees nearing retirement or already retired, and also for female customers. These services, which started in April 2006, are called “One's Next Club 50s” and “One's Next Club Woman.” Bank customers who become members of these clubs receive a number of special customer privileges, such as regularly updated information and lifestyle support services.





"DCMX Site" in SMBC's Shinjuku Dori Branch

■ Settlement and Finance Businesses

Mitsui Sumitomo Card iD®

Under a strategic business alliance between Sumitomo Mitsui Card Co., Ltd. and NTT DoCoMo, Inc., we have been operating the Mitsui Sumitomo Card iD® service (an electronic settlement service utilizing NTT DoCoMo's Mobile Wallet® mobile phones) since December 2005. As of the end of April, the number of registered users of this service had grown to approximately 40,000 and the number of retail outlets accepting payment via this service was around 30,000.

Sumitomo Mitsui Card will continue to fully leverage the know-how it has accumulated through its business as a comprehensive provider of credit card services to create a settlement system capable of handling the full range of settlement and credit items from small to very large amounts, and thereby enhance our service for settlement system users.

In May 2006, as part of a larger program between SMBC and NTT DoCoMo, in which the two are creating a network of joint branches, our first "DCMX Site" corner was set up within SMBC's Shinjuku Dori Branch to introduce the new concept of electronic settlements and the other options that the system offers.

Internet Financial Services Alliance

In March 2006, SMBC, The Japan Net Bank, Limited, and Yahoo Japan Corporation agreed to form a business and capital alliance to create and develop a new Internet financial services business by combining the Internet portal service of Yahoo Japan and the Internet banking services of Japan Net Bank.

We are continuously working to upgrade the features of our popular online service "One's Direct" by expanding the service menu, thus enhancing customer convenience. This remote banking service was ranked as the industry leader for four consecutive years in the Internet Banking Services ranking by Gomez, Inc., a leading Internet performance rating company. The service was also ranked by Gomez in May 2006 as the leading mobile banking service in Japan. The number of subscribers to "One's Direct" as of March 31, 2006 was 6.6 million, an increase of 820,000 from March 31, 2005.

Topics



Account Security Reinforced

To reinforce the security of SMBC's ATM cards, from December 2005 the bank began introducing a system of IC credit cards and ATMs that require the user to present the surface of his or her finger for authentication of owner identity (confirmation is made through the matching of vein patterns), in addition to the conventional input of a PIN number. This system provides a highly effective additional layer of safeguards against identity theft or unauthorized withdrawal of funds using a card that has been forged or stolen. We are at present gradually increasing the number of ATMs employing this biometric authentication system.

In the field of online banking, we have utilized a number of proprietary security measures, including an on-screen virtual keyboard that prevents hackers from obtaining passwords and transaction data, or accessing confidential personal information by capturing keyboard and mouse inputs. In February 2006 we became the first Japanese bank to utilize "one-time passwords." We have also designed a system that allows each customer to choose his or her own security measures according to need. With regard to password security measures, different warning messages or advisories are sent to each customer, tailored according to their transaction history. We also include easy-to-understand articles on improving security on our website as part of our wide-ranging initiative to educate our customers in the finer points of personal asset security.



Introducing "one-time passwords"



Enhancing Services for Major Corporate Clients and Other Listed Companies

SMFG is strengthening its service lineup for listed and non-listed companies to provide solutions required for the increasingly sophisticated and diverse management issues faced by corporate clients. The establishment of the Corporate Advisory Division by SMBC in April 2006 was a major step in this direction. Forming this division involved the integration and realignment of several departments at SMBC that apply their advisory capabilities to serving corporate customers. The new division functions as a marketing unit that supports the activities of the Middle Market Banking Unit and the Corporate Banking Unit.

The Corporate Advisory Division, which has bases in Tokyo and Osaka, comprises a staff of approximately 140 professionals who form groups targeting specific industries. The division provides a centralized platform for SMBC's knowledge and information concerning a wide range of industries. Leveraging this know-how, the Corporate Advisory Division, together with the Corporate Business Offices of the Corporate Banking Unit, creates a project team for each project, working in collaboration with the Investment Banking Unit, the International Banking Unit, credit departments, research departments, relevant headquarters, and from time to time with Daiwa Securities SMBC Co., Ltd. and other Group companies, to propose to our customers strategies to increase their corporate value. This process makes it possible to identify customer needs that had not been readily apparent. Through this approach, the new division aims to offer comprehensive solutions for M&A, strategic equity investment and business alliances, and other management issues of corporate clients.

For large corporations with global operations, SMFG offers highly sophisticated financial services. These services are provided mainly by SMBC's Corporate Banking Unit, but are also backed up by the Corporate Advisory Division and the specialized skills of every Group company.

In fiscal 2006, against a background of economic recovery and substantial improvements in corporate earnings, many large companies are aggressively launching initiatives to achieve further growth. SMBC offices in Japan and overseas, along with other Group companies, are collaborating closely to accurately ascertain customer trends and devise innovative solutions to financing, settlement and other needs. SMBC also provides customers with a broad array of information, business strategies, and business propositions.

How Project Teams Serve Corporate Clients





Announcing *SMBC Crecer Loans*



Poster for *Business Select Loans*

A comprehensive framework, centered on the Corporate Advisory Division, enables us to offer the best possible solutions for raising customers' corporate value, backed by the collective resources of all Group companies. This gives SMFG a powerful means of achieving its management philosophy of "providing optimum added value to our customers and together with them achieve growth."

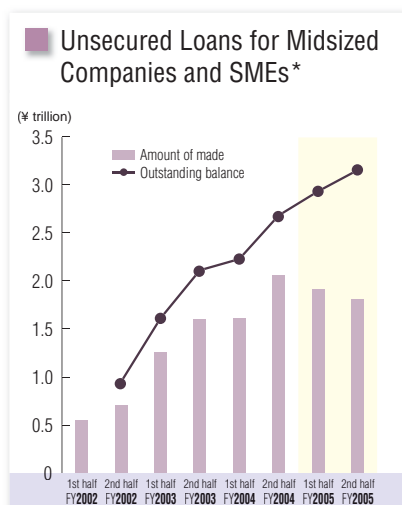
■ Upgrading Services for Midsized Companies and SMEs

The Middle Market Banking Unit of SMBC, along with other SMFG members, offers a diverse lineup of services targeting midsized companies and small and medium-sized enterprises (SMEs). These services reflect our recognition of the important role that the sound development of these companies plays in the growth of Japan's economy.

As the primary means of meeting the financing needs of such companies, SMBC offers loans that require no collateral or third-party guarantee. These loans include the *N-Fund Loans* and *Business Select Loans*. The lineup was expanded in April 2005 with the introduction of the *SMBC Crecer Loan*. As a result, new-type unsecured loans to these companies amounted to about ¥3,150 billion at the end of March 2006, ¥500 billion more than the previous year. Growth of *Business Select Loans* was particularly impressive. About ¥1,600 billion of these loans were newly made during fiscal 2005, resulting in a balance of about ¥1,700 billion at the end of March 2006, a substantial increase over the previous year.

In April 2006, the Small and Medium Enterprises Business Promotion Department was established at SMBC to apply the know-how we have gained and to meet the increasingly diverse needs of SMEs by formulating strategies on SME business and supporting branches and departments in making proposals to SMEs. Paralleling its efforts to strengthen development of products and services, as in fiscal 2005, the department will continue to improve and expand the line-up of risk-sharing products offered in cooperation with credit guarantee associations and municipalities.

The department will also strengthen its ability to serve SMEs with high growth potential through a closer collaboration with NIF SMBC Ventures Co., Ltd. In order to build an integrated support framework extending from young companies to companies preparing for an IPO. It will also reinforce its efforts in the environmental business, a relatively new market that is attracting much attention, aiming to solve highly complex management issues such as business succession.



*Business Select Loans, SMBC Crecer Loans, N-Fund Loans, SMBC-CLO, V-Fund Loans, etc.

■ Upgrading Services to Support the Global Development of Midsized Companies and SMEs

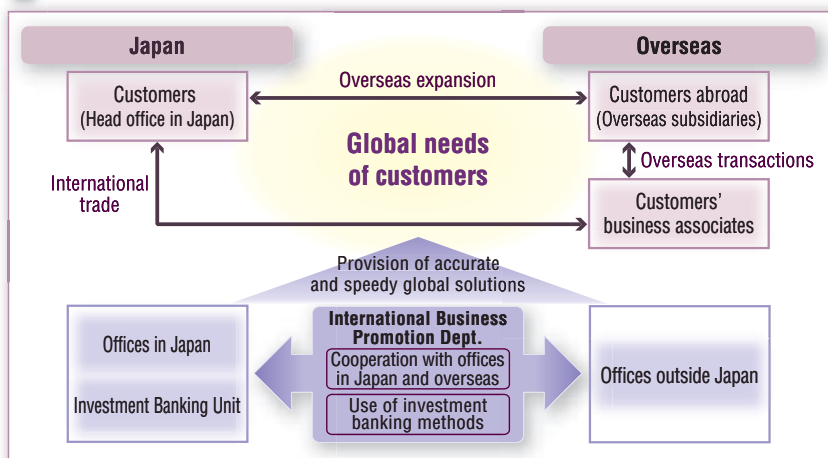
SMBC has for many years placed priority on meeting the varied requirements of SMEs. In recent years, there has been a rapid increase in the demand for global services, as SMEs in Japan set up overseas bases, chiefly in Asia, and increase their international trade operations.

To meet requirements of such customers with greater accuracy and speed, SMBC has recently greatly expanded the functions of its International Business Promotion Department. Until now, the department was focused on international trade settlements, but it now has two new functions. The first is monitoring the global needs of middle-

market customers associated with activities such as launching overseas operations and conducting foreign trade. The second is the provision of solutions that use investment banking methods to precisely meet middle-market customers' global requirements. These solutions are based on extensive cooperation between our offices in Japan and overseas, including the sharing of information, the provision of settlement financing solutions based on data on customers' business transactions, and other activities.

With this organization, we can precisely meet the needs of midsized companies and SMEs as they expand on a global scale, thus serving as an even more powerful partner for these companies.

■ Global Solutions Flowchart



Topics

New Loan for Environmentally Responsible Companies

Based on the Group's Environmental Action Plan, SMFG has been conducting environmental activities centered on three areas: reducing the environmental impact of our activities, dealing with environmental risks, and promoting environment-related businesses. We are focusing especially on environment-related businesses, a field where we can most effectively fulfill our social responsibilities as a leading financial services group.

In February 2006, SMBC began offering the *Environmentally Responsible Company Support Loan*. Through our core lending business, we provide additional support to environmentally responsible midsized companies and SMEs.

Establishment of IPO Business Club

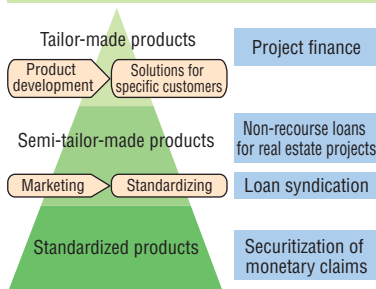
To meet the needs of SME customers that plan to go public some day, SMBC Consulting Co., Ltd. established the IPO Business Club in February 2006. The club brings together the know-how of all SMFG companies and other companies with close ties to the Group. Services include the provision of IPO-related information, assistance in IPO evaluations and business plan preparations through alliances with accounting firms, and other forms of support. This club enables SMBC Consulting to provide member companies with an integrated support system so that they can quickly reach their goal of becoming a publicly traded company.



"Introducing the IPO Business Club"

Investment Banking

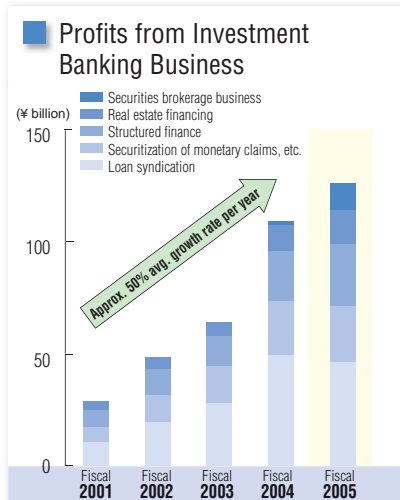
Standardizing Products for General Marketing and Offering in Small Lots



Daiwa Securities SMBC's league table rankings

	Ranking	Underwriting amount (¥ bn)	Market share
Leading underwriter for corporate straight bonds	1st	2,014.8	23.8%
Bookrunner for secondary public equity offerings	1st	590.2	30.2%

Source: Thomson Financial, based on results for FY2004 (April 2004 to March 2005)



SMFG's Investment Banking Business

One of the distinctive features of SMFG's investment banking business is that tailor-made products developed for specific customers' fund raising, asset management, settlement, risk hedging and other needs are quickly redesigned into standardized products to make them available to a wider range of customers. In addition, collaboration with SMBC's Corporate Advisory Division, established in fiscal 2006, helps customers solve difficult management issues and raise their corporate value.

Alliance with Group Securities Companies

By bringing together the strengths of Group companies, starting with Daiwa Securities SMBC Co., Ltd. and SMBC Friend Securities Co., Ltd., SMFG is able to leverage the synergy between the banking and securities businesses to register an even better business performance. Daiwa Securities SMBC was ranked No. 1 by Thomson Financial in the league tables for fiscal 2005 as a lead underwriter of corporate straight bonds, and as a bookrunner for IPOs and secondary public equity offerings. SMBC Friend Securities, in collaboration with SMBC, developed and marketed the Hokuto Fund, a publicly-offered fund for the production of *Hokuto No Ken*, an animated movie. The fund is the first of its kind in Japan.



Hokuto No Ken (Fist of the North Star)

Accomplishments in Fiscal 2005

Earnings of SMFG's investment banking business in fiscal 2005 continued on an upward trend. Profits of the securities intermediary business for corporate customers posted an excellent performance, due largely to the effective leveraging of a marketing collaboration between SMBC and Daiwa Securities SMBC. (Deregulation within the industry in the previous term made it possible for banks to engage in the securities intermediary business.) During the reporting term, we succeeded in arranging a considerable number of large-scale deals in the MBO and LBO markets, thus raising our market profile.

Topics



Project Financing for Rabigh Complex

SMBC, acting as financial advisor to Sumitomo Chemical Co., Ltd. and the Saudi Arabian state-run oil company Saudi Aramco on their Rabigh oil refinery and petrochemical project, has helped facilitate project financing of approximately \$5.9 billion, one of the largest-ever project financing amounts. Moreover, the financing was achieved within a very short period and at competitive pricing. In addition, SMBC took part in the financing project as the managing bank, and was designated as a facility agent for the Japan Bank for International Cooperation (JBIC). SMBC's superior advisory capabilities are recognized not only by the sponsors of this project, but also by the market as a whole.

International Banking



The international banking operations of SMFG, centering on SMBC's International Banking Unit, serve all customers operating globally, including Japanese and foreign companies, financial institutions, sovereign governments, public entities, and Japanese branches and subsidiaries of multinational corporations.

Raising SMBC's Market Position through Focus on Specific Industries and Businesses

Focusing on the resources and energy sector, where demand is growing strongly worldwide, as well as the structured finance field, including PFI & PPPs, project finance, and trade finance, we allocate sufficient management resources and meet all customer needs swiftly, to expand our market share in these businesses.

Raising Our Profile in Emerging and Growth Markets

In addition to established markets, such as Western Europe, North America, and East Asia, we even more keenly meet customers' needs in emerging markets, including the Middle East, Central and Eastern Europe, and Latin America. We are developing a lineup of products and services tailored to match the unique features of each market. We take an active role in these markets, keeping a close watch on changes in the business environment.

Continuously Optimizing SMFG's Asset Portfolio

With the strict capital adequacy requirements of the New Basel Accord (Basel II) in mind, we are developing new securitization products and, especially in Asia, structuring buy-sell agreements. In this way, SMBC is helping to enhance the quality of SMFG's overall asset portfolio to achieve well-balanced business operations.

By seizing every business opportunity in markets worldwide, we aim to be a global commercial bank that leverages its strengths in businesses related to Japan and other Asian countries.



Topics



Providing Global Solutions Leveraging Our Overseas Network and the Group's Domestic and Overseas Strengths

- To give our customers better access to our services, and to serve as a gateway to new growth markets, we have been investing in an expanded overseas business network. Recent or planned achievements include the opening of a representative office in Moscow by Sumitomo Mitsui Banking Corporation Europe Limited, as well as SMBC branches in Ho Chi Minh City, Sydney, and Dubai, and an SMBC representative office in Houston.
- Through collaboration between SMBC and Daiwa Securities SMBC Co., Ltd., we are displaying the full strength of SMFG through our focus on the investment banking business to meet our customers' needs in Asia, particularly China, by offering a high-value-added service.

Treasury Markets



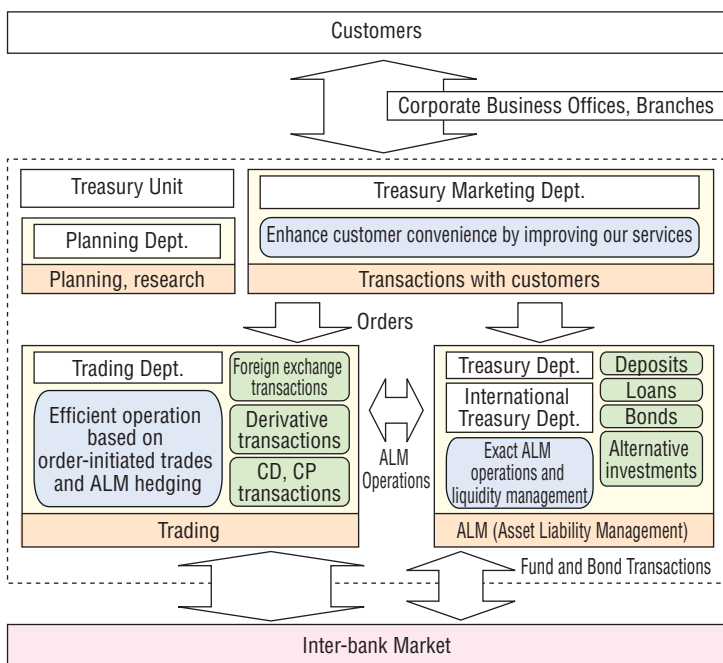
SMFG aims to provide its clients with world-class support services for their market transaction needs through the Treasury Unit of SMBC. The Treasury Unit undertakes operations in money, foreign exchange, bond, and derivatives markets. Based on a careful evaluation of each client's needs, we design financial products and services that deliver optimal value-added solutions.

The Treasury Unit focuses on expanding transaction volume, strengthening ALM operations and diversifying fund management channels through the accurate assessment of domestic and overseas market trends to further strengthen profitability, while effectively managing risk.

Enhancing Customer Convenience

In fiscal 2005, the Treasury Unit, in collaboration with the marketing units, took steps to expand the market transaction services system for corporate and retail customers. We also increased the range of functions offered by *i-Deal*, a system that allows customers to conclude foreign exchange contracts over the Internet.

The Treasury Unit will continue working to fulfill all our customers' market transaction needs by providing comprehensive support services of the highest level.



Asset Liability Management and Dealing Operations

Through its asset liability management (ALM) and trading operations, the Treasury Unit strives to control market and liquidity risks while maximizing earnings. To do this, it uses an expanded array of investment techniques, including alternative investments, leading to a more diversified investment portfolio and increased arbitrage investment opportunities.

We will continue to pursue optimal capital allocation with a level of risk exposure appropriate to market conditions, with the aim of securing stable profits.

Topics

Expanding Support Systems to Meet User Needs

We are responding promptly and effectively to the diversification of our customers' needs by such means as expanding our systems for providing foreign exchange risk hedging to customers engaging in large-scale capital transactions such as M&As, and our system for promoting Asian business for Japanese clients through our offices in the ASEAN nations, Hong Kong, and Shanghai.

Diversified Investment and Efficient Use of ALM

The Treasury Unit has been utilizing alternative investments, in addition to derivatives linked to interest rate and foreign exchange movements, thereby diversifying and expanding our menu of investment options. The Treasury Unit also effectively employs ALM operations in response to market movements.



Financial Highlights

Sumitomo Mitsui Financial Group

◆ Consolidated

Year ended March 31	Millions of yen			
	2006	2005	2004	2003
For the Year:				
Total income.....	¥ 3,803,089	¥ 3,589,871	¥ 3,669,531	¥ 3,518,293
Total expenses.....	2,759,726	3,698,406	3,264,636	4,109,207
Net income (loss).....	686,841	(234,201)	330,414	(465,359)
At Year-End:				
Total stockholders' equity.....	¥ 4,454,399	¥ 2,775,728	¥ 3,070,942	¥ 2,424,074
Total assets.....	107,010,575	99,731,858	102,215,172	104,607,449
Risk-monitored loans.....	1,243,160	2,227,445	3,297,981	5,770,700
Reserve for possible loan losses.....	1,035,468	1,273,560	1,422,486	2,243,542
Net unrealized gains (losses) on other securities.....	1,373,337	696,339	575,612	(30,643)
Number of employees.....	40,681	40,683	42,014	42,996
Selected Ratios:				
Capital ratio.....	12.39%	9.94%	11.37%	10.10%
Return on Equity.....	33.15%	—%	31.68%	—%
Price Earnings Ratio.....	13.72x	—x	14.71x	—x
Per Share (Yen):				
Stockholders' equity.....	¥400,168.89	¥164,821.08	¥215,454.83	¥106,577.05
Net income (loss).....	94,733.62	(44,388.07)	52,314.75	(84,324.98)
Net income — diluted.....	75,642.93	—	35,865.20	—

Notes: 1. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month. For details, please refer to page 37.
2. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.

◆ Nonconsolidated

Year ended March 31	Millions of yen			
	2006	2005	2004	2003
For the Year:				
Operating income.....	¥ 55,482	¥ 258,866	¥ 55,515	¥ 131,519
Dividends on investments in subsidiaries and affiliates.....	46,432	251,735	47,332	128,265
Operating expenses.....	3,196	2,644	3,044	971
Net income.....	73,408	252,228	50,505	124,738
At Year-End:				
Total stockholders' equity (A).....	¥3,935,426	¥3,319,615	¥3,172,721	¥3,156,086
Total assets (B).....	4,166,332	3,795,110	3,403,007	3,413,529
Stockholders' equity to total assets (A) / (B).....	94.46%	87.47%	93.23%	92.46%
Capital stock.....	1,420,877	1,352,651	1,247,650	1,247,650
Number of shares issued				
Preferred stock.....	950,101	1,057,188	1,132,099	1,132,100
Common stock.....	7,424,172	6,273,792	5,796,010	5,796,000
Number of employees.....	124	115	97	94
Selected Ratios:				
Return on Equity.....	2.38%	15.47%	1.57%	8.52%
Price Earnings Ratio.....	190.16x	18.95x	207.86x	11.21x
Dividend pay-out ratio.....	46.64%	7.81%	80.97%	15.98%
Per Share (Yen):				
Stockholders' equity.....	¥330,206.27	¥257,487.78	¥232,550.74	¥231,899.30
Dividends:				
Common stock.....	3,000	3,000	3,000	3,000
Preferred stock (Type 1).....	10,500	10,500	10,500	10,500
Preferred stock (Type 2).....	28,500	28,500	28,500	28,500
Preferred stock (Type 3).....	13,700	13,700	13,700	13,700
Preferred stock (1st series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (2nd series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (3rd series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (4th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (5th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (6th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (7th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (8th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (9th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (10th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (11th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (12th series Type 4).....	135,000	135,000	135,000	19,500
Preferred stock (13th series Type 4).....	/	67,500	67,500	3,750
Preferred stock (1st series Type 6).....	88,500	728	/	/
Net income.....	6,836.35	38,302.88	3,704.49	18,918.33
Net income — diluted.....	6,737.46	25,178.44	3,690.72	15,691.82

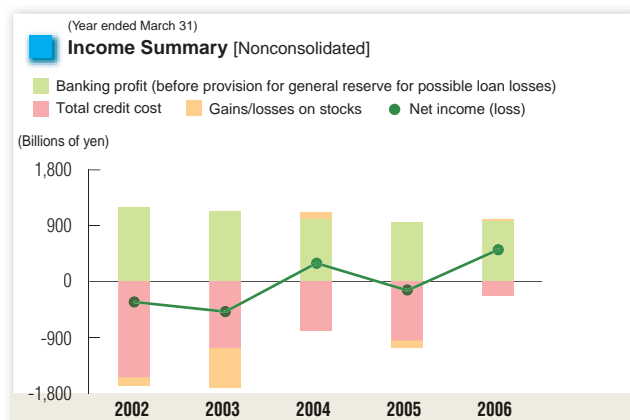
Note: All SMFG employees are on secondment assignment from SMBC and another Group company.

Sumitomo Mitsui Banking Corporation

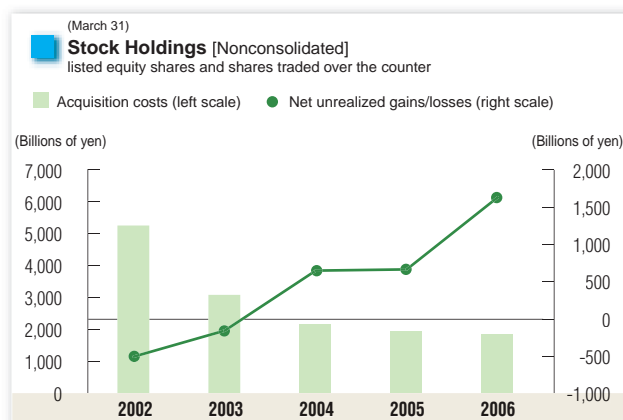
◆ Consolidated

Year ended March 31	Millions of yen				
	2006	2005	2004	2003	2002
For the Year:					
Total income	¥ 2,789,433	¥ 2,699,202	¥ 2,843,502	¥ 3,561,843	¥ 3,809,130
Total expenses	1,903,374	2,875,897	2,487,197	4,104,514	4,413,469
Net income (loss).....	563,584	(278,995)	301,664	(429,387)	(463,887)
At Year-End:					
Total stockholders' equity	¥ 3,598,294	¥ 2,633,912	¥ 2,722,161	¥ 2,142,544	¥ 2,912,619
Total assets	104,418,597	97,478,308	99,843,258	102,394,637	108,005,001
Risk-monitored loans.....	1,219,383	2,186,739	3,229,219	5,683,134	6,484,367
Reserve for possible loan losses.....	1,006,223	1,239,882	1,375,921	2,201,830	2,159,649
Net unrealized gains (losses) on other securities.....	1,337,192	678,527	568,407	(27,471)	(495,507)
Number of employees	32,918	32,868	33,895	35,523	43,793
Selected Ratios:					
Capital ratio	10.77%	10.60%	10.89%	10.38%	10.45%
Return on Equity	30.15%	—%	25.38%	—%	—%
Per Share (Yen):					
Stockholders' equity	¥41,444.83	¥23,977.62	¥25,928.02	¥15,353.34	¥282.85
Net income (loss).....	9,864.54	(5,300.46)	5,238.85	(10,429.29)	(84.12)
Net income — diluted	9,827.19	—	5,231.31	—	—

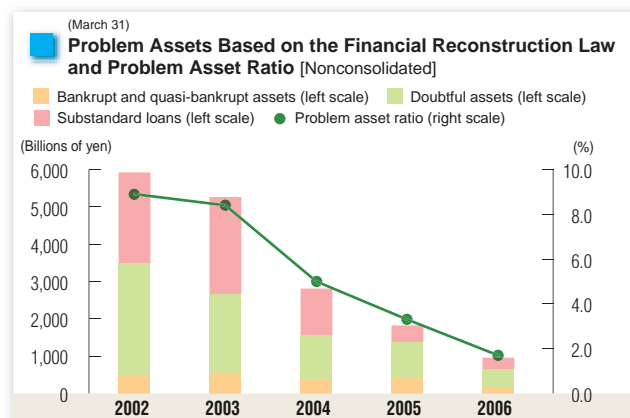
- Notes: 1. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month.
 2. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.
 3. Effective from the year ended March 31, 2003, treasury stock is disclosed as a deductive item from stockholders' equity. As a result, stockholders' equity per share and net income (loss) per share are calculated on the basis of the number of shares outstanding less treasury stock.



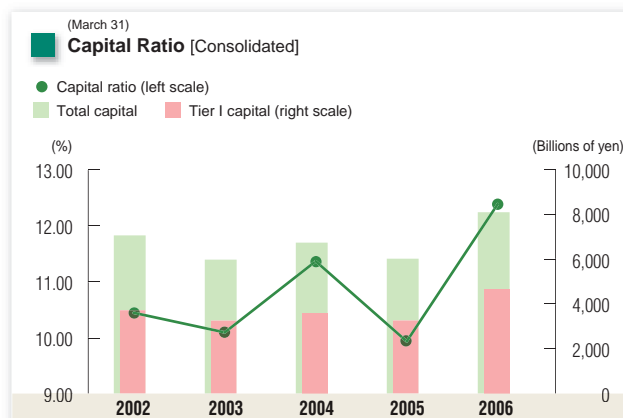
Note: Figures shown for the year ended March 31, 2002 are combined figures of former SMBC and former Wakashio Bank.



Note: Figures shown as of March 31, 2002 are combined figures of former SMBC and former Wakashio Bank.



- Notes: 1. Figures shown as of March 31, 2002 are combined figures of former SMBC and former Wakashio Bank.
 2. Problem asset ratio = Problem assets / (Problem assets + Normal assets)



Note: Capital ratios as of March 31, 2006, 2005, 2004 and 2003 shown above represent the capital ratio of SMFG on a consolidated basis.

◆ Nonconsolidated

Year ended March 31	Millions of yen				
	2006	2005	2004	2003	2002
For the Year:					
Total income	¥ 2,322,699	¥ 2,290,935	¥ 2,489,187	¥ 2,424,023	¥ 2,818,189
Total expenses	1,576,026	2,391,014	2,170,341	3,095,011	3,354,826
Net income (loss).....	519,520	(136,854)	301,113	(478,304)	(322,852)
(Appendix)					
Gross banking profit (A).....	1,552,033	1,522,861	1,584,127	1,760,684	1,853,515
Banking profit.....	810,593	1,291,972	1,000,132	875,511	678,811
Banking profit (before provision for general reserve for possible loan losses)	965,573	940,495	1,000,132	1,113,643	1,183,369
Expenses (excluding nonrecurring losses)(B)	586,459	582,365	583,995	647,040	670,145
At Year-End:					
Total stockholders' equity	¥ 3,634,776	¥ 2,752,735	¥ 2,870,870	¥ 2,279,223	¥ 3,196,492
Total assets	97,443,428	91,129,776	94,109,074	97,891,161	102,082,581
Deposits.....	68,222,167	65,591,627	63,656,771	63,524,258	67,629,353
Loans and bills discounted	51,857,559	50,067,586	50,810,144	57,282,365	59,928,368
Securities.....	25,202,541	23,676,696	26,592,584	23,656,385	20,442,996
Risk-monitored loans.....	914,173	1,735,863	2,774,889	5,169,531	5,816,452
Problem assets based on the					
Financial Reconstruction Law.....	960,095	1,824,622	2,811,234	5,261,345	5,900,043
Reserve for possible loan losses.....	816,437	989,121	1,250,751	2,074,797	1,971,849
Net unrealized gains (losses) on other securities.....	1,316,206	651,385	556,146	(17,857)	(481,654)
Trust assets and liabilities	1,305,915	777,177	429,388	166,976	/
Loans and bills discounted	7,870	9,780	10,000	35,080	/
Securities.....	238,205	81,840	4,645	—	/
Capital stock.....	664,986	664,986	559,985	559,985	1,326,746
Number of shares issued (in thousands)					
Preferred stock	900	900	967	967	967,000
Common stock	55,212	55,212	54,811	54,811	5,709,424
Number of employees	16,050	16,338	17,546	19,797	22,464
Selected Ratios:					
Capital ratio	11.35%	11.32%	11.36%	10.49%	11.50%
Return on Equity.....	26.57%	—%	22.49%	—%	—%
Dividend pay-out ratio.....	63.02%	—%	79.88%	—%	—%
Overhead ratio (B) / (A)	37.8%	38.2%	36.9%	36.7%	36.2%
Per Share (Yen):					
Stockholders' equity	¥42,105.57	¥26,129.71	¥28,641.10	¥17,846.95	¥332.02
Dividends:					
Common stock.....	5,714	683	4,177	19.17	4.00
Preferred stock (1st series Type 1).....	/	/	/	10.50	10.50
Preferred stock (2nd series Type 1)	/	/	/	28.50	28.50
Preferred stock (Type 5).....	/	/	/	13.70	13.70
Preferred stock (Type 1).....	10,500	10,500	10,500	—	/
Preferred stock (Type 2).....	28,500	28,500	28,500	—	/
Preferred stock (Type 3).....	13,700	13,700	13,700	—	/
Preferred stock (1st series Type 6).....	88,500	485	/	/	/
Net income (loss).....	9,066.46	(2,718.23)	5,228.80	68,437.74	(59.20)
Net income — diluted	9,050.63	—	5,221.53	66,527.24	—

- Notes: 1. Figures related to profit or loss for the year ended March 31, 2003 include the former SMBC's operating results for the period from April 1, 2002 to March 16, 2003. Figures for the fiscal year ended March 31, 2002 represent the operating results of former SMBC.
2. Please refer to page 142 for the definitions of risk-monitored loans and problem assets based on the Financial Reconstruction Law.
3. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." The values of stocks are calculated using the average market prices during the final month. For details, please refer to page 41.
4. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees, temporary staff, and executive officers who are not also Board members.
5. Dividend per share for the term ended March 31, 2003 represents an interim dividend per share paid by former SMBC to SMFG.
6. Effective from the year ended March 31, 2003, treasury stock is disclosed as a deductible item from stockholders' equity. As a result, stockholders' equity per share and net income (loss) per share are calculated on the basis of the number of shares outstanding less treasury stock.



Financial Review

Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for fiscal 2005 ended March 31, 2006.

1. Operating Results

Operating results for fiscal 2005 include the results of 162 consolidated subsidiaries (114 in Japan and 48 overseas) and 63 subsidiaries and affiliates accounted for by the equity method (36 in Japan and 27 overseas).

Gross profit showed a year-on-year increase of ¥65.1 billion to ¥2,090.1 billion, primarily attributable to an increase of ¥103.4 billion in income from fees and commissions generated by the consulting business for individuals, which includes sales of investment trusts and pension-type insurance products.

After factoring in general and administrative expenses, total credit cost and gains on stocks, ordinary income of ¥963.5 billion was posted, for a year-on-year increase of

¥993.8 billion, compared with ordinary loss of ¥30.3 billion registered in the previous term. The previous term's loss was attributable to the recording of a massive amount of credit cost resulting from non-performing loan (NPL) write-offs and provisioning by SMBC, the banking subsidiary of SMFG, to complete the intensive improvement in asset quality. As a result, credit cost in the reporting period was down sharply from the previous term.

Extraordinary gains and income taxes resulted in net income of ¥686.8 billion, compared with net loss of ¥234.2 billion loss in the previous term, a year-on-year improvement of ¥921.0 billion.

Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	162	167	(5)
Subsidiaries and affiliates accounted for by the equity method	63	53	10

Income Summary

Year ended March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit	¥2,090,149	¥ 2,024,990	¥ 65,159
Net interest income	1,161,607	1,171,342	(9,735)
Trust fees	8,631	2,609	6,022
Net fees and commissions	619,591	516,109	103,482
Net trading income	32,807	144,387	(111,580)
Net other operating income	267,511	190,540	76,971
General and administrative expenses	(853,796)	(852,715)	(1,081)
Credit cost (A)	(333,571)	(1,196,797)	863,226
Write-off of loans	(69,355)	(759,399)	690,044
Provision for specific reserve	(45,047)	(493,947)	448,900
Provision for general reserve for possible loan losses	(120,078)	201,216	(321,294)
Others	(99,091)	(144,666)	45,575
Gains (losses) on stocks	47,119	(101,918)	149,037
Equity in earnings of affiliates	31,887	27,142	4,745
Other income (expenses)	(18,233)	69,005	(87,238)
Ordinary profit (loss)	963,554	(30,293)	993,847
Extraordinary gains (losses)	79,807	(78,242)	158,049
Losses on impairment of fixed assets	(12,303)	/	(12,303)
Gains on collection of written-off claims (B)	31,584	1,032	30,552
Income (loss) before income taxes and minority interests	1,043,362	(108,535)	1,151,897
Income taxes:			
Current	(69,818)	(30,638)	(39,180)
Refund	—	8,869	(8,869)
Deferred	(226,901)	(52,912)	(173,989)
Minority interests in net income	(59,800)	(50,983)	(8,817)
Net income (loss)	¥ 686,841	¥ (234,201)	¥ 921,042
Total credit cost (A) + (B)	¥ (301,987)	¥ (1,196,797)	¥ 894,810
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 1,225.4	¥ 1,014.4	¥ 211.0

- Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)
2. Total credit cost for the year ended March 31, 2006 includes gains on collection of written-off claims.
3. Consolidated banking profit = SMBC's nonconsolidated banking profit (before provision for general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.)

Deposits (excluding negotiable certificates of deposit) as of March 31, 2006, stood at ¥70,834.1 billion, a ¥2,359.2 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥2,708.6 billion, a decrease of ¥4.6 billion over the same period. Loans and bills discounted increased ¥2,467.3 billion to ¥57,267.2 billion, while securities increased ¥1,272.1 billion to ¥25,505.8 billion.

During the term, stockholders' equity increased ¥1,678.6 billion to ¥4,454.3 billion, due to the posting of net income, an increase in unrealized gains on the valuation of securities, and a capital increase through the public offering of new shares and the secondary offering of treasury stock.

Assets, Liabilities and Stockholders' Equity

March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Assets.....	¥107,010,575	¥99,731,858	¥7,278,717
Loans and bills discounted.....	57,267,203	54,799,805	2,467,398
Securities.....	25,505,861	24,233,701	1,272,160
Liabilities.....	101,443,151	95,934,927	5,508,224
Deposits.....	70,834,125	68,474,861	2,359,264
Negotiable certificates of deposit.....	2,708,643	2,713,270	(4,627)
Minority interests.....	1,113,025	1,021,203	91,822
Stockholders' equity.....	4,454,399	2,775,728	1,678,671

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2006 amounted to ¥1,342.7 billion, which is an increase of ¥648.0 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are directly credited to

stockholders' equity, increased by ¥677.0 billion over the same period, to ¥1,373.5 billion. The increase in unrealized gains on other securities resulted from an increase in unrealized gains on stocks in the amount of ¥997.6 billion year on year due to higher stock prices.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2006				2005		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ (30,781)	¥ (28,963)	¥ 580	¥ 31,361	¥ (1,818)	¥ 2,114	¥ 3,933
Other securities.....	1,373,337	676,998	1,771,170	397,833	696,339	801,356	105,017
Stocks.....	1,702,690	997,637	1,722,129	19,438	705,053	750,480	45,426
Bonds.....	(297,233)	(312,194)	988	298,222	14,961	34,971	20,010
Others.....	(32,120)	(8,445)	48,052	80,172	(23,675)	15,903	39,579
Other money held in trust.....	209	5	209	—	204	300	95
Total.....	1,342,765	648,041	1,771,960	429,195	694,724	803,771	109,046
Stocks.....	1,702,690	997,637	1,722,129	19,438	705,053	750,480	45,426
Bonds.....	(328,288)	(340,909)	1,294	329,583	12,621	36,554	23,932
Others.....	(31,636)	(8,686)	48,535	80,172	(22,950)	16,735	39,686

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit bought in "Deposits with banks" and beneficiary claims on commodity investment trust in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks are mainly calculated using the average market price during the final month of the respective reporting period. The rest of the securities are valued at the market price as of the balance sheet date.
3. "Other securities" and "Other money held in trust" are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.
- "Unrealized gains (losses) on other securities" as of March 31, 2006 include losses of ¥3,193 million that were recognized in the income statement by applying fair value hedge accounting, which are included in the amount to be directly included in stockholders' equity. "Unrealized gains (losses) on other securities" as of March 31, 2005 include gains of ¥469 million that were recognized as income by applying fair value hedge accounting and valuation gains of ¥82 million on embedded financial instruments in their entirety that were recorded as income because their embedded derivatives are not measured separately. Therefore, ¥551 million was excluded from the amount to be directly included in stockholders' equity.

3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2006 was 12.39%. (Please refer to "Capital Ratio" section on page 122 for more information.)

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥8,094.3 billion, representing a ¥2,074.2 billion increase from the previous fiscal year-end. The main factors were the posting of net income, the issuance of new shares through public offering and private placement,

and the secondary offering of treasury stock.

On the other hand, risk-weighted assets, the denominator in the equation, increased ¥4,769.7 billion to ¥65,322.3 billion from the previous fiscal year-end. This is principally attributable to increases in loans made overseas, and the active marketing of housing loans and unsecured loans to small and medium-sized enterprises.

Consolidated Capital Ratio

March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Tier I capital (A)	¥ 4,645,905	¥ 3,262,250	¥1,383,655
Tier II capital included as qualifying capital (B)	4,067,736	3,262,250	805,486
Deductions (C)	(619,279)	(504,430)	(114,849)
Total capital (D) = (A) + (B) – (C)	8,094,361	6,020,069	2,074,292
Risk-adjusted assets (E)	65,322,349	60,552,620	4,769,729
Capital ratio = (D) / (E) × 100	12.39%	9.94%	2.45%

4. Dividend Policy

Given the public nature of its business and respecting the stockholders' interests, SMFG subscribes to a fundamental policy of paying dividends as deemed appropriate in view of the need to increase capital and preserve sound operation.

The term-end dividend was determined taking into account the need for a sufficient amount of retained earnings for SMFG as a whole to enhance Tier I capital.

As a result, SMFG paid an annual dividend of ¥3,000 per share of common stock. Annual dividends for preferred stock were paid in the predetermined amounts for each category of preferred stock.

SMFG did not pay an interim dividend for the reporting period.

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

The following is a summary of SMBC's nonconsolidated financial results for fiscal 2005 ended March 31, 2006.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) for fiscal 2005 increased ¥25.0 billion to ¥965.5 billion year on year, as a result of a ¥29.1 billion increase in gross banking profit to ¥1,552.0 billion, and a ¥4.0 billion increase in expenses (excluding nonrecurring losses) to ¥586.4 billion.

Ordinary profit, calculated by adjusting banking profit (before provision for general reserve for possible loan losses) for nonrecurring items such as total credit cost and gains on stocks, amounted to ¥720.9 billion.

After adjusting ordinary profit for extraordinary gains (losses) and income taxes, net income was ¥519.5 billion, a year-on-year increase of ¥656.3 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit for fiscal 2005 increased ¥29.1 billion year on year to ¥1,552.0 billion. This was attributable to a ¥68.5 billion year-on-year increase in revenue from fees and commissions generated by the consulting business, which

includes sales of investment trusts and pension insurance products, and securities brokerage services. A year-on-year decline of ¥17.9 billion in profit on banking operations in foreign currencies by the International Banking Unit, owing to the rise in U.S. interest rates, was more than offset by increased revenue from fees and commissions.

Expenses

Expenses (excluding nonrecurring losses) increased ¥4.0 billion year on year, to ¥586.4 billion. This increase is mainly attributable to higher expenses incurred in the purchase of premises and equipment as part of our policy of aggressive investment in priority business fields, which more than offset our continued efforts to cut costs in existing operations through workforce downsizing and rationalization of administrative systems.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased ¥25.0 billion year on year, to ¥965.5 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Gross banking profit	¥1,552,033	¥1,522,861	¥ 29,172
[Gross domestic banking profit]	[1,266,488]	[1,182,811]	[83,677]
[Gross international banking profit]	[285,545]	[340,049]	[(54,504)]
Net interest income	954,544	972,506	(17,962)
Trust fees	8,626	2,609	6,017
Net fees and commissions	366,675	298,076	68,599
Net trading income	11,937	131,579	(119,642)
Net other operating income	210,248	118,088	92,160
[Gross banking profit (excluding gains (losses) on bonds)]	[1,562,354]	[1,544,452]	[17,902]
Expenses (excluding nonrecurring losses)	(586,459)	(582,365)	(4,094)
Personnel expenses	(192,359)	(204,146)	11,787
Nonpersonnel expenses	(360,720)	(341,534)	(19,186)
Taxes	(33,379)	(36,684)	3,305
Banking profit (before provision for general reserve for possible loan losses)	965,573	940,495	25,078
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[975,894]	[962,086]	[13,808]
Provision for general reserve for possible loan losses	(154,980)	351,477	(506,457)
Banking profit	810,593	1,291,972	(481,379)

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2006	Billions of yen						
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	Total
Banking profit (before provision for general reserve for possible loan losses)	¥155.6	¥487.5	¥165.4	¥65.5	¥201.3	¥(109.7)	¥965.6
Year-on-year increase (decrease)	29.3	(9.2)	(12.9)	17.9	(3.6)	3.6	25.1

Notes: 1. Year-on-year comparisons are those used for internal reporting and exclude changes due to interest rate and foreign exchange rate fluctuations.
2. "Others" consists of (1) financing costs on preferred securities and subordinated debt, (2) profit earned on investing the Bank's own capital, and (3) adjustment of inter-unit transactions, etc.

Nonrecurring Losses (Credit Cost, etc.)

Nonrecurring losses amounted to ¥89.6 billion, representing a major improvement from the previous year. This was the result of the substantial NPL write-offs implemented in the previous term in order to complete the intensive improvement in asset quality to cope with the possible future materialization of risk. As a consequence, credit cost declined by ¥1,199.7 billion from the previous term, to ¥106.5 billion.

Total credit cost was ¥230.9 billion, net of credit cost, provision for general reserve for possible loan losses, and gains on collection of written-off claims. (Please refer to the "Asset Quality" section beginning on page 44 for more information on credit cost and problem assets.)

Ordinary Profit (Loss)

As a result of the foregoing, ordinary profit totaled ¥720.9 billion, an increase of ¥792.6 billion from the previous term.

Extraordinary Gains (Losses)

Net extraordinary gains amounted to ¥25.7 billion, a year-on-year increase of ¥54.1 billion.

Net Income

Current income taxes amounted to ¥13.5 billion, and deferred income taxes amounted to ¥213.6 billion. As a result, net income increased ¥656.3 billion to ¥519.5 billion year on year.

Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses)	¥ 965,573	¥ 940,495	¥ 25,078
Provision for general reserve for possible loan losses (A)	(154,980)	351,477	(506,457)
Banking profit	¥ 810,593	¥1,291,972	¥ (481,379)
Nonrecurring gains (losses)	(89,659)	(1,363,653)	1,273,994
Credit cost (B)	(106,560)	(1,306,320)	1,199,760
Write-off of loans	(12,650)	(697,941)	685,291
Provision for specific reserve	(15,825)	(474,155)	458,330
Losses on sale of delinquent loans	(79,659)	(138,052)	58,393
Provision for loan loss reserve for specific overseas countries	1,575	3,828	(2,253)
Gains (losses) on stocks	25,460	(118,727)	144,187
Gains on sale of stocks	70,085	113,059	(42,974)
Losses on sale of stocks	(13,367)	(4,206)	(9,161)
Losses on devaluation of stocks	(31,257)	(227,580)	196,323
Others	(8,559)	61,394	(69,953)
Ordinary profit (loss)	720,933	(71,680)	792,613
Extraordinary gains (losses)	25,739	(28,398)	54,137
Gains (losses) on disposal of premises and equipment	1,457	(12,495)	13,952
Losses on impairment of fixed assets	(6,300)	/	(6,300)
Gains on collection of written-off claims (C)	30,605	181	30,424
Amortization of net transition obligation from initial application of the new accounting standard for employee retirement benefits	—	(16,001)	16,001
Income taxes:			
Current	(13,512)	(6,379)	(7,133)
Refund	—	8,184	(8,184)
Deferred	(213,639)	(38,579)	(175,060)
Net income (loss)	¥ 519,520	¥ (136,854)	¥ 656,374
Total credit cost (A) + (B) + (C)	¥(230,935)	¥ (954,843)	¥ 723,908

Note: Total credit cost for the year ended March 31, 2006 includes gains on collection of written-off claims.

3. Assets, Liabilities and Stockholders' Equity

Assets

SMBC's total assets as of March 31, 2006 stood at ¥97,443.4 billion on a nonconsolidated basis, a ¥6,313.6 billion increase compared with the previous fiscal year-end. Factors behind this increase in total assets include 1) a rise in the term-end balance of loans of ¥1,789.9 billion compared with the previous term-end, due to growth in housing loans, unsecured loans to SMEs, and overseas loans; 2) an increase in the value of SMBC's securities holdings of ¥1,525.8 billion, as a result of growth in the category of "Other securities," consisting mainly of overseas securities, and the rise in stock prices; and 3) an increase of ¥1,388.3 billion in receivables under securities borrowing transactions to take advantage of interest rate fluctuations.

Liabilities

Liabilities as of March 31, 2006 increased ¥5,431.6 billion to ¥93,808.6 billion from the previous fiscal year-end. This was the result of an increase of ¥2,525.4 billion in bills sold as part of our strategy of seeking more efficient means of procuring funds, and by an increase of ¥2,282.4 billion in deposits, spurred by an increase in the liquid deposit balance.

Stockholders' Equity

Stockholders' equity increased by ¥882.0 billion from the previous year to ¥3,634.7 billion as of March 31, 2006. This is mainly attributable to the posting of net income and an increase in net unrealized gains on available-for-sale securities.

Assets, Liabilities and Stockholders' Equity

March 31	Millions of yen		
	2006 (A)	2005 (B)	Increase (decrease) (A) – (B)
Assets.....	¥97,443,428	¥91,129,776	¥6,313,652
Loans and bills discounted.....	51,857,559	50,067,586	1,789,973
Securities	25,202,541	23,676,696	1,525,845
Liabilities.....	93,808,652	88,377,041	5,431,611
Deposits	65,070,784	62,788,328	2,282,456
Negotiable certificates of deposit	3,151,382	2,803,299	348,083
Stockholders' equity	3,634,776	2,752,735	882,041

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2006 amounted to ¥1,553.2 billion, which was an increase of ¥843.1 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are recorded in stockholders'

equity, increased by ¥664.8 billion over the same period, to ¥1,316.4 billion. The increase in unrealized gains on other securities was attributable to an unrealized gain on stockholdings from a rise in stock prices.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen							
	2006				2005			
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses	
Held-to-maturity securities.....	¥ (30,782)	¥ (28,938)	¥ 577	¥ 31,359	¥ (1,844)	¥ 2,089	¥ 3,933	
Stocks of subsidiaries and affiliates	267,575	207,232	270,285	2,710	60,343	60,690	347	
Other securities	1,316,206	664,821	1,695,589	379,383	651,385	750,143	98,757	
Stocks	1,632,404	965,078	1,649,881	17,476	667,326	708,643	41,317	
Bonds	(282,254)	(289,954)	727	282,981	7,700	27,343	19,642	
Others	(33,943)	(10,302)	44,980	78,924	(23,641)	14,155	37,797	
Other money held in trust.....	209	5	209	—	204	300	95	
Total	1,553,208	843,120	1,966,661	413,453	710,088	813,222	103,133	
Stocks	1,899,979	1,172,310	1,920,166	20,186	727,669	769,333	41,664	
Bonds	(313,307)	(318,667)	1,033	314,341	5,360	28,925	23,565	
Others	(33,463)	(10,522)	45,460	78,924	(22,941)	14,963	37,904	

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit bought in "Deposits with banks" and beneficiary claims on commodity investment trust in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks (excluding stocks of subsidiaries and affiliates) are calculated using the average market price during the final month of the respective reporting period. The rest of the securities are valued at the market price as of the balance sheet date.
3. "Other securities" and "Other money held in trust" are valued and recorded on the balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.
- "Unrealized gains (losses) on other securities" as of March 31, 2006 include losses of ¥3,193 million that were recognized in the income statement by applying fair value hedge accounting, which are included in the amount to be directly included in stockholders' equity. "Unrealized gains (losses) on other securities" as of March 31, 2005 include gains of ¥469 million that were recognized as income by applying fair value hedge accounting and valuation gains of ¥82 million on embedded financial instruments in their entirety that were recorded as income because their embedded derivatives are not measured separately. Therefore, ¥551 million was excluded from the amount to be directly included in stockholders' equity.

5. Deferred Tax Assets

Deferred Tax Assets on the Balance Sheet

SMBC computes deferred tax assets based on reasonable estimates of the size of tax benefits on collectibility of assets in question in the future in line with Accounting Standards for Tax Effect Accounting (issued by the Business Accounting Deliberation Council on October 30, 1998) and related practical guidelines. Moreover, SMBC continues to take a conservative stance on the recognition of deferred tax assets from the viewpoint of maintaining a sound financial position, taking into full consideration the opinions expressed in the "Strict Audit to Major Banks," issued by the Japanese Institute of Certified Public Accountants (JICPA) on February 24, 2003.

Net deferred tax assets as of March 31, 2006 amounted to ¥976.2 billion, a ¥526.0 billion decrease from the previous term-end. This is mainly attributable to a steady decrease in deferred tax assets by the posting of net income, as well as a substantial increase in deferred tax liabilities corresponding to a substantial increase in unrealized gains on stockholdings against the backdrop of a rising stock market.

In addition, the valuation allowance (which was not included in the scope of outstanding deferred tax assets due to taking a conservative stance) amounted to ¥504.6 billion at March 31, 2006.

March 31		(Billions of yen)			(Reference)	
		2006	Change from 2005	2005	Temporary differences 2006	
(A)	Total deferred tax assets (B) – (C)	1	¥1,572.7	¥(253.1)	¥1,825.8	
(B)	Subtotal of deferred tax assets	2	2,077.3	(301.8)	2,379.1	¥5,090.5
	Reserve for possible loan losses	3	250.7	(64.7)	315.4	617.0
	Write-off of loans	4	170.2	(391.9)	562.1	418.9
	Write-off of securities	5	447.7	(85.3)	533.0	1,101.9
	Reserve for employee retirement benefits	6	74.4	(2.5)	76.9	183.2
	Depreciation	7	6.5	0.4	6.1	16.0
	Net unrealized losses on other securities	8	—	—	—	—
	Net operating loss carryforwards	9	1,087.4	264.6	822.8	2,654.2
	Other	10	40.4	(22.4)	62.8	99.3
(C)	Valuation allowance	11	504.6	(48.7)	553.3	
(D)	Total deferred tax liabilities	12	¥ 596.5	¥ 272.9	¥ 323.6	¥1,468.0
	Gains on securities contributed to employee retirement benefits trust	13	51.6	(0.1)	51.7	127.1
	Net unrealized gains on other securities	14	536.2	271.7	264.5	1,319.7
	Other	15	8.7	1.3	7.4	21.2
	Net deferred tax assets (balance sheet amount) (A) – (D)	16	¥ 976.2	¥(526.0)	¥1,502.2	
	Amount corresponding to the deferred tax liabilities shown in 14 above (Note)	17	(536.2)	(271.7)	(264.5)	(1,319.7)
	Net deferred tax assets excluding the amount shown in 17 above	18	1,512.4	(254.3)	1,766.7	3,700.0
	Effective income tax rate	19	40.63%	—	40.63%	

Note: Deferred tax assets are recognized on the balance sheet on a net basis after offsetting against deferred tax liabilities arising from net unrealized gains on other securities. But the collectability is assessed for the gross deferred tax assets, before offsetting against deferred tax liabilities. (JICPA Auditing Committee Report No. 70 "Auditing Treatment Regarding Application of Tax Effect Accounting to Valuation Differences of Other Securities and Losses on Impairment of Fixed Assets")

Reason for Recognition of Deferred Tax Assets on the Balance Sheet

(a) Recognition Criteria

Practical Guideline 5 (1), examples (4) proviso

- (1) SMBC has significant tax loss carryforwards that result from taking the measures described below in order to quickly strengthen its financial base under the prolonged deflationary pressure, and are accordingly judged to be attributable to extraordinary factors. As a result, SMBC recognized deferred tax assets to the limit of the estimated future taxable income for the period (approximately 5 years) pursuant to the practical guidelines on assessing the collectability of deferred tax assets issued by the JICPA ("Practical Guidelines") (*).
- (a) Disposal of Non-performing Loans
SMBC established internal standards for write-offs and provisions based on self-assessment in accordance with the "Prompt Corrective Action" adopted in fiscal 1998 pursuant to the law concerning the maintenance of sound management of financial institutions (June 1996). SMBC has been aggressively disposing of non-performing loans and bolstering provisions against the risk of asset deterioration under the severe business environment of a prolonged sluggish economy.
In addition, pursuant to the government's "Program for Financial Revival" of October 2002, SMBC accelerated the disposal of non-performing loans in order to reduce the problem asset ratio to half by the end of fiscal 2004. As a result, SMBC achieved this target 6 months ahead of schedule, in the first half of fiscal 2004. In the process, taxable disposals that were made in the past were realized, while taxable disposals (**) were newly recognized (taxable disposal of non-performing loans as of March 31, 2006 amounted to approximately ¥1.04 trillion).
- (b) Write-off of Stocks
SMBC has been accelerating its effort to reduce stockholdings in order to lower the risk of stock price fluctuations, and to comply, at an early date, with the regulation limiting stockholdings that was adopted in fiscal 2001.
During fiscal 2002, SMBC sold stocks and reduced the balance by approximately ¥1.1 trillion and also disposed in lump sum unrealized losses on stocks of approximately ¥1.2 trillion by writing off impaired stocks and using the gains on the March 2003 merger. Consequently, SMBC complied with the regulation limiting stockholdings at the end of fiscal 2002, before the deadline.
As a result, the outstanding balance of taxable write-offs on securities (***) increased temporarily (from approximately ¥0.1 trillion as of March 31, 1999 to approximately ¥1.5 trillion as of March 31, 2003). On the other hand, taxable write-offs of securities carried out in the past are now being realized through accelerated selling of stocks (the balance of taxable write-offs on securities as of March 31, 2006 amounted to approximately ¥1.1 trillion).
- (2) Consequently, tax loss carryforwards (***) amounted to approximately ¥2.65 trillion as of March 31, 2006, but they are certain to be offset by the end of their carry-over period by the taxable income that will be generated in the future. No material tax loss carryforwards have expired in the past.

(*) JICPA Auditing Committee Report No. 66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets"

(**) Corresponds to "Temporary differences" in the table on the previous page.

(Reference 1) Outline of Practical Guideline 5 (1), examples (4)

When a company has material tax loss carryforwards as of term-end, deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the next fiscal year and relating to the temporary differences expected to be reversed in the next fiscal year.

However, when tax loss carryforwards are due to the company's restructuring efforts, changes in laws, and/or other extraordinary factors, the deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the estimation period (approximately 5 years) and relating to the temporary differences expected to be reversed over the estimation period.

(b) Period for Future Taxable Income to be Estimated: 5 years

(c) Accumulated Amount of Estimated Future Taxable Income before Adjustments for the Next 5 Years

		Billions of yen	
		Estimates of next 5 years	
	Banking profit (before provision for general reserve for possible loan losses)	1	¥5,205.0
A	Income before income taxes	2	3,385.8
B	Adjustments to taxable income (excluding reversal of temporary differences as of March 31, 2006)	3	680.5
C	Taxable income before adjustments (A + B)	4	¥4,066.3
			⇩
	Deferred tax assets corresponding to taxable income before adjustments	5	¥1,652.1

Basic Policy on Estimation of Future Taxable Income

- (1) Estimate when the temporary differences will be reversed
- (2) Conservatively estimate the taxable income before adjustments for the next 5 years
 - (a) Rationally make earnings projections for up to fiscal 2010 based on the "Plan for strengthening the financial base (up to fiscal 2008)"
 - (b) Reduce by an amount reflecting the uncertainty of the projected amount from the projected amount
 - (c) Add the adjustments to the above amount
- (3) Apply the effective tax rate to the above amount and record the amount as "deferred tax assets"

(Reference 2) Income of final return (before deducting tax loss carryforwards) for the last 5 years

	Billions of yen				
	FY2005	FY2004	FY2003	FY2002	FY2001
Income of final return (before deducting tax loss carryforwards).....	¥(652.8)	¥317.2	¥(1,437.8)	¥(745.5)	¥241.9

Notes: 1. Income of final return (before deducting tax loss carryforwards) = Taxable income before adjustments for each fiscal year – Temporary differences to be reversed for each fiscal year

2. Since the final declaration for the corporate income tax is being done in the end of June, the figures for March 31, 2006 are estimated income of final return as of March 31, 2006.

3. The figures above include amounts arising from "extraordinary factors" that are specified in the Practical Guidelines. Taxable income has been reported each year when these amounts are excluded.

Current Status of Problem Assets

In fiscal 2005, the first year of SMBC's current medium-term management plan, we worked to secure a solid profit level.

In fiscal 2004, we achieved our goal of completing the intensive improvement in asset quality by taking various measures such as making additional provisions for possible loan losses to hedge against the future realization of risk. As a result, the total credit cost for fiscal 2005 decreased by ¥723.9 billion from the previous fiscal year, to ¥230.9 billion, which we regard as a normal level.

As of the end of March 2006, the balance of non-performing loans (NPLs)—referred to as “problem assets” under the Financial Reconstruction Law—stood at ¥960.1 billion, and the NPL ratio (the ratio of problem assets to total assets) was 1.7%. We will continue to leverage the know-how we have accumulated in the course of implementing NPL workouts to actively develop business opportunities in corporate revitalization support services and new business areas.

I. Self-Assessment, Write-Offs, and Reserves

1. Self-Assessment

SMBC conducts rigorous self-assessment of asset quality using criteria based on the *Financial Inspection Manual* of the Financial Services Agency and the *Practical Guideline* published by the Japanese Institute of Certified Public Accountants. Self-assessment is the latter stage of the obligor grading process for determining the borrower's ability to fulfill debt obligations, and the obligor grade criteria are consistent with the categories used in self-assessment.

At the same time, self-assessment is a preparatory task for ensuring SMBC's asset quality and calculating the appropriate level of write-offs and reserves. Each asset is assessed individually for its security and collectibility. Depending on the borrower's current situation, the borrower is assigned to one of five categories: Normal Borrowers, Borrowers Requiring Caution, Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers. Based on the borrower's category, claims on the borrower are classified into Classification I, II, III, and IV assets according to their default and impairment risk levels, taking into account such factors as collateral and guarantees. As part of our efforts to bolster risk

management throughout the Group, our consolidated subsidiaries carry out self-assessment in substantially the same manner.

Borrower Categories, Defined

Normal Borrowers	Borrowers with good business performance and in good financial standing without identified problems
Borrowers Requiring Caution	Borrowers identified for close monitoring
Potentially Bankrupt Borrowers	Borrowers perceived to have a high risk of falling into bankruptcy
Effectively Bankrupt Borrowers	Borrowers that may not have legally or formally declared bankruptcy but are essentially bankrupt
Bankrupt Borrowers	Borrowers that have been legally or formally declared bankrupt

Asset Classifications, Defined

Classification I	Assets not classified under Classifications II, III, or IV
Classification II	Assets perceived to have an above-average risk of noncollectibility
Classification III	Assets for which final collection or asset value is very doubtful and which pose a high risk of incurring a loss
Classification IV	Assets assessed as uncollectible or worthless

2. Asset Write-Offs and Reserves

In cases where claims have been determined to be uncollectible, or deemed to be uncollectible, write-offs signify the recognition of losses on the account books with respect to such claims. Write-offs can be made either in the form of loss recognition by offsetting uncollectible amounts against corresponding balance sheet items, referred to as a direct write-off, or else by recognition of a loan loss provision on a contra-asset account in the amount

deemed uncollectible, referred to as an indirect write-off. Recognition of indirect write-offs is generally known as provision of reserves.

SMBC's write-off and reserve criteria for each self-assessment borrower category are shown in the table below. As part of our overall measures to strengthen risk management throughout the Group, all consolidated subsidiaries use substantially the same standards as SMBC for write-offs and reserves.

Self-Assessment Borrower Categories	Standards for Write-Offs and Reserves	
Normal Borrowers	Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months based on the historical bankruptcy rate for each obligor grading.	
Borrowers Requiring Caution	These assets are divided into groups according to the risk of default. Amounts are recorded as general reserves in proportion to the expected losses based on the historical bankruptcy rate for each group. The groups are “claims to substandard borrowers,” and “claims to other borrowers requiring caution” excluding claims to substandard borrowers. For the latter, the borrower's financial position and credit situation are additionally taken into account for establishing sub-groups. Additionally, SMBC uses the discounted cash flow (DCF) method to calculate the amount of reserve for possible losses on large-scale claims.	
Potentially Bankrupt Borrowers	SMBC sets specific reserves for possible loan losses on the portion of Classification III assets (calculated for each borrower) not secured by collateral, guarantee, or other means. In addition, SMBC applies the discounted cash flow (DCF) method to large-scale claims for calculating individual amounts on the condition of rational estimates of future cash flows.	
Effectively Bankrupt/ Bankrupt Borrowers	SMBC calculates the amount of Classification III assets and Classification IV assets for each borrower, and writes off the full amount of Classification IV assets (deemed to be uncollectible or of no value) and sets aside specific reserves for possible loan losses against the full amount of Classification III assets.	
Notes	General reserve	Provisions made in accordance with general inherent default risks of loans, unrelated to specific individual loans or other claims
	Specific reserve	Provisions made for claims that have been found uncollectible in part or in total (individually evaluated claims)

Discounted Cash Flow Method

SMBC utilizes the discounted cash flow (DCF) method to calculate the amount of reserves required to cover possible losses on large-scale claims to substandard borrowers and potentially bankrupt borrowers. The DCF method is applied in cases where it is reasonable to estimate the future cash inflow of the borrower that can be used for repayment of the principal and the payment of interest on the debt. SMBC then makes provisions equivalent to the excess of the book value of the claims over the said cash inflow, discounted by the initial contractual interest rate or the effective interest rate at the time of origination. In this way, we provide sufficient reserves against the risk of a future deterioration in asset quality.

One of the major advantages of the DCF method over conventional methods of calculating the amount of reserves required to cover possible loan losses is that it enables effective evaluation of each individual borrower. In the case of this method, the required amount of reserves may vary according to the basic data used in applying the DCF method, such as estimated future cash flow based on the borrower's business reconstruction plan, the applied discount rate, and the probability of the borrower going into bankruptcy. Thus, SMBC makes every effort to utilize timely and appropriate data to realize the most accurate estimates possible.

II. Credit Cost

The amount required for the disposal of NPLs—known as “credit cost”—refers to the additional provision for loan losses in the case of provisioning, and the difference between the amount of

uncollectible loans and provisions already made in the case of write-offs. The credit cost for fiscal 2005 is shown in the table below.

■ Credit Cost (SMBC Nonconsolidated; year ended March 31, 2006)

(Billions of yen)

Credit cost	¥106.5
Write-off of loans	12.6
Provision for specific reserve	15.8
Losses on sale of loans	79.7
Provision for loan loss reserve for specific overseas countries	(1.6)
Provision for general reserve for possible loan losses	155.0
Gains on collection of written-off claims	¥ 30.6
Total credit cost	¥230.9
Reserve for possible loan losses	¥816.4
Amount of direct reduction	¥603.6

■ Credit Cost (SMFG Consolidated; year ended March 31, 2006)

(Billions of yen)

Total credit cost	¥ 302.0
Reserve for possible loan losses	¥1,035.5
Amount of direct reduction	¥ 799.1

Note: Gains on collection of written-off claims are included in total credit cost in fiscal 2005.

■ Reserve for Possible Loan Losses (March 31, 2006)

(Billions of yen)

	SMBC (Nonconsolidated)	SMFG (Consolidated)
Reserve for possible loan losses	¥816.4	¥1,035.5
General reserve	572.5	742.6
Specific reserve	241.5	290.5
Loan loss reserve for specific overseas countries	2.4	2.4

In fiscal 2005, SMBC's total credit cost, on a nonconsolidated basis, amounted to ¥230.9 billion, representing a decline of ¥723.9 billion from the figure for fiscal 2004, when the bank

implemented various measures to hedge against the future realization of risk.

III. Disclosure of Problem Assets and Off-Balancing

1. Disclosure of Problem Assets

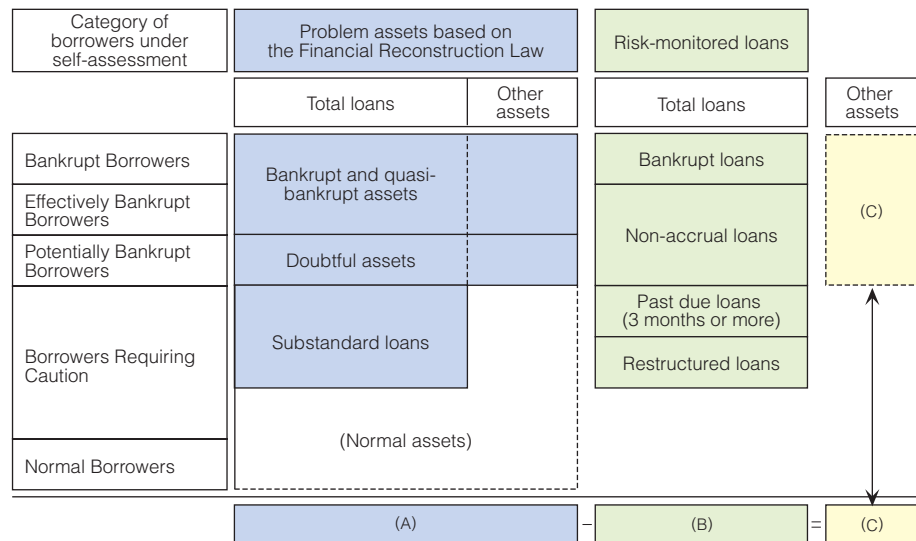
Problem assets are loans and other claims of which recovery of either principal or interest appears doubtful, and are disclosed in accordance with the Banking Law (in which they are referred to as “risk-monitored loans”) and the Financial Reconstruction Law

(where they are referred to as “problem assets”). Problem assets are classified based on the borrower categories assigned during self-assessment. The following tables explain the asset classification stipulated by the Financial Reconstruction Law and the differences between risk-monitored loans and problem assets.

Classification of Problem Assets Based on the Financial Reconstruction Law	
Bankrupt and quasi-bankrupt assets	This category is defined as the sum of claims on Bankrupt Borrowers and Effectively Bankrupt Borrowers under self-assessment, excluding Classification IV assets, which are fully written off. Classification III assets are fully covered by reserves, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Doubtful assets	This category is defined as claims on Potentially Bankrupt Borrowers under self-assessment. Specific reserves are set aside for Classification III assets, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Substandard loans	This category is defined as claims on Borrowers Requiring Caution under self-assessment. This category comprises past due loans (three months or more) and restructured loans.
Normal assets	This category is defined as the term-end sum of loans, securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees that are not included in the other three categories.

Note: Based on the borrower's category under self-assessment, claims on the borrower are categorized as Classification I, II, III, and IV assets according to their default and impairment risk levels. (Please refer to page 44 for the asset classification table.)

□ Problem Assets Based on the Financial Reconstruction Law, and Risk-Monitored Loans



The disclosure of risk-monitored loans corresponds exactly to the disclosure of problem assets based on the Financial Reconstruction Law, except for such non-loan assets as securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees, which are not subject to disclosure.

Since overdue interest from borrowers classified under self-assessment as Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers is, as a rule, not recognized as accrued interest, the amount is not included in the problem assets disclosed on the basis of the Financial Reconstruction Law.

2. Problem Asset Disclosure Amounts

The amounts of problem assets (as defined in the Financial Reconstruction Law) and risk-monitored loans, as of March 31, 2006, are shown on the following page. The balance of problem assets held by SMBC as of the end of March 2006 was ¥960.1 billion, a decline of ¥864.5 billion compared with the ¥1,824.6 billion recorded at the previous term-end. The NPL ratio improved

by 1.6 percentage points from the end of fiscal 2004, to 1.7%. We will continue working to prevent the recurrence of further NPL problems through support for corporate revitalization and by helping our customers to upgrade their borrower categories. In parallel with these initiatives, we will continue taking proactive measures to further enhance the soundness of the bank's credit portfolio.

■ Problem Assets Based on the Financial Reconstruction Law (March 31, 2006)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2005	SMFG (Consolidated)
Bankrupt and quasi-bankrupt assets	¥ 164.5	¥ (283.8)	¥ 250.1
Doubtful assets	473.4	(451.0)	565.0
Substandard loans	322.2	(129.7)	477.4
Subtotal	¥ 960.1	¥ (864.5)	¥ 1,292.5
Normal assets	55,984.9	2,532.3	60,731.1
Total	¥56,945.0	¥1,667.8	¥62,023.6
Amount of direct reduction	¥ 603.6		¥ 799.1

■ Risk-Monitored Loans (March 31, 2006)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2005	SMFG (Consolidated)
Bankrupt loans	¥ 40.9	¥ (5.1)	¥ 59.3
Non-accrual loans	551.1	(686.9)	714.4
Past due loans (3 months or more)	23.5	(3.4)	24.6
Restructured loans	298.7	(126.3)	444.9
Total	¥914.2	¥(821.7)	¥1,243.2
Amount of direct reduction	¥587.6		¥ 754.1

■ Classification under Self-Assessment, Disclosure of Problem Assets, and Write-Offs/Reserves (SMBC Nonconsolidated; March 31, 2006)

Category of borrowers under self-assessment	Problem assets based on the Financial Reconstruction Law	Classification under self-assessment				Reserve for possible loan losses	Reserve ratio	
		Classification I	Classification II	Classification III	Classification IV			
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets (1) ¥164.5	Portion of claims secured by collateral or guarantees, etc. (5) ¥148.5	Fully reserved ¥16.0	Direct write-offs (Note 1)	Specific reserve ¥20.2 (Note 2)	100% (Note 3)		
Effectively Bankrupt Borrowers								
Potentially Bankrupt Borrowers	Doubtful assets (2) ¥473.4	Portion of claims secured by collateral or guarantees, etc. (6) ¥266.7	Necessary amount reserved ¥206.7		General reserve for substandard loans ¥114.6	100% (Note 3)		
Borrowers Requiring Caution	Substandard loans (3) ¥322.2 (Claims to substandard borrowers)	Portion of substandard loans secured by collateral or guarantees, etc. (7) ¥102.1				General reserve	52.6% (Note 3)	24.9% (Note 3)
Normal Borrowers	Normal assets ¥55,984.9	Claims to normal borrowers			General reserve ¥572.5	7.3% [16.4%] (Note 4)		
						0.4% (Note 4)		
					Loan loss reserve for specific overseas countries ¥2.4			
Total (4) ¥56,945.0		NPL ratio (A) / (4) 1.7% (Note 5)		Total reserve for possible loan losses ¥816.4		Reserve ratio (B) / (D) 80.4% (Note 6)		
(A) = (1) + (2) + (3) ¥960.1		Portion secured by collateral or guarantees, etc. (C) = (5) + (6) + (7) ¥517.3		Unsecured portion (D) = (A) - (C) ¥442.8				
					Coverage ratio { (B) + (C) } / (A)		91.0%	

Notes: 1. Includes amount of direct reduction totaling ¥603.6 billion.

2. Includes reserves for assets that are not subject to disclosure under the Financial Reconstruction Law. (Bankrupt/Effectively Bankrupt Borrowers: ¥4.2 billion; Potentially Bankrupt Borrowers: ¥9.6 billion)

3. Reserve ratios for claims on Bankrupt/Effectively Bankrupt Borrowers, Potentially Bankrupt Borrowers, Substandard Borrowers, and Borrowers Requiring Caution: The proportion of each category's total unsecured claims covered by reserve for possible loan losses.

4. Reserve ratios for claims on Normal Borrowers and Borrowers Requiring Caution (excluding claims to Substandard Borrowers): The proportion of each category's total claims covered by reserve for possible loan losses. The reserve ratio for unsecured claims on Borrowers Requiring Caution (excluding claims to Substandard Borrowers) is shown in brackets.

5. Ratio of problem assets to total assets subject to Financial Reconstruction Law

6. Reserve ratio = (Specific reserve + General reserve for substandard loans) ÷ (Bankrupt and quasi-bankrupt assets + Doubtful assets + Substandard loans - Portion secured by collateral or guarantees, etc.)

3. Off-Balancing Problem Assets

The off-balancing (also known as "final disposal") of problem assets refers to the removal of such assets from the bank's balance sheet by way of sale, direct write-off or other means.

SMBC has continued to focus efforts on the off-balancing of problem assets, and as a result, ¥1,287.1 billion in problem assets were off-balanced during the year under review.

■ Breakdown of Off-Balancing (SMBC Nonconsolidated; March 31, 2006)

	March 31, 2004 ①	Fiscal 2004		March 31, 2005 ②	Fiscal 2005		March 31, 2006 ③
		New occurrences	Off-balanced		New occurrences	Off-balanced	
Bankrupt and quasi-bankrupt assets	¥ 361.6	¥ 311.9	¥ (225.2)	¥ 448.3	¥ 70.5	¥ (354.3)	¥ 164.5
Doubtful assets	1,202.7	1,258.9	(1,537.2)	924.4	481.8	(932.8)	473.4
Total	¥1,564.3	¥1,570.8	¥(1,762.4)	¥1,372.7	¥552.3	¥(1,287.1)	¥ 637.9
				Increase/Decrease (②-①)			Increase/Decrease (③-②)
Bankrupt and quasi-bankrupt assets				¥ 86.7			¥(283.8)
Doubtful assets				(278.3)			(451.0)
Total				¥ (191.6)			¥(734.8)

Note: The figures shown in the above table under "new occurrences" and "off-balanced" are simple additions of the figures for the first and second halves of the two periods reviewed. Amounts of ¥486.8 billion for fiscal 2004 and ¥231.4 billion in fiscal 2005, recognized as "new occurrences" in the first halves of the terms, were included in the amounts off-balanced in the respective second halves.

4. Problem Assets by Region and Industry

■ Problem Assets by Domicile of Borrowers (SMBC Nonconsolidated; March 31, 2006)

	Financial Reconstruction Law Basis (Excluding normal assets)		Risk-Monitored Loans	
	Percentage		Percentage	
Domestic	94.7%	¥908.9	94.8%	¥866.8
Overseas	5.3%	51.2	5.2%	47.4
Asia	3.7%	35.6	3.8%	34.4
Indonesia	0.2%	2.2	0.3%	2.2
Hong Kong	1.4%	13.7	1.5%	13.7
India	—	—	—	—
China	0.2%	1.8	0.2%	1.8
Others	1.9%	17.9	1.8%	16.7
North America	1.6%	15.2	1.4%	12.6
Central and South America	—	—	—	—
Western Europe	0.0%	0.4	0.0%	0.4
Eastern Europe	—	—	—	—
Total	100.0%	¥960.1	100.0%	¥914.2

Note: "Domestic" means the total for domestic branches, excluding the special account for international financial transactions. "Overseas" means the total for overseas branches, including the special account for international financial transactions. The above countries and areas are categorized by the obligor's domicile.

■ Problem Assets by Type of Borrowers (SMBC Nonconsolidated; March 31, 2006)

	Financial Reconstruction Law Basis (Excluding normal assets)		Risk-Monitored Loans	
	Percentage		Percentage	
Domestic	94.7%	¥908.9	94.8%	¥866.8
Manufacturing	7.1%	68.0	7.1%	64.6
Agriculture, forestry, fishery and mining	0.3%	3.2	0.3%	3.2
Construction	4.3%	41.1	4.4%	39.9
Transportation, communications, and other public enterprises	9.1%	87.0	8.7%	79.4
Wholesale and retail	9.7%	93.7	10.0%	91.1
Finance and insurance	1.5%	14.7	1.5%	13.5
Real estate	28.6%	274.2	28.1%	257.2
Services	27.3%	261.8	27.8%	254.6
Municipalities	—	—	—	—
Others	6.8%	65.2	6.9%	63.3
Overseas	5.3%	¥ 51.2	5.2%	¥ 47.4
Public sector	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry	5.3%	51.2	5.2%	47.4
Others	—	—	—	—
Total	100.0%	¥960.1	100.0%	¥914.2

Note: "Domestic" means the total for domestic branches, excluding the special account for international financial transactions. "Overseas" means the total for overseas branches, including the special account for international financial transactions.

Risk Management

Basic Principles

Financial and economic deregulation, globalization, and advances in IT are generating new business opportunities for financial institutions. The risks accompanying these new business opportunities are not only increasing in number but also growing in diversity and complexity. Accordingly, identifying, measuring, and controlling risks have never been more important in the management of a financial holding company.

SMFG has encapsulated the basic principles to be employed in risk management in the manual entitled *Regulations on Risk Management*. In the manual, we have specified the basic policies for risk management: 1) Set forth SMFG's Groupwide basic policies for risk management after specifying the categories of risk to which these policies apply; 2) Provide all necessary guidance to Group companies to enable them to follow the basic risk management policies set forth by SMFG and set up their own appropriate risk management systems; 3) Monitor the implementation of risk management by all Group companies to ensure that their practices meet the relevant standards.

Types of Risk, and Risk Management System

At SMFG, we classify risk into the following categories: (1) credit risk, (2) market risk, (3) liquidity risk and (4) operational risk (including processing risk and systems risk). In addition, we provide individually tailored guidance to help Group companies identify categories of risk that need to be addressed. Risk categories are constantly reviewed, and new categories may be added in response to changes in the operating environment. The Corporate Risk Management Department works with the Corporate

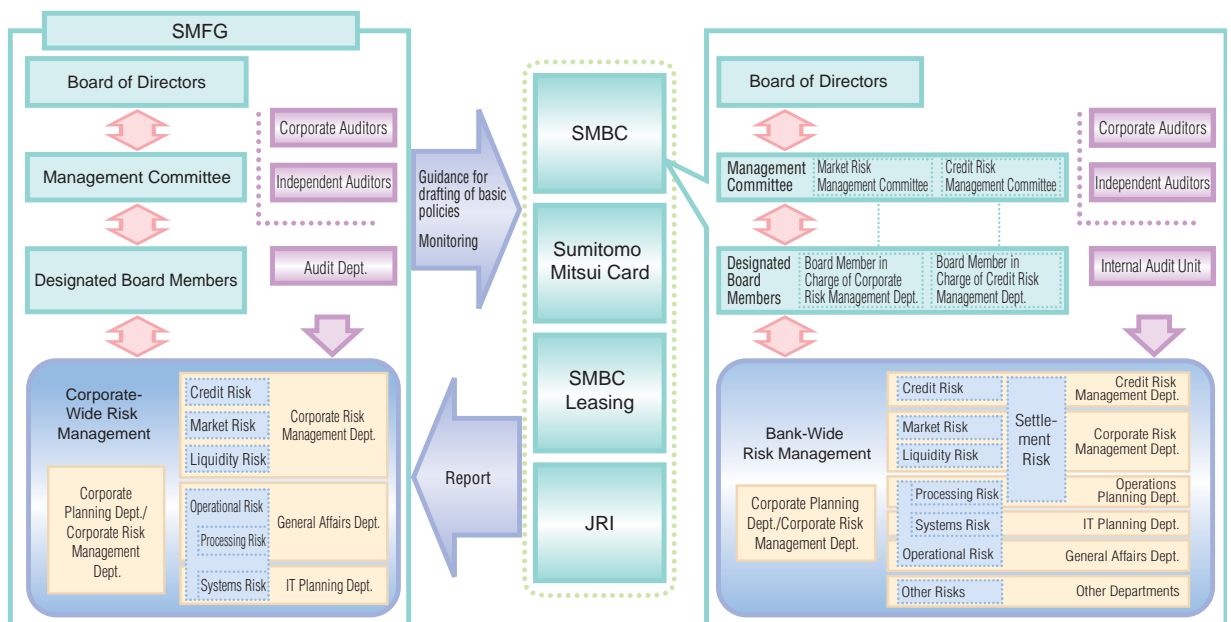
Planning Department to comprehensively and systematically manage all these categories of risk across the entire Group.

Top management plays an active role in determining SMFG's Groupwide basic policies for risk management. The system works as follows: The basic policies for risk management are determined by the Management Committee before being authorized by the Board. The Management Committee, the designated Board members, and the relevant risk management departments perform risk management according to the basic policies.

Risk management systems are in place at the individual Group companies in accordance with SMFG's Groupwide basic policies for risk management. For example, at SMBC, specific departments have been appointed to oversee the handling of the four risk categories listed above, in addition to risks associated with settlement. Each risk category is managed taking into account the particular characteristics of that category. In addition, the Corporate Risk Management Department—independent of the operating units—comprehensively and systematically manages all categories of risk in cooperation with the Corporate Planning Department.

Furthermore, under our system top management plays an active role in the drafting of basic policies of risk management. The decision-making process for addressing credit, market and liquidity risks at the operating level is strengthened by the Credit Risk Management Committee and the Market Risk Management Committee, which are subcommittees of the Management Committee. The Management Committee is also attended by the relevant department heads.

■ SMFG's Risk Management System



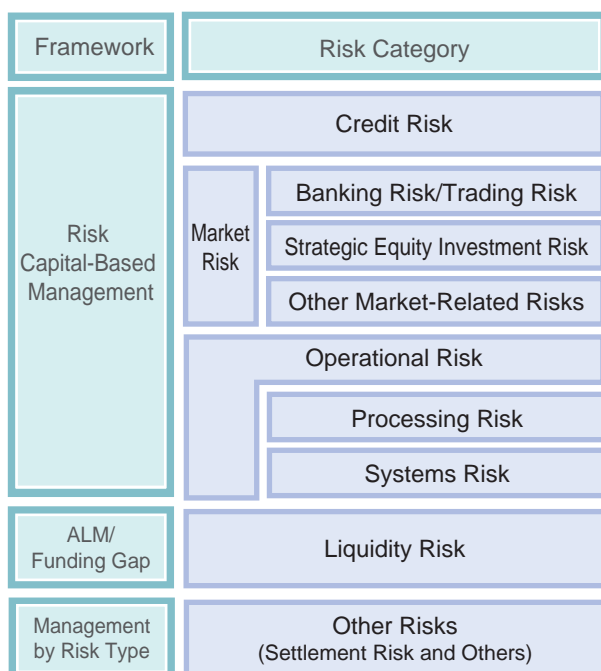
Risk Management Methods

SMFG's Groupwide basic policies for risk management stipulate the basic risk management regulations that must be followed, and spell out risk management procedures from various perspectives. These include managing risk on a consolidated accounting basis, managing risk using quantification methods, ensuring consistency with business strategies, setting up a system of checks and balances, contingency planning for emergencies and serious situations, and verifying of preparedness to handle all conceivable risk situations. In addition, there are specific operational policies for implementing appropriate management of risk by all Group companies.

Under SMFG's Groupwide basic policies for risk management, all Group companies periodically carry out reviews of the basic management policies for each risk category, or whenever deemed necessary, thus ensuring that the policies followed at any time are the most appropriate. The management of SMFG constantly monitors the conduct of risk management at Group companies, providing guidance when necessary.

Furthermore, in order to maintain a balance between risk and return as well as ensure the soundness of the Group from an overall perspective, we employ the risk capital-based management method, which allocates capital effectively to each department according to its role in our business strategies to keep total exposure to credit, market, and operational risks within the scope of our management resources, i.e., capital.

■ Relationship between Risk Management Framework and Risk Category at SMBC



In the case of SMBC, for example, sufficient capital is allocated to cover the bank's exposure to credit, market, and operational risks. In the credit and market risk categories, in particular, the maximum risk capital that SMBC can use during a period is set as the risk capital limit within this limit to manage these risks. Liquidity risk is managed within the context of maximum limits set for asset liability management (ALM) and the funding gap. Other risk categories are managed with procedures closely attuned to the nature of the risk, as described in the following paragraphs.

Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet transactions) to lose value or become worthless. Overseas credits also include an element of country risk, which is closely related to credit risk. This is the risk of loss caused by changes in foreign exchange, or political or economic situations.

All Group companies follow the basic policy established by SMFG to assess and manage credit risk on a Groupwide basis and further raise the level of accuracy and comprehensiveness of Groupwide credit risk management. Each Group company must comprehensively manage credit risk according to the nature of its business, and assess and manage credit risk of individual loans and credit portfolios quantitatively and using consistent standards. Credit risk is the most significant risk to which SMFG is exposed. Without effective credit risk management, the impact of the corresponding losses on operations can be overwhelming.

The purpose of credit risk management is to keep credit risk exposure to a permissible level relative to capital, to maintain the soundness of assets, and to ensure returns commensurate with risk. This leads to a loan portfolio that achieves high returns on capital and assets.

SMBC's credit management policy and system are described below.

1. Credit Policy

SMBC's credit policy comprises clearly stated universal and basic operating concepts, policies, and standards for credit operations, in accordance with the business mission and rules of conduct. SMBC is promoting the understanding of and strict adherence to its credit policy among all its managers and employees. By conducting credit risk management in line with global standards laid down by the soon-to-be-implemented New Basel Capital Accord, or Basel II, SMBC aims to enhance shareholder value and play a key part in society by providing high value-added financial services.

2. Credit Risk Assessment and Quantification

To effectively manage the risk involved in individual loans as well as the credit portfolio as a whole, SMBC first acknowledges that every extension of credit poses risks, assesses the credit risk posed by each borrower and loan using an internal rating system, and quantifies that risk for control purposes.

(1) Internal Rating System

SMBC's internal rating system consists of two indicators: the obligor grading, which indicates the creditworthiness of a borrower; and the facility grading, which shows the probability of collecting for each facility. Facility gradings are assigned based on the borrower's obligor grading and transaction terms such as guarantee, tenure, and collateral. Overseas credits are subjected to a further analysis that takes into account country ranking, an indicator derived from analyses of each country's political and economic situation, international balance of payments, and external debt burden. Self-assessment is the obligor grading process for lower categories, and the borrower categories used in self-assessment are consistent with the overall obligor grade criteria.

(2) Quantification of Credit Risk

Quantifying credit risk is more than just calculating the probability of default for a particular obligor. It must also reflect the concentration of risk on a specific customer or industry and

fluctuations in the value of collateral, such as real estate and securities. This range of data must be analyzed to quantify the risk of an entire portfolio or an individual loan.

To calculate credit risk, historical data on the obligor and facility are entered into a database. Such parameters as probability of grade migration, loss given default, and credit quality correlation among obligors are set, and then the probability distribution of losses for the entire portfolio (amount of loss for a particular probability) is computed to determine the potential future loss. Specifically, based on the abovementioned parameters, we run a simulation of 10,000 iterations of simultaneous default using the Monte Carlo method to calculate our maximum loss exposure. This quantification enables effective risk capital allocation.

By obtaining an accurate understanding of the concentration risk of a credit portfolio, and by carrying out quantitative risk analysis simulations assuming various developments in the macroeconomic situation, SMBC obtains quantified credit risk figures which are used for making optimal decisions across the whole range of business operations, including formulating business plans and providing a standard against which individual credit applications are assessed.

■ SMBC's Obligor Grading System

Obligor Grading			Borrower Classification under Self-Assessment	Financial Reconstruction Law Based Disclosure Category (Domestic)
Grading	Subrating	Definition		
1	a	Extremely high probability of redemption	Normal Borrowers	Normal Assets
	b			
	c			
2	a	High probability of redemption		
	b			
	c			
3	a	Reasonable probability of redemption		
	b			
	c			
4	A	Redemption is likely, but the debtor may be affected by large shifts in business conditions or its industry.		
	B			
	C			
5	A	No problem at present with redemption, but the future prospects are not solid and the debtor may be affected by trends in business conditions or its industry.		
	B			
	C			
6		No problem at present with redemption, but there are reasons for concern about the debtor's financial condition and the possibility of future problems with recovery.		
7	A	Requires management because there are problems meeting loan conditions or with collection, the business is weak or unstable, or the financial position is poor. (Customers requiring caution among this rating)	Borrowers Requiring Caution A	
	B		Borrowers Requiring Caution B	
8		Although the debtor is not bankrupt, its business is in difficulty, restructuring progress is poor, and it is recognized that the business may fall into bankruptcy.	Potentially Bankrupt Borrowers	Substandard Loans
9		Although the debtor is not legally or formally in a state of bankruptcy, it is virtually bankrupt because its business is in deep trouble and there appear to be no prospects for restructuring.	Effectively Bankrupt Borrowers	Doubtful Assets
10		The debtor is legally and formally bankrupt.	Bankrupt Borrowers	Bankrupt and Quasi-Bankrupt Assets

3. Framework for Managing Individual Loans

(1) Credit Assessment

Credit assessment of corporate loans involves a variety of financial analyses, including cash flow, to predict an enterprise's capability of loan repayment and its growth prospects. These quantitative measures, when combined with qualitative analyses of industrial trends, the enterprise's R&D capabilities, the competitiveness of its products or services, and its management caliber, result in a comprehensive credit assessment. The loan application is analyzed in terms of the intended utilization of the funds and the repayment schedule. Thus, SMBC is able to arrive at an accurate and fair credit decision based on an objective examination of all relevant factors.

Increasing the understandability of loan conditions and approval standards for specific borrowing purposes and loan categories is a part of SMBC's ongoing review of lending practices, which includes the revision of loan contract forms with the chief aim of clarifying lending conditions utilizing financial covenants. SMBC is also making steady progress in rationalizing its credit assessment process.

To respond proactively and promptly to customers' funding needs—particularly those of small and medium-sized enterprises (SMEs)—we employ a standardized credit risk assessment process for SMEs that uses a credit-scoring model. With this process we are building a regime for efficiently marketing our *Business Select Loan* and *SMBC Crecer Loan*.

In the field of housing loans for individuals, we employ a credit assessment model based on credit data amassed and analyzed by SMBC over many years. This model enables our loan officers to efficiently make rational decisions on housing loan applications, and to reply to the customers without delay. It also facilitates the effective management of credit risk, as well as the flexible setting of interest rates.

We also provide loans to individuals who rent out properties such as apartments. The loan applications are subjected to a precise credit risk assessment process utilizing a risk-assessment model that factors in the projected revenue from the rental

business. The process is also used to provide advice to such customers on how to revise their business plans.

(2) Credit Monitoring System

In addition to analyzing loans at the application stage, the Credit Monitoring System is utilized to reassess obligor grading, and review self-assessment and credit policies so that problems can be detected at an early stage and quick and effective action can be taken. The system includes periodic monitoring carried out each time an obligor enterprise discloses financial results, as well as continuous monitoring performed each time the credit conditions change, as indicated in the diagram below.

4. Framework for Credit Portfolio Management

In addition to managing individual loans, SMBC applies the following basic policies to the management of the entire credit portfolio to maintain and improve its soundness and profitability over the medium-to-long term.

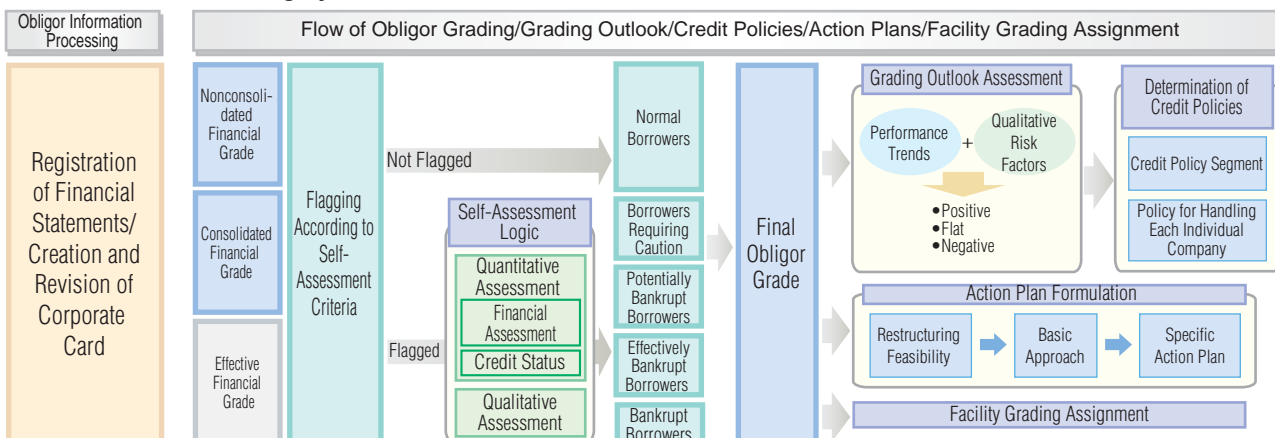
(1) Risk-Taking within the Scope of Capital

To keep credit risk exposure to a permissible level relative to capital, SMBC sets credit risk capital limits for internal control purposes. Under these limits, separate guidelines are issued for each business unit and marketing unit. Also issued are specialized guidelines for each business unit and business type, such as real estate finance, fund investment, and investment in securitization products. Regular monitoring is conducted to check that these guidelines are being followed, thus ensuring appropriate overall management of credit risk.

(2) Controlling Concentration Risk

Because concentration of credit risk in an industry or corporate group has the potential to substantially impair capital, SMBC implements measures to prevent excessive concentration of loans in an industry and to control large exposure to individual companies or corporate groups by setting guidelines for maximum loan amounts. To manage country risk, SMBC also has credit limit guidelines based on each country's creditworthiness.

■ SMBC's Credit Monitoring System



(3) New Type of Unsecured Loans, and Balancing Risk and Returns

Against the background of increasing sophistication in methods of managing credit risk, SMBC actively engages in a new type of unsecured loans. Meanwhile, the bank runs credit operations on the basic principle of earning returns that are commensurate with the credit risk involved, and makes every effort to reduce capital and credit costs as well as general and administrative expenses.

(4) Reduction and Prevention of Non-Performing Loans

On non-performing loans (NPLs) and potential NPLs, SMBC carries out regular loan reviews to clarify handling policies and action plans, enabling it to swiftly implement measures to prevent deterioration of borrowers' business situations, support business recoveries, collect on loans, and enhance loan security.

(5) Toward Active Portfolio Management

SMBC makes active use of credit derivatives, loan securitization, and other instruments to proactively manage its portfolio.

5. Credit Risk Management System

The Credit Planning Department within the Corporate Staff Unit is responsible for the comprehensive management of credit risk. This department drafts and administers credit policies, the internal rating system, credit authority guidelines, credit application guidelines, and manages NPLs, and other aspects of credit portfolio management. The Credit Risk Management Department within the Corporate Staff Unit aims to achieve more advanced portfolio management by strengthening our risk controlling functions of i) planning and

devising specialized risk management methods and procedures for new types of transactions such as securitizations and non-recourse loans and ii) active portfolio management with the aim of stabilizing the bank's overall credit portfolio via market transactions, e.g. securitization of bank's loan exposure.

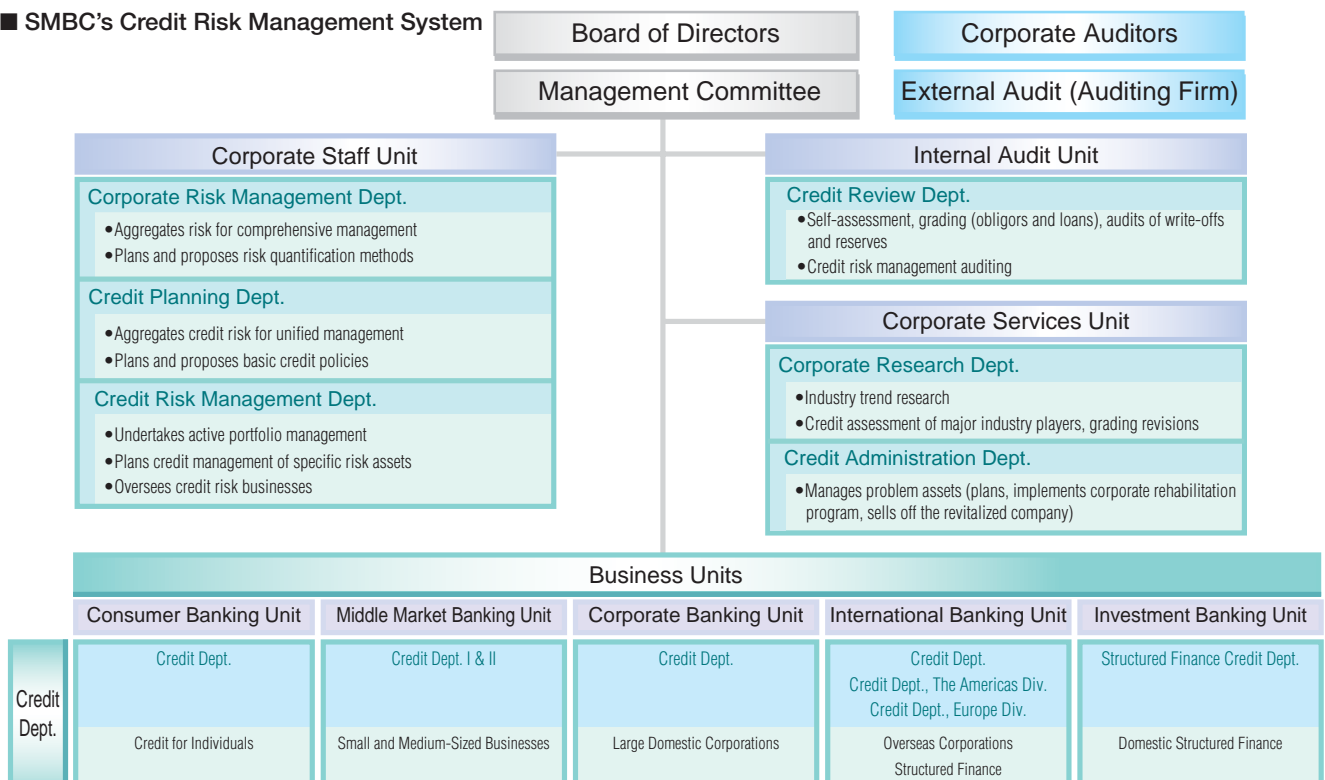
The Corporate Research Department within the Corporate Services Unit performs research on industries as well as investigates the business situations of borrower enterprises to detect early signs of problems or growth potential. The Credit Administration Department is responsible for handling NPLs of borrowers classified as potentially bankrupt or lower, and draws up plans for their workouts, including write-offs, and corporate rehabilitation. The department closely liaises with the Group company SMBC Business Servicing Co., Ltd., which engages in related services, and works to efficiently reduce the amount of NPLs by such means as the sell-off of claims.

The credit departments within each business unit conduct credit risk management for loans handled by their units and manage their units' portfolios. The credit limits they use are based on the baseline amounts established for each grading category, with particular attention paid to evaluating and managing customers or loans perceived to have particularly high credit risk.

The Credit Review Department, operating independently of the business units, audits asset quality, accuracy of gradings, self-assessment, and state of credit risk management, and reports the results directly to the Board of Directors and the Management Committee.

SMBC has established the Credit Risk Committee, as a

■ SMBC's Credit Risk Management System



consultative body, to round out its oversight system for undertaking flexible and efficient control of credit risk, and ensuring the overall soundness of the bank's loan operations.

Market and Liquidity Risks

Market and Liquidity Risk Management System

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, or stock prices will change the market value of financial products, leading to a loss.

Liquidity risk is the possibility of encountering an obstacle to raising the funds required for settlement due either to a mismatch between the use and procurement of funds or to an unexpected outflow of funds, or being forced to borrow at higher interest rates than usual.

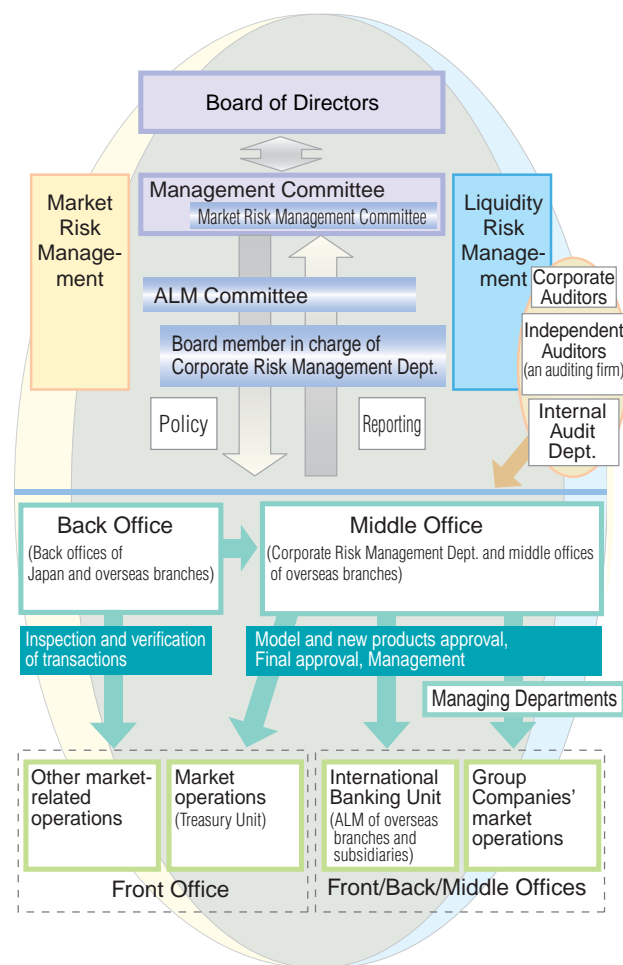
SMFG is working to further enhance the effectiveness of its quantitative management of market and liquidity risks across the entire Group by setting allowable risk limits; ensuring the transparency of the risk management process; clearly separating

front-office, middle-office, and back-office operations; and establishing a highly efficient system of mutual checks and balances.

On the basis of SMFG's Groupwide basic policies for risk management, SMBC's Board of Directors authorizes important matters relating to the management of market and liquidity risks, such as basic policies and risk limits, which are decided by the Management Committee. Additionally, the bank's Corporate Risk Management Department, which is independent of business units that directly handle market transactions, manages market and liquidity risks in an integrated manner. The department not only monitors the current risk situations, but also reports regularly to the Management Committee and the Board of Directors. Furthermore, SMBC's ALM Committee meets on a monthly basis to examine reports on the state of observance of the bank's limits on market and liquidity risks, and to review and discuss the bank's ALM policies.

To prevent unforeseen errors in operation or the manipulation of transaction data through unauthorized trading, it is important to establish a system of checks on the business units (front office). At SMBC, both the processing departments (back office) and the administrative departments (middle office) conduct the checks. In addition, SMBC's independent Internal Audit Unit periodically performs comprehensive internal audits to verify that the risk management system is functioning properly.

■ SMBC's Market Risk and Liquidity Risk Management Organization Chart



Market Risk

The bank manages market risk by setting maximum limits for value-at-risk (VaR) and the maximum loss. This is done using the VaR method, in which the maximum potential loss on market transactions for a given probability is calculated. These limits are, themselves, set within the "market risk capital limit," which is determined taking into account the bank's shareholders' equity and other principal indicators of the bank's financial position and management resources.

The SMBC VaR model estimates the maximum loss by running simulations of changes in profit and loss on market fluctuation scenarios based on historical data (historical simulation method).

Market risk can be divided into various factors: foreign exchange rate, interest rate, equity price, and option risks. Fine-tuned management for each risk category is achieved by employing the VaR method in conjunction with suitable indicators for managing the risk of individual financial instruments such as the basis-point-value (BPV) indicator, which measures the potential change in earnings stated at market value for every 0.01 percentage-point fluctuation in interest rates.

The VaR on SMBC's banking operations increased during fiscal 2005 as a result of the rising trend in interest rates throughout the period (see the chart below). However, in parallel with VaR, SMBC also utilizes the BPV, which is the principal indicator of interest rate fluctuation risk, enabling us to realize more precise risk management.

The VaR results of the trading and banking accounts on a consolidated basis for fiscal 2005 are shown below.

■ SMBC's VaR Results

(Billions of yen)				
	June 2005	Sep. 2005	Dec. 2005	Mar. 2006
Trading Accounts	1.7	2.3	2.5	3.1
Banking Accounts	35.7	61.4	44.9	65.2

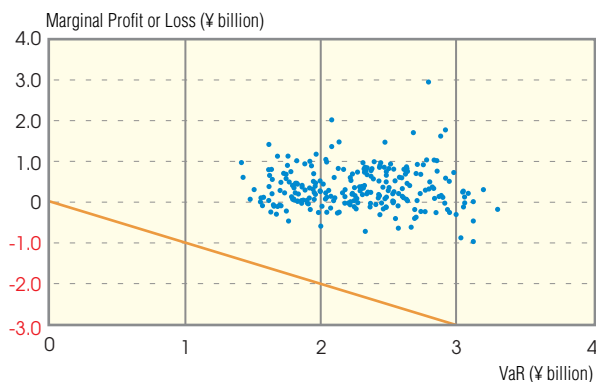
(Billions of yen)			
	Maximum	Minimum	Average
Trading Accounts	3.3	1.4	2.3
Banking Accounts	73.3	33.0	50.7

(VaR for a one-day holding period with one-sided confidence interval of 99.0% [computed using historical simulation]. The VaR model for trading accounts includes major consolidated subsidiaries. Figures for trading accounts exclude specific risks.)

The internal model used by SMBC (SMBC VaR) has been periodically evaluated by an independent auditing firm and certified as appropriate. In addition, the relationship between the VaR calculated with the model and the actual profit and loss data is back-tested. The back-testing results for SMBC's trading accounts for fiscal 2005 are shown below. A data point below the diagonal line indicates a loss in excess of the predicted VaR for that day: there were no such excess losses during fiscal 2005. This demonstrates that the SMBC VaR model, with a one-sided confidence interval of 99.0%, is sufficiently reliable.

The market occasionally undergoes extreme fluctuations that exceed projections. To manage market risk, therefore, it is important to run simulations of situations that may occur only once in many years (stress tests). At SMBC, periodic stress tests are conducted to prepare for unforeseeable swings.

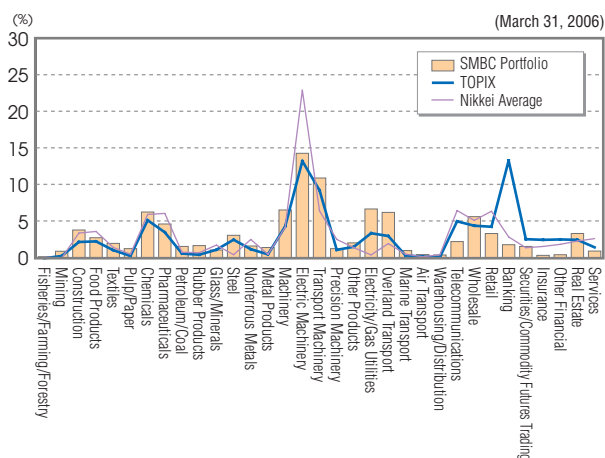
■ SMBC's Back-Testing Results (Trading Accounts)



The Corporate Risk Management Department establishes limits on allowable risk for strategic equity investments, and monitors the observance of those limits to keep stock price fluctuation risk within acceptable parameters.

SMBC aims to keep the stock price fluctuation risk associated with its strategic equity investments at a level appropriate to the financial strength of the bank. To achieve this, we have been reducing the balance of our stock holdings, and the balance now stands at approximately 50% of Tier I capital.

■ Composition, by Industry, of Listed Equity Portfolio



Liquidity Risk

At SMBC, liquidity risk is regarded as one of the major risks. So as not to be overly dependent on market-based funding to cover short-term cash outflows, SMBC's liquidity risk management is based on a framework consisting of setting funding gap limits and guidelines, maintaining a system of highly liquid supplementary funding sources, and establishing contingency plans.

In daily risk management operations, SMBC prevents a cumulative increase in liquidity risk by setting the funding gap limits and guidelines. For emergency situations, there are contingency plans in place to reduce the funding gap limits and guidelines and other measures. To prevent the possibility of market crises interfering with funding, SMBC carries highly liquid assets, such as U.S. Treasury securities, and has emergency borrowing facilities in place, which also enable foreign currency-denominated liquidity management.

Operational Risk

Operational risk is the possibility of losses arising from inadequate or failed internal processes, people and systems or from external events. SMFG has drawn up the *Regulations on Operational Risk Management* to define the basic rules to be observed in the conduct of operational risk management across the entire Group. Under these regulations, SMFG is working to raise the level of sophistication of its management of operational risk across the whole Group by providing an effective framework for the identification, assessment, control and monitoring of significant risk factors and by establishing a system for executing contingency and business continuity plans.

Moreover, in view of the fact that under the new capital adequacy framework, known as Basel II, operational risk will be assessed as a regulatory factor in capital adequacy, we are tackling the task of designing an operational risk quantification system, and a sophisticated management system for the entire Group.

At SMBC, on the basis of SMFG's Groupwide basic policies for risk management, the Operational Risk Management Department set up in the General Affairs Department is responsible for centrally supervising overall operational risk management, jointly with the departments specifically responsible for controlling processing risk and systems risk.

SMBC has also set up the Operational Risk Committee, whose members are drawn from all relevant departments of the bank, to regularly discuss ways of minimizing operational risk and realizing a highly effective system for managing operational risk.

To facilitate effective operational risk management, these departments collect and analyze internal historical data on losses, assess internal control, and undertake risk management according to the risk characteristic, such as processing and systems risk.

Processing Risk

Processing risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities.

SMFG recognizes that all operations entail processing risk. We are therefore working to raise the level of sophistication of our management of processing risk across the whole Group by ensuring that each branch conducts its own regular investigations of processing risk; minimizing losses in the event of processing errors or negligence by drafting exhaustive contingency plans; and carrying out thorough quantification of the risk under management.

In the administrative regulations of SMBC, in line with SMFG's Groupwide basic policies for risk management, the basic administrative regulations are defined as "comprehending the risks and costs of administration and transaction processing, and managing them accordingly," and "seeking to raise the quality of administration to deliver high-quality service to customers." Adding new policies or making major revisions to existing ones for processing risk management requires the approval of both the Management Committee and the Board of Directors.

In the administrative regulations, SMBC has also defined specific rules for processing risk management. The rules allocate processing risk management tasks among six types of departments: the Operations Planning Department, compliance departments, operations departments, transaction execution departments (primarily front-office departments, branches, and branch service offices), the Internal Audit Department, and the Customer Relations Department. In addition, there is a specialized group within the Operations Planning Department to strengthen administrative procedures throughout the SMBC Group.

Systems Risk

Systems risk is the possibility of a loss arising from the failure, malfunction, or unauthorized use of computer systems. SMFG recognizes that reliable computer systems are essential for the effective implementation of management strategy in view of the IT revolution. We strive to minimize systems risk by drafting regulations and specific management standards, including a security policy. We also have contingency plans with the goal of minimizing losses in the event of a system failure. The development of such a systems risk management system ensures that the Group as a whole is undertaking adequate risk management.

At SMBC, safety measures are strengthened according to risk assessment based on the Financial Services Agency's *Financial Inspection Manual*, and the *Security Guidelines* published by The Center for Financial Industry Information Systems (FISC).

Computer-related trouble at financial institutions now has greater potential to impact the public, with systems risk diversifying owing to the IT revolution, and the resulting expansion of networks and the rise in the number of personal computer users. To prevent any computer system breakdowns, we have taken numerous measures, including the duplication of various systems and infrastructures, constant maintenance of our computer system to ensure steady, uninterrupted operation, and the establishment of a disaster-prevention system consisting of computer centers in eastern and western Japan. And to maintain the confidentiality of customer information and prevent information leaks, sensitive information is encrypted, unauthorized external access is blocked, and all known countermeasures to secure data are implemented. There are also contingency plans and training sessions held as necessary to ensure full preparedness in the event of an emergency. To maintain security, countermeasures are revised as new technologies and usage patterns emerge.

Settlement Risk

Settlement risk is the possibility of a loss arising from a transaction that cannot be settled as planned. Because this risk comprises elements of several types of risk, including credit, liquidity, processing, and systems risk, it requires interdisciplinary management. At SMBC, the Operations Planning Department is responsible for coordinating the management of settlement risk with the Credit Planning Department, which oversees credit risk, and the Corporate Risk Management Department, which oversees liquidity risk.



Corporate Social Responsibility

As a new financial services group in step with the needs of the 21st century, SMFG's goal is to earn the highest trust of society by meeting the public's expectations and fulfilling its social responsibilities.

Earning the highest level of trust requires the balanced provision of value to our four constituencies: customers, shareholders and the market, the environment and society, and employees. Through this process, we aim to contribute to the sustainable development of society as a whole, and to fulfill our corporate social responsibility.

Our framework for fulfilling our obligations to society is described in the Risk Management section and the Business Overview section, as well as the following pages. The main points are as follows.

First, we will prosper together with our customers by offering high value-added products and services.

Second, we will maintain sound management through the further enhancement of our management structure. To this end, we will further strengthen our capabilities in corporate governance, internal audits, compliance, risk management, information disclosure and other aspects of our business.

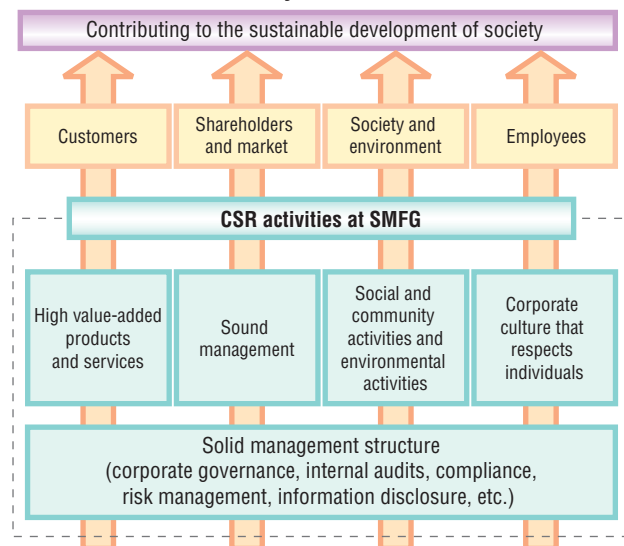
Third, we are committed to making continuous efforts in social contribution activities and environmental initiatives, to realize a better society and help preserve the integrity of the environment.

Fourth, we foster a free and unrestricted working atmosphere that emphasizes respect for individuals and allows employees to realize their full potential.

To reinforce CSR activities, SMFG has established the Group CSR Committee, and has also set up a Group CSR Department within the Corporate Planning Department.

At SMFG, as shown below, we have set out our Business Ethics, as the principles of corporate social responsibility that apply to the entire Group.

■ Commitment to CSR by SMFG and SMBC



In December 2005, SMBC received a cease and desist order from the Fair Trade Commission of Japan, and in April 2006, an administrative order from the Financial Services Agency, with respect to the manner in which it marketed interest rate swaps to a number of corporate borrowers in the past.

The management of SMFG would like to take this opportunity to apologize sincerely to all the customers and shareholders of the Group. SMFG takes this matter extremely seriously, and, as part of its role as the holding company, is taking steps to strengthen its system of supervising the operational management of Group companies, to ensure that said management is carried out appropriately. Specifically, we will implement two measures: 1) To enable SMFG to more effectively conduct its oversight functions as a holding company, we will establish a Group Business Management Office, whose responsibility will be to verify the appropriateness from the legal and ethical compliance perspective of all business management decisions made by Group companies; 2) We will take steps to ensure that Group companies are audited even more rigorously by the Audit Department.

Business Ethics

I. Satisfactory Customer Services

We intend to be a financial services complex that has the trust and support of our customers. For this purpose, we will always provide services that meet the true needs of our customers in order to obtain their satisfaction and confidence in the Group.

II. Sound Management

We intend to be a financial services complex which maintains fair, transparent, and sound management based on the principle of self-responsibility. For this purpose, along with obtaining the firm confidence of our shareholders, our customers, and the general public, we take a long-term view of our business and operate it efficiently, and actively disclose accurate business information about the Group. Through these procedures, we will maintain continuous growth on a sound financial basis.

III. Contribution to Social Development

We intend to be a financial services complex which contributes to the healthy development of society. For this purpose, we recognize the importance of our mission to serve as a crucial part of the public infrastructure and also our social responsibilities. With such recognition, we undertake business operations that contribute to the steady development of Japan and the rest of the world, and endeavor, as a good corporate citizen, to make a positive contribution to society.

IV. Free and Active Business Environment

We intend to be a financial services complex for which all officers and other employees work proudly and with great spirit. For this purpose, we respect people, and train and produce employees with professional knowledge and ability, thereby creating a free and active business environment.

V. Compliance

We intend to be a financial services complex that always keeps in mind the importance of compliance. For this purpose, we constantly reflect our awareness of these Business Ethics in our business activities. In addition, we respond promptly to directives from auditors and inspectors. Through these actions, we observe all laws and regulations, and uphold moral standards in our business practices.

The SMFG Corporate Governance System

Further enhancement of corporate governance is a top-priority issue at SMFG and all Group companies.

SMFG employs the corporate governance system in which statutory auditors oversee the execution of business by the directors. At SMFG, we have five corporate auditors, of whom three are outside auditors. The auditors monitor the execution of business operations of SMFG and its subsidiaries by attending meetings of the Board of Directors. They also peruse documents relating to important decisions, and are reported to by staff members of the internal audit departments, representatives of subsidiaries of SMFG, and independent CPAs.

The Chairman of SMFG serves as the Chairman of the Board of Directors of SMFG. This is to separate the role of the president of SMFG, whose responsibility is to exercise overall supervision of business activities of SMFG and other Group companies, from the role of supervising management. We also have outside directors to improve the effectiveness of the Board, as well as four committees—the Auditing Committee, the Risk Management Committee, the Compensation Committee, and the Nominating Committee—to improve its oversight function. Outside directors are appointed to all these committees to facilitate corporate governance from an objective perspective. As the need for objectivity is particularly acute in the case of the Auditing Committee and the Compensation Committee, the chairmanship of these committees is assigned to outside directors. To ensure that the execution of the Group's business operations is in conformity both with the law and with generally accepted practice, the outside directors are chosen from among the ranks of specialists (CPAs, lawyers, and consultants). The committees report to the Board on these issues:

Auditing Committee: Issues relating to Groupwide internal auditing

Risk Management Committee: Issues relating to Groupwide risk management and compliance

Compensation Committee: Remuneration of Board members and executive officers of SMFG and SMBC

1. Issues related to salaries and incentive programs
2. Other remuneration issues

Nominating Committee: Appointment of directors of SMFG and SMBC

1. Issues related to the selection of candidates for the Board
2. Issues related to the appointment of managing directors having specific responsibilities, and issues related to the appointment of representative directors
3. Other major personnel issues related to directors

SMFG has created the Management Committee, under the direct supervision of the Board of Directors and chaired by the president of SMFG, as the top decision-making body of the entire Group. The committee, composed of directors chosen by the president, considers important matters relating to the execution of business, and the president has the authority to make the final decision, in

accordance with the basic policy determined by the Board of Directors. SMFG also has a Group Strategy Committee to serve as a forum for the top management staff of all Group companies to exchange opinions and information on their respective business plans. SMFG has nine directors, of whom three are outside directors. Of these, eight (including the three outside directors) concurrently serve as directors of SMBC. In this way, SMFG is able to constantly monitor the execution of day-to-day business operations at SMBC. With regard to the three Group companies Sumitomo Mitsui Card, SMBC Leasing, and JRI, the director in charge of each subsidiary serves as a part-time director of these companies to strengthen the supervision of SMFG over their operations.


The SMBC Corporate Governance System

SMBC employs the traditional statutory auditor system. Of the six statutory auditors appointed, three are from outside the bank. To ensure sound and transparent management, SMBC separates the two functions of management: decision-making at the operational level, and supervision of the management of the bank from a longer-term perspective. For this purpose, the bank employs a system in which executive officers are responsible for operational duties, while the supervisory function is exercised principally by the Board of Directors.

The chairman of the bank serves as the chairman of the Board of Directors, and to clearly separate his functions from those of the president of the bank, whose responsibility is to exercise overall supervision of the bank's activities, the chairman does not simultaneously serve as an executive officer; instead, he is primarily responsible for supervising management in their execution of operational duties. Following the practice at SMFG, outside directors—three out of a total of 14 directors in this case—are appointed to the Board of Directors of SMBC, with the aim of introducing an objective viewpoint so as to strengthen the supervision of corporate governance.

Executive officers are selected by the Board to manage each of SMBC's businesses. As of June 30, 2006, there were 69 executive officers, including the president, 10 of whom concurrently serve as directors. The Management Committee, under the direct supervision of the Board of Directors, is the highest decision-making body at the operational level. The president chairs the committee and selects its members from the executive officers. The committee members consider important management issues in light of the policies laid down by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations.

The president designates certain members of the Management Committee as Authorized Management Committee Members in charge of particular head office departments, as well as supervisory officers, who are responsible for overseeing the operations of each business unit. All of these designated individuals are charged with implementing the directives of the Management Committee within the businesses they oversee.



Internal Audit System

An Outline of the Internal Audit System

As mentioned previously, at SMFG, the Auditing Committee, which reports to the Board of Directors, was established in June 2005. To further raise the profile of internal auditing and facilitate the more effective conduct of audits, we also established the Internal Auditing Committee, which reports to the Group Management Committee. The Internal Auditing Committee meets every quarter, and the members discuss important matters related to internal auditing based on reports prepared by the departments responsible for internal audits. Under this system, the Audit Department of SMFG has been functioning as an internal auditing entity independent from the operating departments of the Group.

With the objective of helping realize optimal management and business operations of the Group and ensuring the soundness of the Group's assets, the Audit Department conducts internal audits of the operations of all units and departments. The audits have the additional aim of verifying that the Group's internal control system, including compliance and risk management, is appropriate and effective. The Audit Department is also responsible for supervising the internal auditing systems of each Group company. It monitors the implementation of internal audits at each company and carries out its own audits directly when deemed necessary. By these means, we are able to verify the appropriateness and effectiveness of internal control of each Group company. Based on the results of these audits, suggestions are made and/or guidance provided, as necessary, to sections or departments of SMFG, or to Group companies.

At SMBC, we have set up auditing departments independent of bank units involved in marketing activities. We established the Internal Audit Department and the Credit Review Department within the Internal Audit Unit. As at SMFG, the bank set up the Internal Auditing Committee, which reports to the Management Committee. The committee receives reports on important matters from the auditing departments and deliberates on them.

The Internal Audit Department is responsible for auditing the state of legal compliance, and the management of market, liquidity, operational, and systems risks at SMBC's head office departments and domestic and overseas branches, and at all other business offices of SMBC subsidiaries in Japan and overseas.

Auditing of operations at each head office department focuses on the crucial themes that arise in the management of specific business operations and risk categories and emphasizes verification of "Target Audits" across the whole of the bank's organization. Moreover, audits of branches and offices include the verification of compliance and operational risk management frameworks, as well as the checking of operations, and recommendations are made in the case of problems.

The Credit Review Department audits credit risk management, including the accuracy of ratings and self-assessment.

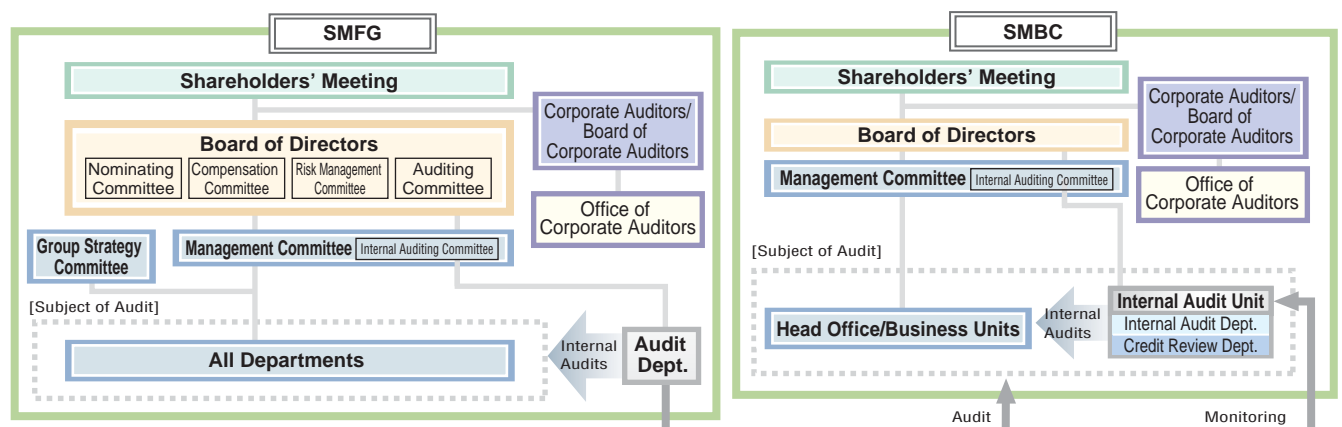
Internal auditing departments have been set up at other Group companies, according to the respective nature of each company's line of business.

Enhancing Efficiency of the Internal Auditing Process

The Audit Department has adopted auditing methods in line with the standards of the Institute of Internal Auditors (IIA)*, an international body. It conducts risk-based audits and spreads the concepts and methods to the Group companies.

Additionally, to effectively fulfill its role as the central body for internal auditing, the staff of the Audit Department constantly work to collect the latest information on internal auditing from inside and outside Japan and to distribute it to all Group companies. They also organize training courses, which are conducted by outside experts, for all the staff of Group companies, and encourage the staff to obtain international qualifications, to raise their level of specialist expertise in internal auditing. To improve the effectiveness of auditing still further, we are also taking active steps to ensure that our internal auditing standards are in line with those set forth by the IIA, and these auditing standards are being introduced on a graduated basis at all Group companies.

* The Institute of Internal Auditors (IIA) was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and professionalism of internal auditing staff. In addition to conducting theoretical and practical research, the IIA administers examinations for Certified Internal Auditor® (CIA), which is the globally accepted qualification in the field.



Compliance at SMFG

Basic Compliance Policies

At SMFG, compliance is a critical component of our Business Ethics (p. 57), the basic principles of corporate social responsibility (CSR) that we follow. The enhancement of our compliance activities is one of the Group's top management priorities.

As mentioned previously, in December 2005, SMBC received a cease and desist order from the Fair Trade Commission of Japan, and in April 2006, an administrative order from the Financial Services Agency, with respect to the manner in which it marketed interest rate swaps to a number of corporate borrowers in the past.

The management of SMFG would like to take this opportunity to once again apologize sincerely to all the customers and shareholders of the Group, as well as to financial market investors in general and all other persons with a relationship to the Group, for the worry and inconvenience that this chain of events undoubtedly caused.

At SMFG, we take this matter extremely seriously, and to carry out our mission as part of the public infrastructure and enable the Group to fulfill its social responsibilities as a financial services group, we are intensifying our efforts to ensure that the principles of compliance are strictly observed. By so doing, we are confident that SMFG will become an outstanding global corporate group.

Group Management of the Compliance System

As a financial holding company, SMFG works to sustain a system which monitors and also provides appropriate direction and guidance for each Group company's compliance system to ensure the sound and proper conduct of business activities throughout the

entire Group.

For fiscal 2006, the current business term, we have positioned the following three measures as a priority policy, reinforcing the management of compliance undertaken by our Group companies:

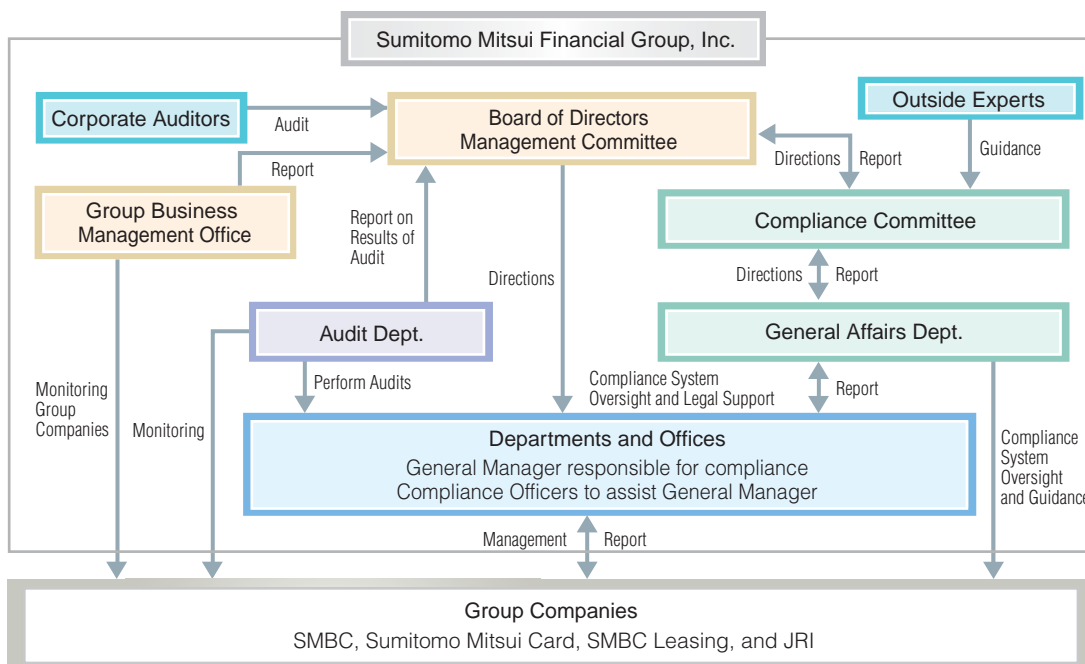
1. The creation of a compliance system that is appropriate for meeting new needs and providing services as a financial services group.
2. The enforcement of measures to ensure strict observance of the Antimonopoly Law.
3. Ensuring a swift and appropriate response to new corporate governance issues presented by revised legislation.

Bearing these three priority issues in mind, SMFG is strengthening its control of the business operations of Group companies with regard to compliance.

Management of Legal Risk

Legal risk, which refers to the possibility of loss (including reputational loss) arising from violations of laws or contractual obligations, principally as a result of failure to sufficiently examine the legal implications before taking action, has become a matter requiring even greater attention in recent years, owing to the wide-spread deregulation of the financial sector.

Consequently, SMFG has established procedures for managing legal risk, collecting information on business laws and ordinances and examining the legal implications of new products, services and contracts under consideration. In these ways, SMFG is enhancing legal risk management.



Compliance at SMBC

Strengthening the Compliance System: A Top Management Priority

Compliance with laws, regulations, and other social standards is a matter of course for corporations. Ensuring compliance is a particularly important issue for banks because of their central role in the financial system and socioeconomic infrastructure.

In accordance with the basic concept of compliance instituted throughout the Group, SMBC expects and demands that all directors, officers, and other employees assign the utmost value to maintaining people's trust, abide by all relevant laws and regulations, maintain high ethical standards, and act fairly and sincerely. In view of the administrative order enforced against SMBC by the FSA, as described previously, we are making even further efforts to strengthen our compliance system and ensure that all directors, officers, and other employees are fully acquainted with the specific details that come under the heading of compliance, and with their own specific duties within this context.

SMBC's Compliance System and Management

SMBC has traditionally employed a dual structure whereby, firstly, each department and office is individually responsible for ensuring that its conduct complies with laws and regulations, and secondly, the independent Internal Audit Unit conducts impartial audits of department and branch compliance. However, we have undertaken a broad-ranging review of our compliance system, and have made changes that went into effect from fiscal 2006.

Specifically, to make internal monitoring of compliance by individual branches and departments more effective, we have newly established a Compliance Unit, composed of the General Affairs Department and the Legal Department. We believe this reinforced and active supervision of compliance will ensure that individual branches and departments are aware of, and observe both general and specific laws and regulations that apply to their business activities.

Additionally, we have also established a Quality Management Department with the aim of incorporating our customers' views and suggestions into the process of improving both day-to-day operational methods and management policies.

The new compliance system which resulted from the changes described above is shown in the diagram below.

SMBC has also implemented the following measures to enable this compliance system to function effectively.

Compliance Manual

Set out in accordance with the resolution of the Board of Directors, the *Compliance Manual* lays out specific Rules of Conduct. These Rules of Conduct comprise 60 items describing relevant laws and regulations, as well as providing procedural guidelines and specific examples of conduct that must be followed by all directors, officers and employees of SMBC.

Compliance Program

The program's primary objective is to effectively implement the compliance system at SMBC and its consolidated subsidiaries. The Board of Directors annually updates the compliance program. The Board of Directors decides concrete annual plans regarding compliance, which include a review of rules and regulations, as well as the content and schedule of training programs, to further strengthen the compliance system. Particularly notable is the introduction from fiscal 2006 of an Antimonopoly Law observance program, under which we are taking a number of steps to strengthen our training courses, compliance monitoring, and auditing.

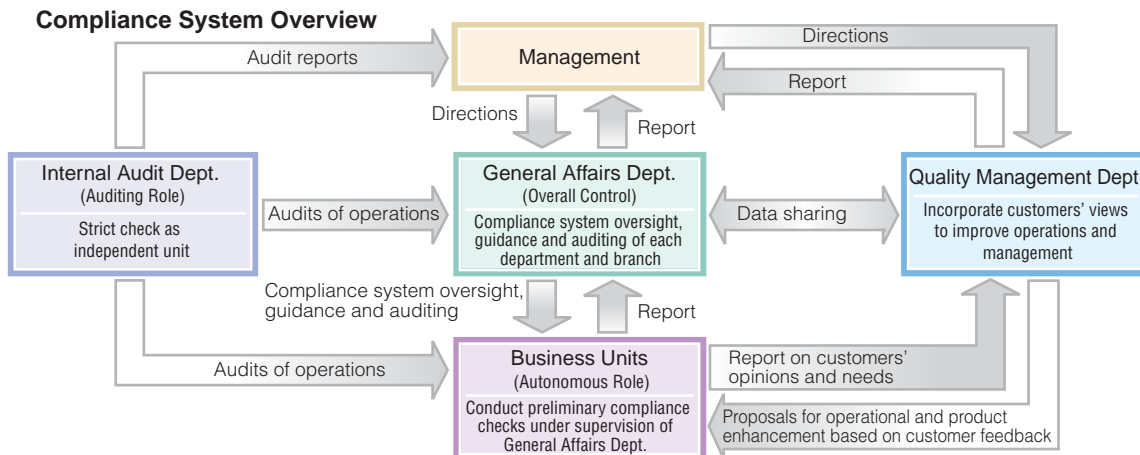
Appointment of Compliance Officers

To reinforce our compliance system, in addition to the compliance officers appointed from among the staff of each department and branch, we have appointed Area Compliance Officers, who are dispatched to the regional head offices of the Middle Market Banking Division. These officers are completely independent of any front-line department, and are responsible for directing and overseeing compliance regarding transactions carried out by staff of our Corporate Business Offices.

Compliance Committee and Business Monitoring Committee

The Compliance Committee is a cross-sectional organization, ensuring that compliance issues are reviewed and discussed widely. It is chaired by the director responsible for compliance issues and includes the heads of relevant departments. To enhance objectivity, the Committee includes an outside legal expert who serves as an advisor.

Additionally, in July 2006 we established a Business Monitoring Committee, whose members consist principally of outside directors and other external experts, to enhance the bank's monitoring of compliance and customer satisfaction and ensure objective assessments of performance in these matters.





Environmental Preservation Initiatives

SMFG and Environmental Issues

Protecting the global environment is one of the most critical issues of our time. In view of the public nature of financial institutions and the social responsibilities they bear, they naturally have a duty to earnestly address the issue of environmental preservation.

SMFG assigns a high management priority to environmental issues. Our Group Environmental Policy sets out the Group's basic action guidelines. We also have a Group CSR Committee which promotes coordinated, Groupwide environmental activities.

The Group Environmental Policy

Basic Concepts

Recognizing the importance of realizing a sustainable society, SMFG is making continuous efforts to harmonize environmental preservation and corporate activities, in order to support the economy and contribute to the general well-being of society as a whole.

Specific Environmental Policies

- We provide environment-friendly financial products, information, and solutions that help our customers in their efforts to preserve the eco-system
- We devise ways to reduce levels of environmental risk posed by our own activities and those of society at large
- We are determined to fulfill our social responsibilities through the conservation of resources, energy saving, and the reduction of waste
- We enforce a policy of strict adherence to environment-related laws and regulations
- We practice a high level of disclosure of information relating to the Group's environmental activities, and make ceaseless efforts to improve our contribution to environmental preservation, incorporating the views of our staff and concerned persons from outside the Group
- We place a high priority on thoroughly educating our staff in our environmental principles, and in ensuring that they conform to these principles in the performance of their work
- We actively and effectively conduct environmentally aware management, and make continuous efforts to improve our system for tackling environmental issues, including by setting targets for each business term and reviewing them when deemed advisable
- These policies are published on the Group's website, and are also available in printed form upon request

June 29, 2005
 Teisuke Kitayama
 President
 Sumitomo Mitsui Financial Group, Inc.

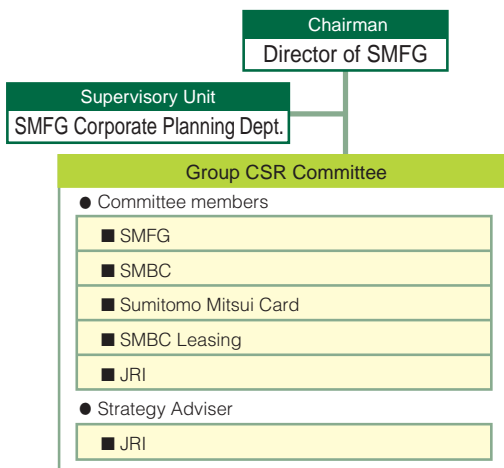
SMFG's Environmental Action Plan

Based on our Group Environmental Policy, we have a three-pronged action plan focusing on:

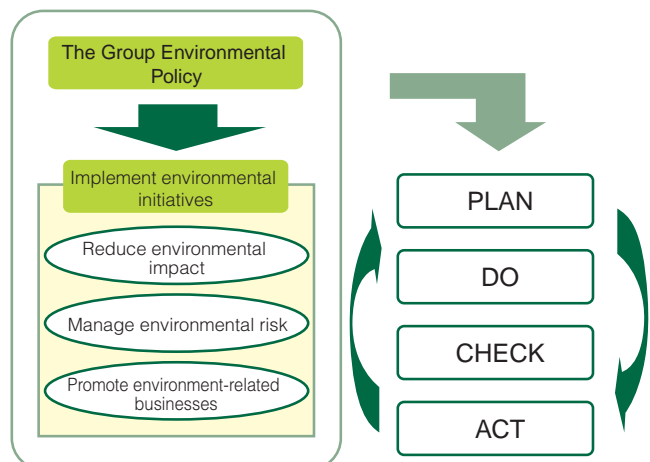
- 1) The reduction of environmental impact
- 2) The practice of environmental risk management
- 3) The promotion of environment-related businesses

The Group CSR Committee systematically follows the PDCA cycle of planning, performing, checking and improving in pursuing environmental activities centered on these three areas. SMBC and JRI have acquired ISO 14001 certification, the international standard for environmental management systems.

Group CSR Committee



SMFG's Environmental Action Plan and the PDCA Cycle



Major Initiatives by Group Companies

Objectives	Initiatives	SMBC	Sumitomo Mitsui Card	SMBC Leasing	JRI
Reduce environmental impact	Reducing consumption of energy and paper				
	Promoting green purchasing				
	Providing training on environmental issues				
Practice environmental risk management	Selling items that can be reused	—	—		—
	Proposing policies and measures related to the environment	—	—	—	
	Establishing credit rules on companies with high environmental risk		—		—
Promote environment-related businesses	Providing funds for environment-friendly projects		—	—	—
	Promoting soil decontamination and helping companies apply for ISO certification		—	—	
	Promoting energy-conserving projects, such as ESCOs and ESPs	—	—		
	Providing information (publishing books, etc.)	—	—	—	

Acquisition of ISO 14001 (Certification for SMBC and JRI)

SMBC and JRI have acquired ISO 14001 certification, the international standard for environmental management systems.

Reducing Environmental Impact

Activities such as energy conservation in the office and reduction of paper consumption directly decrease the environmental impact of business activities.

Aiming for a paperless office

SMBC and JRI are aiming for a paperless office through the use of IT and the implementation of business process reviews. Through the creation of databases, they are computerizing their in-house administrative operations. SMBC has been switching to electronic forms for bank branches. Through these initiatives, the SMFG Group reduced its paper consumption by 80.5% as of March 31, 2006. In addition, SMBC has taken various measures to facilitate easy customer transactions and reduce the bank's consumption of business forms. The bank has set up "MC (Money-Lifestyle Consulting) Stations" at "MC Desks"; offers the "Web Passbook," a virtual bank passbook that allows customers to check their transactions via the Internet; and is promoting the use of the Web21 system of Internet banking for corporate clients.

Reducing Energy Consumption

SMFG sets new targets each year for consumption of energy (mainly electric power) by the Group, and diligently works to meet these targets. SMFG, SMBC, SMBC Leasing, and JRI are also participating in the Team Minus 6% project being promoted by the Japanese government (which aims to reduce energy consumption in 2012 by 6% compared with the base year of 1990). SMBC has adopted Japan Natural Energy Company Limited's Green

Power Certification System to conserve energy and formulate environmental measures. Electricity generated from April 2005 through March 2006 amounted to 932,000kWh.



Environmental Education

Making staff more aware of environmental issues is regarded as a vital part of SMFG's ongoing efforts to reduce the environmental burden caused by the Group's business operations. Year-long staff education programs, including environmental education to acquaint staff with the concepts behind environmental management systems, are pursued through regular classes and e-learning systems.

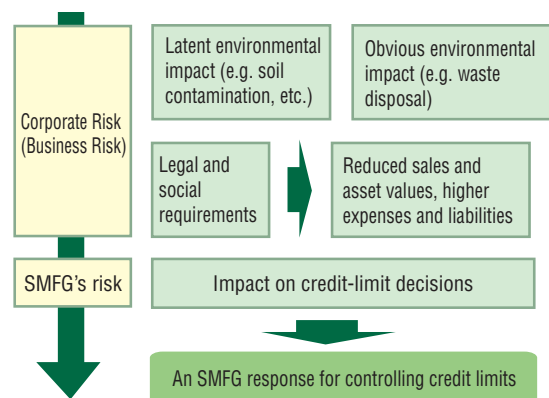


Environmental Risk Management

When the environmental impact of business activities becomes substantial enough, companies face serious adverse effects on their business. Environmental risks involved in the business operations of a borrower company directly affect the credit risk of the lender. Financial institutions therefore need to take such considerations carefully into account when making credit decisions.

SMBC therefore incorporates environmental risk assessments in its credit screening process, and in view of the importance of this factor, in its Credit Policies (a set of regulations governing the bank's lending operations) the bank has clearly stated its stance on environmental risk in relation to collateral taking. Soil contamination risk assessments are mandatory under the bank's regulations for real estate properties put up as collateral that meet certain specified criteria.

Environmental Risks



Promoting Environment-Related Business

SMFG is putting particular emphasis on environment-related business as it is the most effective way for a financial services provider, through its core business operations, to fulfill its corporate social responsibility.

Starting in fiscal 2005, SMBC began regularly holding meetings of the Eco-Biz Promotion Council, whose aim is to oversee the coordination of environment-related business activities carried out by various departments of the bank.

Specifically, the council promotes the marketing of financial products such as: 1) the information service offered since August 2005 to companies operating in Japan with regard to the acquisition of emissions rights (Fig. 1); 2) the *Environmentally Responsible Company Support Loan* offered since February 2006 to provide funds at preferential rates to SMEs with ISO 14001 and Eco-Action 21 certification (Fig. 2); and 3) the *Double Wing*, an SRI (socially responsible investing) investment trust, offered since March 2006 (Fig. 3).

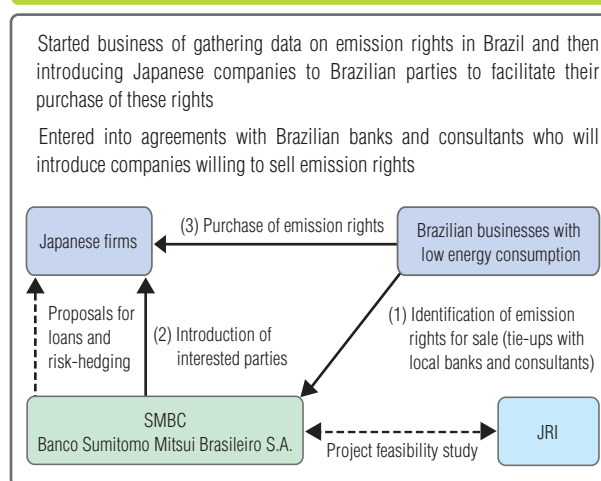
In addition, in November 2005, SMBC concluded an agreement with the Development Bank of Japan regarding the acquisition of the know-how required for rating the environment-related activities of corporate borrowers.

With the support of the Ministry of the Environment, in March 2006 SMBC held the "Environmental Business Networking Event—With Team Minus 6%" (Fig. 4). This was the largest such business networking event held by the bank, with the participation of 1,200 representatives from 550 companies, and 610 business discussions took place.

In December 2005 the bank adopted the Equator Principles with the aim of integrating an environmental assessment system into the bank's credit screening process. In January 2006 an Environmental Analysis Department was set up within the International Banking Unit. The Equator Principles are a set of voluntary guidelines on environmental and social considerations to be observed when conducting project finance operations. To date, 41 financial institutions around the world have adopted these principles.

(Figure 1)

Information Service Relating to Acquisition of Emission Rights (August 2005)



(Figure 2)

Environmentally Responsible Company Support Loans (started Feb. 2006)

Loans to environment-friendly SMEs
These loans are provided at preferential rates to SMEs with ISO 14001 and Eco-Action 21 certification.

(Figure 3)

Double Wing—Investment trust with due consideration to environmental and CSR issues

This investment trust fund was jointly designed by the Next Wing Project Office, within the Consumer Banking Unit's Planning Department, and the female staff of Daiwa Asset Management Co., Ltd.

Funds are invested in six types of assets, including Japanese and overseas equities, bonds, and REITs (real estate investment trusts).

The notable feature of this investment trust is that environmental and CSR considerations are among the criteria for selecting equities.

The fund is marketed to a wide range of customers, including "investment novices," and investors regularly receive investment performance reports featuring easy-to-understand visual elements.

(Figure 4)

Environmental Business Networking Event (March 2006)

The event was aimed at raising customer satisfaction by helping open up new marketing channels in environment-related businesses for the bank's business partners, as well as introducing them to new suppliers and facilitating business alliances.

We provided support through business matching services for customers thinking of entering environment-related businesses or incorporating environmental preservation activities into their business plans to raise their corporate value and draw up new management strategies.

The event was attended by Minister of the Environment Yuriko Koike, and a speech was given by Hiroshi Komiya, president of the University of Tokyo. The event, attended by 1,200 representatives from 550 companies, featured 85 booths. Business talks between participants were held on 610 potential deals.



Providing Environment-Related Information
Publication of Environmental Magazine SAFE

SMFG has published this magazine, through which we have been providing environment-related information on a bimonthly basis since 1996. Current circulation is approximately 4,000 copies. Each issue of this publication includes interviews with the top management of companies at the forefront of the environmental preservation movement. It also highlights trends in legal regulations and examines other current topics. The magazine is sent to clients of our Group companies.



Signatory to the UNEP Statement by Financial Institutions

The United Nations Environment Programme (UNEP), a UN organization dedicated to advancing environmental issues, has established a support structure for the promotion of the environmental preservation movement within each industry. Our company is a signatory to the UNEP Statement by Financial Institutions.

Signatory to Carbon Disclosure Project (CDP)

SMFG became a signatory to the Carbon Disclosure Project (CDP) in February 2005. Under the CDP, institutional investors and financial institutions concerned over the issue of climate change cooperate in requesting companies operating on a global scale to submit written reports on their policies and initiatives on environmental issues. The responses received are collated and issued in report form.

Prospective market scale: The Ministry of the Environment estimates the market, which was worth ¥30 trillion in 2000, will expand to ¥58 trillion by 2020.

The bank's customers' needs: More sales channels for environment-related businesses

Background social factors: The Kyoto Protocol to the United Nations Framework Convention on Climate Change is a protocol that came into effect in February 2005. The 2012 target is to reduce emissions of greenhouse gases by 6% compared with the volume emitted in the base year of 1990. Additionally, in Japan, laws have been passed mandating the recycling of electric appliances and promoting the formation of a society based on recycling and the reuse of resources.

Environment-Related Social Contributions

—SMBC's Creative Conservation Club supports the Furano Nature School—

SMBC is supporting the environmental project being pursued by So Kuramoto, a TV and movie scriptwriter, in the city of Furano in Hokkaido. This project involves the replanting of trees by volunteers on one-third of the land of a disused golf

course. Once the area has been restored to its original forested state, fallen leaves will be collected and strewn on the paths. People learn about nature directly through their senses, for instance, by walking along these paths barefoot, identifying the sounds and smells of a forest.



Employees and their families participating in the Furano Nature School in June 2006



Social Contribution Activities

Our Three-Pronged Approach

As a responsible corporate citizen, each SMFG company undertakes a wide range of activities to contribute to the welfare of society as a whole.

By placing particular emphasis on social welfare activities and international cooperation, working together with private-sector non-profit organizations that have expertise in these two areas, we are making various efforts to contribute to the development of a prosperous society worldwide. Volunteer activities play an important part in maintaining and improving the welfare of society as a whole, and we actively support the volunteer activities of our employees.

We will continue to undertake social contribution activities with the hope of creating a better society for all.

Social Welfare Activities

Group companies organize and participate in a wide range of social welfare activities, and also support organizations devoted to such causes to help create a more benevolent society.

● Donation of Voided Postcards

SMBC collects voided or otherwise unusable postcards from employees of each Group company, exchanges them for new postal stamps and donates these stamps to volunteer organizations.

● Opening of account for donations to disaster victims

When a major natural disaster happens, either in Japan or overseas, SMBC opens a special account and allows anyone wishing to donate money to the victims to make a deposit free of charge. We also solicit donations for such causes from employees of SMBC and JRI.

● SMBC Volunteer Fund

The SMBC Volunteer Fund makes donations to volunteer organizations dedicated to providing assistance in cases of disaster and economic hardship. This fund is raised by SMBC employees who make a voluntary contribution of ¥100 each month. About 9,600 employees were participating in the program as of June 2006.

Major Donations by the Fund in Fiscal 2005:



★ Donations to Cambodian hospitals that provide free medical care and drugs to children in low-income households. The funds are used to purchase medical equipment.



★ Donations for projects to support rural villagers in Bangladesh, including educational programs to raise the level of literacy and improve hygienic conditions, and projects to generate income.



★ Publishing costs for a book of Cambodian folktales entitled *The Khmer Kroma*, as well as the cost of hosting training seminars on reading for teachers in Cambodia, where books for children are extremely scarce.



★ Donations to a project to discover fresh water resources and make them available to the minority ethnic population of the Philippines island of Palawan.



★ Scholarships for girls in rural areas of China, where many children are unable to attend school for economic and other reasons.



★ Medical costs for people in Northern Afghanistan who have been injured in conflicts or by land mines.



★ Scholarships for elementary school students in Laos and Cambodia, where many children are unable to attend school for economic and other reasons.



★ Operating costs for a medical center in the slums of Haiti, where malaria, tuberculosis and other contagious diseases are rampant.



★ Donations to set up school libraries in Laos, where books for children are scarce, and also operating costs for children's cultural centers for art education.



★ Donations to cover the expenses involved in running a tractor cooperative in Eritrea on the Horn of Africa, which helps farming households, headed by women who have returned from refugee camps.



★ The Fund provides grants to assist an initiative being conducted in Myanmar to help women achieve self-sufficiency through healthcare services, training in hygiene, and education to raise the literacy level and practical training in sewing techniques, etc.

★ Emergency Disaster Relief

- Donations for victims of Hurricane Katrina in Aug. 2005
- Donations for victims of Typhoon No.14 in Sept. 2005
- Donations for victims of the major earthquake that hit Pakistan in Oct. 2005
- Donations for victims of the major earthquake that hit central Java in May 2006

● Donation of Unused Prepaid Telephone Cards

SMBC collects unused prepaid telephone cards from employees each year, and donates them to volunteer organizations.

● Donation of Used Postal Stamps and Prepaid Cards

Sumitomo Mitsui Card collects used postal stamps and prepaid cards from employees each year, and donates them to volunteer organizations.

● Charity Concert for Grown-Ups and Kids



In May 2006 SMBC sponsored a charity concert, the proceeds of which went to help children all over the world who have suffered from wars and natural disasters. The concert was performed by members of

the bank's own Music Club, including a chorus, a chamber orchestra, and a wind band. They performed music to suit the tastes of both adults and children, ranging from the classics to songs from popular animation programs and movies. In addition to donations collected from the audience, charity funds were also obtained through the sale of goods in the foyer. The event also featured a display of drawings and paintings by children from all around the world.

● Audio Pamphlet



In April 2006 SMBC introduced the Japanese banking world's first audio pamphlet for people with impaired eyesight (which includes many elderly people). The pamphlet, under the name of "SMBC Service Map," explains the bank's

financial products, and can be listened to utilizing a two-dimensional barcode reader.

● Support for Children's Economic Education Program



In June 2005, SMBC became a sponsor of the "Finance Park" economic education program, supported by firms in the financial, telecommunications, restaurant, supermarket and other sectors. Working closely with Junior

Achievement Japan, an economic education organization that teaches youth about free enterprise, and the Shinagawa Ward Office, the sponsors have built and operate booths modeled after

actual retail stores. The booths have been set up in a vacant classroom in a junior high school in Shinagawa Ward in Tokyo. After learning the basics of finance, students get hands-on experience through a variety of economic activities conducted at the booths in this make-believe shopping center, and learn about free enterprise.

● Sale of Products Made by Disabled People



SMBC regularly holds sessions at its Head Office in which it sells products made by disabled people, ranging from confectionery to accessories, for purchase by bank employees.

International Cooperation

SMBC engages in a variety of international cooperation activities.

● Supporting UNICEF

★ As a member of the steering committee for UNICEF's "Change for Good" program, SMBC cooperates in the organization's fundraising activities. Foreign coin collection boxes are placed at SMBC branches and offices in Japan, to encourage donations by the general public. The collected coins are sorted by currency with the cooperation of SMBC Green Service Co., Ltd., one of our Group companies, before being sent to UNICEF. Total donations have reached ¥530.0 million since 1992, when the program started. (Please see photos and captions below.) SMBC has also implemented the *UNICEF Donation Account* program, through which customers donate their net interest to UNICEF and SMBC donates a matching amount.

★ Through its *World Present* points service for members of the VISA Japan Association, Sumitomo Mitsui Card collects donations from VISA cardholders every year and presents them to the Japan Committee for UNICEF. Total donations have reached ¥230.0 million since the start of the program in 1992. Sumitomo Mitsui Card also issues cards incorporating donations to specific charities, such as the *UNICEF VISA Card* and the *Red Feather VISA Card* (offered in cooperation with the Central Community Chest of Japan). The company makes its own donations to the working funds of all these organizations from its card business revenues.

● SMBC Global Foundation

The SMBC Global Foundation was established ten years ago, principally to award financial grants to students at universities in East Asian countries, and has thus far provided financial support to more than 5,000 students. Outside East Asia, the Foundation supports community-based educational and cultural initiatives in the United States and other countries.

● SMBC Foundation

The SMBC Foundation, established fifteen years ago, aims to help nurture the human resources necessary to achieve sustainable development in developing economies, as well as promote international exchange activities. The Foundation has thus far provided financial support for 34 students from Asian countries to enable them to attend universities in Japan. The Foundation also provides subsidies to research institutes and researchers undertaking projects related to developing countries.

~ Foreign Coins Collected for UNICEF ~



Foreign coin collection boxes are placed at SMBC branches and offices.



The coins are sent to SMBC Green Service, a Group member, along with those collected at airports and other locations nationwide, to be sorted by currency.



Coins are sent back to their countries with the cooperation of all member companies of the steering committee of UNICEF's "Change for Good" program. These coins are then changed into U.S. dollars, and the funds are used by UNICEF for projects benefiting children worldwide.

©UNICEF

● YUI—an SMBC Volunteer Organization

At SMBC, we actively support YUI, an in-house volunteer organization. As members of YUI, SMBC employees plan and carry out a variety of welfare activities. The name derives from the Japanese word *yui*, a term describing a mutual support system among farmers that dates back to the Edo Period. The name indicates the group's desire to cultivate ties with people from all walks of life. YUI undertook the following activities in fiscal 2005:



★ Since fiscal 2002, the organization has been offering computer courses for school children with impaired hearing every six months. These children are instructed using pen and paper and also sign language.

★ Since fiscal 2001, YUI has held an annual bazaar, selling items collected from employees. Proceeds are donated to volunteer organizations.

★ Since fiscal 2002, YUI has been hosting an annual variety show at a senior citizens center, presenting the senior citizens who regularly attend classes and other social activities at the center an opportunity to sing and perform on stage.

● Sign-Language Courses

SMBC has been offering sign-language courses annually to its employees since fiscal 1997. These courses help employees to communicate better with hearing-impaired customers and improve customer service, while simultaneously enabling SMBC to make a social contribution through its business activities. In fiscal 2005, 126 bank employees enrolled in the course. In April 2005, the bank held the first of a planned series of annual lectures, at which a hearing-impaired guest speaker shared her impressions of daily life using sign language. The lecture, facilitated by an interpreter, was attended by 73 employees. In April of this year, the second lecture in the series was attended by 453 employees. After completing the course, employees use what they have learned in various ways, such as in dealing with customers at the bank, or by participating in volunteer activities in which sign language is used, and also by teaching sign-language classes for beginners.



Events for Experiencing Volunteer Activities

SMBC holds events for its staff after working hours as well as on weekends and holidays, enabling them to experience volunteer activities. SMBC also provides employees with information on various volunteer activities, and encourages their participation in such events. The following initiatives were undertaken in fiscal 2005:



★ SMBC holds sessions, with the participation of parents and children, to increase understanding among members of the public regarding guide dogs for people with visual and hearing impairments, and assistance dogs for people with physical disabilities. These sessions also teach children about society's needs to provide support for disabled people.



★ SMBC held seminars during fiscal 2005 to explain to children (and their parents) the objectives of the UNICEF "Change for Good" foreign coin collection program, whose proceeds are directed toward relieving the suffering of children around the globe who are the victims of natural disasters, wars, and dislocation as economic refugees.



★ SMBC, in cooperation with other companies, held a learning event to teach volunteers how to become psychological counselors for persons with anxieties or fears. The volunteers learn how to listen closely to the subjects' words, and how to provide assurance by accepting them "as they are."

● Neighborhood Cleanup Programs



★ In April 2006, approximately 180 employees took part in a cleanup held along the banks of the Arakawa River in Tokyo. Participants also tested the quality of the water as part of the event.



★ At SMBC Leasing Company, Limited, the staff at the Osaka headquarters make extensive efforts to beautify the surrounding area. Such efforts include a regular neighborhood cleanup conducted along Midosuji Street, a major thoroughfare.

The greatest asset possessed by SMFG is its employees, and the growth of the Group is supported by the efforts of individual employees. SMFG makes active efforts to ensure that the invaluable individuality and unique abilities of each employee are optimally utilized. Hereunder, we explain the steps taken by SMBC in this field.

SMBC Human Resources (HR)

One of the crucial considerations in an HR system is that it embodies the company's management philosophy. The primary goal of SMBC is to grow and prosper together with its four main stakeholder groups—its customers, shareholders and the market, the environment and society, and employees. To achieve this goal, SMBC has established the following objectives for its HR system:

- Support the building of an even more powerful business base that can successfully compete on a global scale
- Cultivate staff with specialized skills who can provide customers with value-added services
- Motivate employees more strongly by respecting their individuality and encouraging them to seek personal fulfillment
- Foster a corporate culture that rewards a forward-looking and creative attitude

Nurturing highly specialized human resources

At SMBC, we go to great lengths to nurture highly specialized and professional staff to achieve the goal of providing optimum added value to our customers, as set forth in our corporate mission statement. In view of the present trend of diversification in the types of business in which we engage, and specialization of banking staff in specific fields, as well as the growing diversity in values held by our staff, we are working to design a system of job categories to more effectively cope with these changing circumstances.

To enhance the effectiveness of our personnel system and reward highly specialized professional staff, we have set up "Master Courses" for the attainment of higher qualifications within each job category, and have created the new job description of "special expert" for those individuals who possess excellent market value in their own specialized fields.

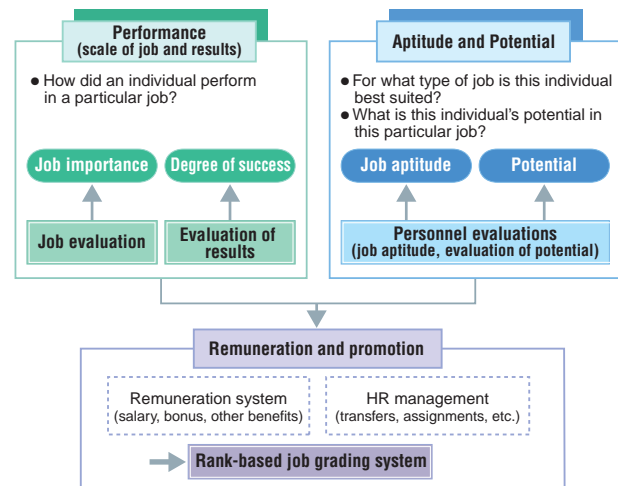
Additionally, to help our staff acquire both practical knowledge and skills necessary for effectively filling each position, we provide a full range of training courses. In addition to courses on corporate banking and retail banking, we also teach them about the role of each job in the wider context, and about the responsibilities that go with each position. In these ways, we help foster their management skills as well as support the development of their careers and capabilities, with separate training available for each age bracket and corporate rank.

Basic Policy on Job Evaluations, Remuneration and Promotions

Employee evaluations are based on two factors. The first is performance, meaning the results that an individual delivers while performing a specific job. The second factor has two elements. One is aptitude, meaning the jobs for which an individual appears best suited. The other is potential, meaning the level of results that an individual appears capable of achieving.

Balancing the two factors, we aim for an optimum fusion of "job-based standards" and "personal standards," so as to produce an employee evaluation and remuneration system that is transparent and is accepted as fair by the employees themselves.

Concerning remuneration, SMBC uses as its basic framework a unique system called a "rank-based job grading system." This system combines evaluations of both performance and potential based on a job grading system.



Support for Personal Career Designing

To enable all our staff to develop into financial services professionals armed with a set of specialist skills, it is vital for each employee to carefully assess his or her suitability for the job they are doing now, as well as to evaluate their skills, decide what future career development course they wish to pursue, and make it into reality through their own efforts.

As one system to support employees' personal efforts to develop their own careers, SMBC operates a hiring system with three entry channels: 1) entry to specific mid-management posts ("post entry"); 2) entry to specific specialist jobs ("job entry"); and 3) entry via career-related training courses ("training entry").

This system, which allows employees, on their own initiative, to choose the fields in which they believe they can most effectively display their abilities, is an important tool for the bank in putting the right people in the right positions. The content of the various jobs offered is revised every year, and in fiscal 2005 we offered openings in 7 different posts and 125 job categories.

In addition to the above, we also have a system that gives support to employees wishing to acquire new or additional skills and expertise as part of their career development process.

Job application system	Post entry	A program designed to give enthusiastic and talented employees a chance to apply for specific posts, such as branch manager or section head.
	Job entry	A program designed for our employees enabling them to apply for a range of specialist jobs in various fields, such as asset management, planning, dealing, and investment banking, to facilitate the planning of their personal careers.
	Training entry	A program designed to enable employees to apply for the training courses necessary for their career plans. Training courses offered include overseas on-the-job training at other financial institutions, courses at overseas graduate schools, and discussion forums held with companies in fields of business outside banking.
Self-education for career (personal) development support system		e-learning; assistance in acquiring qualifications, and in-house career qualification system.

Various systems offered to help employees balance work and family life

Since April 2005, SMBC has been operating an Employee Support Program to assist those staff members who have young children or elderly family members to care for, enabling them to balance their work and family life. Details of the program are given in the table below.

System for rehiring former employees	A system under which employees who have resigned due to marriage, childbirth, child raising or care of a parent can apply to be rehired within three years of their resignations.
Leave for child raising	With effect from fiscal 2005, an employee may take a maximum of one-and-a-half years of leave for child raising. In the event that an employee's spouse has taken one year's leave (from the birth of the child), the employee may take the following six months as child-raising leave.
Shorter working hours	<ul style="list-style-type: none"> ● SMFG offers the possibility of shorter working hours to employees who need to drop children off at a daycare facility and pick them up at the end of the day. ● There are two types of shortened work schedules: one that allows employees to specify a six-hour working period each day, and another that allows employees to designate one day each week as a holiday.
Support for child care/healthcare	To reduce the economic burden on employees of child raising and other family requirements, SMBC offers reduced-fee child care, baby-sitting, elderly parental care, health-related assistance and other services provided by employee benefit service providers.
Leave for taking care of sick children	An employee may take leave to care for a pre-school child suffering from injury or disease.
Leave for taking care of elderly or disabled family members	An employee may take leave to care for a disabled or elderly family members.
Seminars for employees utilizing the child-raising leave system	From April 2006, SMBC has been holding monthly seminars to help employees taking childcare leave keep up with the latest developments in the banking business and in SMBC in particular. This makes their return to the workplace easier.

Helping staff lead a healthy life

SMBC has taken the measures detailed below to provide a safe and comfortable working environment for employees, and to assist them in leading healthy and fulfilling lives.

Health Management	SMBC has health development centers at three locations, including the head office. Responsible for managing the health of employees, the centers are staffed by industrial physicians, nurses, hygienists and other professionals. Each health development center includes a medical clinic.
On-site health consultations	In addition to conducting periodic medical examinations for all employees, hygienists and nurses visit business sites that do not have a health development center to provide health consultations.
Health checkups	To detect diseases at an early stage and maintain good health, SMBC conducts not only the annual health checkups required by law, but also adult disease medical checkups for detection of chronic diseases, complete medical checkups and other checkups according to age in cooperation with the SMFG health insurance association.
Mental healthcare	To help employees monitor their own mental health, SMBC has made available a stress-checking system on the Group's intranet. In addition, the SMFG health insurance association provides telephone consultations and face-to-face consultations.

Developing employee awareness of individual rights

SMBC has laid down as principles to be observed by all its employees in the course of their work: 1) the requirement to respect the individual human dignity of customers and fellow staff members alike at all times; and 2) a prohibition against discrimination or prejudice of any kind against any person or class of persons.

To increase our employees' knowledge of the issues involved in respecting the rights of individuals, we have implemented the following measures.

(1) Group Seminars

The bank provides group seminars for the general managers of departments and branches who are responsible for overseeing their staff. The bank conducts similar seminars for employees newly promoted to management positions, junior staff, and newly-hired employees.

(2) On-the-job Training Sessions

These training sessions are held twice a year at each department and branch, and are presided over by the head of the department or the branch manager. A wide range of themes are addressed, including the treatment of persons with disabilities, sexual harassment, unacceptable beliefs and verbal expressions, and the Personal Information Protection Law and related matters concerning respect for the rights of the individual. These issues all form the subject of intensive discussions.

(3) Submission of Slogans

To raise the level of awareness of individual rights issues within the workplace, we invite our employees to think up slogans for display in the office or in manuals and so on concerning respect for individual rights. Staff at SMBC group companies, as well as temp staff and other non-regular employees are also urged to attend our study sessions and to submit slogans for consideration.

Expanding employment opportunities for persons with disabilities

In line with new legislation to promote the employment of persons with disabilities, SMBC has established a subsidiary, SMBC Green Service Co., Ltd., as part of the bank's overall policy of actively seeking to increase the employment of persons with disabilities within the SMBC group.

In recognition of SMBC Green Service's significant contribution to expanding the employment of persons with disabilities, and providing conditions that enable them to stay at the same workplace for longer, in fiscal 2005 the Osaka Prefectural Government presented the company with an award under its "Compassionate Corporation Program."

Staff Profile

March 31	2004	2005	2006
Number of employees	22,348	21,020	20,322
Male	15,750	14,635	13,955
Female	6,598	6,385	6,367
Average age	38.7	39.0	39.0
Male	40.9	41.2	41.2
Female	33.3	33.7	34.0
Average years of service	16.6	16.9	16.7
Male	18.3	18.5	18.3
Female	12.8	13.2	13.3
Ratio of employees with disabilities (% of total)	2.03%	2.09%	1.99%*

*As of March 1, 2006



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Consolidated Balance Sheets

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	2006
Assets			
Cash and due from banks (Note 9)	¥ 5,159,822	¥ 2,930,645	\$ 43,921
Deposits with banks (Notes 9 and 28)	1,947,647	2,059,168	16,579
Call loans and bills bought	651,905	1,004,512	5,549
Receivables under resale agreements.....	117,474	124,856	1,000
Receivables under securities borrowing transactions	1,956,650	568,340	16,655
Commercial paper and other debt purchased (Note 28).....	633,760	606,032	5,395
Trading assets (Notes 3, 9 and 28).....	4,078,025	3,769,073	34,713
Money held in trust (Note 28).....	2,912	3,832	25
Securities (Notes 4, 9 and 28).....	25,505,861	24,233,701	217,108
Loans and bills discounted (Notes 5 and 9).....	57,267,203	54,799,805	487,463
Foreign exchanges.....	947,744	895,586	8,067
Other assets (Notes 6 and 9).....	3,403,832	3,110,454	28,974
Premises and equipment (Notes 7, 9 and 16).....	806,369	836,053	6,864
Lease assets (Note 8).....	999,915	1,007,015	8,511
Deferred tax assets (Note 25).....	1,051,609	1,598,158	8,951
Goodwill	6,612	13,381	56
Customers' liabilities for acceptances and guarantees	3,508,695	3,444,799	29,866
Reserve for possible loan losses	(1,035,468)	(1,273,560)	(8,814)
Total assets	¥107,010,575	¥99,731,858	\$910,883
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits (Notes 9 and 10)	¥ 73,542,769	¥71,188,131	\$626,003
Call money and bills sold (Note 9)	8,016,410	4,971,462	68,236
Payables under repurchase agreements (Note 9)	396,205	405,671	3,373
Payables under securities lending transactions (Note 9).....	2,747,125	3,868,001	23,384
Commercial paper.....	10,000	374,100	85
Trading liabilities (Notes 9 and 11).....	2,908,158	2,110,473	24,755
Borrowed money (Notes 9 and 12)	2,133,707	2,142,873	18,162
Foreign exchanges.....	447,722	478,482	3,811
Short-term bonds (Note 13)	383,900	1,000	3,268
Bonds (Note 13).....	4,241,417	4,339,497	36,103
Due to trust account.....	318,597	50,457	2,712
Other liabilities (Notes 9 and 14).....	2,625,594	2,363,786	22,349
Reserve for employee bonuses	25,300	23,816	215
Reserve for employee retirement benefits (Note 26)	36,786	34,792	313
Reserve for expenses related to EXPO 2005 Japan	—	231	—
Other reserves (Note 15)	1,141	1,093	10
Deferred tax liabilities (Note 25).....	49,484	45,259	421
Deferred tax liabilities for land revaluation (Notes 16 and 25)	50,133	90,994	427
Acceptances and guarantees (Note 9).....	3,508,695	3,444,799	29,866
Total liabilities	101,443,151	95,934,927	863,493
Minority interests (Note 17)	1,113,025	1,021,203	9,474
Stockholders' equity			
Capital stock (Note 18).....	1,420,877	1,352,651	12,095
Capital surplus	1,229,225	974,346	10,463
Retained earnings	992,064	329,963	8,444
Land revaluation excess (Note 16)	38,173	57,853	325
Net unrealized gains on other securities (Notes 25 and 28)	819,927	410,653	6,979
Foreign currency translation adjustments	(41,475)	(79,883)	(353)
Treasury stock (Note 18).....	(4,393)	(269,857)	(37)
Total stockholders' equity	4,454,399	2,775,728	37,916
Total liabilities, minority interests and stockholders' equity	¥107,010,575	¥99,731,858	\$910,883

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen		Millions of
	2006	2005	U.S. dollars (Note 1)
			2006
Income			
Interest income:			
Interest on loans and discounts	¥1,228,472	¥1,152,749	\$10,457
Interest and dividends on securities.....	317,352	256,396	2,701
Interest on receivables under resale agreements.....	6,767	3,163	58
Interest on receivables under securities borrowing transactions	613	185	5
Interest on deposits with banks.....	59,875	36,183	510
Other interest income.....	49,519	73,050	422
Trust fees	8,631	2,609	73
Fees and commissions (Note 19)	703,928	596,086	5,992
Trading profits (Note 20)	32,807	144,587	279
Other operating income (Note 21).....	1,144,147	1,058,289	9,739
Other income (Note 22).....	250,973	266,569	2,136
Total income	3,803,089	3,589,871	32,372
Expenses			
Interest expenses:			
Interest on deposits.....	279,526	135,212	2,379
Interest on borrowings and rediscounts	35,055	40,935	299
Interest on payables under repurchase agreements	7,447	3,472	63
Interest on payables under securities lending transactions	58,292	51,853	496
Interest on bonds	86,386	84,694	735
Other interest expenses.....	34,285	34,217	292
Fees and commissions (Note 19)	84,336	79,976	718
Trading losses (Note 20).....	—	199	—
Other operating expenses (Note 23).....	876,635	867,748	7,462
General and administrative expenses.....	853,796	852,715	7,268
Provision for reserve for possible loan losses.....	163,549	288,902	1,392
Other expenses (Note 24).....	280,414	1,258,478	2,387
Total expenses	2,759,726	3,698,406	23,491
Income (loss) before income taxes and minority interests	1,043,362	(108,535)	8,881
Income taxes (Note 25):			
Current	69,818	30,638	594
Refund	—	(8,869)	—
Deferred	226,901	52,912	1,932
Minority interests in net income.....	59,800	50,983	509
Net income (loss)	¥ 686,841	¥ (234,201)	\$ 5,846

Per share data:	Yen	U.S. dollars (Note 1)
	Net income (loss)	¥94,733.62
Net income — diluted.....	75,642.93	— 643.88
Declared dividends on common stock	3,000	3,000 25.54
Declared dividends on preferred stock (Type 1)	10,500	10,500 89.38
Declared dividends on preferred stock (Type 2)	28,500	28,500 242.59
Declared dividends on preferred stock (Type 3)	13,700	13,700 116.62
Declared dividends on preferred stock (1st to 12th series Type 4).....	135,000	135,000 1,149.13
Declared dividends on preferred stock (13th series Type 4)	—	67,500 —
Declared dividends on preferred stock (1st series Type 6).....	88,500	728 753.32

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31, 2006 and 2005	Millions of yen							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2004	¥1,247,650	¥ 865,282	¥611,189	¥96,527	¥325,013	¥(71,764)	¥ (2,956)	¥3,070,942
Issuance of preferred stocks	105,001	105,001						210,003
Change due to decrease of consolidated subsidiaries			3					3
Change due to decrease of affiliates			(2,719)					(2,719)
Gains on disposal of treasury stock		4,063						4,063
Transfer of land revaluation excess			2,111	(2,111)				—
Transfer to deferred tax liabilities for land revaluation and others				(36,562)				(36,562)
Cash dividends paid			(46,421)					(46,421)
Net loss			(234,201)					(234,201)
Change in net unrealized gains on other securities					85,639			85,639
Change in foreign currency translation adjustments						(8,119)		(8,119)
Change in treasury stock							(266,900)	(266,900)
Balance at March 31, 2005	1,352,651	974,346	329,963	57,853	410,653	(79,883)	(269,857)	2,775,728
Issuance of common stocks	68,225	68,225						136,451
Change due to increase of consolidated subsidiaries			(2)					(2)
Change due to decrease of affiliates			1					1
Gains on disposal of treasury stock		186,653						186,653
Transfer of land revaluation excess			19,649	(19,649)				—
Change in equity of consolidated subsidiary and others				(29)				(29)
Cash dividends paid			(44,389)					(44,389)
Net income			686,841					686,841
Change in net unrealized gains on other securities					409,273			409,273
Change in foreign currency translation adjustments						38,408		38,408
Change in treasury stock							265,463	265,463
Balance at March 31, 2006	¥1,420,877	¥1,229,225	¥992,064	¥38,173	¥819,927	¥(41,475)	¥ (4,393)	¥4,454,399

Year ended March 31, 2006	Millions of U.S. dollars (Note 1)							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2005	\$11,514	\$ 8,294	\$2,809	\$492	\$3,496	\$(680)	\$(2,297)	\$23,628
Issuance of common stocks	581	581						1,162
Change due to increase of consolidated subsidiaries			(0)					(0)
Change due to decrease of affiliates			0					0
Gains on disposal of treasury stock		1,588						1,588
Transfer of land revaluation excess			167	(167)				—
Change in equity of consolidated subsidiary and others				(0)				(0)
Cash dividends paid			(378)					(378)
Net income			5,846					5,846
Change in net unrealized gains on other securities					3,483			3,483
Change in foreign currency translation adjustments						327		327
Change in treasury stock							2,260	2,260
Balance at March 31, 2006	\$12,095	\$10,463	\$8,444	\$325	\$6,979	\$(353)	\$ (37)	\$37,916

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	2006
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 1,043,362	¥ (108,535)	\$ 8,881
Depreciation of premises, equipment and others	82,671	84,120	704
Depreciation of lease assets.....	336,871	340,777	2,867
Losses on impairment of fixed assets.....	12,303	—	105
Amortization of goodwill	6,270	10,017	53
Equity in earnings of affiliates	(31,887)	(27,142)	(271)
Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary	(63,257)	—	(538)
Net change in reserve for possible loan losses	(241,530)	(140,104)	(2,056)
Net change in reserve for employee bonuses	1,403	1,497	12
Net change in reserve for employee retirement benefits	1,993	134,819	17
Net change in reserve for expenses related to EXPO 2005 Japan	(231)	114	(2)
Interest income	(1,662,600)	(1,521,728)	(14,152)
Interest expenses.....	500,993	350,385	4,265
Net (gains) losses on securities	(27,853)	102,784	(237)
Net gains from money held in trust	(13)	(0)	(0)
Net exchange gains	(175,815)	(105,603)	(1,497)
Net (gains) losses from disposal of premises and equipment	(551)	63,973	(5)
Net gains from disposal of lease assets	(3,235)	(3,345)	(28)
Net change in trading assets	(225,005)	(468,577)	(1,915)
Net change in trading liabilities	746,642	246,434	6,356
Net change in loans and bills discounted.....	(2,311,499)	468,339	(19,676)
Net change in deposits	2,210,634	3,137,797	18,817
Net change in negotiable certificates of deposit	(8,026)	(806,192)	(68)
Net change in borrowed money (excluding subordinated debt).....	90,612	(180,888)	771
Net change in deposits with banks	175,960	(245,726)	1,498
Net change in call loans, bills bought, receivables under resale agreements, and commercial paper and other debt purchased	342,387	(743,218)	2,914
Net change in receivables under securities borrowing transactions	(1,388,310)	440,987	(11,817)
Net change in call money, bills sold and payables under repurchase agreements	3,027,037	(2,013,905)	25,766
Net change in commercial paper	(364,100)	91,400	(3,099)
Net change in payables under securities lending transactions	(1,120,876)	(2,078,345)	(9,541)
Net change in foreign exchanges (assets).....	(46,473)	(151,254)	(396)
Net change in foreign exchanges (liabilities)	(31,381)	(94,405)	(267)
Net change in short-term bonds (liabilities).....	382,900	1,000	3,259
Issuance and redemption of bonds (excluding subordinated bonds).....	(365,646)	130,498	(3,112)
Net change in due to trust account	268,140	14,424	2,282
Interest received	1,691,320	1,553,995	14,397
Interest paid	(509,760)	(336,234)	(4,339)
Net change in payable on trading and securities contracts	—	(1,020,879)	—
Other, net.....	(104,996)	(350,488)	(894)
Subtotal	2,238,450	(3,223,208)	19,054
Income taxes paid.....	(30,096)	(56,914)	(256)
Net cash provided by (used in) operating activities	2,208,354	(3,280,122)	18,798

(Continued)

Year ended March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	2006
2. Cash flows from investing activities:			
Purchases of securities.....	¥(43,620,790)	¥(46,309,832)	\$(371,304)
Proceeds from sale of securities.....	33,089,259	36,134,383	281,659
Proceeds from maturity of securities.....	10,164,213	13,118,211	86,519
Purchases of money held in trust.....	(2,851)	—	(24)
Proceeds from sale of money held in trust.....	3,789	0	32
Purchases of premises and equipment.....	(43,066)	(56,945)	(367)
Proceeds from sale of premises and equipment.....	17,733	93,474	151
Purchases of lease assets.....	(380,894)	(396,497)	(3,242)
Proceeds from sale of lease assets.....	55,186	43,702	470
Proceeds from sale of stocks of subsidiaries.....	54,937	—	467
Purchases of stocks of subsidiaries.....	—	(2,970)	—
Net cash (used in) provided by investing activities.....	(662,482)	2,623,525	(5,639)
3. Cash flows from financing activities:			
Proceeds from issuance of subordinated debt.....	103,000	36,000	877
Repayment of subordinated debt.....	(215,884)	(72,212)	(1,838)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights.....	431,458	440,237	3,673
Repayment of subordinated bonds and bonds with stock acquisition rights.....	(198,800)	(234,983)	(1,692)
Proceeds from issuance of stocks.....	136,451	210,003	1,162
Dividends paid.....	(44,373)	(46,463)	(378)
Proceeds from minority stockholders.....	59,640	21,024	508
Dividends paid to minority stockholders.....	(42,366)	(39,457)	(361)
Purchases of treasury stock.....	(2,209)	(269,012)	(19)
Proceeds from sale of treasury stock.....	—	9,063	—
Proceeds from disposal of treasury stock.....	452,549	—	3,852
Net cash provided by financing activities.....	679,464	54,199	5,784
4. Effect of exchange rate changes on cash and due from banks.....	3,840	(378)	32
5. Net change in cash and due from banks.....	2,229,177	(602,776)	18,975
6. Cash and due from banks at beginning of year.....	2,930,645	3,529,479	24,946
7. Change in cash and due from banks due to merger of consolidated subsidiaries.....	—	3,941	—
8. Change in cash and due from banks due to exclusion of consolidated subsidiaries.....	(0)	—	(0)
9. Cash and due from banks at end of year.....	¥ 5,159,822	¥ 2,930,645	\$ 43,921

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Years ended March 31, 2006 and 2005

1. Basis of Presentation

Sumitomo Mitsui Financial Group, Inc. (SMFG) was established on December 2, 2002 as a holding company for the SMFG group through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of former Sumitomo Mitsui Banking Corporation ("former SMBC") in exchange for SMFG's newly issued securities. SMFG is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Commercial Code of Japan. Upon formation of SMFG and completion of the statutory share transfer, former SMBC became a direct wholly owned subsidiary of SMFG.

SMFG has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of SMFG prepared in accordance with Japanese GAAP.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2006, which was ¥117.48 to US\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. Significant Accounting Policies

(1) Consolidation and equity method

(a) Scope of consolidation

Japanese accounting standards on consolidated financial statements require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control is defined as the power to govern the decision making body of an enterprise.

(i) Consolidated subsidiaries

Number of consolidated subsidiaries is as follows:

March 31	2006	2005
Consolidated subsidiaries	162	167

Principal companies:

Sumitomo Mitsui Banking Corporation (SMBC)
THE MINATO BANK, LTD.
Kansai Urban Banking Corporation
Sumitomo Mitsui Banking Corporation Europe Limited
Manufacturers Bank
SMBC Leasing Company, Limited
Sumitomo Mitsui Card Company, Limited
SMBC Finance Service Co., Ltd.
SMBC Friend Securities Co., Ltd.
The Japan Research Institute, Limited
SMBC Capital Markets, Inc.

Changes in consolidated subsidiaries in the fiscal year ended March 31, 2006 are as follows:

Twenty companies including The Japan Research Institute (Shanghai) Solution Co., Ltd. were newly consolidated due to establishment and other reason.

Thirteen companies including WAKASHIO OFFICE SERVICE Co., Ltd. were excluded from the scope of consolidation because they were no longer subsidiaries due to liquidation and other reason. Also, twelve companies including SMLC CENTAURUS CO., LTD. were excluded from the scope of consolidation and became unconsolidated subsidiaries that are not accounted for by the equity method because they became silent partnerships for lease transactions.

(ii) Unconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and twenty-one subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because their total amounts in terms of total assets, ordinary income, net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of consolidation.

(b) Application of the equity method

Japanese accounting standards also require any unconsolidated subsidiaries and affiliates on which SMFG is able to exercise material influence over their financial and operating policies to be accounted for by the equity method.

(i) Unconsolidated subsidiaries accounted for by the equity method

Number of unconsolidated subsidiaries accounted for by the equity method is as follows:

March 31	2006	2005
Unconsolidated subsidiaries	3	4

Principal company:

SBCS Co., Ltd.

In the fiscal year ended March 31, 2006, SBL Holdings Limited was excluded from the scope of unconsolidated subsidiaries accounted for by the equity method because it was no longer a subsidiary due to liquidation.

(ii) Affiliates accounted for by the equity method

Number of affiliates accounted for by the equity method is as follows:

March 31	2006	2005
Affiliates	60	49

Principal companies:

Promise Co., Ltd.

Daiwa Securities SMBC Co. Ltd.

NIF SMBC Ventures Co., Ltd.

Daiwa SB Investments Ltd.

Sumitomo Mitsui Asset Management Company, Limited
QUOQ Inc.

Changes in affiliates in the fiscal year ended March 31, 2006 are as follows:

Fifteen companies including former NIF Ventures Co., Ltd. (current name: NIF SMBC Ventures Co., Ltd.) newly became affiliated companies accounted for by the equity method due to acquisition of shares.

Four companies including P.T. Perjahl Leasing Indonesia were excluded from the scope of affiliated companies due to sale of shares.

(iii) Unconsolidated subsidiaries that are not accounted for by the equity method

One hundred and twenty-one subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they are not treated as affiliated companies accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Consolidated Financial Statements Regulations.

(iv) Affiliates that are not accounted for by the equity method

Principal company:

Daiwa SB Investments (USA) Ltd.

Other unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are also excluded from the scope of equity method because their total amounts in terms of net income and retained earnings are so immaterial that they do not hinder a rational judgment of SMFG's financial position and results of operations when excluded from the scope of equity method.

(c) The balance sheet dates of consolidated subsidiaries

(i) The balance sheet dates of the consolidated subsidiaries are as follows:

March 31	2006	2005
June 30	2	—
September 30	5	5
October 31	1	1
November 30	2	—
December 31	64	70
January 31	1	2
February 28	2	—
March 31	85	89

A consolidated overseas subsidiary changed its balance sheet date from December 31 to March 31 from the fiscal year ended March 31, 2006. Therefore, SMFG's consolidated financial statements for the fiscal year ended March 31, 2006 include the subsidiary's profit or loss for the period from January 1, 2005 to March 31, 2006. However, this change had no material impact on the consolidated financial statements.

(ii) As for the companies whose balance sheet dates are June 30, September 30 and November 30, the accounts were provisionally closed as of March 31 for the purpose of consolidation. As for the subsidiary whose balance sheet date is October 31, its financial statements are consolidated based on the provisional financial statements closed as of January 31. A consolidated subsidiary (established in January 2006) whose balance sheet date is December 31 is consolidated after the accounts were provisionally closed as of March 31 for the purpose of consolidation. The other companies were consolidated on the basis of their respective balance sheet dates.

Appropriate adjustments were made for material transactions during the periods from their respective balance sheet dates to the consolidated closing dates.

(2) Statements of cash flows

(a) For the purposes of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks.

(b) The presentation of statements of cash flows for the fiscal year ended March 31, 2006 is changed as follows:

(i) "Gains on sale of subsidiaries' shares and gains on change in equity of subsidiary," which was included in "Other, net" of "Net cash provided by (used in) operating activities" in the amount of ¥(3,120) million for the fiscal year ended March 31, 2005, was separately presented for the fiscal year ended March 31, 2006, reflecting the growth in its importance.

(ii) "Net change in payable on trading and securities contracts," which was separately presented in "Net cash provided by (used in) operating activities" for the fiscal year ended March 31, 2005, was included in "Other, net" of "Net cash provided by (used in) operating cash flows" in the amount of ¥(788) million (\$7 million) for the fiscal year ended March 31, 2006, reflecting a decrease in its importance.

(iii) "Proceeds from sale of treasury stock," which was presented in "Net cash provided by financing activities" for the fiscal year ended March 31, 2005, was included in "Proceeds from disposal of treasury stock" in the amount of ¥452,277 million (\$3,850 million) for the fiscal year ended March 31, 2006.

- (3) Trading assets/liabilities and trading profits/losses
Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in “Trading assets” or “Trading liabilities” on the consolidated balance sheet on a trade date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading profits” and “Trading losses.”

Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial 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.

“Trading profits” and “Trading losses” include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

SMBC accounts for foreign currency translation differences arising from currency swaps for trading purposes as “Trading assets” or “Trading liabilities” on a gross basis, pursuant to the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No. 25).

- (4) Securities

As for securities other than trading purposes, debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (straight-line method) using the moving-average method.

Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.

Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as “other securities” (available-for-sale securities). Stocks in other securities that have market prices are carried at their average market prices during the final month of the fiscal year, and bonds and others that have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in “Stockholders’ equity,” after deducting the amount that is reflected in the fiscal year’s earnings by applying fair value hedge accounting.

Securities included in money held in trust are carried in the same method as for securities mentioned above.

- (5) Derivative transactions

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.

- (6) Hedge accounting

- (a) Hedging against interest rate changes

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting or fair value hedge accounting.

SMBC applies deferred hedge accounting stipulated in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24) to portfolio hedges on groups of large-volume, small-value monetary claims and debts. As for the portfolio hedges to offset market fluctuation, SMBC assesses the effectiveness of such hedges by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for the portfolio hedges to fix cash flows, SMBC assesses the effectiveness of such hedges by verifying the correlation between the hedged items and the hedging instruments.

As for the individual hedges, SMBC also basically applies deferred hedge accounting. But, SMBC applies fair value hedge accounting to hedging transactions for reducing the market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management.

As a result of the application of JICPA Industry Audit Committee Report No. 24, SMBC discontinued the application of hedge accounting or applied fair value hedge accounting to a portion of the hedging instruments using “macro hedge,” which had been applied in order to manage interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives pursuant to “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 15). The deferred hedge losses and gains related to such a portion of hedging instruments are charged to “Interest income” or “Interest expenses” over a 12-year period (maximum) according to their maturity from the fiscal year ended March 31, 2004. Gross amounts of deferred hedge losses and gains on “macro hedge” at March 31, 2006 were ¥100,159 million (\$853 million) and ¥78,635 million (\$669 million), respectively.

- (b) Hedging against currency fluctuations

SMBC applies deferred hedge accounting stipulated in JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No. 25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual)

or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.

(c) Transactions between consolidated subsidiaries

As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No. 24 and No. 25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

Certain other consolidated subsidiaries use the deferred hedge accounting or the special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the accounting method that is permitted by "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry" (JICPA Industry Audit Committee Report No. 19).

(7) Non-accrual loans

Loans are generally placed on non-accrual status when their borrowers are classified as Bankrupt, Effectively Bankrupt or Potentially Bankrupt under the self-assessment rule (see (11) Reserve for possible loan losses).

(8) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. SMFG's banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value at March 31, 2006 and 2005 was ¥891,160 million (\$7,586 million) and ¥966,552 million, respectively, and bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought that were rediscounted by the banking subsidiaries accounted for ¥2,918 million (\$25 million) and ¥11,576 million of the total amount at March 31, 2006 and 2005, respectively.

(9) Premises and equipment

Premises and equipment owned by SMFG and SMBC are generally stated at cost less accumulated depreciation. Depreciation of premises is calculated using the straight-line method over the estimated useful lives of the respective assets. They calculated the depreciation cost for the fiscal year by proportionally allocating the estimated annual cost to the fiscal year. The estimated useful lives of major items are as follows:

Buildings: 7 to 50 years

Equipment: 2 to 20 years

Other consolidated subsidiaries depreciate premises and equipment, and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.

(10) Software costs

Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated using the straight-line method over its estimated useful life (basically five years).

(11) Reserve for possible loan losses

Reserve for possible loan losses of major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy ("potentially bankrupt borrowers"), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Discounted Cash Flows (DCF) method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as "Past due loans (3 months or more)" or "Restructured loans" whose total loans from SMBC exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off was ¥799,143 million (\$6,802 million) and ¥1,782,244 million at March 31, 2006 and 2005, respectively.

- (12) Reserve for expenses related to EXPO 2005 Japan
 In the fiscal year ended March 31, 2005, SMBC accounted for the exhibition expenses related to “The 2005 World Exposition, Aichi, Japan” as “Reserve for expenses related to EXPO 2005 Japan,” which included the reserve that was stipulated in Article 57-2 of the Specific Taxation Measures Law.
- (13) Reserve for employee bonuses
 Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the respective fiscal year.
- (14) Reserve for employee retirement benefits
 Reserve for employee retirement benefits is provided for payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.
 Unrecognized prior service cost is amortized using the straight-line method, primarily over 10 years within the employees’ average remaining service period at incurrence.
 Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 10 years within the employees’ average remaining service period, commencing from the next fiscal year of incurrence.
 Unrecognized net transition obligation from the initial application of the new accounting standard for employee retirement benefits was amortized primarily using the straight-line method over five years in the fiscal year ended March 31, 2005.
 A part of “Accounting Standards for Retirement Benefits” (issued by the Business Accounting Deliberation Council on June 16, 1998) was revised on March 16, 2005. As a result, the amount by which the plan assets exceed the projected benefit obligation (“unrecognized plan assets”) due to excess of the actual return on the plan assets over the expected return on the plan assets, or occurrence of prior service costs due to lowering of pension benefit levels was permitted to be recognized as assets and gains. SMBC implemented an early adoption of the revised standards from the fiscal year ended March 31, 2005 and treated the unrecognized plan assets as actuarial differences. This accounting change had no impact on profit and loss accounts.
- (15) Other reserves
 Reserves required by special laws are provided as follows:
 (a) Reserve for contingent liabilities from financial futures transactions is provided in accordance with Article 81 of the Financial Futures Transaction Law, in order to cover losses arising from financial futures transactions.
 (b) Reserve for contingent liabilities from securities transactions is provided in accordance with Article 51 of the Securities and Exchange Law in provision for losses arising from securities transactions.
- (16) Translation of foreign currency assets and liabilities
 SMBC’s assets and liabilities denominated in foreign currencies and overseas branches’ accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.
 Other consolidated subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.
- (17) Lease transactions
 Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same method as operating leases.
 Standards for recognizing lease-related income on lease transactions and income/expenses on installment sales are as follows:
 (a) Recognition of lease-related income on lease transactions
 Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.
 (b) Recognition of income and expenses on installment sales
 Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.
- (18) Valuation of consolidated subsidiaries’ assets and liabilities
 Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority shareholders are valued for consolidation at fair value when SMFG acquires control.
- (19) Amortization of goodwill
 Goodwill on Sumitomo Mitsui Card Company, Limited and SMBC Leasing Company, Limited is amortized using the straight-line method over five years and goodwill on other companies is charged or credited to income directly when incurred.
- (20) Appropriation of retained earnings
 Payments of dividends are accounted for as appropriations of retained earnings in the fiscal year when such appropriations are approved at the general shareholders’ meeting or, in the case of interim dividends, at the meeting of the Board of Directors.
 Cash dividends charged to retained earnings are those actually paid during the fiscal year and consist of year-end dividends applicable to the preceding year and interim dividends for the current year.

(21) Application of new accounting standards for impairment of fixed assets

Effective April 1, 2005, SMFG applied “Accounting Standards for Impairment of Fixed Assets” (“Opinion Concerning Establishment of Accounting Standard for Impairment on Fixed Assets,” issued by the Business Accounting Deliberation Council on August 9, 2002) and “Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets” (Guidelines on Implementation of Business Accounting Standard No. 6, issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, net income before income taxes and minority interests decreased by ¥11,523 million (\$98 million) compared with the former method.

In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law and the accumulated impairment loss is also deducted from the book value of each asset.

At SMBC, each branch, which continuously manages and determines income and expenses, is the smallest unit of asset group for recognition and measurement of impairment loss. Fixed assets which do not have identifiable cash flows (such as corporate headquarters facilities, training institutes, business and system centers, and health and recreational facilities) are grouped with other assets. As for idle assets, impairment loss on each asset is measured individually. At other consolidated subsidiaries, a branch is generally considered as the smallest grouping unit.

On assets which investments are not expected to be recovered, SMBC and other consolidated subsidiaries reduced the carrying amounts of idle assets, in the case of SMBC, and those of idle assets and branches, in the case of SMFG and other consolidated subsidiaries, to their recoverable amounts and recognized the relevant losses as “losses on impairment of fixed assets,” which is included in “Other expenses.” Recoverable amounts of some of the branches are calculated based on future cash flows using a discount rate of 5–6%. Recoverable amounts of other assets are calculated using net realizable value which is based on appraisal value in accordance with the Real Estate Appraisal Standard less the expected sale costs.

(22) Issuance of new shares and sale of treasury shares

On January 31, 2006, SMFG issued 80,000 new shares of common stock at ¥1,130,500 per share (issue price) for final allocation by underwriters at ¥1,166,200 per share (offer price). Furthermore, in connection with the over-allotment of 40,700 shares of common stock offered for sale at ¥1,166,200 per share (sales price) in the public offering, SMFG issued on February 28, 2006 the same number of new shares of common stock at ¥1,130,500 per share (issue price) through third-party allocation to the underwriter who conducted the over-allotment. The purchase agreement for the offering prescribes that the total amount of issue price be treated as the total amount of subscription price and no underwriting commission be paid. Accordingly, other expenses do not include the amount equivalent to the underwriting commission for the offering. Out of the issue price per share, ¥565,250 is accounted for as capital stock and ¥565,250 as capital surplus.

Also, on January 31, 2006, SMFG disposed of 400,000 shares of treasury stock at ¥1,130,500 per share (disposal price) for final allocation by underwriters at ¥1,166,200 per share (sales price). The purchase agreement for the offering prescribes that the total amount of disposal price be treated as the total amount of subscription price and no underwriting commission be paid. Accordingly, other expenses do not include the amount equivalent to the underwriting commission for the offering. The difference between the disposal price and the book value of the treasury stock sold in the offering is accounted for as capital surplus.

(23) Amounts per share

Net income (loss) per share is calculated by deducting dividends for preferred stock from net income (loss), divided by the weighted average number of shares of common stock, excluding treasury stock outstanding for the fiscal year.

Diluted net income per share reflects the potential dilution that could occur if preferred stocks and other contracts to issue common stocks were exercised.

Stockholders' equity per share is calculated by deducting from stockholders' equity the number of preferred shares at the fiscal year-end multiplied by the issue price, divided by the number of common shares (excluding treasury shares) at the fiscal year-end.

Declared dividends represent the cash dividends declared applicable to the respective fiscal year, including dividends to be paid after the end of the fiscal year.

3. Trading Assets

Trading assets at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Trading securities	¥ 163,042	¥ 269,678	\$ 1,388
Derivatives of trading securities	275	812	2
Derivatives of securities related to trading transactions	4,162	2,033	36
Trading-related financial derivatives	2,984,988	2,440,254	25,409
Other trading assets	925,557	1,056,293	7,878
	¥4,078,025	¥3,769,073	\$34,713

4. Securities

Securities at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Japanese government bonds*1	¥11,566,093	¥13,636,577	\$ 98,452
Japanese local government bonds	607,777	486,884	5,173
Japanese corporate bonds	3,958,181	3,243,443	33,692
Japanese stocks*1, 2	4,500,639	3,516,280	38,310
Other*2	4,873,169	3,350,515	41,481
	¥25,505,861	¥24,233,701	\$217,108

*1 Unsecured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥1,331 million (\$11 million) are included in Japanese government bonds and Japanese stocks at March 31, 2006, and such securities in the amount of ¥8,774 million are included in Japanese government bonds at March 31, 2005.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to be sold or pledged without restrictions, ¥1,713,027 million (\$14,581 million) of securities are pledged, and ¥199,720 million (\$1,700 million) of securities are held in hand at March 31, 2006. The respective amounts at March 31, 2005 were ¥467,647 million and ¥192,791 million.

*2 Japanese stocks and other include investments in unconsolidated subsidiaries and affiliates of ¥498,660 million (\$4,245 million) and ¥395,984 million at March 31, 2006 and 2005, respectively.

5. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Bills discounted	¥ 432,795	¥ 525,763	\$ 3,684
Loans on notes	4,022,517	4,847,367	34,240
Loans on deeds	44,949,655	42,211,430	382,615
Overdrafts	7,862,235	7,215,244	66,924
	¥57,267,203	¥54,799,805	\$487,463

(2) Loans and bills discounted includes the following "Risk-monitored loans" stipulated in the Banking Law:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Risk-monitored loans:			
Bankrupt loans*1	¥ 59,332	¥ 68,337	\$ 505
Non-accrual loans*2	714,366	1,398,964	6,081
Past due loans (3 months or more)*3	24,571	29,441	209
Restructured loans*4	444,889	730,701	3,787
	¥1,243,160	¥2,227,445	\$10,582

*1 "Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No. 97 of the Japanese Corporate Tax Law (issued in 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

*2 "Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

*3 "Past due loans (3 months or more)" are loans on which the principal or interest is past due for three months or more, excluding "Bankrupt loans" and "Non-accrual loans."

*4 “Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers’ recovery from financial difficulties, excluding “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more).”

The amounts above include the trusted amount with the Resolution and Collection Corporation of ¥41 million at March 31, 2005, which is treated as off-balancing.

(3) Commitment line contracts on overdrafts and loans are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments at March 31, 2006 and 2005 was ¥38,176,896 million (\$324,965 million) and ¥37,440,642 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2006 and 2005 was ¥32,754,665 million (\$278,811 million) and ¥33,204,890 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers’ financial positions, revising contracts when need arises and securing claims after the contracts are made.

6. Other Assets

Other assets at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Prepaid expenses.....	¥ 36,731	¥ 37,677	\$ 313
Accrued income.....	275,870	264,704	2,348
Deferred assets.....	702,914	597,825	5,983
Financial derivatives*.....	814,433	792,007	6,933
Other.....	1,573,880	1,418,239	13,397
	¥3,403,832	¥3,110,454	\$28,974

* Net amount of deferred unrealized losses on hedging instruments to which deferred hedge accounting is applied is reported as deferred losses on hedge and is included in “Financial derivatives.” Gross deferred unrealized losses and gains on hedging instruments before netting at March 31, 2006 were ¥610,517 million (\$5,197 million) and ¥436,183 million (\$3,713 million), respectively. The respective amounts at March 31, 2005 were ¥527,374 million and ¥429,751 million.

7. Premises and Equipment

Premises and equipment at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Land*.....	¥ 396,667	¥ 411,545	\$ 3,376
Buildings.....	493,406	487,686	4,200
Equipment and others.....	462,967	465,828	3,941
Total.....	1,353,041	1,365,060	11,517
Accumulated depreciation.....	(546,672)	(529,007)	(4,653)
	¥ 806,369	¥ 836,053	\$ 6,864

* Includes land revaluation excess referred to in Note 16.

8. Lease Assets

Lease assets at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Equipment and others.....	¥2,564,601	¥2,563,586	\$21,830
Accumulated depreciation.....	(1,564,686)	(1,556,570)	(13,319)
	¥ 999,915	¥1,007,015	\$ 8,511

9. Assets Pledged as Collateral

Assets pledged as collateral at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Assets pledged as collateral			
Cash and due from banks and Deposits with banks	¥ 79,117	¥ 75,769	\$ 673
Trading assets	114,551	630,553	975
Securities	9,229,645	6,492,047	78,564
Loans and bills discounted	1,552,435	1,524,286	13,214
Other assets	1,131	1,080	10
Liabilities corresponding to assets pledged as collateral			
Deposits	19,111	12,745	163
Call money and bills sold	6,996,598	3,976,469	59,556
Payables under repurchase agreements	383,597	393,895	3,265
Payables under securities lending transactions	2,543,261	3,283,601	21,648
Trading liabilities	196,137	143,819	1,670
Borrowed money	27,019	7,566	230
Other liabilities	36,317	14,072	309
Acceptances and guarantees	157,658	144,023	1,342

In addition to the assets presented above, the following assets were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2006 and 2005:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Cash and due from banks and Deposits with banks	¥ 6,729	¥ 5,613	\$ 57
Trading assets	665,395	126,821	5,664
Securities	4,072,275	6,659,318	34,664
Loans and bills discounted	—	27,500	—

Premises and equipment included surety deposits and intangibles of ¥97,162 million (\$827 million) and ¥100,014 million at March 31, 2006 and 2005, respectively. Other assets included initial margins of futures markets of ¥14,631 million (\$125 million) and ¥9,582 million at March 31, 2006 and 2005, respectively.

10. Deposits

Deposits at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Current deposits	¥ 7,043,924	¥ 6,172,889	\$ 59,959
Ordinary deposits	33,369,831	31,159,513	284,047
Savings deposits	1,025,890	1,090,677	8,732
Deposits at notice	4,458,093	4,319,669	37,948
Time deposits	20,866,095	21,157,264	177,614
Negotiable certificates of deposit	2,708,643	2,713,270	23,056
Other deposits	4,070,290	4,574,846	34,647
	¥73,542,769	¥71,188,131	\$626,003

11. Trading Liabilities

Trading liabilities at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Trading securities sold for short sales	¥ 119,337	¥ 69,419	\$ 1,016
Derivatives of trading securities	1,238	524	11
Derivatives of securities related to trading transactions	4,079	2,061	35
Trading-related financial derivatives	2,783,503	2,038,468	23,693
	¥2,908,158	¥2,110,473	\$24,755

12. Borrowed Money

Borrowed money at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars	Average interest rate* ¹	Due
	2006	2005	2006		
Bills rediscounted.....	¥ 2,918	¥ 11,576	\$ 25	2.20%	Apr. 2006 — Aug. 2006
Other borrowings* ²	2,130,788	2,131,297	18,137	1.23	Jan. 2006 — Perpetual
	¥2,133,707	¥2,142,873	\$18,162	1.23%	

*¹ Average interest rate represents the weighted average interest rate based on the balances and rates at respective year-end of SMBC and other consolidated subsidiaries.

*² Includes subordinated debt of ¥622,500 million (\$5,299 million) and ¥734,097 million at March 31, 2006 and 2005, respectively.

The repayment schedule within five years on borrowed money at March 31, 2006 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2006	2006
Within 1 year	¥731,697	\$6,228
After 1 year through 2 years.....	187,741	1,598
After 2 years through 3 years	182,088	1,550
After 3 years through 4 years	158,198	1,347
After 4 years through 5 years	121,200	1,032

13. Bonds

Bonds at March 31, 2006 and 2005 consisted of the following:

March 31	Description	Millions of yen*		Millions of U.S. dollars	Interest rate (%)	Due
		2006	2005	2006		
SMBC:						
	Straight bonds, payable in Yen	¥1,883,760	¥2,198,996	\$16,035	0.51–3.00	Apr. 2006–May 2025
		[390,781]	[491,666]			
	Straight bonds, payable in Euroyen.....	22,900	9,500	195	2.053–10.00	Mar. 2012–Mar. 2036
	Straight bonds, payable in U.S. dollars	—	75,124	—	—	—
			(\$700,000 thousand)			
			[75,124]			
	Subordinated bonds, payable in Yen	450,000	400,000	3,830	1.71–2.62	Jun. 2010–Aug. 2015
	Subordinated bonds, payable in Euroyen.....	774,800	664,900	6,595	0.43063–2.97	May 2011–Perpetual
	Subordinated bonds, payable in U.S. dollars	349,385	174,287	2,974	5.625–8.15	Nov. 2011–Perpetual
		(\$2,974,000 thousand)	(\$1,624,000 thousand)			
	Subordinated bonds, payable in British pound sterling...	2,462	2,422	21	6.98	Perpetual
		(£12,000 thousand)	(£12,000 thousand)			
	Subordinated bonds, payable in Euro	99,960	—	851	4.375	Perpetual
		(€700,000 thousand)				
	Subordinated bonds, payable in Euro.....	178,500	173,437	1,519	4.375	Oct. 2014
		(€1,250,000 thousand)	(€1,250,000 thousand)			
Other consolidated subsidiaries:						
	Straight bonds, payable in Yen	197,181	180,823	1,678	0.04–4.00	Apr. 2006–Oct. 2024
		[85,893]	[67,865]			
	Straight bonds, payable in U.S. dollars	3,886	3,950	33	1.55–7.35	Dec. 2006–May 2009
		(\$33,000 thousand)	(\$38,000 thousand)			
		[1,525]	[521]			
	Straight bonds, payable in Australian dollars	—	113	—	—	—
			(A\$2,000 thousand)			
			[113]			
	Straight bonds, payable in other foreign currency	1,622	3,007	14	4.35	Oct. 2008
			[1,596]			
	Subordinated bonds, payable in Yen	159,478	345,613	1,358	0.3775–5.99375	Feb. 2007–Perpetual
		[1,993]	[36,649]			
	Subordinated bonds, payable in U.S. dollars	117,480	107,320	1,000	8.50	Jun. 2009
		(\$1,000,000 thousand)	(\$1,000,000 thousand)			
	Short-term bonds	383,900	1,000	3,268	0.075–0.30	Apr. 2006–Aug. 2006
		[383,900]	[1,000]			
		¥4,625,317	¥4,340,497	\$39,371		

* Figures in () are the balances in the original currency of the foreign currency denominated bonds, and figures in [] are the amounts to be redeemed within one year.

The redemption schedule within five years on bonds at March 31, 2006 was as follows:

March 31	Millions of yen	Millions of U.S. dollars
	2006	2006
Within 1 year	¥864,093	\$7,355
After 1 year through 2 years.....	420,864	3,582
After 2 years through 3 years	427,100	3,636
After 3 years through 4 years	564,486	4,805
After 4 years through 5 years	312,497	2,660

14. Other Liabilities

Other liabilities at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Accrued expenses.....	¥ 127,194	¥ 128,568	\$ 1,083
Unearned income.....	183,091	178,394	1,559
Income taxes payable	47,260	33,190	402
Financial derivatives	830,867	689,318	7,072
Other	1,437,180	1,334,314	12,233
	¥2,625,594	¥2,363,786	\$22,349

15. Other Reserves

Other reserves at March 31, 2006 and 2005 consisted of the following:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Reserve for contingent liabilities from financial futures transactions	¥ 18	¥ 18	\$ 0
Reserve for contingent liabilities from securities transactions.....	1,122	1,075	10
	¥1,141	¥1,093	\$10

16. Land Revaluation Excess

SMBC revaluated its own land for business activities in accordance with the “Law Concerning Land Revaluation” (the “Law”) effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in “Liabilities” as “Deferred tax liabilities for land revaluation,” and the net unrealized gains, net of deferred taxes, are reported as “Land revaluation excess” in “Stockholders’ equity.”

Certain other consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains are deferred and reported in “Liabilities” as “Deferred tax liabilities for land revaluation” and the net unrealized gains, net of deferred taxes, are reported as “Land revaluation excess” in “Stockholders’ equity.”

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Certain other consolidated subsidiaries:

March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Law)

SMBC:

Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance No. 119) effective March 31, 1998.

Certain other consolidated subsidiaries:

Fair values were determined based on the values stipulated in Article 2-3 and 2-5 of the Enforcement Ordinance No. 119.

Total fair value of land used for business activities at March 31, 2006 and 2005, whose book value had been revaluated pursuant to Article 10 of the Law, was ¥15,253 million (\$130 million) and ¥21,022 million lower than the book value, respectively.

17. Minority Interests

SB Treasury Company L. L. C., a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling \$1,800 million in February 1998. SB Equity Securities (Cayman), Limited, a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling ¥340,000 million in February and March 1999. Sakura Preferred

Capital (Cayman) Limited, a subsidiary of SMBC, issued noncumulative perpetual preferred securities, totaling ¥283,750 million in December 1998 and March 1999. These subsidiaries are consolidated and the preferred securities are accounted for as minority interests.

18. Capital Stock

Capital stock consists of common stock and preferred stock. Common stock and preferred stock at March 31, 2006 and 2005 were as follows:

March 31	Number of shares			
	2006		2005	
	Authorized	Issued	Authorized	Issued
Common stock.....	15,000,000	7,424,172.77	15,000,000	6,273,792.49
Preferred stock (Type 1)*.....	35,000	35,000	35,000	35,000
Preferred stock (Type 2)*.....	100,000	100,000	100,000	100,000
Preferred stock (Type 3).....	695,000	695,000	695,000	695,000
Preferred stock (Type 4).....	135,000	50,100	242,087	157,187
Preferred stock (Type 5).....	250,000	—	250,000	—
Preferred stock (Type 6).....	300,000	70,001	300,000	70,001
Total.....	16,515,000	8,374,273.77	16,622,087	7,330,980.49

* See Note 32.

All of the preferred stock is noncumulative and nonparticipating for dividend payments, and shareholders of the preferred stock are not entitled to vote at a general meeting of shareholders except when the proposal to pay the prescribed dividends to shareholders is not submitted to the general meeting of shareholders or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 1, Type 2, Type 3, 1st to 12th series Type 4 and 1st series Type 6) are paid to shareholders by ¥10,500, ¥28,500, ¥13,700, ¥135,000 and ¥88,500, respectively.

In cases of liquidation distribution, shareholders of preferred stock (Type 1, Type 2, Type 3, 1st to 12th series Type 4 and 1st series Type 6) will receive ¥3,000,000, ¥3,000,000, ¥1,000,000, ¥3,000,000 and ¥3,000,000 per share, respectively, and will not have the right to participate in any further liquidation distribution.

SMFG may, at any time, purchase and retire preferred stocks out of earnings available for distribution to the shareholders.

Shareholders of preferred stock may request SMFG to convert their preferred stocks into common stocks. The period during which the conversion may be requested (the "conversion period") and the terms and conditions of conversion with respect to preferred stock (Type 1, Type 2 and Type 3) were determined by the resolution made in accordance with the provisions of Article 365 of the Commercial Code, of a shareholders meeting of SMBC. The conditions of conversion of preferred stock (1st to 12th series Type 4) were determined by the resolution of the board of directors relating to the issuance of the relevant preferred stocks. The conversion period and conversion price* as of March 31, 2006 of each type of preferred stock are as follows:

Preferred stock (Type 1):

December 2, 2002 to February 26, 2009

¥942,500

Preferred stock (Type 2):

August 1, 2005 to February 26, 2009

¥942,500

Preferred stock (Type 3):

December 2, 2002 to September 30, 2009

¥826,900

Preferred stock (1st to 12th series Type 4):

February 8, 2003 to February 7, 2028

¥320,700

* Conversion prices are adjusted pursuant to the appointed rules governing conversion of the preferred stocks.

Any preferred stock (Type 1, Type 2, Type 3 and 1st to 12th series Type 4) with respect to which conversion has not been requested during the conversion period shall be mandatorily converted, as of the date immediately following the last day of the conversion period (the "mandatory conversion date"), into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the average of the daily closing prices per share of common stock in regular transactions at the Tokyo Stock Exchange on each of the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If such average price is less than ¥500,000, in the case of preferred stock (Type 1, Type 2 and 1st to 12th series Type 4), or less than ¥258,330, in the case of preferred stock (Type 3), then the preferred stock shall be converted into such number of common stocks as is obtained by dividing the corresponding amount set forth below by the relevant amount described above:

Preferred stock (Type 1): ¥3,000,000 per share

Preferred stock (Type 2): ¥3,000,000 per share

Preferred stock (Type 3): ¥1,000,000 per share

Preferred stock (1st to 12th series Type 4):

¥3,000,000 per share

Shares of common stock held by SMFG and consolidated subsidiaries, and equity method unconsolidated subsidiaries and affiliates are as follows:

March 31	Number of shares (in thousands)	
	2006	2005
Common stock	6	404

19. Fees and Commissions

Fees and commissions for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Fees and commissions (income):			
Deposits and loans	¥ 54,698	¥ 45,105	\$ 466
Remittances and transfers	131,526	124,289	1,120
Securities-related business	64,773	51,973	551
Agency	18,929	19,304	161
Safe deposits	7,384	6,735	63
Guarantees	41,445	39,442	353
Credit card business	108,643	93,768	925
Investment trusts	69,481	45,574	591
Other	207,046	169,891	1,762
	¥703,928	¥596,086	\$5,992
Fees and commissions (expenses):			
Remittances and transfers	¥ 25,868	¥ 24,215	\$ 220
Other	58,468	55,760	498
	¥ 84,336	¥ 79,976	\$ 718

20. Trading Income

Trading income for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Trading profits:			
Gains on trading securities	¥12,880	¥ 7,857	\$110
Gains on securities related to trading transactions	1,229	—	10
Gains on trading-related financial derivatives	18,599	136,224	158
Other	97	504	1
	¥32,807	¥144,587	\$279
Trading losses:			
Losses on securities related to trading transactions	¥ —	¥ 199	\$ —
	¥ —	¥ 199	\$ —

21. Other Operating Income

Other operating income for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Gains on sale of bonds	¥ 51,003	¥ 85,683	\$ 434
Gains on redemption of bonds	90	583	1
Lease-related income	716,846	691,864	6,102
Gains on foreign exchange transactions	203,929	118,840	1,736
Other	172,278	161,318	1,466
	¥1,144,147	¥1,058,289	\$9,739

22. Other Income

Other income for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Gains on sale of stocks and other securities	¥ 93,433	¥129,258	\$ 795
Gains on money held in trust.....	39	0	0
Equity in earnings of affiliates	31,887	27,142	271
Gains on disposal of premises and equipment	5,794	4,909	49
Collection of written-off claims.....	31,584	1,032	269
Gains on securities contributed to retirement benefits trust	—	75,275	—
Gains on sale of a subsidiary's shares and change in equity of the subsidiary.....	60,574	—	516
Other	27,660	28,951	236
	¥250,973	¥266,569	\$2,136

23. Other Operating Expenses

Other operating expenses for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Losses on sale of bonds	¥ 66,483	¥105,828	\$ 566
Losses on redemption of bonds.....	195	693	2
Losses on devaluation of bonds.....	50	255	0
Bond issuance costs.....	760	1,898	6
Lease-related expenses.....	650,132	626,387	5,534
Losses on financial derivatives.....	5,619	3,904	48
Other	153,395	128,779	1,306
	¥876,635	¥867,748	\$7,462

24. Other Expenses

Other expenses for the years ended March 31, 2006 and 2005 consisted of the following:

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Write-off of loans	¥ 69,355	¥ 759,399	\$ 590
Losses on sale of stocks and other securities	13,968	6,910	119
Losses on devaluation of stocks and other securities.....	32,345	224,266	275
Losses on sale of delinquent loans.....	100,666	147,984	857
Losses on disposal of premises and equipment.....	5,242	68,883	45
Losses on impairment of fixed assets*	12,303	—	105
Amortization of unrecognized net transition obligation for employee retirement benefits	—	17,876	—
Provision for reserve for contingent liabilities from securities transactions	47	23	0
Other	46,484	33,133	396
	¥280,414	¥1,258,478	\$2,387

*Losses on impairment of fixed assets consisted of the following:

Year ended March 31	Area	Purpose of use	Type	Millions of yen		Millions of U.S. dollars
				2006	2005	2006
Tokyo metropolitan area		Idle assets (47 items)	Land and premises etc.	¥5,277	¥—	\$45
Kinki area		Branches (15 branches)	Land and premises etc.	4,668	—	40
		Idle assets (29 items)		2,022	—	17
Other		Idle assets (15 items)	Land and premises etc.	334	—	3

25. Income Taxes

- (1) Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Net operating loss carryforwards	¥1,190,699	¥ 926,210	\$10,135
Reserve for possible loan losses	374,368	470,016	3,187
Write-off of securities	301,260	401,414	2,564
Write-off of loans	170,249	545,008	1,449
Reserve for employee retirement benefits.....	91,208	92,852	777
Depreciation	8,984	8,389	77
Other	92,013	109,942	783
Subtotal	2,228,784	2,553,833	18,972
Valuation allowance	(533,411)	(598,451)	(4,541)
Total deferred tax assets	1,695,373	1,955,381	14,431
Deferred tax liabilities:			
Net unrealized gains on other securities	(560,800)	(281,966)	(4,774)
Leveraged lease	(56,423)	(49,651)	(480)
Gains on securities contributed to employee retirement benefits trust ...	(52,329)	(53,001)	(445)
Undistributed earnings of subsidiaries.....	(11,223)	(9,108)	(96)
Other	(12,470)	(8,754)	(106)
Total deferred tax liabilities	(693,247)	(402,482)	(5,901)
Net deferred tax assets	¥1,002,125	¥1,552,898	\$ 8,530

- (2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the statutory tax rate for the years ended March 31, 2006 and 2005 was as follows:

	2006	2005
Statutory tax rate	40.69%	40.69%
Valuation allowance	(8.53)	(140.70)
Dividends exempted for income tax purposes	(2.45)	4.15
Difference in the effective statutory tax rate between SMFG and consolidated overseas subsidiaries	(2.15)	16.96
Equity in earnings of affiliates.....	—	9.82
Other.....	0.88	0.27
Effective income tax rate	28.44%	(68.81)%

- (3) External based-corporate enterprise taxes

With the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003, a part of the tax basis of enterprise taxes comprises "amount of added value" and "amount of capital" from the fiscal year commenced April 1, 2004. As a result, enterprise taxes that are calculated based on "amount of added value" and "amount of capital" are included in "General and administrative expenses" from the fiscal year ended March 31, 2005 pursuant to "Practical Treatment for Presentation of External Based-Corporate Enterprise Taxes in the Statement of Income" (Accounting Standards Board, Practical Solution Report No. 12).

26. Employee Retirement Benefits

(1) Outline of employee retirement benefits

Consolidated subsidiaries in Japan have contributory funded defined benefit pension plans such as employee pension plans, qualified pension plans and lump-sum severance indemnity plans. Some domestic consolidated subsidiaries have general type of employee pension plans. They may grant additional benefits in cases where certain requirements are met when employees retire.

A consolidated subsidiary in Japan adopts defined-contribution pension plan. SMBC and some consolidated subsidiaries in Japan contributed some of their marketable equity securities to employee retirement benefit trusts.

(2) Projected benefit obligation

March 31		Millions of yen		Millions of
		2006	2005	U.S. dollars
Projected benefit obligation	(A)	¥ (909,802)	¥(891,311)	\$ (7,744)
Plan assets	(B)	1,236,535	908,453	10,525
Unfunded projected benefit obligation	(C)=(A)+(B)	326,733	17,141	2,781
Unrecognized net actuarial gain or loss	(D)	(126,816)	175,153	(1,080)
Unrecognized prior service cost	(E)	(59,727)	(69,163)	(508)
Net amount recorded on the consolidated balance sheet	(F)=(C)+(D)+(E)	140,189	123,131	1,193
Prepaid pension cost	(G)	176,976	157,924	1,506
Reserve for employee retirement benefits	(F)-(G)	¥ (36,786)	¥ (34,792)	\$ (313)

(a) On January 26, 2004, SMBC received the approval from the Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of the employee pension fund, in accordance with the implementation of the "Defined benefit enterprise pension plan law." On September 1, 2005, SMBC also received the approval from the Minister of Health, Labor and Welfare for exemption from past retirement benefit obligations with respect to the entrusted portion, and adopted defined benefit pension plan.

(b) On January 17, 2003, some domestic consolidated subsidiaries received the approval from the Minister of Health, Labor and Welfare for exemption from future retirement benefit obligations with respect to the entrusted portion of the employees pension fund, in accordance with the implementation of the "Defined benefit enterprise pension plan law." On May 1, 2004, the subsidiaries also received the approval from the Minister of Health, Labor and Welfare for exemption from past retirement benefit obligations with respect to the entrusted portion, and adopted defined benefit pension plan.

(c) Plan assets related to the general type of welfare pension plan at March 31, 2006 and 2005, amounted to ¥18,701 million (\$159 million) and ¥14,057 million, respectively, and were not included in the "Plan assets" shown above.

(3) Pension expenses

Year ended March 31	Millions of yen		Millions of
	2006	2005	U.S. dollars
Service cost	¥20,600	¥22,109	\$175
Interest cost on projected benefit obligation	22,002	22,041	187
Expected return on plan assets	(24,416)	(21,048)	(208)
Amortization of unrecognized net transition obligation from initial application of the new accounting standard	—	17,876	—
Amortization of unrecognized net actuarial gain or loss	23,343	26,828	199
Amortization of unrecognized prior service cost	(9,374)	(9,159)	(80)
Other (nonrecurring additional retirement allowance paid and other)	3,263	8,139	28
Pension expenses	¥35,419	¥66,788	\$301

(4) Assumptions

The principal assumptions used in determining benefit obligation and pension expenses at or for the years ended March 31, 2006 and 2005 were as follows:

Year ended March 31	2006	2005
Discount rate	1.4% to 2.5%	1.5% to 2.5%
Expected rate of return on plan assets	0% to 4.0%	0% to 4.0%
Allocation of estimated amount of retirement benefits	Allocated to each period by the straight-line method	Allocated to each period by the straight-line method
Term to amortize unrecognized prior service cost	Mainly 10 years	Mainly 10 years
Term to amortize unrecognized net actuarial gain or loss	Mainly 10 years	Mainly 10 years
Term to amortize unrecognized net transition obligation from initial application of new accounting standard	—	Mainly 5 years

27. Lease Transactions

(1) Financing leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at March 31, 2006 and 2005 was as follows:

(a) Lessee side

March 31	Millions of yen						Millions of U.S. dollars		
	2006			2005			2006		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥7,464	¥3,146	¥4,317	¥4,779	¥2,716	¥2,063	\$63	\$26	\$37
Other	313	193	120	392	234	157	3	2	1
Total	¥7,778	¥3,339	¥4,438	¥5,171	¥2,950	¥2,221	\$66	\$28	\$38

Future minimum lease payments excluding interests at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within one year.....	¥1,653	¥ 880	\$14
Due after one year	2,888	1,437	25
	¥4,542	¥2,318	\$39

Total lease expenses for the years ended March 31, 2006 and 2005 were ¥1,509 million (\$13 million) and ¥1,589 million, respectively. Assumed depreciation for the years ended March 31, 2006 and 2005 amounted to ¥1,383 million (\$12 million) and ¥1,449 million, respectively. Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets without salvage values. The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expenses. The allocation of such interest expenses over the lease term is calculated using the effective interest method. Interest expenses for the years ended March 31, 2006 and 2005 amounted to ¥141 million (\$1 million) and ¥144 million, respectively.

(b) Lessor side

March 31	Millions of yen						Millions of U.S. dollars		
	2006			2005			2006		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥1,834,771	¥1,173,611	¥661,159	¥1,911,595	¥1,204,282	¥707,313	\$15,618	\$ 9,990	\$5,628
Other	670,443	376,694	293,749	611,354	342,715	268,639	5,706	3,206	2,500
Total	¥2,505,215	¥1,550,306	¥954,908	¥2,522,949	¥1,546,997	¥975,952	\$21,324	\$13,196	\$8,128

Future lease payments receivable excluding interests at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within one year.....	¥304,065	¥319,727	\$2,588
Due after one year	667,086	668,731	5,679
	¥971,151	¥988,459	\$8,267

At March 31, 2006, future lease payments receivable shown above included subleases of ¥1,963 million (\$17 million) (due within one year: ¥707 million (\$6 million)) on the lessor side. The amount on the lessee side was almost the same and was included in the future minimum lease payments shown in (a).

Total lease income for the years ended March 31, 2006 and 2005 was ¥412,926 million (\$3,515 million) and ¥412,550 million, respectively. Depreciation for the years ended March 31, 2006 and 2005 amounted to ¥327,776 million (\$2,790 million) and ¥348,971 million, respectively. Interest income represents the difference between the sum of the lease payments receivable and estimated salvage values, and the acquisition costs of the lease assets. The allocation of such interest income over the lease term is calculated using the effective interest method. Interest income for the years ended March 31, 2006 and 2005 amounted to ¥58,255 million (\$496 million) and ¥66,591 million, respectively.

(2) Operating leases

(a) Lessee side

Future minimum lease payments at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within one year.....	¥ 18,089	¥17,692	\$154
Due after one year	87,061	81,546	741
	¥105,150	¥99,238	\$895

(b) Lessor side

Future lease payments receivable at March 31, 2006 and 2005 were as follows:

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within one year.....	¥11,703	¥ 7,584	\$ 99
Due after one year.....	28,648	13,623	244
	¥40,352	¥21,207	\$343

Future lease payments receivable at March 31, 2006 and 2005 amounting to ¥56,572 million (\$482 million) and ¥74,176 million, respectively, on the lessor side referred to in (1) and (2) above were pledged as collateral for borrowings.

28. Market Value of Securities and Money Held in Trust

(1) Securities

The market value of securities at March 31, 2006 and 2005 was as follows:

The amounts shown in the following tables include trading securities and short-term bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Deposits with banks," and beneficiary claims on commodity investment trust classified as "Commercial paper and other debt purchased," in addition to "Securities" stated in the consolidated balance sheets.

(a) Securities classified as trading purposes

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Consolidated balance sheet amount.....	¥1,088,599	¥1,325,972	\$9,266
Valuation losses included in the earnings for the fiscal year.....	648	3,717	6

(b) Bonds classified as held-to-maturity with market value

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	¥ 750,204	¥ 730,568	¥(19,635)	¥306	¥19,942
Japanese local government bonds.....	96,892	93,527	(3,365)	—	3,365
Japanese corporate bonds.....	379,614	371,560	(8,053)	—	8,053
Other.....	19,619	19,893	274	274	—
Total.....	¥1,246,330	¥1,215,549	¥(30,781)	¥580	¥31,361

March 31	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	¥507,342	¥505,002	¥(2,339)	¥1,582	¥3,922
Japanese local government bonds.....	—	—	—	—	—
Japanese corporate bonds.....	—	—	—	—	—
Other.....	28,859	29,380	520	531	11
Total.....	¥536,201	¥534,382	¥(1,818)	¥2,114	¥3,933

March 31	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds.....	\$ 6,386	\$ 6,219	\$(167)	\$3	\$170
Japanese local government bonds.....	825	796	(29)	—	29
Japanese corporate bonds.....	3,231	3,163	(68)	—	68
Other.....	167	169	2	2	—
Total.....	\$10,609	\$10,347	\$(262)	\$5	\$267

Note: Market value is calculated by using market prices at the fiscal year-end.

(c) Other securities with market value

Millions of yen					
2006					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 1,903,193	¥ 3,605,884	¥1,702,690	¥1,722,129	¥ 19,438
Bonds	12,683,880	12,386,646	(297,233)	988	298,222
Japanese government bonds.....	11,083,609	10,815,889	(267,720)	173	267,894
Japanese local government bonds.....	525,076	510,885	(14,191)	282	14,473
Japanese corporate bonds.....	1,075,194	1,059,872	(15,321)	532	15,854
Other.....	4,194,178	4,162,057	(32,120)	48,052	80,172
Total.....	¥18,781,252	¥20,154,589	¥1,373,337	¥1,771,170	¥397,833
Millions of yen					
2005					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 1,992,711	¥ 2,697,765	¥705,053	¥750,480	¥ 45,426
Bonds	14,734,261	14,749,222	14,961	34,971	20,010
Japanese government bonds.....	13,116,068	13,129,235	13,167	27,115	13,948
Japanese local government bonds.....	488,423	486,884	(1,538)	2,061	3,600
Japanese corporate bonds.....	1,129,770	1,133,102	3,332	5,794	2,462
Other.....	2,779,971	2,756,295	(23,675)	15,903	39,579
Total.....	¥19,506,944	¥20,203,283	¥696,339	¥801,356	¥105,017
Millions of U.S. dollars					
2006					
March 31	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks.....	\$ 16,201	\$ 30,694	\$14,493	\$14,659	\$ 166
Bonds.....	107,966	105,436	(2,530)	8	2,538
Japanese government bonds.....	94,345	92,066	(2,279)	1	2,280
Japanese local government bonds.....	4,469	4,348	(121)	2	123
Japanese corporate bonds.....	9,152	9,022	(130)	5	135
Other.....	35,701	35,428	(273)	409	682
Total.....	\$159,868	\$171,558	\$11,690	\$15,076	\$3,386

- Notes: 1. Net unrealized gains at March 31, 2006 included losses of ¥3,193 million (\$27 million) that were recognized in the fiscal year's earnings by applying fair value hedge accounting.
Net unrealized gains at March 31, 2005 included gains of ¥469 million that were recognized in the fiscal year's earnings by applying fair value hedge accounting and gains of ¥82 million on embedded financial instruments in their entirety that were recognized in the earnings because their embedded derivatives were not measured separately.
2. Consolidated balance sheet amount is calculated as follows:
Stocks Average market prices during one month before the fiscal year-end
Bonds and other Market prices at the fiscal year-end
3. Other securities with market value are considered as impaired if the market value decreases materially below the acquisition cost and such decline is not considered as recoverable. The market value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation loss for the fiscal years ended March 31, 2006 and 2005 was ¥97 million (\$1 million) and ¥172 million, respectively. The rule for determining "material decline" is as follows and is based on the classification of issuing company under self-assessment of assets.
- Bankrupt/Effectively bankrupt/Potentially bankrupt issuers: Market value is lower than acquisition cost.
Issuers requiring caution: Market value is 30% or more lower than acquisition cost.
Normal issuers: Market value is 50% or more lower than acquisition cost.
- Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt.
Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt.
Potentially bankrupt issuers: Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.
Issuers requiring caution: Issuers that are identified for close monitoring.
Normal issuers: Issuers other than the above four categories of issuers.

(d) Held-to-maturity bonds sold during the years ended March 31, 2006 and 2005

There are no corresponding transactions.

(e) Other securities sold during the years ended March 31, 2006 and 2005

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Sales amount	¥33,089,259	¥36,133,895	\$281,659
Gains on sales.....	138,964	214,022	1,183
Losses on sales	78,609	90,314	669

(f) Securities with no available market value

March 31	Millions of yen		Millions of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2006	2005	2006
Bonds classified as held-to-maturity			
Unlisted foreign securities.....	¥ 269	¥ 2,400	\$ 2
Other	3,758	8,566	32
Other securities			
Unlisted stocks (excluding OTC stocks).....	402,747	429,658	3,428
Unlisted bonds.....	2,518,691	2,110,338	21,439
Unlisted foreign securities.....	457,953	412,118	3,898
Other	309,303	221,982	2,633

(g) Change of classification of securities

There are no corresponding transactions.

(h) Redemption schedule of other securities with maturities and held-to-maturity bonds

March 31	Millions of yen			
	2006			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥5,841,530	¥4,784,630	¥2,468,673	¥3,037,217
Japanese government bonds.....	5,339,631	2,060,842	1,239,560	2,926,058
Japanese local government bonds	32,135	252,239	322,956	445
Japanese corporate bonds.....	469,763	2,471,547	906,156	110,713
Other.....	870,175	1,564,473	682,146	848,570
Total.....	¥6,711,706	¥6,349,103	¥3,150,820	¥3,885,788

March 31	Millions of yen			
	2005			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	¥3,110,902	¥ 9,065,255	¥2,237,616	¥2,953,130
Japanese government bonds.....	2,818,917	6,414,993	1,482,528	2,920,138
Japanese local government bonds	20,003	264,369	202,016	494
Japanese corporate bonds.....	271,981	2,385,892	553,071	32,497
Other.....	600,124	1,625,706	258,965	725,965
Total.....	¥3,711,027	¥10,690,962	¥2,496,581	¥3,679,096

March 31	Millions of U.S. dollars			
	2006			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bonds	\$49,724	\$40,727	\$21,014	\$25,853
Japanese government bonds.....	45,451	17,542	10,551	24,907
Japanese local government bonds	274	2,147	2,749	4
Japanese corporate bonds.....	3,999	21,038	7,714	942
Other.....	7,407	13,317	5,806	7,223
Total.....	\$57,131	\$54,044	\$26,820	\$33,076

- (2) Money held in trust
 (a) Money held in trust classified as trading purposes
 There are no corresponding transactions.
 (b) Money held in trust classified as held-to-maturity
 There are no corresponding transactions.
 (c) Other money held in trust

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Acquisition cost	¥2,703	¥3,628	\$23
Consolidated balance sheet amount	2,912	3,832	25
Net unrealized gains.....	209	204	2
Unrealized gains.....	209	300	2
Unrealized losses	—	95	—

- (3) Net unrealized gains on other securities and other money held in trust

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Net unrealized gains.....	¥1,376,785	¥695,951	\$11,720
Other securities.....	1,376,576	695,746	11,718
Other money held in trust.....	209	204	2
(-) Deferred tax liabilities	559,501	282,389	4,763
Net unrealized gains on other securities (before following adjustment).....	817,283	413,561	6,957
(-) Minority interests	8,343	7,982	71
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method	10,986	5,074	93
Net unrealized gains on other securities.....	¥ 819,927	¥410,653	\$ 6,979

Notes: 1. Net unrealized gains on other securities at March 31, 2006 included losses of ¥3,193 million (\$27 million) that were recognized in the fiscal year's earnings by applying fair value hedge accounting.

Net unrealized gains on other securities at March 31, 2005 included gains of ¥469 million that were recognized in the fiscal year's earnings by applying fair value hedge accounting and gains of ¥82 million on embedded financial instruments in their entirety that were recognized in the earnings because their embedded derivatives were not measured separately.

2. Net unrealized gains included foreign currency translation adjustments on nonmarketable securities denominated in foreign currency.

29. Derivative Transactions

(1) Interest rate derivatives

March 31	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Interest rate futures:				
Sold.....	¥ 49,280,626	¥ 2,201,562	¥ 60,069	¥ 60,069
Bought.....	50,392,316	2,231,955	(64,209)	(64,209)
Interest rate options:				
Sold.....	176,220	—	(178)	(178)
Bought.....	2,702,918	2,526,698	691	691
Over-the-counter transactions				
Forward rate agreements:				
Sold.....	801,161	—	1	1
Bought	7,893,630	216,820	(98)	(98)
Interest rate swaps:				
Receivable fixed rate/payable floating rate	419,010,536	332,474,995	125,464	125,464
Receivable floating rate/payable fixed rate	199,965,277	160,275,395	(1,679,647)	(1,679,647)
Receivable floating rate/payable fixed rate	199,621,924	157,996,133	1,789,530	1,789,530
Receivable floating rate/payable floating rate	19,271,520	14,070,934	20,004	20,004
Interest rate swaptions:				
Sold.....	2,088,827	1,524,826	(45,860)	(45,860)
Bought	2,237,396	1,836,727	82,932	82,932
Caps:				
Sold.....	13,530,699	9,447,218	(28,931)	(28,931)
Bought	7,730,947	5,314,256	16,252	16,252
Floors:				
Sold	413,170	205,858	(1,460)	(1,460)
Bought	211,275	124,754	1,661	1,661
Other:				
Sold.....	717,241	554,895	(5,505)	(5,505)
Bought	2,034,707	1,470,629	15,554	15,554
Total	/	/	¥ 156,383	¥ 156,383

March 31	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Interest rate futures:				
Sold.....	¥ 39,978,468	¥ 866,455	¥ 45,530	¥ 45,530
Bought.....	42,079,595	1,915,442	(52,737)	(52,737)
Interest rate options:				
Sold.....	—	—	—	—
Bought.....	250,080	250,080	21	21
Over-the-counter transactions				
Forward rate agreements:				
Sold.....	613,308	456,503	(60)	(60)
Bought	9,782,626	56,503	(4)	(4)
Interest rate swaps:				
Receivable fixed rate/payable floating rate	391,811,677	291,895,257	156,432	156,432
Receivable floating rate/payable fixed rate	186,359,947	140,866,355	2,048,207	2,048,207
Receivable floating rate/payable fixed rate	185,522,906	136,402,214	(1,885,274)	(1,885,274)
Receivable floating rate/payable floating rate	19,847,624	14,605,046	(3,515)	(3,515)
Interest rate swaptions:				
Sold.....	2,720,750	1,358,410	(31,840)	(31,840)
Bought	2,807,739	1,970,731	39,263	39,263
Caps:				
Sold.....	7,957,445	5,140,360	(8,601)	(8,601)
Bought	5,131,777	3,276,916	6,496	6,496
Floors:				
Sold	287,377	123,982	(3,373)	(3,373)
Bought	310,056	167,044	3,673	3,673
Other:				
Sold.....	—	—	—	—
Bought	639,798	105,311	4,989	4,989
Total	/	/	¥ 159,789	¥ 159,789

March 31	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Interest rate futures:				
Sold	\$ 419,481	\$ 18,740	\$ 511	\$ 511
Bought	428,944	18,999	(546)	(546)
Interest rate options:				
Sold	1,500	—	(2)	(2)
Bought	23,007	21,507	6	6
Over-the-counter transactions				
Forward rate agreements:				
Sold	6,820	—	0	0
Bought	67,191	1,846	(1)	(1)
Interest rate swaps:				
Receivable fixed rate/payable floating rate	3,566,654	2,830,056	1,068	1,068
Receivable floating rate/payable fixed rate	1,702,122	1,364,278	(14,297)	(14,297)
Receivable floating rate/payable floating rate	1,699,199	1,344,877	15,233	15,233
Interest rate swaptions:	164,041	119,773	170	170
Sold	17,780	12,979	(390)	(390)
Bought	19,045	15,634	706	706
Caps:				
Sold	115,174	80,416	(246)	(246)
Bought	65,806	45,235	138	138
Floors:				
Sold	3,517	1,752	(12)	(12)
Bought	1,798	1,062	14	14
Other:				
Sold	6,105	4,723	(47)	(47)
Bought	17,320	12,518	132	132
Total	/	/	\$ 1,331	\$ 1,331

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.

Some consolidated overseas subsidiaries account for interest rate derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized losses at March 31, 2006 amounted to ¥589 million (\$5 million). Net unrealized losses at March 31, 2005 amounted to ¥2,344 million.

2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(2) Currency derivatives

March 31	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Currency swaps	¥20,199,152	¥12,978,710	¥ 75,779	¥ 64,049
Currency swaptions				
Sold	1,021,039	1,009,291	(2,495)	(2,502)
Bought	1,237,505	1,215,027	12,292	12,299
Forward foreign exchange	46,902,149	3,882,673	(139,351)	(139,351)
Currency options				
Sold	3,516,658	1,672,181	(126,859)	(126,859)
Bought	3,297,890	1,501,779	71,540	71,540
Total	/	/	(109,094)	(120,824)

March 31	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Currency swaps	¥18,581,388	¥12,017,760	¥188,219	¥122,850
Currency swaptions				
Sold	985,339	979,291	(22,071)	(22,071)
Bought	1,218,665	1,208,413	42,475	42,475
Forward foreign exchange	41,706,257	2,301,053	6,194	6,194
Currency options				
Sold	2,620,171	1,229,664	(83,225)	(83,225)
Bought	2,633,024	1,193,964	103,782	103,782
Other				
Sold	3,176	—	17	17
Bought	188	—	0	0
Total	/	/	¥235,392	¥170,023

	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Over-the-counter transactions				
Currency swaps	\$171,937	\$110,476	\$ 644	\$ 545
Currency swaptions				
Sold	8,691	8,591	(21)	(21)
Bought	10,534	10,342	105	105
Forward foreign exchange	399,235	33,050	(1,186)	(1,186)
Currency options				
Sold	29,934	14,234	(1,080)	(1,080)
Bought	28,072	12,783	609	609
Total	/	/	\$ (929)	\$(1,028)

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. The amounts above do not include the following:

- Derivative transactions to which deferred hedge accounting method is applied;
- Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market values are already reflected to the consolidated balance sheet; and
- Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.

Some consolidated overseas subsidiaries account for currency derivatives in accordance with local accounting standards. Such transactions are not included in the amounts above. Net unrealized losses at March 31, 2006 amounted to ¥276 million (\$2 million). Net unrealized gains at March 31, 2005 amounted to ¥698 million.

2. Market value is calculated mainly using discounted present value.

(3) Equity derivatives

	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Transactions listed on exchange				
Equity price index futures:				
Sold	¥20,967	¥ —	¥(1,037)	¥(1,037)
Bought	23,459	—	1,103	1,103
Over-the-counter transactions				
Equity options:				
Sold	19,051	19,051	238	238
Bought	21,672	21,672	(219)	(219)
Total	/	/	¥ 84	¥ 84

	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Transactions listed on exchange				
Equity price index futures:				
Sold	¥ 233	¥ —	¥ —	¥ —
Bought	594	—	(0)	(0)
Equity price index options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions				
Equity options:				
Sold	17,500	17,500	(277)	(277)
Bought	17,000	17,000	271	271
Equity price index swaps:				
Receivable equity index/payable floating rate	—	—	—	—
Receivable floating rate/payable equity index	—	—	—	—
Other:				
Sold	22,834	—	(1,146)	(1,146)
Bought	66,278	8,583	4,887	4,887
Total	/	/	¥3,735	¥3,735

March 31	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Equity price index futures:				
Sold.....	\$178	\$ —	\$ (9)	\$ (9)
Bought.....	200	—	10	10
Over-the-counter transactions				
Equity options:				
Sold.....	162	162	2	2
Bought.....	184	184	(2)	(2)
Total.....	/	/	\$ 1	\$ 1

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(4) Bond derivatives

March 31	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Bond futures:				
Sold.....	¥565,847	¥ —	¥3,517	¥3,517
Bought.....	627,879	—	(5,063)	(5,063)
Bond futures options:				
Sold.....	4,699	—	(88)	(88)
Bought.....	42,880	2,937	122	122
Over-the-counter transactions				
Forward bond agreements:				
Sold.....	—	—	—	—
Bought.....	17,038	9,517	1,614	1,614
Bond options:				
Sold.....	162,044	13,044	(540)	(540)
Bought.....	349,000	—	1,525	1,525
Total.....	/	/	¥1,088	¥1,088

March 31	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Transactions listed on exchange				
Bond futures:				
Sold.....	¥598,657	¥ —	¥(1,720)	¥(1,720)
Bought.....	823,707	—	6,645	6,645
Bond futures options:				
Sold.....	17,500	—	(50)	(50)
Bought.....	15,000	—	21	21
Over-the-counter transactions				
Forward bond agreements:				
Sold.....	—	—	—	—
Bought.....	263,054	243,588	1,485	1,485
Bond options:				
Sold.....	702,330	11,851	(4,141)	(4,141)
Bought.....	691,518	—	1,144	1,144
Total.....	/	/	¥ 3,383	¥ 3,383

	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Transactions listed on exchange				
Bond futures:				
Sold.....	\$4,817	\$ —	\$30	\$30
Bought.....	5,345	—	(43)	(43)
Bond futures options:				
Sold.....	40	—	(1)	(1)
Bought.....	365	25	1	1
Over-the-counter transactions				
Forward bond agreements:				
Sold.....	—	—	—	—
Bought.....	145	81	14	14
Bond options:				
Sold.....	1,379	111	(5)	(5)
Bought.....	2,971	—	13	13
Total	/	/	\$ 9	\$ 9

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations. Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of OTC transactions is calculated mainly using option pricing models.

(5) Commodity derivatives

	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Over-the-counter transactions				
Commodity swaps:				
Receivable fixed price/payable floating price	¥211,239	¥180,091	¥(136,629)	¥(136,629)
Receivable floating price/payable fixed price	202,635	168,747	153,389	153,389
Commodity options:				
Sold.....	9,924	7,454	(8,056)	(8,056)
Bought.....	8,921	7,135	7,875	7,875
Total	/	/	¥ 16,578	¥ 16,578

	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
March 31				
Transactions listed on exchange				
Commodity futures:				
Sold.....	¥ —	¥ —	¥ —	¥ —
Bought.....	310	—	(16)	(16)
Over-the-counter transactions				
Commodity swaps:				
Receivable fixed price/payable floating price	142,921	140,114	(57,396)	(57,396)
Receivable floating price/payable fixed price	139,453	136,482	67,597	67,597
Commodity options:				
Sold.....	6,861	6,854	(4,873)	(4,873)
Bought.....	6,095	5,925	5,056	5,056
Total	/	/	¥10,367	¥10,367

March 31	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Commodity swaps:				
Receivable fixed price/payable floating price	\$1,798	\$1,533	\$(1,163)	\$(1,163)
Receivable floating price/payable fixed price	1,725	1,436	1,306	1,306
Commodity options:				
Sold.....	84	63	(69)	(69)
Bought.....	76	61	67	67
Total.....	/	/	\$ 141	\$ 141

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value is calculated based on factors such as price of the relevant commodity and contract term.
3. Commodity derivatives are transactions on fuel and metal.

(6) Credit derivative transactions

March 31	Millions of yen			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Credit default options:				
Sold.....	¥301,923	¥298,381	¥ 118	¥ 118
Bought.....	306,790	298,748	1,359	1,359
Other:				
Sold.....	754	—	(23)	(23)
Bought.....	140	—	7	7
Total.....	/	/	¥1,462	¥1,462

March 31	Millions of yen			
	2005			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Credit default options:				
Sold.....	¥45,468	¥37,132	¥ (779)	¥ (779)
Bought.....	76,405	62,558	1,552	1,552
Other:				
Sold.....	923	—	(84)	(84)
Bought.....	1,481	—	115	115
Total.....	/	/	¥ 803	¥ 803

March 31	Millions of U.S. dollars			
	2006			
	Contract amount		Market value	Valuation gains (losses)
Total	Over 1 year			
Over-the-counter transactions				
Credit default options:				
Sold.....	\$2,570	\$2,540	\$ 1	\$ 1
Bought.....	2,611	2,543	11	11
Other:				
Sold.....	6	—	(0)	(0)
Bought.....	1	—	0	0
Total.....	/	/	\$12	\$12

- Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.
Derivative transactions to which deferred hedge accounting method is applied are not included in the amounts above.
2. Market value is calculated based on factors such as price of the reference assets and contract term.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

30. Segment Information

(1) Business segment information

Year ended March 31	Millions of yen					
	2006					
	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	¥ 2,485,470	¥ 755,137	¥ 464,529	¥ 3,705,136	¥ —	¥ 3,705,136
(2) Intersegment	44,864	18,503	204,294	267,661	(267,661)	—
Total	2,530,334	773,640	668,823	3,972,798	(267,661)	3,705,136
Ordinary expenses	1,764,055	728,363	487,692	2,980,111	(238,529)	2,741,582
Ordinary profit	¥ 766,278	¥ 45,277	¥ 181,130	¥ 992,686	¥ (29,131)	¥ 963,554
II. Assets, depreciation, losses on impairment of fixed assets and capital expenditure						
Assets	¥103,026,827	¥2,056,078	¥6,083,193	¥111,166,100	¥(4,155,524)	¥107,010,575
Depreciation	62,886	337,345	21,274	421,505	13	421,519
Losses on impairment of fixed assets....	7,435	620	4,247	12,303	—	12,303
Capital expenditure	62,482	384,370	22,859	469,711	0	469,711

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

3. As for assets, unallocated corporate assets that were included in "Elimination" mainly consisted of investments in subsidiaries and affiliates of ¥4,214,877 million (\$3,877 million).

4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

Year ended March 31	Millions of yen					
	2005					
	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	¥ 2,447,122	¥ 706,860	¥ 426,813	¥ 3,580,796	¥ —	¥ 3,580,796
(2) Intersegment	41,862	19,723	190,226	251,812	(251,812)	—
Total	2,488,984	726,583	617,040	3,832,609	(251,812)	3,580,796
Ordinary expenses	2,643,533	684,652	505,793	3,833,979	(222,889)	3,611,089
Ordinary profit (loss).....	¥ (154,548)	¥ 41,931	¥ 111,246	¥ (1,370)	¥ (28,922)	¥ (30,293)
II. Assets, depreciation and capital expenditure						
Assets	¥96,420,384	¥1,924,019	¥5,649,310	¥103,993,713	¥(4,261,855)	¥99,731,858
Depreciation	60,568	343,134	24,248	427,951	14	427,966
Capital expenditure	66,189	400,119	27,112	493,421	9	493,430

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other business" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

3. As for assets, unallocated corporate assets that were included in "Elimination" mainly consisted of investments in subsidiaries and affiliates of ¥3,806,067 million.

4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

Year ended March 31	Millions of U.S. dollars					
	2006					
	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
I. Ordinary income						
(1) External customers	\$ 21,156	\$ 6,428	\$ 3,954	\$ 31,538	\$ —	\$ 31,538
(2) Intersegment	382	157	1,739	2,278	(2,278)	—
Total	21,538	6,585	5,693	33,816	(2,278)	31,538
Ordinary expenses	15,015	6,200	4,151	25,366	(2,030)	23,336
Ordinary profit	\$ 6,523	\$ 385	\$ 1,542	\$ 8,450	\$ (248)	\$ 8,202
II. Assets, depreciation, losses on impairment of fixed assets and capital expenditure						
Assets	\$876,973	\$17,502	\$51,781	\$946,256	\$(35,373)	\$910,883
Depreciation	535	2,872	181	3,588	0	3,588
Losses on impairment of fixed assets....	64	5	36	105	—	105
Capital expenditure	532	3,272	194	3,998	0	3,998

(2) Geographic segment information

Year ended March 31	Millions of yen						
	2006						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers	¥ 3,256,730	¥ 176,443	¥ 125,351	¥ 146,611	¥ 3,705,136	¥ —	¥ 3,705,136
(2) Intersegment	70,044	41,114	2,836	36,345	150,341	(150,341)	—
Total	3,326,774	217,558	128,188	182,956	3,855,478	(150,341)	3,705,136
Ordinary expenses	2,482,510	152,350	103,720	136,967	2,875,548	(133,966)	2,741,582
Ordinary profit	¥ 844,264	¥ 65,208	¥ 24,468	¥ 45,988	¥ 979,929	¥ (16,375)	¥ 963,554
II. Assets	¥97,046,578	¥5,034,350	¥2,825,039	¥3,856,601	¥108,762,570	¥(1,751,994)	¥107,010,575

- Notes: 1. The geographic segmentation is classified based on the degrees of following factors: geographic proximity, similarity of economic activities and relationship of business activities among regions.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. As for assets, unallocated corporate assets that were included in "Elimination" mainly consisted of investments in subsidiaries and affiliates of ¥4,214,877 million (\$35,877 million).
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.
Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

Year ended March 31	Millions of yen						
	2005						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers	¥ 3,331,194	¥ 109,639	¥ 62,959	¥ 77,003	¥ 3,580,796	¥ —	¥ 3,580,796
(2) Intersegment	59,278	46,789	6,189	26,013	138,270	(138,270)	—
Total	3,390,472	156,429	69,148	103,016	3,719,067	(138,270)	3,580,796
Ordinary expenses	3,494,330	107,027	63,254	60,692	3,725,305	(114,215)	3,611,089
Ordinary profit (loss)	¥ (103,857)	¥ 49,401	¥ 5,894	¥ 42,323	¥ (6,238)	¥ (24,055)	¥ (30,293)
II. Assets	¥91,564,408	¥4,704,584	¥2,462,266	¥3,253,758	¥101,985,019	¥(2,253,160)	¥99,731,858

- Notes: 1. The geographic segmentation is classified based on the degrees of following factors: geographic proximity, similarity of economic activities and relationship of business activities among regions.
Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.
2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.
3. As for assets, unallocated corporate assets that were included in "Elimination" mainly consisted of investments in subsidiaries and affiliates of ¥3,806,067 million.
4. Ordinary income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims and reversals of other reserves.
Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment, amortization of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

Year ended March 31	Millions of U.S. dollars						
	2006						
	Japan	The Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
I. Ordinary income							
(1) External customers	\$ 27,721	\$ 1,502	\$ 1,067	\$ 1,248	\$ 31,538	\$ —	\$ 31,538
(2) Intersegment	597	350	24	309	1,280	(1,280)	—
Total	28,318	1,852	1,091	1,557	32,818	(1,280)	31,538
Ordinary expenses	21,131	1,297	883	1,166	24,477	(1,141)	23,336
Ordinary profit	\$ 7,187	\$ 555	\$ 208	\$ 391	\$ 8,341	\$ (139)	\$ 8,202
II. Assets	\$826,069	\$42,853	\$24,047	\$32,827	\$925,796	\$(14,913)	\$910,883

(3) Ordinary income from overseas operations

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
	Consolidated ordinary income from overseas operations (A)	¥ 448,406	¥ 249,602
Consolidated ordinary income (B)	3,705,136	3,580,796	31,538
(A) / (B)	12.1%	7.0%	12.1%

- Notes: 1. Consolidated ordinary income from overseas operations are presented as counterparts of overseas sales of companies in other industries.
2. The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.

31. Per Share Data

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Stockholders' equity per share	¥400,168.89	¥164,821.08	\$3,406.27

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Net income (loss) per share	¥94,733.62	¥(44,388.07)	\$806.38
Net income per share (diluted).....	75,642.93	—	643.88

The following is a reconciliation of the net income and share data used in the basic and diluted net income per share calculations for the years ended March 31, 2006 and 2005.

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Net income (loss) per share			
Net income (loss).....	¥686,841	¥(234,201)	\$5,846
Amount not attributable to common stockholders	25,697	26,781	219
[preferred stock dividends]	[25,697]	[26,781]	[219]
Net income (loss) attributable to common stock	661,143	(260,982)	5,628
Average number of common stock during the year (in thousand)	6,978	5,879	6,978
Net income per share (diluted)			
Adjustment for net income	19,483	—	166
[preferred stock dividends]	[19,502]	—	[166]
[stock acquisition rights issued by subsidiaries and affiliates].....	[(18)]	—	[(0)]
Increase in number of common stock (in thousand).....	2,018	—	2,018
[preferred stock]	[2,018]	—	[2,018]
[stock acquisition rights].....	[0]	—	[0]

Note: The following potentially dilutive securities are not included in the calculation of "Net income per share (diluted)" for the fiscal year ended March 31, 2005 because they do not have dilutive effect:

Preferred stock (in thousand shares) of type 1, type 2, type 3, type 4 (1st-12th series) and type 4 (13th series), at 35, 100, 695, 50, and 107, respectively.
 Stock acquisition rights: 1,620 units

32. Subsequent Events

- (1) The following appropriations of retained earnings of SMFG at March 31, 2006 were approved by the ordinary general meeting of shareholders held on June 29, 2006:

	Millions of yen	Millions of U.S. dollars
Cash dividends, ¥3,000 per share on common stock.....	¥22,253	\$189
¥10,500 per share on preferred stock (Type 1)	367	3
¥28,500 per share on preferred stock (Type 2)	2,850	24
¥13,700 per share on preferred stock (Type 3)	9,521	81
¥135,000 per share on preferred stock (1st to 12th series Type 4).....	6,763	58
¥88,500 per share on preferred stock (1st series Type 6)	6,195	53

- (2) On April 27, 2006, SMBC received administrative orders (business suspension order and business improvement order) in respect to the manner in which it marketed interest rate swaps at its Corporate Business Offices, from the Financial Services Agency, pursuant to Article 26-1 of the Banking Law.
- (3) On April 28, 2006, SMFG resolved to make SMBC Friend Securities Co., Ltd. ("Friend Securities") into a wholly-owned subsidiary of SMFG through a share exchange, subject to regulatory approval, in order to establish a new business model distinct from the conventional one by combining banking and securities businesses and maximizing synergies between them, and signed a share exchange agreement whose effective date is September 1, 2006 with Friend Securities.
- (4) SMFG resolved to repurchase and retire shares of Type 1 preferred stock and Type 2 preferred stock owned by the Resolution and Collection Corporation at the meeting of the Board of Directors held on May 12, 2006, and carried it out on May 17, 2006 as described below. The repurchase of the preferred shares was executed within SMFG's own stock repurchase limit pursuant to Article 210 of the former Commercial Code. The amount to be retired was deducted from capital surplus. Details of repurchase and retirement are as follows:
- | | |
|---|---|
| a. Type 1 preferred stock | b. Type 2 preferred stock |
| (i) Number of shares: 35,000 shares | (i) Number of shares: 33,000 shares |
| (ii) Total amount of repurchase: ¥141,960,000,000 | (ii) Total amount of repurchase: ¥133,956,900,000 |

33. Parent Company

(1) Nonconsolidated Balance Sheets
Sumitomo Mitsui Financial Group, Inc.

March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	2006
Assets			
Current assets	¥ 579,372	¥ 134,989	\$ 4,932
Cash and due from banks.....	561,862	44,021	4,783
Prepaid expenses	21	21	0
Deferred tax assets.....	43	40	0
Accrued income	17	443	0
Current portion of long-term loans to subsidiaries and affiliates	—	40,000	—
Accrued income tax refunds	17,371	50,349	148
Other current assets	55	112	1
Fixed assets	3,586,657	3,659,517	30,530
Premises and equipment	1	2	0
Buildings	0	0	0
Equipment.....	0	1	0
Intangible assets.....	28	41	0
Software.....	28	41	0
Investments and other assets.....	3,586,627	3,659,472	30,530
Investments in securities.....	20	10	0
Investments in subsidiaries and affiliates.....	3,586,045	3,656,465	30,525
Deferred tax assets.....	562	2,997	5
Deferred charges.....	301	603	2
Organization cost.....	301	603	2
Total assets	¥4,166,332	¥3,795,110	\$35,464
Liabilities			
Current liabilities	¥ 230,905	¥ 475,494	\$ 1,965
Short-term borrowings	230,000	475,000	1,958
Accounts payable	117	67	1
Accrued expenses	465	286	4
Income taxes payable.....	36	31	0
Business office taxes payable	4	5	0
Reserve for employees bonuses	70	66	0
Other current liabilities	211	36	2
Total liabilities	230,905	475,494	1,965
Stockholders' equity			
Capital stock	1,420,877	1,352,651	12,095
Capital surplus	2,105,396	1,852,293	17,921
Capital reserve.....	1,420,989	1,352,764	12,095
Other capital surplus.....	684,406	499,529	5,826
Retained earnings	413,546	384,527	3,520
Voluntary reserve.....	30,420	30,420	259
Unappropriated retained earnings	383,126	354,107	3,261
Treasury stock	(4,393)	(269,857)	(37)
Total stockholders' equity	3,935,426	3,319,615	33,499
Total liabilities and stockholders' equity	¥4,166,332	¥3,795,110	\$35,464

(2) Nonconsolidated Statements of Income
Sumitomo Mitsui Financial Group, Inc.

Year ended March 31	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	2006
Operating income	¥55,482	¥258,866	\$472
Dividends on investments in subsidiaries and affiliates	46,432	251,735	395
Fees and commissions received from subsidiaries	9,038	6,289	77
Interest income on loans to subsidiaries and affiliates	11	841	0
Operating expenses	3,196	2,644	27
General and administrative expenses	3,196	2,644	27
Operating profit	52,285	256,222	445
Nonoperating income	138	134	1
Interest income on deposits	71	45	1
Fees and commissions income	27	17	0
Other nonoperating income	39	70	0
Nonoperating expenses	4,159	2,908	35
Interest on borrowings	1,490	1,274	13
Amortization of organization cost	301	301	2
Stock issuance cost	739	788	6
Fees and commissions expenses	1,519	537	13
Other nonoperating expenses	108	6	1
Ordinary profit	48,264	253,448	411
Extraordinary gains	27,579	—	235
Gains on sale of a subsidiary's shares	27,579	—	235
Income before income taxes	75,844	253,448	646
Income taxes:			
Current	3	3	0
Refund	—	(329)	—
Deferred	2,431	1,545	21
Net income	¥73,408	¥252,228	\$625

Per share data:	Yen		U.S. dollars (Note 1)
	2006	2005	2006
Net income	¥6,836.35	¥38,302.88	\$58.19
Net income — diluted	6,737.46	25,178.44	57.35

Independent Auditors' Report

To the Board of Directors of
Sumitomo Mitsui Financial Group, Inc.

We have audited the accompanying consolidated balance sheets of Sumitomo Mitsui Financial Group, Inc. ("SMFG") and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of SMFG's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMFG and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 31 to the consolidated financial statements. As discussed in the Note as a subsequent event, on May 17, 2006, SMFG repurchased and retired shares of Type 1 preferred stock and Type 2 preferred stock based on the resolution at the meeting of the Board of Directors held on May 12, 2006.

The consolidated financial statements as of and for the year ended March 31, 2006 have been translated into United States dollars solely for convenience of the readers. We have recomputed the translation, and in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

KPMG A2SA * Co.

Tokyo, Japan
June 29, 2006

Supplemental Information

Consolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation and Subsidiaries

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Assets			
Cash and due from banks	¥ 5,155,217	¥ 2,926,227	\$ 43,882
Deposits with banks	1,946,475	2,059,337	16,568
Call loans and bills bought	651,905	1,004,512	5,549
Receivables under resale agreements.....	117,474	124,856	1,000
Receivables under securities borrowing transactions	1,956,650	568,340	16,655
Commercial paper and other debt purchased.....	633,760	606,032	5,395
Trading assets.....	4,079,106	3,769,073	34,722
Money held in trust.....	2,912	3,832	25
Securities	25,233,716	24,018,612	214,792
Loans and bills discounted.....	57,440,761	55,148,929	488,941
Foreign exchanges.....	947,744	895,586	8,067
Other assets.....	1,935,804	1,801,341	16,478
Premises and equipment	724,962	753,295	6,171
Lease assets	27,314	26,736	232
Deferred tax assets	1,017,316	1,550,213	8,659
Customers' liabilities for acceptances and guarantees	3,553,696	3,461,263	30,249
Reserve for possible loan losses	(1,006,223)	(1,239,882)	(8,565)
Total assets	¥104,418,597	¥97,478,308	\$888,820
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits	¥ 74,137,830	¥71,269,641	\$631,068
Call money and bills sold	8,016,410	4,971,462	68,236
Payables under repurchase agreements	396,205	405,671	3,372
Payables under securities lending transactions	2,747,125	3,868,001	23,384
Commercial paper.....	—	4,500	—
Trading liabilities	2,909,239	2,110,473	24,764
Borrowed money	933,567	1,016,438	7,946
Foreign exchanges.....	447,722	478,482	3,811
Short-term bonds (Note 13)	4,000	—	34
Bonds (Note 13)	4,076,317	4,196,483	34,698
Due to trust account	318,597	50,457	2,712
Other liabilities.....	2,056,102	1,798,047	17,502
Reserve for employee bonuses	19,033	17,879	162
Reserve for employee retirement benefits	23,617	23,235	201
Reserve for expenses related to EXPO 2005 Japan	—	231	—
Other reserves	1,141	1,093	10
Deferred tax liabilities.....	48,413	45,086	412
Deferred tax liabilities for land revaluation	50,133	90,994	427
Acceptances and guarantees.....	3,553,696	3,461,263	30,249
Total liabilities	99,739,154	93,809,446	848,988
Minority interests	1,081,148	1,034,950	9,203
Stockholders' equity			
Capital stock.....	664,986	664,986	5,661
Capital surplus	1,603,512	1,603,512	13,649
Retained earnings (deficit)	542,551	(6,281)	4,618
Land revaluation excess	38,080	57,772	324
Net unrealized gains on other securities	793,731	394,973	6,756
Foreign currency translation adjustments	(44,568)	(81,050)	(379)
Total stockholders' equity	3,598,294	2,633,912	30,629
Total liabilities, minority interests and stockholders' equity	¥104,418,597	¥97,478,308	\$888,820

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥117.48 to US\$1, the exchange rate prevailing at March 31, 2006.

Consolidated Statements of Operations (Unaudited)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Income			
Interest income:			
Interest on loans and discounts	¥1,196,998	¥1,120,390	\$10,189
Interest and dividends on securities	317,356	256,520	2,701
Interest on receivables under resale agreements	6,767	3,163	58
Interest on receivables under securities borrowing transactions	613	185	5
Interest on deposits with banks	59,867	36,183	510
Other interest income	48,706	74,076	415
Trust fees	8,626	2,609	73
Fees and commissions	604,859	511,824	5,149
Trading profits	32,807	144,587	279
Other operating income	360,246	312,852	3,066
Other income	152,583	236,808	1,299
Total income	2,789,433	2,699,202	23,744
Expenses			
Interest expenses:			
Interest on deposits	279,644	135,317	2,380
Interest on borrowings and rediscounts	27,295	30,523	232
Interest on payables under repurchase agreements	7,447	3,472	64
Interest on payables under securities lending transactions	58,292	51,853	496
Interest on bonds and short-term bonds	84,848	83,444	722
Other interest expenses	32,408	33,244	276
Fees and commissions	97,979	92,669	834
Trading losses	—	199	—
Other operating expenses	137,538	172,751	1,171
General and administrative expenses	767,852	769,239	6,536
Provision for reserve for possible loan losses	160,013	284,362	1,362
Other expenses	250,053	1,218,820	2,129
Total expenses	1,903,374	2,875,897	16,202
Income (loss) before income taxes and minority interests	886,058	(176,695)	7,542
Income taxes:			
Current	45,274	16,331	385
Refund	—	(8,539)	—
Deferred	219,789	45,261	1,871
Minority interests in net income	57,410	49,246	489
Net income (loss)	¥ 563,584	¥ (278,995)	\$ 4,797

Per share data:	Yen		U.S. dollars
Net income (loss)	¥9,864.54	¥(5,300.46)	\$ 83.97
Net income — diluted	9,827.19	—	83.65
Declared dividends on common stock	5,714	683	48.64
Declared dividends on preferred stock (Type 1)	10,500	10,500	89.38
Declared dividends on preferred stock (Type 2)	28,500	28,500	242.59
Declared dividends on preferred stock (Type 3)	13,700	13,700	116.62
Declared dividends on preferred stock (1st series Type 6)	88,500	485	753.32

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥117.48 to US\$1, the exchange rate prevailing at March 31, 2006.

Nonconsolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation

March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Assets			
Cash and due from banks	¥ 4,798,403	¥ 2,689,806	\$ 40,845
Deposits with banks	1,791,564	1,835,023	15,250
Call loans and bills bought	576,909	946,397	4,911
Receivables under resale agreements.....	81,470	88,021	694
Receivables under securities borrowing transactions	1,956,650	568,340	16,655
Commercial paper and other debt purchased.....	115,637	126,682	984
Trading assets.....	3,694,791	3,363,376	31,450
Money held in trust.....	2,912	3,832	25
Securities	25,202,541	23,676,696	214,526
Loans and bills discounted.....	51,857,559	50,067,586	441,416
Foreign exchanges.....	877,570	840,923	7,470
Other assets.....	1,567,812	1,446,439	13,345
Premises and equipment	639,538	660,469	5,444
Deferred tax assets	976,203	1,502,153	8,310
Customers' liabilities for acceptances and guarantees.....	4,120,300	4,303,148	35,072
Reserve for possible loan losses	(816,437)	(989,121)	(6,950)
Total assets	¥97,443,428	¥91,129,776	\$829,447
Liabilities and stockholders' equity			
Liabilities			
Deposits	¥68,222,167	¥65,591,627	\$580,713
Call money and bills sold	7,937,965	4,811,207	67,569
Payables under repurchase agreements	382,082	365,127	3,252
Payables under securities lending transactions	2,709,084	3,838,031	23,060
Trading liabilities	2,515,932	1,711,030	21,416
Borrowed money	2,023,023	2,267,602	17,220
Foreign exchanges.....	449,560	477,845	3,827
Bonds.....	3,776,707	3,718,372	32,148
Due to trust account	318,597	50,457	2,712
Other liabilities.....	1,295,135	1,143,206	11,024
Reserve for employee bonuses	8,691	9,092	74
Reserve for expenses related to EXPO 2005 Japan	—	231	—
Other reserves	18	18	0
Deferred tax liabilities for land revaluation	49,384	90,043	420
Acceptances and guarantees.....	4,120,300	4,303,148	35,072
Total liabilities	93,808,652	88,377,041	798,507
Stockholders' equity			
Capital stock.....	664,986	664,986	5,661
Capital surplus	1,367,548	1,367,548	11,641
Retained earnings	794,033	291,311	6,759
Land revaluation excess	24,716	42,345	210
Net unrealized gains on other securities.....	783,491	386,543	6,669
Total stockholders' equity	3,634,776	2,752,735	30,940
Total liabilities and stockholders' equity	¥97,443,428	¥91,129,776	\$829,447

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥117.48 to US\$1, the exchange rate prevailing at March 31, 2006.

Nonconsolidated Statements of Operations (Unaudited)

Sumitomo Mitsui Banking Corporation

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Income			
Interest income:			
Interest on loans and discounts	¥1,002,320	¥ 939,895	\$ 8,532
Interest and dividends on securities	317,180	262,640	2,700
Interest on receivables under resale agreements	4,362	1,955	37
Interest on receivables under securities borrowing transactions	613	181	5
Interest on deposits with banks	50,454	33,651	430
Other interest income	51,615	80,375	439
Trust fees	8,626	2,609	73
Fees and commissions	474,972	399,434	4,043
Trading profits	13,250	131,779	113
Other operating income	273,861	228,005	2,331
Other income	125,442	210,408	1,068
Total income	2,322,699	2,290,935	19,771
Expenses			
Interest expenses:			
Interest on deposits	234,616	110,763	1,997
Interest on borrowings and rediscounts	82,491	89,059	702
Interest on payables under repurchase agreements	6,359	2,786	54
Interest on payables under securities lending transactions	58,204	51,818	495
Interest on bonds	68,252	60,483	581
Other interest expenses	22,077	31,283	188
Fees and commissions	108,296	101,358	922
Trading losses	1,312	199	11
Other operating expenses	63,613	109,916	542
General and administrative expenses	604,098	603,477	5,142
Provision for reserve for possible loan losses	164,630	117,688	1,401
Other expenses	162,072	1,112,179	1,380
Total expenses	1,576,026	2,391,014	13,415
Income (loss) before income taxes	746,672	(100,079)	6,356
Income taxes:			
Current	13,512	6,379	115
Refund	—	(8,184)	—
Deferred	213,639	38,579	1,819
Net income (loss)	¥ 519,520	¥ (136,854)	\$ 4,422

Per share data:	Yen	U.S. dollars	
	Net income (loss)	¥9,066.46	¥(2,718.23)
Net income — diluted	9,050.63	—	77.04

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥117.48 to US\$1, the exchange rate prevailing at March 31, 2006.

Income Analysis (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Operating Income, Classified by Domestic and Overseas Operations

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Interest income	¥1,306,241	¥392,619	¥(36,260)	¥1,662,600	¥1,352,588	¥219,685	¥(50,545)	¥1,521,728
Interest expenses	281,037	245,122	(25,167)	500,991	268,947	111,651	(30,216)	350,382
Net interest income.....	1,025,204	147,497	(11,092)	1,161,608	1,083,640	108,034	(20,329)	1,171,345
Trust fees.....	8,631	—	—	8,631	2,609	—	—	2,609
Fees and commissions (income).....	657,115	49,288	(2,474)	703,928	558,734	40,169	(2,817)	596,086
Fees and commissions (expenses)	82,489	3,601	(1,754)	84,336	78,271	4,535	(2,831)	79,976
Net fees and commissions	574,625	45,686	(719)	619,591	480,462	35,633	13	516,109
Trading profits.....	36,163	18,099	(21,455)	32,807	138,258	9,401	(3,073)	144,587
Trading losses	8,066	13,389	(21,455)	—	1,260	2,011	(3,073)	199
Net trading income	28,096	4,710	—	32,807	136,997	7,389	—	144,387
Other operating income	1,126,212	19,504	(1,569)	1,144,147	1,044,604	14,363	(678)	1,058,289
Other operating expenses	865,666	12,346	(1,377)	876,635	863,933	4,365	(550)	867,748
Net other operating income	260,545	7,157	(192)	267,511	180,670	9,998	(127)	190,540

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest expenses" are shown after deduction of expenses (2006, ¥1 million; 2005, ¥3 million) related to the management of money held in trust.

3. Intersegment transactions are reported in "Elimination" column.

Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥76,691,842	¥1,306,241	1.70%	¥77,847,730	¥1,352,588	1.74%
Loans and bills discounted.....	50,469,167	953,658	1.89	50,766,858	1,007,194	1.98
Securities	21,565,285	290,826	1.35	23,316,850	247,782	1.06
Call loans and bills bought	713,123	7,773	1.09	587,437	4,116	0.70
Receivables under resale agreements	98,096	8	0.01	92,885	6	0.01
Receivables under securities borrowing transactions	1,411,749	613	0.04	874,138	185	0.02
Deposits with banks	1,387,168	23,781	1.71	1,226,375	20,671	1.69
Interest-bearing liabilities	¥83,944,515	¥ 281,037	0.33%	¥83,983,565	¥ 268,947	0.32%
Deposits	64,237,443	100,809	0.16	62,961,909	67,476	0.11
Negotiable certificates of deposit	3,359,901	844	0.03	3,561,190	800	0.02
Call money and bills sold	5,910,627	1,310	0.02	4,836,442	1,436	0.03
Payables under repurchase agreements ...	213,153	6	0.00	572,714	18	0.00
Payables under securities lending transactions	2,771,613	58,292	2.10	4,645,843	51,853	1.12
Commercial paper.....	64,266	69	0.11	305,731	224	0.07
Borrowed money	2,649,069	50,353	1.90	2,942,159	61,702	2.10
Short-term bonds	341,628	375	0.11	263	0	0.14
Bonds.....	3,867,212	62,878	1.63	3,623,970	55,676	1.54

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.

2. In principle, average balances are calculated by using daily balances. However, some domestic consolidated subsidiaries use weekly, monthly or semiannual balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,802,641 million; 2005, ¥1,674,507 million).

4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).

Overseas Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥9,621,722	¥392,619	4.08%	¥8,043,184	¥219,685	2.73%
Loans and bills discounted.....	6,652,589	283,993	4.27	5,388,426	166,477	3.09
Securities	949,114	37,627	3.96	904,213	28,944	3.20
Call loans and bills bought	178,988	6,556	3.66	121,023	2,979	2.46
Receivables under resale agreements	182,955	6,758	3.69	155,602	3,157	2.03
Receivables under securities borrowing transactions	—	—	—	—	—	—
Deposits with banks	1,182,483	37,742	3.19	1,020,309	17,709	1.74
Interest-bearing liabilities	¥6,988,102	¥245,122	3.51%	¥5,483,853	¥111,651	2.04%
Deposits	5,705,664	167,488	2.94	4,105,888	66,220	1.61
Negotiable certificates of deposit	303,226	12,033	3.97	122,085	2,912	2.39
Call money and bills sold	145,523	4,658	3.20	160,044	2,480	1.55
Payables under repurchase agreements ...	208,672	7,440	3.57	212,983	3,454	1.62
Payables under securities lending transactions	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money	93,085	2,182	2.34	100,866	3,109	3.08
Short-term bonds	—	—	—	—	—	—
Bonds.....	521,556	23,131	4.44	765,713	29,017	3.79

- Notes: 1. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. In principle, average balances are calculated by using daily balances. However, some overseas consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥32,268 million; 2005, ¥34,722 million).

Total of Domestic and Overseas Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥85,869,391	¥1,662,600	1.94%	¥85,168,708	¥1,521,728	1.79%
Loans and bills discounted.....	56,497,565	1,214,142	2.15	55,390,830	1,145,653	2.07
Securities	22,716,737	317,352	1.40	24,398,088	256,396	1.05
Call loans and bills bought	892,111	14,330	1.61	708,460	7,095	1.00
Receivables under resale agreements	281,051	6,767	2.41	248,487	3,163	1.27
Receivables under securities borrowing transactions	1,411,749	613	0.04	874,138	185	0.02
Deposits with banks	2,549,161	59,875	2.35	2,112,078	36,183	1.71
Interest-bearing liabilities	¥90,283,734	¥ 500,991	0.55%	¥88,566,822	¥ 350,382	0.40%
Deposits	69,920,269	266,648	0.38	66,931,833	131,498	0.20
Negotiable certificates of deposit	3,663,127	12,877	0.35	3,683,275	3,713	0.10
Call money and bills sold	6,056,150	5,969	0.10	4,996,487	3,917	0.08
Payables under repurchase agreements ...	421,826	7,447	1.77	785,698	3,472	0.44
Payables under securities lending transactions	2,771,613	58,292	2.10	4,645,843	51,853	1.12
Commercial paper.....	64,266	69	0.11	305,731	224	0.07
Borrowed money	2,117,940	29,016	1.37	2,278,563	36,793	1.61
Short-term bonds	341,628	375	0.11	263	0	0.14
Bonds.....	4,388,769	86,010	1.96	4,389,684	84,694	1.93

- Notes: 1. The figures above comprise totals for domestic and overseas operations after intersegment eliminations.
2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,832,832 million; 2005, ¥1,708,177 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).

Fees and Commissions

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Fees and commissions (income).....	¥657,115	¥49,288	¥(2,474)	¥703,928	¥558,734	¥40,169	¥(2,817)	¥596,086
Deposits and loans	23,622	32,250	(1,174)	54,698	23,448	23,974	(2,317)	45,105
Remittances and transfers.....	122,863	8,663	(1)	131,526	117,282	7,009	(2)	124,289
Securities-related business.....	64,561	211	—	64,773	51,973	0	—	51,973
Agency.....	18,929	—	—	18,929	19,304	—	—	19,304
Safe deposits.....	7,379	4	—	7,384	6,732	3	—	6,735
Guarantees.....	40,473	1,472	(500)	41,445	36,399	3,463	(419)	39,442
Credit card.....	108,643	—	—	108,643	93,768	—	—	93,768
Fees and commissions (expenses).....	¥ 82,489	¥ 3,601	¥(1,754)	¥ 84,336	¥ 78,271	¥ 4,535	¥(2,831)	¥ 79,976
Remittances and transfers.....	24,048	1,827	(7)	25,868	23,071	1,529	(384)	24,215

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Intersegment transactions are reported in "Elimination" column.

Trading Income

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading profits.....	¥36,163	¥18,099	¥(21,455)	¥32,807	¥138,258	¥9,401	¥(3,073)	¥144,587
Gains on trading securities	12,662	217	—	12,880	7,857	—	—	7,857
Gains on securities related to trading transactions	1,172	57	—	1,229	—	—	—	—
Gains on trading-related financial derivatives.....	22,230	17,824	(21,455)	18,599	129,965	9,332	(3,073)	136,224
Others.....	97	—	—	97	435	68	—	504
Trading losses	¥ 8,066	¥13,389	¥(21,455)	¥ —	¥ 1,260	¥2,011	¥(3,073)	¥ 199
Losses on trading securities	—	—	—	—	—	—	—	—
Losses on securities related to trading transactions	—	—	—	—	189	10	—	199
Losses on trading-related financial derivatives.....	8,066	13,389	(21,455)	—	1,071	2,001	(3,073)	—
Others.....	—	—	—	—	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Intersegment transactions are reported in "Elimination" column.

Assets and Liabilities (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Liquid deposits.....	¥41,727,352	¥39,010,945	¥36,825,754
Fixed-term deposits.....	20,023,737	20,513,332	20,308,162
Others.....	4,063,539	4,566,079	4,766,396
Subtotal.....	65,814,629	64,090,357	61,900,312
Negotiable certificates of deposit.....	2,106,986	2,579,986	3,423,393
Total.....	¥67,921,616	¥66,670,344	¥65,323,706
Overseas operations:			
Liquid deposits.....	¥ 4,170,386	¥ 3,731,804	¥ 2,862,410
Fixed-term deposits.....	842,358	643,931	562,667
Others.....	6,750	8,767	8,036
Subtotal.....	5,019,495	4,384,503	3,433,114
Negotiable certificates of deposit.....	601,657	133,283	96,070
Total.....	¥ 5,621,152	¥ 4,517,787	¥ 3,529,184
Grand total.....	¥73,542,769	¥71,188,131	¥68,852,890

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice

3. Fixed-term deposits = Time deposits + Installment savings

Balance of Loan Portfolio, Classified by Industry

Year-End Balance

March 31	Millions of yen					
	2006		2005		2004	
Domestic operations:						
Manufacturing.....	¥ 5,517,879	10.76%	¥ 5,659,954	11.31%	¥ 6,136,783	11.94%
Agriculture, forestry, fisheries and mining...	140,677	0.27	134,289	0.27	142,576	0.28
Construction.....	1,488,609	2.90	1,829,895	3.66	1,950,595	3.79
Transportation, communications and public enterprises.....	2,808,274	5.47	2,872,776	5.74	3,275,122	6.37
Wholesale and retail.....	5,553,808	10.83	5,692,582	11.37	5,884,109	11.44
Finance and insurance.....	4,302,537	8.39	4,089,586	8.17	3,828,350	7.45
Real estate.....	7,385,799	14.40	6,948,475	13.88	7,965,230	15.49
Services.....	6,230,670	12.14	6,271,962	12.53	6,136,593	11.94
Municipalities.....	735,328	1.43	656,386	1.31	765,690	1.49
Others.....	17,138,631	33.41	15,895,492	31.76	15,328,834	29.81
Subtotal.....	¥51,302,215	100.00%	¥50,051,402	100.00%	¥51,413,887	100.00%
Overseas operations:						
Public sector.....	¥ 46,892	0.79%	¥ 83,325	1.75%	¥ 81,737	2.06%
Financial institutions.....	549,081	9.21	406,015	8.55	338,375	8.53
Commerce and industry.....	5,005,510	83.91	4,060,708	85.52	3,304,282	83.25
Others.....	363,503	6.09	198,353	4.18	244,516	6.16
Subtotal.....	¥ 5,964,987	100.00%	¥ 4,748,403	100.00%	¥ 3,968,912	100.00%
Total.....	¥57,267,203	—	¥54,799,805	—	¥55,382,800	—

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Japan offshore banking accounts are included in overseas operations' accounts.

Risk-Monitored Loans

March 31	Millions of yen		
	2006	2005	2004
Bankrupt loans.....	¥ 59,332	¥ 68,337	¥ 96,413
Non-accrual loans.....	714,366	1,398,964	1,767,862
Past due loans (3 months or more).....	24,571	29,441	51,538
Restructured loans.....	444,889	730,701	1,382,168
Total.....	¥1,243,160	¥2,227,445	¥3,297,981

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

Securities

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Japanese government bonds.....	¥11,566,093	¥13,636,577	¥14,377,379
Japanese local government bonds.....	607,777	486,884	506,263
Japanese corporate bonds.....	3,958,181	3,243,443	2,651,971
Japanese stocks.....	4,277,449	3,325,372	3,473,577
Others.....	3,915,033	2,576,031	4,908,958
Subtotal.....	¥24,324,535	¥23,268,309	¥25,918,150
Overseas operations:			
Japanese government bonds.....	¥ —	¥ —	¥ 71,560
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	—	—	—
Japanese stocks.....	—	—	—
Others.....	958,135	774,484	895,875
Subtotal.....	¥ 958,135	¥ 774,484	¥ 967,436
Total of domestic and overseas operations:			
Japanese government bonds.....	¥ —	¥ —	¥ —
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	—	—	—
Japanese stocks.....	223,189	190,907	164,314
Others.....	—	0	—
Subtotal.....	¥ 223,189	¥ 190,907	¥ 164,314
Total.....	¥25,505,861	¥24,233,701	¥27,049,901

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. "Others" include foreign bonds and foreign stocks.

Trading Assets and Liabilities

March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading assets:	¥3,709,059	¥412,178	¥(43,212)	¥4,078,025	¥3,368,619	¥411,698	¥(11,244)	¥3,769,073
Trading securities	122,278	40,764	—	163,042	198,646	71,032	—	269,678
Derivatives of trading securities.....	275	—	—	275	812	—	—	812
Securities related to trading transactions.....	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	4,160	1	—	4,162	2,033	—	—	2,033
Trading-related financial derivatives	2,656,787	371,412	(43,212)	2,984,988	2,110,833	340,666	(11,244)	2,440,254
Other trading assets	925,557	—	—	925,557	1,056,293	—	—	1,056,293
Trading liabilities:	¥2,521,185	¥430,185	¥(43,212)	¥2,908,158	¥1,717,521	¥404,196	¥(11,244)	¥2,110,473
Trading securities sold for short sales	118,803	533	—	119,337	34,540	34,878	—	69,419
Derivatives of trading securities.....	1,238	—	—	1,238	524	—	—	524
Securities related to trading transactions.....	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	4,079	—	—	4,079	2,061	—	—	2,061
Trading-related financial derivatives	2,397,064	429,651	(43,212)	2,783,503	1,680,394	369,318	(11,244)	2,038,468
Other trading liabilities	—	—	—	—	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
 2. Intersegment transactions are reported in "Elimination" column.

Capital Ratio (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

March 31		Millions of yen		
		2006	2005	2004
Tier I capital:	Capital stock	¥ 1,420,877	¥ 1,352,651	¥ 1,247,650
	Capital reserve	1,229,225	974,346	865,282
	Retained earnings	944,112	285,573	564,767
	Minority interests	1,104,244	1,012,949	990,426
	Treasury stock	(4,393)	(269,857)	(2,956)
	Foreign currency translation adjustments	(41,475)	(79,883)	(71,764)
	Goodwill and others	(6,686)	(13,531)	(21,801)
	Subtotal (A)	4,645,905	3,262,250	3,571,604
Tier II capital:	45% of unrealized gains on other securities	627,807	317,053	249,401
	45% of unrealized gains on land	39,934	67,103	68,524
	General reserve for possible loan losses	742,614	633,515	837,679
	Qualifying subordinated debt	2,657,378	2,537,304	2,358,572
	Subtotal	4,067,736	3,554,977	3,514,177
	Tier II capital included as qualifying capital (B)	4,067,736	3,262,250	3,416,547
Deductions:	(C)	619,279	504,430	250,754
Total capital:	(D) = (A) + (B) - (C)	¥ 8,094,361	¥ 6,020,069	¥ 6,737,397
Risk-adjusted assets:	On-balance-sheet	¥58,984,821	¥54,897,868	¥54,649,899
	Off-balance-sheet	5,952,321	5,300,875	4,283,294
	Asset equivalent of market risk	385,206	353,876	270,821
	Subtotal (E)	¥65,322,349	¥60,552,620	¥59,204,015
Capital ratio:	(D) / (E) × 100	12.39%	9.94%	11.37%

Capital (Nonconsolidated)

Sumitomo Mitsui Financial Group, Inc.

Change in Number of Shares Outstanding and Capital Stock

	Millions of yen					
	Number of shares outstanding		Capital stock		Capital reserve	
	Changes	Balances	Changes	Balances	Changes	Balances
December 2, 2002	—	6,676,424.39	¥ —	¥1,000,000	¥ —	¥1,496,547
February 3, 2003*1	86,576.53	6,763,000.92	—	1,000,000	3,069	1,499,616
February 8, 2003*2	50,100	6,813,100.92	75,150	1,075,150	75,150	1,574,766
March 12, 2003*3	115,000	6,928,100.92	172,500	1,247,650	172,500	1,747,266
April 1, 2003 — March 31, 2004*4 ...	8.61	6,928,109.53	—	1,247,650	—	1,747,266
August 8, 2003*5	—	6,928,109.53	—	1,247,650	(499,503)	1,247,762
April 1, 2004 — March 31, 2005*6 ...	332,869.96	7,260,979.49	—	1,247,650	—	1,247,762
March 29, 2005*7	70,001	7,330,980.49	105,001	1,352,651	105,001	1,352,764
April 1, 2005 — March 31, 2006*8 ...	922,593.28	8,253,573.77	—	1,352,651	—	1,352,764
January 31, 2006*9	80,000	8,333,573.77	45,220	1,397,871	45,220	1,397,984
February 28, 2006*10	40,700	8,374,273.77	23,005	1,420,877	23,005	1,420,989

Remarks:

*1 Increase in the number of common stock as a result of merger with The Japan Research Institute Holdings, Ltd. (merger ratio: 1-to-0.021)

*2 Allotment to third parties: Preferred stock (1st to 12th series Type 4)
Issue price: ¥3,000,000 Capitalization: ¥1,500,000

*3 Allotment to third parties: Preferred stock (13th series Type 4)
Issue price: ¥3,000,000 Capitalization: ¥1,500,000

*4 Conversion of a share of preferred stock (13th series Type 4) to 9.61 shares of common stock.

*5 Capital reserve was transferred to other capital surplus pursuant to Article 289-2 of the Commercial Code.

*6 Conversion of 32,000 shares of preferred stock (Type 1), 105,000 shares of preferred stock (Type 3), and 7,912 shares of preferred stock (13th series Type 4) to 477,781.96 shares of common stock.

*7 Allotment to third parties: Preferred stock (1st series Type 6)
Issue price: ¥3,000,000 Capitalization: ¥1,500,000

*8 Conversion of 107,087 shares of preferred stock (13th series Type 4) to 1,029,680.28 shares of common stock.

*9 Public offering: Common stock
Issue price: ¥1,130,500 Capitalization: ¥565,250

*10 Allotment to third parties: Common stock
Issue price: ¥1,130,500 Capitalization: ¥565,250

Note: On May 17, 2006, SMFG repurchased and cancelled 35,000 shares of preferred stock (Type 1) and 33,000 shares of preferred stock (Type 2).

Total Outstanding Shares

March 31, 2006	Number of shares issued
Common stock	7,424,172.77
Preferred stock (Type 1)	35,000
Preferred stock (Type 2)	100,000
Preferred stock (Type 3)	695,000
Preferred stock (1st series Type 4)	4,175
Preferred stock (2nd series Type 4)	4,175
Preferred stock (3rd series Type 4)	4,175
Preferred stock (4th series Type 4)	4,175
Preferred stock (5th series Type 4)	4,175
Preferred stock (6th series Type 4)	4,175
Preferred stock (7th series Type 4)	4,175
Preferred stock (8th series Type 4)	4,175
Preferred stock (9th series Type 4)	4,175
Preferred stock (10th series Type 4)	4,175
Preferred stock (11th series Type 4)	4,175
Preferred stock (12th series Type 4)	4,175
Preferred stock (1st series Type 6)	70,001
Total	8,374,273.77

Stock Exchange Listings

Tokyo Stock Exchange (First Section)

Osaka Securities Exchange (First Section)

Nagoya Stock Exchange (First Section)

Number of Common Shares, Classified by Type of Shareholders

March 31, 2006	Number of shareholders	Number of shares	Percentage of total
Japanese government and local government.....	7	4,897	0.06%
Financial institutions	484	2,215,452	29.95
Securities companies	100	72,400	0.98
Other institutions.....	8,147	1,486,787	20.10
Foreign institutions	1,012	2,926,447	39.56
Foreign individuals.....	46	203	0.00
Individuals and others.....	177,756	691,709	9.35
Total.....	187,552	7,397,895	100.00%
Fractional shares	—	26,277.77	—

Notes: 1. Of 6,307.15 shares in treasury stock, 6,307 shares are included in "Individuals and others" and the remaining 0.15 shares are included in "Fractional shares."

2. "Other institutions" includes 585 shares held by the Securities Custody Association.

Principal Shareholders

a. Common Stock

March 31, 2006 Shareholders	Number of shares	Percentage of shares outstanding
Japan Trustee Services Bank, Ltd. (Trust Account).....	462,242.00	6.22%
The Master Trust Bank of Japan, Ltd. (Trust account).....	457,238.00	6.15
Nippon Life Insurance Company	154,388.42	2.07
The Chase Manhattan Bank N.A. London*	154,035.00	2.07
State Street Bank and Trust Company 505103*	145,702.00	1.96
State Street Bank and Trust Company*	98,904.00	1.33
Sumitomo Life Insurance Company	97,400.00	1.31
Trust & Custody Services Bank, Ltd. (Trust Account B)	90,431.00	1.21
The Chase Manhattan Bank N.A. London SL Omnibus Account*	79,992.00	1.07
JPMCB USA Residents Pension Jasdec Lend 385051*	73,866.00	0.99
Total	1,814,198.42	24.43

*Standing agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division

b. Preferred Stock (Type 1)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Resolution and Collection Corporation	35,000	100.00%

c. Preferred Stock (Type 2)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Resolution and Collection Corporation	100,000	100.00%

d. Preferred Stock (Type 3)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Resolution and Collection Corporation	695,000	100.00%

e. Preferred Stock (1st series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Goldman Sachs Group, Inc. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

f. Preferred Stock (2nd series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Goldman Sachs Group, Inc. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

g. Preferred Stock (3rd series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Goldman Sachs Group, Inc. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

h. Preferred Stock (4th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
The Goldman Sachs Group, Inc. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

i. Preferred Stock (5th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

j. Preferred Stock (6th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

k. Preferred Stock (7th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

l. Preferred Stock (8th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

m. Preferred Stock (9th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

n. Preferred Stock (10th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

o. Preferred Stock (11th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

p. Preferred Stock (12th series Type 4)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
GSSM Holding II Corp. (Standing agent: Goldman Sachs (Japan) Ltd.)	4,175	100.00%

q. Preferred Stock (1st series Type 6)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Life Insurance Company....	23,334	33.33%
Nippon Life Insurance Company	20,000	28.57
MITSUI LIFE INSURANCE COMPANY LIMITED	16,667	23.81
Mitsui Sumitomo Insurance Company, Limited.....	10,000	14.29
Total.....	70,001	100.00%

Notes: 1. The following reports on shareholdings (including their amendment reports) were submitted to the authorities. However, as we could not confirm how many shares are in beneficial possession of the submitters as of March 31, 2006, we did not include them in the list of principal shareholders shown above. The contents of the reports are summarized as follows:

Submitters	Filing date	Number of shares*	Percentage of shares outstanding
Nomura Securities Co., Ltd.	May 13, 2005	163,908	2.61%
Goldman Sachs (Japan) Ltd.	May 13, 2005	363,743	4.96
Fidelity Investments Japan Limited.....	July 15, 2005	270,202	3.32
Capital Research and Management Company.....	Nov. 14, 2005	354,360	4.85
Resona Holdings, Inc.	Mar. 31, 2006	71,857	0.86

* Includes shares held by co-shareholders.

2. The shareholders of preferred stocks (1st to 4th series Type 4, and 5th to 12th series Type 4) are the Goldman Sachs Group, Inc. and GSSM Holding II Corp., respectively, through stock transactions with the GSSM Holding Corporation as of the end of fiscal 2005.

Stock Options

March 31	2006
Number of shares granted	1,215 shares
Type of stock	Common stock
Issue price	¥669,775 per share
Amount capitalized when shares are issued	¥334,888 per share
Exercise period of stock options	From June 28, 2004 to June 27, 2012

Note: Former SMBC issued and granted stock options to certain directors and employees pursuant to the resolution of the ordinary general meeting of shareholders held on June 27, 2002. SMFG succeeded the obligations related to the stock options at the time of its establishment pursuant to the resolution of the preferred shareholders' meetings held on September 26, 2002 and the extraordinary shareholders' meeting held on September 27, 2002.

Common Stock Price Range

Stock Price Performance

Year ended March 31	Yen			
	2006	2005	2004	2003
High	¥1,370,000	¥854,000	¥780,000	¥452,000
Low	659,000	599,000	162,000	206,000

Notes: 1. Stock prices of common shares as quoted on the Tokyo Stock Exchange (First Section).

2. Preferred stock (Type 1), Preferred stock (Type 2), Preferred stock (Type 3), Preferred stock (1st to 12th series Type 4) and Preferred stock (1st series Type 6) are not listed on exchanges.

Six-Month Performance

	Yen					
	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006
High	¥1,100,000	¥1,230,000	¥1,300,000	¥1,370,000	¥1,370,000	¥1,310,000
Low	954,000	1,080,000	1,120,000	1,120,000	1,220,000	1,200,000

Notes: 1. Stock prices of common shares as quoted on the Tokyo Stock Exchange (First Section).

2. Preferred stock (Type 1), Preferred stock (Type 2), Preferred stock (Type 3), Preferred stock (1st to 12th series Type 4) and Preferred stock (1st series Type 6) are not listed on exchanges.

Income Analysis (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Operating Income, Classified by Domestic and Overseas Operations

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Interest income	¥1,273,062	¥392,619	¥(35,372)	¥1,630,309	¥1,320,829	¥219,685	¥(49,996)	¥1,490,519
Interest expenses	269,092	245,122	(24,279)	489,935	255,867	111,651	(29,666)	337,851
Net interest income	1,003,969	147,497	(11,092)	1,140,374	1,064,962	108,034	(20,329)	1,152,667
Trust fees	8,626	—	—	8,626	2,609	—	—	2,609
Fees and commissions (income)	557,992	49,288	(2,421)	604,859	474,455	40,169	(2,799)	511,824
Fees and commissions (expenses)	96,132	3,601	(1,754)	97,979	90,943	4,535	(2,809)	92,669
Net fees and commissions	461,860	45,686	(666)	506,879	383,511	35,633	10	419,155
Trading profits	36,163	18,099	(21,455)	32,807	138,258	9,401	(3,073)	144,587
Trading losses	8,066	13,389	(21,455)	—	1,260	2,011	(3,073)	199
Net trading income	28,096	4,710	—	32,807	136,997	7,389	—	144,387
Other operating income	341,621	19,504	(880)	360,246	298,745	14,310	(203)	312,852
Other operating expenses	126,546	12,346	(1,354)	137,538	168,482	4,365	(96)	172,751
Net other operating income	215,075	7,157	474	222,708	130,263	9,944	(107)	140,101

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest expenses" are shown after deduction of expenses (2006, ¥1 million; 2005, ¥3 million) related to the management of money held in trust.

3. Intersegment transactions are reported in "Elimination" column.

Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets	¥76,860,046	¥1,273,062	1.66%	¥77,870,320	¥1,320,829	1.70%
Loans and bills discounted	50,705,981	921,387	1.82	50,866,716	974,378	1.92
Securities	21,493,008	290,830	1.35	23,248,647	247,905	1.07
Call loans and bills bought	713,123	7,773	1.09	587,437	4,116	0.70
Receivables under resale agreements	98,096	8	0.01	92,885	6	0.01
Receivables under securities borrowing transactions	1,411,749	613	0.04	874,138	185	0.02
Deposits with banks	1,390,836	23,683	1.70	1,217,735	20,579	1.69
Interest-bearing liabilities	¥82,422,311	¥ 269,092	0.33%	¥82,499,517	¥ 255,867	0.31%
Deposits	64,276,673	100,809	0.16	62,999,470	67,477	0.11
Negotiable certificates of deposit	3,506,890	870	0.02	3,620,709	813	0.02
Call money and bills sold	5,910,627	1,310	0.02	4,836,442	1,436	0.03
Payables under repurchase agreements	213,153	6	0.00	572,714	18	0.00
Payables under securities lending transactions	2,771,613	58,292	2.10	4,645,843	51,853	1.12
Commercial paper	289	0	0.22	4,528	1	0.04
Borrowed money	1,486,282	41,865	2.82	1,798,989	51,055	2.84
Short-term bonds	3,791	4	0.12	136	0	0.12
Bonds	3,723,495	61,711	1.66	3,487,399	54,426	1.56

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries.

2. In principle, average balances are calculated by using daily balances. However, some domestic consolidated subsidiaries use weekly, monthly or semiannual balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,787,783 million; 2005, ¥1,670,430 million).

4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).

Overseas Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥9,621,722	¥392,619	4.08%	¥8,043,184	¥219,685	2.73%
Loans and bills discounted.....	6,652,589	283,993	4.27	5,388,426	166,477	3.09
Securities	949,114	37,627	3.96	904,213	28,944	3.20
Call loans and bills bought	178,988	6,556	3.66	121,023	2,979	2.46
Receivables under resale agreements	182,955	6,758	3.69	155,602	3,157	2.03
Receivables under securities borrowing transactions	—	—	—	—	—	—
Deposits with banks	1,182,483	37,742	3.19	1,020,309	17,709	1.74
Interest-bearing liabilities	¥6,988,102	¥245,122	3.51%	¥5,483,853	¥111,651	2.04%
Deposits	5,705,664	167,488	2.94	4,105,888	66,220	1.61
Negotiable certificates of deposit	303,226	12,033	3.97	122,085	2,912	2.39
Call money and bills sold	145,523	4,658	3.20	160,044	2,480	1.55
Payables under repurchase agreements ...	208,672	7,440	3.57	212,983	3,454	1.62
Payables under securities lending transactions	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money	93,085	2,182	2.34	100,866	3,109	3.08
Short-term bonds	—	—	—	—	—	—
Bonds.....	521,556	23,131	4.44	765,713	29,017	3.79

Notes: 1. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. In principle, average balances are calculated by using daily balances. However, some overseas consolidated subsidiaries use weekly, monthly or semiannual balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥32,268 million; 2005, ¥34,722 million).

Total of Domestic and Overseas Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥85,860,247	¥1,630,309	1.90%	¥85,037,716	¥1,490,519	1.75%
Loans and bills discounted.....	56,756,777	1,182,668	2.08	55,510,427	1,113,294	2.01
Securities	22,442,122	317,356	1.41	24,152,860	256,520	1.06
Call loans and bills bought	892,111	14,330	1.61	708,460	7,095	1.00
Receivables under resale agreements	281,051	6,767	2.41	248,487	3,163	1.27
Receivables under securities borrowing transactions	1,411,749	613	0.04	874,138	185	0.02
Deposits with banks	2,555,420	59,867	2.34	2,107,140	36,183	1.72
Interest-bearing liabilities	¥88,786,744	¥ 489,935	0.55%	¥87,106,414	¥ 337,851	0.39%
Deposits	69,962,314	266,739	0.38	66,973,294	131,591	0.20
Negotiable certificates of deposit	3,810,116	12,904	0.34	3,742,795	3,726	0.10
Call money and bills sold	6,056,150	5,969	0.10	4,996,487	3,917	0.08
Payables under repurchase agreements ...	421,826	7,447	1.77	785,698	3,472	0.44
Payables under securities lending transactions	2,771,613	58,292	2.10	4,645,843	51,853	1.12
Commercial paper.....	289	0	0.22	4,528	1	0.04
Borrowed money	977,550	21,326	2.18	1,155,133	26,603	2.30
Short-term bonds	3,791	4	0.12	136	0	0.12
Bonds.....	4,245,052	84,843	2.00	4,253,112	83,443	1.96

Notes: 1. The figures above comprise totals for domestic and overseas operations after intersegment eliminations.

2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or semiannual balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,817,927 million; 2005, ¥1,703,992 million).

4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).

Fees and Commissions

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Fees and commissions (income).....	¥557,992	¥49,288	¥(2,421)	¥604,859	¥474,455	¥40,169	¥(2,799)	¥511,824
Deposits and loans	24,305	32,250	(1,174)	55,381	23,458	23,974	(2,317)	45,116
Remittances and transfers.....	123,757	8,663	(0)	132,420	118,292	7,009	(2)	125,299
Securities-related business.....	64,561	211	—	64,773	51,973	0	—	51,973
Agency.....	18,938	—	—	18,938	19,305	—	—	19,305
Safe deposits	7,380	4	—	7,384	6,732	3	—	6,736
Guarantees	40,246	1,472	(482)	41,236	36,153	3,463	(402)	39,213
Credit card	7,056	—	—	7,056	7,078	—	—	7,078
Fees and commissions (expenses)	¥ 96,132	¥ 3,601	¥(1,754)	¥ 97,979	¥ 90,943	¥ 4,535	¥(2,809)	¥ 92,669
Remittances and transfers.....	24,048	1,827	(7)	25,868	23,071	1,529	(363)	24,236

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Intersegment transactions are reported in "Elimination" column.

Trading Income

Year ended March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading profits.....	¥36,163	¥18,099	¥(21,455)	¥32,807	¥138,258	¥9,401	¥(3,073)	¥144,587
Gains on trading securities	12,662	217	—	12,880	7,857	—	—	7,857
Gains on securities related to trading transactions	1,172	57	—	1,229	—	—	—	—
Gains on trading-related financial derivatives.....	22,230	17,824	(21,455)	18,599	129,965	9,332	(3,073)	136,224
Others	97	—	—	97	435	68	—	504
Trading losses	¥ 8,066	¥13,389	¥(21,455)	¥ —	¥ 1,260	¥2,011	¥(3,073)	¥ 199
Losses on trading securities	—	—	—	—	—	—	—	—
Losses on securities related to trading transactions	—	—	—	—	189	10	—	199
Losses on trading-related financial derivatives....	8,066	13,389	(21,455)	—	1,071	2,001	(3,073)	—
Others	—	—	—	—	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Intersegment transactions are reported in "Elimination" column.

Assets and Liabilities (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Liquid deposits.....	¥41,753,248	¥39,038,245	¥36,880,645
Fixed-term deposits.....	20,024,287	20,513,692	20,308,522
Others	4,063,554	4,566,079	4,766,398
Subtotal	65,841,090	64,118,017	61,955,566
Negotiable certificates of deposit.....	2,671,986	2,627,486	3,491,393
Total.....	¥68,513,076	¥66,745,504	¥65,446,960
Overseas operations:			
Liquid deposits.....	¥ 4,173,635	¥ 3,736,715	¥ 2,865,697
Fixed-term deposits.....	842,709	645,371	564,776
Others	6,750	8,767	8,036
Subtotal	5,023,096	4,390,853	3,438,510
Negotiable certificates of deposit.....	601,657	133,283	96,070
Total.....	¥ 5,624,753	¥ 4,524,137	¥ 3,534,580
Grand total.....	¥74,137,830	¥71,269,641	¥68,981,540

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice

3. Fixed-term deposits = Time deposits + Installment savings

Balance of Loan Portfolio, Classified by Industry

Year-End Balance

March 31	Millions of yen					
	2006		2005		2004	
Domestic operations:						
Manufacturing	¥ 5,516,716	10.72%	¥ 5,657,329	11.23%	¥ 6,133,208	11.92%
Agriculture, forestry, fisheries and mining...	140,677	0.27	134,289	0.27	142,574	0.28
Construction.....	1,488,462	2.89	1,829,553	3.63	1,950,119	3.79
Transportation, communications and public enterprises.....	2,804,338	5.45	2,868,583	5.69	3,270,116	6.36
Wholesale and retail	5,543,468	10.78	5,681,187	11.28	5,871,202	11.41
Finance and insurance.....	4,551,941	8.85	4,543,387	9.02	4,035,142	7.84
Real estate.....	7,379,265	14.34	6,937,379	13.77	7,948,701	15.45
Services	6,350,489	12.34	6,356,210	12.61	6,177,383	12.01
Municipalities	735,327	1.43	656,366	1.30	765,640	1.49
Others	16,944,100	32.93	15,720,093	31.20	15,153,844	29.45
Subtotal.....	¥51,454,786	100.00%	¥50,384,379	100.00%	¥51,447,932	100.00%
Overseas operations:						
Public sector	¥ 46,892	0.78%	¥ 83,325	1.75%	¥ 81,737	2.05%
Financial institutions.....	549,081	9.17	406,025	8.52	338,458	8.50
Commerce and industry.....	5,027,249	83.99	4,077,950	85.59	3,317,645	83.34
Others	362,752	6.06	197,247	4.14	243,193	6.11
Subtotal.....	¥ 5,985,975	100.00%	¥ 4,764,549	100.00%	¥ 3,981,034	100.00%
Total	¥57,440,761	—	¥55,148,929	—	¥55,428,967	—

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. Japan offshore banking accounts are included in overseas operations' accounts.

Risk-Monitored Loans

March 31	Millions of yen		
	2006	2005	2004
Bankrupt loans.....	¥ 59,681	¥ 68,238	¥ 96,101
Non-accrual loans.....	694,658	1,367,785	1,710,575
Past due loans (3 months or more).....	24,571	29,441	51,019
Restructured loans.....	440,471	721,273	1,371,524
Total.....	¥1,219,383	¥2,186,739	¥3,229,219

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

Securities

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Japanese government bonds.....	¥11,566,093	¥13,636,577	¥14,377,379
Japanese local government bonds.....	607,777	486,884	506,263
Japanese corporate bonds.....	3,958,081	3,243,443	2,651,971
Japanese stocks.....	4,244,439	3,316,551	3,468,250
Others.....	3,899,188	2,560,671	4,892,200
Subtotal.....	¥24,275,580	¥23,244,127	¥25,896,065
Overseas operations:			
Japanese government bonds.....	¥ —	¥ —	¥ 71,560
Japanese local government bonds.....	—	—	—
Japanese corporate bonds.....	—	—	—
Japanese stocks.....	—	—	—
Others.....	958,135	774,484	895,874
Subtotal.....	¥ 958,135	¥ 774,484	¥ 967,435
Total.....	¥25,233,716	¥24,018,612	¥26,863,501

- Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. "Others" include foreign bonds and foreign stocks.

Trading Assets and Liabilities

March 31	Millions of yen							
	2006				2005			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading assets:	¥3,710,140	¥412,178	¥(43,212)	¥4,079,106	¥3,368,619	¥411,698	¥(11,244)	¥3,769,073
Trading securities.....	122,278	40,764	—	163,042	198,646	71,032	—	269,678
Derivatives of trading securities.....	275	—	—	275	812	—	—	812
Securities related to trading transactions.....	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions.....	4,160	1	—	4,162	2,033	—	—	2,033
Trading-related financial derivatives.....	2,657,868	371,412	(43,212)	2,986,069	2,110,833	340,666	(11,244)	2,440,254
Other trading assets.....	925,557	—	—	925,557	1,056,293	—	—	1,056,293
Trading liabilities:	¥2,522,266	¥430,185	¥(43,212)	¥2,909,239	¥1,717,521	¥404,196	¥(11,244)	¥2,110,473
Trading securities sold for short sales.....	118,803	533	—	119,337	34,540	34,878	—	69,419
Derivatives of trading securities.....	1,238	—	—	1,238	524	—	—	524
Securities related to trading transactions.....	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions.....	4,079	—	—	4,079	2,061	—	—	2,061
Trading-related financial derivatives.....	2,398,145	429,651	(43,212)	2,784,584	1,680,394	369,318	(11,244)	2,038,468
Other trading liabilities.....	—	—	—	—	—	—	—	—

- Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Intersegment transactions are reported in "Elimination" column.

Income Analysis (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Gross Banking Profit, Classified by Domestic and International Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest income	¥ 998,292	¥441,421	¥1,426,546	¥ 979,246	¥339,934	¥1,318,698
Interest expenses.....	54,421	430,747	472,001	64,674	282,000	346,191
			[13,168]			[483]
			[13,168]			[483]
Net interest income	943,870	10,674	954,544	914,572	57,933	972,506
Trust fees	8,625	1	8,626	2,607	2	2,609
Fees and commissions (income)	394,224	80,747	474,972	335,368	64,066	399,434
Fees and commissions (expenses)	94,808	13,487	108,296	88,570	12,788	101,358
Net fees and commissions	299,415	67,260	366,675	246,798	51,277	298,076
Trading profits	1,077	12,172	13,250	1,787	129,991	131,779
Trading losses.....	1,312	—	1,312	—	199	199
Net trading income.....	(234)	12,172	11,937	1,787	129,792	131,579
Other operating income	52,951	220,910	273,861	87,832	142,007	228,005
Other operating expenses.....	38,139	25,473	63,613	70,786	40,963	109,916
Net other operating income.....	14,811	195,436	210,248	17,045	101,043	118,088
Gross banking profit.....	¥1,266,488	¥285,545	¥1,552,033	¥1,182,811	¥340,049	¥1,522,861
Gross banking profit rate (%)	1.91%	2.18%	1.96%	1.75%	2.61%	1.92%

- Notes: 1. Domestic operations include yen-denominated transactions by domestic branches, while international operations include foreign-currency-denominated transactions by domestic branches and operations by overseas branches. Yen-denominated nonresident transactions and Japan offshore banking accounts are included in international operations.
2. "Interest expenses" are shown after deduction of amounts equivalent to interest expenses on money held in trust (2006, ¥1 million; 2005, ¥3 million).
3. Figures in brackets [] indicate interest payments between domestic and international operations. As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
4. "Total" column for "Other operating income" and "Other operating expenses" are lower than the corresponding combined sums under "Domestic operations" and "International operations" (2006, by ¥— million; 2005, by ¥1,834 million). This is because income figures for financial derivatives are given net.
5. Gross banking profit rate = Gross banking profit / Average balance of interest-earning assets x 100

Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥66,051,344	¥998,292	1.51%	¥67,225,756	¥979,246	1.45%
		[13,137]				
Loans and bills discounted.....	46,007,295	783,444	1.70	46,859,345	829,425	1.77
Securities	18,099,469	187,182	1.03	19,087,657	131,157	0.68
Call loans	332,323	64	0.01	155,150	24	0.01
Receivables under resale agreements	78,893	2	0.00	57,949	0	0.00
Receivables under securities borrowing transactions.....	1,411,612	613	0.04	869,496	181	0.02
Bills bought	116,653	7	0.00	192,027	3	0.00
Deposits with banks	4,450	0	0.00	3,380	0	0.00
Interest-bearing liabilities	¥70,359,783	¥ 54,421	0.07%	¥70,248,699	¥ 64,674	0.09%
	[74,822]	[30]		[1,130,805]	[483]	
Deposits	56,437,539	11,500	0.02	54,621,893	12,145	0.02
Negotiable certificates of deposit	3,659,782	852	0.02	3,754,306	792	0.02
Call money	2,006,332	73	0.00	2,179,425	58	0.00
Payables under repurchase agreements	218,055	7	0.00	580,878	18	0.00
Payables under securities lending transactions	871,477	90	0.01	1,890,175	196	0.01
Bills sold	3,727,726	113	0.00	2,430,812	105	0.00
Commercial paper.....	—	—	—	2,054	0	0.00
Borrowed money	803,948	16,567	2.06	853,945	21,498	2.51
Bonds.....	2,473,357	24,622	0.99	2,633,634	28,843	1.09

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,616,150 million; 2005, ¥1,569,397 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).
2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses. As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
3. Bond interest includes amortization of discount on bonds.

International Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥13,046,075	¥441,421	3.38%	¥13,027,122	¥339,934	2.60%
	[74,822]	[30]		[1,130,805]	[483]	
Loans and bills discounted.....	5,143,390	207,408	4.03	3,949,563	105,467	2.67
Securities	4,063,661	129,998	3.19	4,615,337	131,482	2.84
Call loans	317,961	11,395	3.58	262,361	4,973	1.89
Receivables under resale agreements	137,805	4,360	3.16	124,900	1,954	1.56
Receivables under securities borrowing transactions	—	—	—	—	—	—
Bills bought	—	—	—	—	—	—
Deposits with banks	2,287,514	50,453	2.20	1,882,820	32,631	1.73
Interest-bearing liabilities	¥12,894,582	¥430,747	3.34%	¥12,979,499	¥282,000	2.17%
	[13,137]					
Deposits	7,388,093	215,426	2.91	6,789,387	95,572	1.40
Negotiable certificates of deposit	155,444	6,837	4.39	62,015	2,253	3.63
Call money	164,130	5,195	3.16	206,703	3,321	1.60
Payables under repurchase agreements ...	179,167	6,352	3.54	176,152	2,767	1.57
Payables under securities lending transactions	1,839,599	58,114	3.15	2,718,747	51,621	1.89
Bills sold	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money	1,345,486	60,541	4.49	1,583,555	64,074	4.04
Bonds	1,327,124	43,630	3.28	939,345	31,640	3.36

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥31,957 million; 2005, ¥27,509 million).
2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses. As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
3. Bond interest includes amortization of discount on bonds.
4. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method, under which the TT middle rate at the end of the previous month is applied to nonexchange transactions of the month concerned.

Total of Domestic and International Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥79,022,597	¥1,426,546	1.80%	¥79,122,073	¥1,318,698	1.66%
Loans and bills discounted.....	51,150,685	990,853	1.93	50,808,908	934,892	1.84
Securities	22,163,130	317,180	1.43	23,702,994	262,640	1.10
Call loans	650,284	11,459	1.76	417,511	4,998	1.19
Receivables under resale agreements	216,699	4,362	2.01	182,849	1,955	1.06
Receivables under securities borrowing transactions	1,411,612	613	0.04	869,496	181	0.02
Bills bought	116,653	7	0.00	192,027	3	0.00
Deposits with banks	2,291,965	50,454	2.20	1,886,200	32,631	1.73
Interest-bearing liabilities	¥83,179,544	¥ 472,001	0.56%	¥82,097,393	¥ 346,191	0.42%
Deposits	63,825,633	226,926	0.35	61,411,281	107,718	0.17
Negotiable certificates of deposit	3,815,227	7,690	0.20	3,816,321	3,045	0.07
Call money	2,170,463	5,268	0.24	2,386,128	3,380	0.14
Payables under repurchase agreements ...	397,223	6,359	1.60	757,031	2,786	0.36
Payables under securities lending transactions	2,711,076	58,204	2.14	4,608,922	51,818	1.12
Bills sold	3,727,726	113	0.00	2,430,812	105	0.00
Commercial paper.....	—	—	—	2,054	0	0.00
Borrowed money	2,149,434	77,109	3.58	2,437,501	85,573	3.51
Bonds	3,800,481	68,252	1.79	3,572,980	60,483	1.69

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (2006, ¥2,648,107 million; 2005, ¥1,596,906 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of money held in trust (2006, ¥1,717 million; 2005, ¥3,629 million) and corresponding interest (2006, ¥1 million; 2005, ¥3 million).
2. Figures in the table above indicate the net average balances of amounts adjusted for interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.
3. Bond interest includes amortization of discount on bonds.

Breakdown of Interest Income and Interest Expenses

Domestic Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥(17,311)	¥ 36,357	¥ 19,046	¥(40,908)	¥ 2,698	¥(38,209)
Loans and bills discounted.....	(14,896)	(31,084)	(45,980)	(63,897)	10,284	(53,612)
Securities	(7,109)	63,133	56,024	2,988	16,983	19,972
Call loans	33	6	39	(20)	(57)	(78)
Receivables under resale agreements	0	1	1	0	0	0
Receivables under securities borrowing transactions	157	273	431	73	3	77
Bills bought	(1)	5	3	0	(2)	(2)
Deposits with banks.....	0	(0)	0	(37)	(40)	(77)
Interest expenses.....	¥ 102	¥(10,354)	¥(10,252)	¥ (1,532)	¥(3,363)	¥ (4,896)
Deposits	394	(1,039)	(645)	570	(2,925)	(2,355)
Negotiable certificates of deposit	(20)	80	60	(115)	76	(39)
Call money	(4)	20	15	(6)	(8)	(15)
Payables under repurchase agreements ...	(12)	0	(11)	(50)	(35)	(85)
Payables under securities lending transactions	(105)	(1)	(106)	(13)	(9)	(23)
Bills sold	45	(37)	7	(297)	(472)	(770)
Commercial paper.....	(0)	(0)	(0)	0	0	0
Borrowed money	(1,203)	(3,727)	(4,930)	(2,236)	(3,008)	(5,244)
Bonds.....	(1,691)	(2,529)	(4,221)	4,639	(1,040)	3,599

Note: Volume/rate variance is prorated according to changes in volume and rate.

International Operations

Year ended March 31	Millions of yen					
	2006			2005		
	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥ 495	¥100,991	¥101,487	¥27,174	¥(62,584)	¥(35,409)
Loans and bills discounted.....	37,930	64,010	101,941	4,433	11,181	15,614
Securities	(16,668)	15,184	(1,483)	(16,666)	9,739	(6,926)
Call loans	1,234	5,186	6,421	1,695	1,147	2,843
Receivables under resale agreements	220	2,184	2,405	422	714	1,136
Deposits with banks.....	6,558	10,244	16,803	14,688	7,872	22,560
Interest expenses.....	¥ (1,856)	¥150,603	¥148,747	¥18,752	¥ 27,077	¥ 45,830
Deposits	9,114	110,739	119,853	14,906	10,034	24,940
Negotiable certificates of deposit	4,022	562	4,584	(69)	166	97
Call money	(800)	2,673	1,873	908	918	1,827
Payables under repurchase agreements ...	48	3,536	3,584	(1,451)	1,234	(216)
Payables under securities lending transactions	(20,322)	26,814	6,492	(5,795)	9,015	3,220
Borrowed money	(10,251)	6,717	(3,533)	(4,779)	3,854	(925)
Bonds.....	12,765	(775)	11,990	9,757	(2,314)	7,443

Note: Volume/rate variance is prorated according to changes in volume and rate.

Total of Domestic and International Operations

	Millions of yen					
	2006			2005		
Year ended March 31	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥ (1,659)	¥109,508	¥107,848	¥(34,120)	¥(39,504)	¥(73,624)
Loans and bills discounted.....	6,326	49,634	55,960	(62,759)	24,761	(37,998)
Securities	(17,968)	72,509	54,540	(1,180)	14,226	13,046
Call loans	3,499	2,961	6,460	365	2,399	2,764
Receivables under resale agreements	417	1,990	2,407	828	308	1,136
Receivables under securities borrowing transactions	157	273	431	73	3	77
Bills bought	(1)	5	3	0	(2)	(2)
Deposits with banks.....	6,567	10,235	16,803	13,703	8,779	22,483
Interest expenses.....	¥ 4,621	¥121,188	¥125,809	¥ (3,051)	¥ 43,980	¥ 40,929
Deposits	4,395	114,813	119,208	4,959	17,625	22,584
Negotiable certificates of deposit	(0)	4,645	4,644	(418)	475	57
Call money	(330)	2,218	1,888	(104)	1,916	1,812
Payables under repurchase agreements ...	(1,875)	5,448	3,572	(2,762)	2,459	(302)
Payables under securities lending transactions	(27,385)	33,771	6,385	(4,794)	7,991	3,196
Bills sold	45	(37)	7	(297)	(472)	(770)
Commercial paper.....	(0)	(0)	(0)	0	0	0
Borrowed money	(10,299)	1,835	(8,464)	(7,146)	977	(6,169)
Bonds.....	3,971	3,798	7,769	11,959	(916)	11,042

Note: Volume/rate variance is prorated according to changes in volume and rate.

Fees and Commissions

	Millions of yen					
	2006			2005		
Year ended March 31	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Fees and commissions (income)	¥394,224	¥80,747	¥474,972	¥335,368	¥64,066	¥399,434
Deposits and loans	11,009	29,269	40,278	11,034	22,381	33,415
Remittances and transfers	97,637	25,702	123,339	93,623	23,156	116,780
Securities-related business	23,212	1,048	24,261	22,098	702	22,801
Agency	16,280	—	16,280	16,576	—	16,576
Safe deposits	6,975	—	6,975	6,333	—	6,333
Guarantees	19,319	6,469	25,789	15,016	5,620	20,636
Fees and commissions (expenses).....	¥ 94,808	¥13,487	¥108,296	¥ 88,570	¥12,788	¥101,358
Remittances and transfers	18,918	4,513	23,432	17,912	4,678	22,590

Trading Income

	Millions of yen					
	2006			2005		
Year ended March 31	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Trading profits	¥1,077	¥12,172	¥13,250	¥1,787	¥129,991	¥131,779
Gains on trading securities	—	—	—	1,352	—	1,352
Gains on securities related to trading transactions.....	—	1,229	1,229	—	—	—
Gains on trading-related financial derivatives.....	—	10,942	10,942	—	129,991	129,991
Others	1,077	—	1,077	435	—	435
Trading losses.....	¥1,312	¥ —	¥ 1,312	¥ —	¥ 199	¥ 199
Losses on trading securities	1,312	—	1,312	—	—	—
Losses on securities related to trading transactions.....	—	—	—	—	199	199
Losses on trading-related financial derivatives.....	—	—	—	—	—	—
Others	—	—	—	—	—	—

Note: Figures represent net gains (losses) after offsetting income against expenses.

Net Other Operating Income

Year ended March 31	Millions of yen					
	2006			2005		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Net other operating income	¥14,811	¥195,436	¥210,248	¥17,045	¥101,043	¥118,088
Gains (losses) on bonds	(11,305)	985	(10,320)	(6,100)	(15,490)	(21,590)
Gains (losses) on foreign exchange transactions	—	202,634	202,634	—	115,580	115,580

General and Administrative Expenses

Year ended March 31	Millions of yen	
	2006	2005
Salaries and related expenses	¥158,660	¥164,812
Retirement benefit cost	28,952	37,677
Welfare expenses	26,280	27,222
Depreciation	52,776	53,038
Rent and lease expenses	46,802	47,476
Building and maintenance expenses	3,736	4,323
Supplies expenses	5,303	5,219
Water, lighting, and heating expenses	4,926	5,025
Traveling expenses	2,764	2,422
Communication expenses	6,813	6,855
Publicity and advertising expenses	10,671	4,952
Taxes, other than income taxes	33,379	36,684
Others	223,030	207,766
Total	¥604,098	¥603,477

Note: Because expenses reported on page 39 exclude nonrecurring losses, they are not reconciled with the figures reported in the above table.

Deposits (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen					
	2006		2005		2004	
Domestic operations:						
Liquid deposits	¥39,708,409	65.2%	¥37,156,757	63.1%	¥35,103,333	61.2%
Fixed-term deposits	17,284,768	28.4	17,793,187	30.2	17,519,187	30.6
Others	1,135,522	1.9	1,214,592	2.1	1,165,818	2.0
Subtotal	58,128,700	95.5	56,164,537	95.4	53,788,339	93.8
Negotiable certificates of deposit	2,765,903	4.5	2,732,344	4.6	3,534,978	6.2
Total	¥60,894,604	100.0%	¥58,896,881	100.0%	¥57,323,318	100.0%
International operations:						
Liquid deposits	¥ 3,486,860	47.6%	¥ 2,861,884	42.7%	¥ 2,126,160	33.5%
Fixed-term deposits	583,594	7.9	490,122	7.3	638,098	10.1
Others	2,871,629	39.2	3,271,783	48.9	3,514,818	55.5
Subtotal	6,942,084	94.7	6,623,790	98.9	6,279,077	99.1
Negotiable certificates of deposit	385,478	5.3	70,955	1.1	54,376	0.9
Total	¥ 7,327,562	100.0%	¥ 6,694,746	100.0%	¥ 6,333,453	100.0%
Grand total	¥68,222,167	—	¥65,591,627	—	¥63,656,771	—

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
2. Fixed-term deposits = Time deposits + Installment savings

Average Balance

Year ended March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Liquid deposits	¥38,358,425	¥36,234,814	¥34,022,602
Fixed-term deposits	17,513,424	17,828,904	17,928,748
Others	565,689	558,174	534,600
Subtotal	56,437,539	54,621,893	52,485,951
Negotiable certificates of deposit	3,659,782	3,754,306	4,324,976
Total	¥60,097,321	¥58,376,199	¥56,810,927
International operations:			
Liquid deposits	¥ 3,705,055	¥ 2,522,440	¥ 1,905,787
Fixed-term deposits	647,887	676,719	467,222
Others	3,035,150	3,590,227	3,305,452
Subtotal	7,388,093	6,789,387	5,678,463
Negotiable certificates of deposit	155,444	62,015	64,031
Total	¥ 7,543,538	¥ 6,851,402	¥ 5,742,494
Grand total	¥67,640,860	¥65,227,602	¥62,553,422

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
2. Fixed-term deposits = Time deposits + Installment savings
3. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Deposits, Classified by Type of Depositor

March 31	Millions of yen					
	2006		2005		2004	
Individual	¥32,760,329	51.9%	¥32,154,014	53.1%	¥31,631,834	53.9%
Corporate	30,347,382	48.1	28,455,616	46.9	27,047,368	46.1
Total	¥63,107,711	100.0%	¥60,609,630	100.0%	¥58,679,202	100.0%

Notes: 1. Figures are before adjustment on interoffice accounts in transit.
2. Negotiable certificates of deposit are excluded.
3. Accounts at overseas branches and Japan offshore banking accounts are excluded.

Balance of Investment Trusts, Classified by Type of Customer

March 31	Millions of yen		
	2006	2005	2004
Individual	¥2,803,120	¥2,264,844	¥1,920,024
Corporate.....	120,489	83,383	85,660
Total.....	¥2,923,609	¥2,348,227	¥2,005,684

Note: Balance of investment trusts is recognized on a contract basis and measured according to each fund's net asset balance at the fiscal year-end.

Balance of Time Deposits, Classified by Maturity

March 31	Millions of yen		
	2006	2005	2004
Less than three months	¥ 5,870,988	¥ 5,981,869	¥ 4,934,527
Fixed interest rates	5,336,407	5,532,337	4,578,876
Floating interest rates	—	6,900	11,500
Three — six months	2,807,247	2,991,485	3,179,150
Fixed interest rates	2,786,021	2,973,753	3,155,985
Floating interest rates	—	—	—
Six months — one year	4,758,121	4,939,115	5,273,003
Fixed interest rates	4,740,237	4,923,087	5,256,668
Floating interest rates	—	500	—
One — two years	1,406,623	1,680,496	2,377,402
Fixed interest rates	1,400,075	1,675,518	2,352,455
Floating interest rates	1,200	—	—
Two — three years	1,337,208	1,383,422	1,448,562
Fixed interest rates	1,320,748	1,377,490	1,438,749
Floating interest rates	14,350	1,000	—
Three years or more	1,688,116	1,306,857	944,564
Fixed interest rates	1,303,749	1,111,275	873,226
Floating interest rates	381,920	191,262	59,650
Total.....	¥17,868,305	¥18,283,246	¥18,157,210
Fixed interest rates	16,887,240	17,593,462	17,655,962
Floating interest rates	397,470	199,662	71,150

Note: The figures above do not include installment savings.

Loans (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Balance of Loans and Bills Discounted

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Loans on notes	¥ 2,834,068	¥ 3,816,186	¥ 5,273,254
Loans on deeds	35,046,384	33,611,639	33,177,784
Overdrafts	8,398,616	8,096,806	8,249,108
Bills discounted	360,019	450,719	572,371
Subtotal	¥46,639,088	¥45,975,351	¥47,272,518
International operations:			
Loans on notes	¥ 506,926	¥ 444,509	¥ 436,046
Loans on deeds	4,606,034	3,536,778	3,007,477
Overdrafts	97,523	105,735	93,462
Bills discounted	7,987	5,211	639
Subtotal	¥ 5,218,471	¥ 4,092,234	¥ 3,537,625
Total	¥51,857,559	¥50,067,586	¥50,810,144

Average Balance

Year ended March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Loans on notes	¥ 3,301,745	¥ 4,764,916	¥ 6,007,354
Loans on deeds	34,349,609	33,381,278	35,527,330
Overdrafts	7,984,946	8,237,709	8,392,655
Bills discounted	370,994	475,440	547,893
Subtotal	¥46,007,295	¥46,859,345	¥50,475,233
International operations:			
Loans on notes	¥ 495,793	¥ 447,208	¥ 439,060
Loans on deeds	4,518,077	3,390,644	3,148,040
Overdrafts	122,566	108,728	181,726
Bills discounted	6,952	2,981	889
Subtotal	¥ 5,143,390	¥ 3,949,563	¥ 3,769,716
Total	¥51,150,685	¥50,808,908	¥54,244,949

Note: The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Loans and Bills Discounted, Classified by Purpose

March 31	Millions of yen					
	2006		2005		2004	
Funds for capital investment	¥21,007,908	40.5%	¥20,800,237	41.5%	¥21,632,436	42.6%
Funds for working capital	30,849,651	59.5	29,267,348	58.5	29,177,708	57.4
Total	¥51,857,559	100.0%	¥50,067,586	100.0%	¥50,810,144	100.0%

Breakdown of Loan Collateral

March 31	Millions of yen		
	2006	2005	2004
Securities	¥ 1,009,017	¥ 965,238	¥ 1,025,755
Commercial claims	1,147,522	1,191,558	1,311,345
Commercial goods	—	—	2,595
Real estate	6,821,121	7,127,468	7,490,743
Others	408,915	433,650	363,678
Subtotal	9,386,577	9,717,916	10,194,118
Guaranteed	22,108,903	22,332,670	22,103,891
Unsecured	20,362,079	18,016,999	18,512,134
Total	¥51,857,559	¥50,067,586	¥50,810,144

Balance of Loans and Bills Discounted, Classified by Maturity

March 31	Millions of yen		
	2006	2005	2004
One year or less	¥ 8,299,712	¥ 8,686,277	¥10,666,356
Floating interest rates	/	/	/
Fixed interest rates	/	/	/
One — three years	7,820,129	8,106,563	8,223,191
Floating interest rates	6,217,858	6,278,298	5,500,484
Fixed interest rates	1,602,270	1,828,265	2,722,707
Three — five years	7,428,711	6,233,570	5,451,873
Floating interest rates	5,953,483	4,732,079	3,950,114
Fixed interest rates	1,475,227	1,501,490	1,501,759
Five — seven years	3,080,127	2,593,547	2,237,279
Floating interest rates	2,563,603	2,118,091	1,715,055
Fixed interest rates	516,524	475,456	522,223
More than seven years	16,732,739	16,245,085	15,888,872
Floating interest rates	15,681,137	15,496,800	14,822,715
Fixed interest rates	1,051,601	748,285	1,066,156
No designated term	8,496,139	8,202,541	8,342,570
Floating interest rates	8,496,139	8,202,541	8,342,570
Fixed interest rates	—	—	—
Total	¥51,857,559	¥50,067,586	¥50,810,144

Note: Loans with a maturity of one year or less are not classified by floating or fixed interest rates.

Balance of Loan Portfolio, Classified by Industry

March 31	Millions of yen					
	2006		2005		2004	
Domestic offices:						
Manufacturing	¥ 5,172,704	10.9%	¥ 5,321,715	11.4%	¥ 5,794,191	12.1%
Agriculture, forestry, fisheries and mining...	133,756	0.3	125,574	0.3	133,833	0.3
Construction	1,283,199	2.7	1,618,372	3.5	1,717,184	3.6
Transportation, communications and public enterprises	2,658,362	5.6	2,737,386	5.9	3,134,713	6.5
Wholesale and retail	5,170,601	10.9	5,310,881	11.4	5,492,168	11.5
Finance and insurance	5,072,348	10.7	5,158,754	11.0	4,892,526	10.2
Real estate	6,316,865	13.3	5,982,960	12.8	6,995,060	14.6
Services	5,731,622	12.1	5,705,901	12.2	5,470,887	11.4
Municipalities	657,755	1.4	583,515	1.2	688,159	1.4
Others	15,264,035	32.1	14,128,584	30.3	13,632,796	28.4
Subtotal	¥47,461,252	100.0%	¥46,673,647	100.0%	¥47,951,522	100.0%
Overseas offices:						
Public sector	¥ 38,992	0.9%	¥ 75,824	2.2%	¥ 63,654	2.2%
Financial institutions	348,464	7.9	237,276	7.0	227,393	8.0
Commerce and industry	3,815,783	86.8	2,994,018	88.2	2,395,989	83.8
Others	193,066	4.4	86,819	2.6	171,583	6.0
Subtotal	¥ 4,396,307	100.0%	¥ 3,393,938	100.0%	¥ 2,858,622	100.0%
Total	¥51,857,559	—	¥50,067,586	—	¥50,810,144	—

Note: Japan offshore banking accounts are included in overseas offices' accounts.

Loans to Individuals/Small and Medium-Sized Corporations

March 31	Millions of yen		
	2006	2005	2004
Total domestic loans (A)	¥47,461,252	¥46,673,647	¥47,951,522
Loans to individuals, and small and medium-sized corporations (B)	35,496,058	35,291,150	35,427,834
(B) / (A)	74.8%	75.6%	73.9%

Notes: 1. The figures above exclude outstanding balance of loans at overseas branches and of Japan offshore banking accounts.

2. Small and medium-sized corporations are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees. (Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million, 100 employees; retailers: ¥50 million, 50 employees; and service industry companies: ¥50 million, 100 employees.)

Consumer Loans Outstanding

March 31	Millions of yen		
	2006	2005	2004
Consumer loans	¥14,725,514	¥14,230,648	¥13,875,878
Housing loans	13,771,812	13,240,449	12,725,041
Residential purpose	10,044,534	9,451,330	8,891,575
Others	953,701	990,198	1,150,837

Note: Housing loans include general-purpose loans used for housing purposes, such as housing loans and apartment house acquisition loans.

Breakdown of Reserve for Possible Loan Losses

Year ended March 31, 2006	Millions of yen				
	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of the fiscal year
			Objectives	Others	
General reserve for possible loan losses	¥422,155 [(4,600)]	¥572,536	¥ —	¥422,155*	¥572,536
Specific reserve for estimated loan losses on certain doubtful loans	567,861 [(225)]	241,546	342,141	225,720*	241,546
For nonresident loans	23,741 [(225)]	18,076	2,761	20,979*	18,076
Reserve for possible losses on specific overseas loans	3,930	2,354	—	3,930*	2,354
Total	¥993,947 [(4,825)]	¥816,437	¥342,141	¥651,806	¥816,437

*Transfer from reserves by reversal or origination method

Note: Figures in brackets [] indicate foreign exchange translation adjustments.

Year ended March 31, 2005	Millions of yen				
	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of the fiscal year
			Objectives	Others	
General reserve for possible loan losses	¥ 770,194 [(1,161)]	¥417,555	¥ —	¥770,194*	¥417,555
Specific reserve for estimated loan losses on certain doubtful loans	474,310 [(350)]	567,636	380,829	93,480*	567,636
For nonresident loans	27,626 [(350)]	23,515	5,707	21,918*	23,515
Reserve for possible losses on specific overseas loans	7,758	3,930	—	7,758*	3,930
Total	¥1,252,262 [(1,511)]	¥989,121	¥380,829	¥871,433	¥989,121

*Transfer from reserves by reversal or origination method

Note: Figures in brackets [] indicate foreign exchange translation adjustments.

Write-off of Loans

Year ended March 31	Millions of yen		
	2006	2005	2004
Write-off of loans	¥12,650	¥697,941	¥566,344

Note: Write-off of loans includes amount of direct reduction.

Specific Overseas Loans

March 31	Millions of yen		
	2006	2005	2004
Indonesia	¥35,509	¥39,959	¥73,826
Argentina	2	25	514
Others	—	180	346
Total	¥35,511	¥40,164	¥74,688
Ratio of the total amounts to total assets	0.03%	0.04%	0.07%
Number of countries	2	5	6

Risk-Monitored Loans

March 31	Millions of yen		
	2006	2005	2004
Bankrupt loans.....	¥ 40,914	¥ 45,931	¥ 67,183
Non-accrual loans.....	551,083	1,238,022	1,460,787
Past due loans (3 months or more).....	23,446	26,902	47,618
Restructured loans.....	298,728	425,006	1,199,301
Total.....	¥914,173	¥1,735,863	¥2,774,889

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

Problem Assets Based on the Financial Reconstruction Law

March 31	Billions of yen		
	2006	2005	2004
Bankrupt and quasi-bankrupt assets.....	¥ 164.5	¥ 448.3	¥ 361.6
Doubtful assets.....	473.4	924.4	1,202.7
Substandard loans.....	322.2	451.9	1,246.9
Total of problem assets.....	960.1	1,824.6	2,811.2
Normal assets.....	55,984.9	53,452.6	52,874.4
Total.....	¥56,945.0	¥55,277.2	¥55,685.6

Notes: Definition of problem asset categories

These assets are disclosed based on the provisions of Article 7 of the Financial Reconstruction Law (Law No. 132 of 1998) and classified into the 4 categories based on financial position and business performance of obligors in accordance with Article 6 of the Law. Assets in question include loans and bills discounted, foreign exchanges, accrued interest, and advance payment in "other assets," customers' liabilities for acceptance and guarantees, and securities lent under the loan for consumption or leasing agreements.

1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature
2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower
3. Substandard loans: Past due loans (3 months or more) and restructured loans, excluding 1. and 2.
4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the three categories above

Securities (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Balance of Securities

Year-End Balance

March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Japanese government bonds	¥11,137,621	¥13,000,401	¥13,897,044
Japanese local government bonds	546,197	400,686	417,831
Japanese corporate bonds	3,717,162	2,976,060	2,371,760
Japanese stocks	4,457,872	3,536,869	3,660,522
Others	971,561	343,706	129,442
Foreign bonds	/	/	/
Foreign stocks	/	/	/
Subtotal	¥20,830,416	¥20,257,723	¥20,476,601
International operations:			
Japanese government bonds	¥ —	¥ —	¥ —
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Japanese stocks	—	—	—
Others	4,372,125	3,418,972	6,115,982
Foreign bonds	3,101,314	2,499,669	5,187,456
Foreign stocks	1,270,810	919,303	928,525
Subtotal	¥ 4,372,125	¥ 3,418,972	¥ 6,115,982
Total	¥25,202,541	¥23,676,696	¥26,592,584

Average Balance

Year ended March 31	Millions of yen		
	2006	2005	2004
Domestic operations:			
Japanese government bonds	¥10,749,789	¥13,068,691	¥12,820,808
Japanese local government bonds	502,384	419,803	354,229
Japanese corporate bonds	3,338,156	2,447,549	2,141,145
Japanese stocks	2,840,717	2,919,805	3,207,224
Others	668,420	231,806	75,254
Foreign bonds	/	/	/
Foreign stocks	/	/	/
Subtotal	¥18,099,469	¥19,087,657	¥18,598,661
International operations:			
Japanese government bonds	¥ —	¥ —	¥ —
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Japanese stocks	—	—	—
Others	4,063,661	4,615,337	5,216,457
Foreign bonds	2,920,828	3,659,676	4,303,429
Foreign stocks	1,142,832	955,660	913,027
Subtotal	¥ 4,063,661	¥ 4,615,337	¥ 5,216,457
Total	¥22,163,130	¥23,702,994	¥23,815,118

Note: The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Securities Held, Classified by Maturity

March 31	Millions of yen		
	2006	2005	2004
One year or less			
Japanese government bonds	¥ 5,284,223	¥ 2,759,480	¥ 2,586,741
Japanese local government bonds	21,010	2,493	1,174
Japanese corporate bonds	378,863	224,265	122,080
Others	665,701	438,456	255,415
Foreign bonds	652,688	425,671	251,402
One — three years			
Japanese government bonds	74,771	2,520,074	2,349,136
Japanese local government bonds	148,493	106,877	24,549
Japanese corporate bonds	1,100,133	916,972	697,926
Others	1,119,951	1,077,233	2,923,707
Foreign bonds	1,029,326	1,029,853	2,898,312
Three — five years			
Japanese government bonds	1,887,212	3,634,470	4,658,046
Japanese local government bonds	58,846	97,413	169,736
Japanese corporate bonds	1,232,120	1,264,285	1,066,954
Others	367,937	393,547	1,201,085
Foreign bonds	267,114	322,997	1,179,263
Foreign stocks	22,421	—	—
Five — seven years			
Japanese government bonds	627,024	1,219,564	2,026,179
Japanese local government bonds	114,583	14,158	12,662
Japanese corporate bonds	460,625	273,476	258,241
Others	83,445	50,033	165,856
Foreign bonds	58,115	37,793	141,726
Seven — 10 years			
Japanese government bonds	457,400	164,265	1,175,114
Japanese local government bonds	202,817	179,248	209,189
Japanese corporate bonds	434,705	265,060	223,592
Others	612,580	203,029	277,458
Foreign bonds	524,842	150,233	261,747
Foreign stocks	7,075	—	—
More than 10 years			
Japanese government bonds	2,806,988	2,702,545	1,101,824
Japanese local government bonds	445	494	519
Japanese corporate bonds	110,713	32,000	2,964
Others	671,792	561,803	386,108
Foreign bonds	539,944	494,336	362,180
Foreign stocks	129,700	—	—
No designated term			
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Japanese stocks	4,457,872	3,536,869	3,660,522
Others	1,822,277	1,038,575	1,035,792
Foreign bonds	29,282	38,783	92,822
Foreign stocks	1,111,613	919,303	928,525
Total			
Japanese government bonds	¥11,137,621	¥13,000,401	¥13,897,044
Japanese local government bonds	546,197	400,686	417,831
Japanese corporate bonds	3,717,162	2,976,060	2,371,760
Japanese stocks	4,457,872	3,536,869	3,660,522
Others	5,343,687	3,762,679	6,245,424
Foreign bonds	3,101,314	2,499,669	5,187,456
Foreign stocks	1,270,810	919,303	928,525

Capital Ratio

Sumitomo Mitsui Banking Corporation and Subsidiaries

Consolidated Capital Ratio

March 31		Millions of yen		
		2006	2005	2004
Tier I capital:	Capital stock.....	¥ 664,986	¥ 664,986	¥ 559,985
	Capital reserve	1,603,512	1,603,512	1,298,511
	Retained earnings	242,524	(6,315)	319,345
	Minority interests	1,074,933	1,026,138	1,005,824
	Foreign currency translation adjustments	(44,568)	(81,050)	(71,861)
	Goodwill and others.....	(6)	(8)	—
	Subtotal (A)	3,541,382	3,207,262	3,111,804
Tier II capital:	45% of unrealized gains on other securities.....	605,793	305,401	245,500
	45% of unrealized gains on land	39,934	67,103	68,524
	General reserve for possible loan losses	722,147	612,032	815,520
	Qualifying subordinated debt.....	2,657,378	2,537,304	2,358,572
	Subtotal	4,025,254	3,521,842	3,488,117
Tier II capital included as qualifying capital (B)		3,541,382	3,207,262	3,111,804
Deductions: (C)		308,195	238,920	24,634
Total capital: (D) = (A) + (B) - (C)		¥ 6,774,569	¥ 6,175,605	¥ 6,198,974
Risk-adjusted assets:	On-balance-sheet.....	¥56,513,824	¥52,589,471	¥52,359,312
	Off-balance-sheet.....	5,990,301	5,303,085	4,264,272
	Asset equivalent of market risk	383,276	351,964	268,179
	Subtotal (E)	¥62,887,402	¥58,244,521	¥56,891,764
Capital ratio: (D) / (E) × 100.....		10.77%	10.60%	10.89%

Nonconsolidated Capital Ratio

March 31		Millions of yen		
		2006	2005	2004
Tier I capital:	Capital stock.....	¥ 664,986	¥ 664,986	¥ 559,985
	Capital reserve	665,033	1,009,933	879,693
	Other capital surplus	702,514	357,614	357,614
	Voluntary reserves	221,502	221,532	221,540
	Retained earnings carried forward to next year	271,368	68,483	253,068
	Others.....	840,794	784,252	764,546
	Subtotal (A)	3,366,200	3,106,803	3,036,448
Tier II capital:	45% of unrealized gains on other securities.....	593,853	292,983	239,783
	45% of unrealized gains on land	33,345	59,575	61,515
	General reserve for possible loan losses	572,536	417,555	769,033
	Qualifying subordinated debt.....	2,605,378	2,498,304	2,321,172
	Subtotal	3,805,114	3,268,419	3,391,504
Tier II capital included as qualifying capital (B)		3,366,200	3,106,803	3,036,448
Deductions: (C)		95,734	95,559	55,666
Total capital: (D) = (A) + (B) - (C)		¥ 6,636,666	¥ 6,118,047	¥ 6,017,230
Risk-adjusted assets:	On-balance-sheet.....	¥52,482,811	¥48,910,692	¥48,816,691
	Off-balance-sheet.....	5,676,962	4,818,865	3,925,351
	Asset equivalent of market risk	303,674	304,929	197,621
	Subtotal (E)	¥58,463,447	¥54,034,487	¥52,939,664
Capital ratio: (D) / (E) × 100.....		11.35%	11.32%	11.36%

Ratios (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Income Ratio

Year ended March 31	Percentage	
	2006	2005
Ordinary profit to total assets	0.78%	—
Ordinary profit to stockholders' equity	37.26	—
Net income to total assets	0.56	—
Net income to stockholders' equity	26.57	—

- Notes: 1. Ordinary profit (net income) to total assets = Ordinary profit (net income) / Average balance of total assets excluding customers' liabilities for acceptances and guarantees x 100
 2. Ordinary profit (net income) to stockholders' equity = (Ordinary profit (net income) – Preferred dividends) / ((Stockholders' equity at beginning of the fiscal year – Number of shares of preferred stock outstanding at beginning of the fiscal year x Issue price) + (Stockholders' equity at end of the fiscal year – Number of shares of preferred stock outstanding at end of the fiscal year x Issue price)) divided by 2 x 100
 3. Figures for 2005 are not shown due to ordinary loss (net loss).

Yield/Interest Rate

Year ended March 31	Percentage	
	2006	2005
Domestic operations		
Interest-earning assets (A)	1.51%	1.45%
Interest-bearing liabilities (B)	0.82	0.84
(A) - (B)	0.69	0.61
International operations		
Interest-earning assets (A)	3.38%	2.60%
Interest-bearing liabilities (B)	3.79	2.57
(A) - (B)	(0.41)	0.03
Total		
Interest-earning assets (A)	1.80%	1.66%
Interest-bearing liabilities (B)	1.27	1.12
(A) - (B)	0.53	0.54

Loan-Deposit Ratio

March 31	Millions of yen	
	2006	2005
Domestic operations		
Loan amount (A)	¥46,639,088	¥45,975,351
Deposit amount (B)	60,894,604	58,896,881
Loan-deposit ratio (%)		
(A) / (B)	76.58%	78.06%
Ratio by average balance for the fiscal year	76.55	80.27
International operations		
Loan amount (A)	¥ 5,218,471	¥ 4,092,234
Deposit amount (B)	7,327,562	6,694,746
Loan-deposit ratio (%)		
(A) / (B)	71.21%	61.12%
Ratio by average balance for the fiscal year	68.18	57.64
Total		
Loan amount (A)	¥51,857,559	¥50,067,586
Deposit amount (B)	68,222,167	65,591,627
Loan-deposit ratio (%)		
(A) / (B)	76.01%	76.33%
Ratio by average balance for the fiscal year	75.62	77.89

Note: Deposits include negotiable certificates of deposit.

Securities-Deposit Ratio

March 31	Millions of yen	
	2006	2005
Domestic operations		
Securities amount (A)	¥20,830,416	¥20,257,723
Deposit amount (B).....	60,894,604	58,896,881
Securities-deposit ratio (%)		
(A) / (B)	34.20%	34.39%
Ratio by average balance for the fiscal year	30.11	32.69
International operations		
Securities amount (A)	¥ 4,372,125	¥ 3,418,972
Deposit amount (B).....	7,327,562	6,694,746
Securities-deposit ratio (%)		
(A) / (B)	59.66%	51.06%
Ratio by average balance for the fiscal year	53.86	67.36
Total		
Securities amount (A)	¥25,202,541	¥23,676,696
Deposit amount (B).....	68,222,167	65,591,627
Securities-deposit ratio (%)		
(A) / (B)	36.94%	36.09%
Ratio by average balance for the fiscal year	32.76	36.33

Note: Deposits include negotiable certificates of deposit.

Capital (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Changes in Number of Shares Outstanding and Capital Stock

	Millions of yen					
	Number of shares outstanding		Capital stock		Capital reserve	
	Changes	Balances	Changes	Balances	Changes	Balances
June 28, 2001*1	—	416,620	¥ —	¥ 20,831	¥ (4,881)	¥ 0
March 13, 2003*2	1,245,000	1,661,620	32,121	52,952	32,121	32,121
March 14, 2003*3	1,080,000	2,741,620	27,864	80,816	27,864	59,985
March 17, 2003*4	53,037,185	55,778,805	479,169	559,985	819,708	879,693
April 1, 2004*5	—	55,778,805	—	559,985	(220,966)	658,726
September 21, 2004*6	2	55,778,807	—	559,985	246,205	904,932
March 30, 2005*7	70,001	55,848,808	105,001	664,986	105,001	1,009,933
April 1, 2004 — March 31, 2005*8 ...	264,140	56,112,948	—	664,986	—	1,009,933
August 9, 2005*9	—	56,112,948	—	664,986	(344,900)	665,033

Remarks:

*1 Compensation for the deficit

*2 Allotment to third parties: Common stock: 1,245,000 shares
Issue price: ¥51,600 Capitalization: ¥25,800

*3 Allotment to third parties: Common stock: 1,080,000 shares
Issue price: ¥51,600 Capitalization: ¥25,800

*4 Merger with Sumitomo Mitsui Banking Corporation (merger ratio: 1-to-0.007)

*5 Reduction in capital stock due to a corporate split resulting from the spin-off of certain subsidiaries.

*6 Exchange of stock due to a restructuring of Group companies

*7 Allotment to third parties: Preferred stock (1st series Type 6): 70,001 shares
Issue price: ¥3,000,000 Capitalization: ¥1,500,000

*8 Conversion of 32,000 shares of preferred stock (Type 1) and 105,000 shares of preferred stock (Type 3) to 401,140 shares of common stock

*9 Withdrawal from capital reserve pursuant to Article 289-2 of the Commercial Code and Article 18-2 of the Banking Law

Note: On May 17, 2006, SMFG converted 35,000 shares of preferred stock (Type 1) and 33,000 shares of preferred stock (Type 2) to 214,194 shares of common stock.

The following table shows total number of shares issued and outstanding, capital stock, and capital reserve of the former SMBC for the period up to March 16, 2003.

	Thousands of shares		Millions of yen			
	Number of shares outstanding		Capital stock		Capital reserve	
	Changes	Balances	Changes	Balances	Changes	Balances
April 2, 2001*1	3,273,423	6,581,485	¥523,851	¥1,276,700	¥991,326	¥1,634,407
March 9, 2002*2	—	6,581,485	—	1,276,700	(357,614)	1,276,792
March 15, 2002*3	—	6,581,485	—	1,276,700	11	1,276,804
April 1, 2001 — March 31, 2002*4 ...	91,324	6,672,810	50,045	1,326,746	49,954	1,326,758
April 1, 2001 — March 31, 2002*5 ...	3,614	6,676,424	—	1,326,746	—	1,326,758
February 3, 2003*6	—	6,676,424	(494,100)	832,646	—	1,326,758
February 5, 2003*7	313,556	6,989,980	—	832,646	94,680	1,421,438
February 12, 2003*8	454,078	7,444,059	75,377	908,023	74,922	1,496,361
March 13, 2003*9	961,538	8,405,597	149,999	1,058,023	149,999	1,646,361

Remarks:

*1 Merger with The Sakura Bank, Limited (merger ratio: 1-to-0.6)

*2 Withdrawal from capital reserve pursuant to Article 289-2 of the Commercial Code and Article 18-2 of the Banking Law

*3 Merger with SMBC Property Management Service Co., Ltd., a wholly owned subsidiary of the former SMBC

*4 Conversion of convertible bonds into common stock

*5 Conversion of preferred stock into common stock

*6 Reduction in capital stock due to a corporate split for the transfer of management business to the wholly owned parent company, Sumitomo Mitsui Financial Group, Inc.

*7 Increase in capital reserve due to conversion of SMBC Guarantee Co., Ltd. into a wholly owned subsidiary through an exchange of stock.

*8 Allotment to third parties: Common stock: 454,078 thousand shares
Issue price: ¥331 Capitalization: ¥166

*9 Allotment to third parties: Common stock: 961,538 thousand shares
Issue price: ¥312 Capitalization: ¥156

Total Outstanding Shares

March 31, 2006	Number of shares issued
Common stock.....	55,212,947
Preferred stock (Type 1).....	35,000
Preferred stock (Type 2).....	100,000
Preferred stock (Type 3).....	695,000
Preferred stock (1st series Type 6).....	70,001
Total.....	56,112,948

Note: The shares above are not listed on any stock exchange.

Principal Shareholders

a. Common Stock

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	55,212,947	100.00%

b. Preferred Stock (Type 1)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	35,000	100.00%

c. Preferred Stock (Type 2)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	100,000	100.00%

d. Preferred Stock (Type 3)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	695,000	100.00%

e. Preferred Stock (1st series Type 6)

March 31, 2006 Shareholder	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	70,001	100.00%

Others (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Employees

March 31	2006	2005	2004
Number of employees	20,322	21,020	22,348
Average age (years–months)	39–0	39–0	38–9
Average length of employment (years–months)	16–9	16–11	16–8
Average monthly salary (thousands of yen)	¥492	¥494	¥496

Notes: 1. Temporary, part-time, and overseas local staff are excluded from the above calculations.

2. "Average monthly salary" includes overtime pay in March but excludes bonus.

3. Employees are required to retire at the end of the month when they reach 60.

Number of Offices

March 31	2006	2005	2004
Domestic network:			
Main offices and branches	458	472	482
Subbranches	147	133	132
Agency	1	—	—
Overseas network:			
Branches	15	17	20
Subbranches	3	3	3
Representative offices	14	15	14
Total	638	640	651

Note: "Main offices and branches" includes International Business Operations Dept. (2006, 2 branches; 2005, 2 branches; 2004, 2 branches), specialized deposit account branch (2006, 28 branches; 2005, 28 branches; 2004, 28 branches) and ATM administration branch (2006, 17 branches; 2005, 17 branches; 2004, 17 branches).

Number of Automated Service Centers

March 31	2006	2005	2004
Automated service centers	23,209	20,580	17,877

Domestic Exchange Transactions

Year ended March 31	Millions of yen		
	2006	2005	2004
Exchange for remittance:			
Destined for various parts of the country:			
Number of accounts (thousands)	389,015	391,059	358,035
Amount	¥ 665,559,579	¥ 627,550,374	¥ 613,885,514
Received from various parts of the country:			
Number of accounts (thousands)	292,230	269,543	281,410
Amount	¥ 779,990,627	¥ 683,691,666	¥ 721,215,425
Collection:			
Destined for various parts of the country:			
Number of accounts (thousands)	3,899	4,118	4,297
Amount	¥ 9,811,270	¥ 10,365,156	¥ 10,655,556
Received from various parts of the country:			
Number of accounts (thousands)	1,341	1,441	1,535
Amount	¥ 2,985,507	¥ 5,764,683	¥ 4,138,169
Total	¥1,458,346,985	¥1,327,371,880	¥1,349,894,665

Foreign Exchange Transactions

Year ended March 31	Millions of U.S. dollars		
	2006	2005	2004
Outward exchanges:			
Foreign bills sold.....	\$ 828,876	\$ 621,165	\$ 459,458
Foreign bills bought.....	396,601	247,970	153,098
Incoming exchanges:			
Foreign bills payable.....	\$ 570,178	\$ 480,880	\$ 395,277
Foreign bills receivable.....	26,986	24,987	19,143
Total.....	\$1,822,643	\$1,375,004	\$1,026,977

Note: The figures above include foreign exchange transactions by overseas branches.

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

March 31	Millions of yen		
	2006	2005	2004
Securities.....	¥ 20,215	¥ 17,619	¥ 24,086
Commercial claims.....	23,690	16,966	25,168
Commercial goods.....	3,823	11,362	10,689
Real estate.....	49,574	35,792	33,579
Others.....	18,792	30,420	15,837
Subtotal.....	¥ 116,095	¥ 112,162	¥ 109,361
Guaranteed.....	471,660	481,552	368,604
Unsecured.....	3,532,543	3,709,432	3,608,998
Total.....	¥4,120,300	¥4,303,148	¥4,086,964

Trust Assets and Liabilities (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Statement of Trust Assets and Liabilities

March 31	Millions of yen	
	2006	2005
Assets:		
Loans and bills discounted	¥ 7,870	¥ 9,780
Loans on deeds	7,870	9,780
Securities	238,205	81,840
Japanese government bonds	146,128	34,510
Foreign securities	92,076	47,329
Securities held in custody accounts	33,590	34,166
Monetary claims	706,349	600,618
Monetary claims for housing loans	141,211	160,074
Other monetary claims	565,138	440,543
Premises and equipment	85	—
Equipment	85	—
Other claims	1,216	315
Due from banking account	318,597	50,457
Total assets	¥1,305,915	¥777,177
Liabilities:		
Money trusts	¥ 530,255	¥101,323
Security trusts	33,590	34,166
Monetary claims trusts	603,656	480,147
Composite trusts	138,413	161,539
Total liabilities	¥1,305,915	¥777,177

Notes: 1. Amounts less than one million yen have been omitted.
 2. SMBC has no co-operative trusts under other trust bank's administration as of year-end.
 3. SMBC does not deal with any trusts with principal indemnification.

Year-End Balance of Money Trusts and Others

March 31	Millions of yen	
	2006	2005
Money trusts	¥530,255	¥101,323
Pension trusts	—	—
Asset formation benefit trusts	—	—
Loan trusts	—	—
Total	¥530,255	¥101,323

Year-End Balance of Trusts with Principal Indemnification

There are no corresponding items.

Risk-Monitored Loans Related with Trusts with Principal Indemnification

There are no corresponding items.

Balance of Principal Amounts of Money Trusts and Loan Trusts, Classified by Maturity

March 31	Millions of yen	
	2006	2005
Money trusts:		
Less than one year	¥ 16,229	¥10,928
One — two years	6,852	7,622
Two — five years	343,338	38,436
Five years and more	157,925	38,192
No designated term	—	—
Total	¥524,346	¥95,179
Loan trusts:		
Less than one year	¥ —	¥ —
One — two years	—	—
Two — five years	—	—
Five years and more	—	—
No designated term	—	—
Total	¥ —	¥ —

Year-End Balance of Money Trusts and Others

March 31	Millions of yen	
	2006	2005
Money trusts:		
Loans and bills discounted	¥ 7,870	¥ 9,780
Securities	238,205	81,840
Subtotal	¥246,075	¥91,620
Pension trusts:		
Loans and bills discounted	¥ —	¥ —
Securities	—	—
Subtotal	¥ —	¥ —
Asset formation benefit trusts:		
Loans and bills discounted	¥ —	¥ —
Securities	—	—
Subtotal	¥ —	¥ —
Loan trusts:		
Loans and bills discounted	¥ —	¥ —
Securities	—	—
Subtotal	¥ —	¥ —
Total of loans and bills discounted	¥ 7,870	¥ 9,780
Total of securities	¥238,205	¥81,840
Total	¥246,075	¥91,620

Year-End Balance of Loans and Bills Discounted

March 31	Millions of yen	
	2006	2005
Loans on deeds	¥7,870	¥9,780
Loans on notes	—	—
Bills discounted	—	—
Total	¥7,870	¥9,780

Year-End Balance of Loans and Bills Discounted, Classified by Maturity

March 31	Millions of yen	
	2006	2005
Loans and bills discounted		
One year or less	¥1,570	¥1,480
One — three years	2,300	4,300
Three — five years	4,000	4,000
Five — seven years	—	—
More than seven years	—	—
Total	¥7,870	¥9,780

Balance of Loan Collateral

March 31	Millions of yen	
	2006	2005
Securities	¥ —	¥ —
Commercial claims	—	—
Real estate	—	—
Factory	—	—
Fund	—	—
Ships and vessels	—	—
Others	—	—
Subtotal	¥ —	¥ —
Guaranteed	¥3,000	¥3,000
Unsecured	4,870	6,780
Total	¥7,870	¥9,780

Balance of Loans and Bills Discounted, Classified by Purpose

March 31	Millions of yen			
	2006		2005	
Funds for capital investment.....	¥5,000	63.53%	¥7,000	71.57%
Funds for working capital.....	2,870	36.47	2,780	28.43
Total.....	¥7,870	100.00%	¥9,780	100.00%

Breakdown of Loan Portfolio, Classified by Industry

March 31	Millions of yen			
	2006		2005	
Manufacturing.....	¥2,000	25.41%	¥4,000	40.90%
Agriculture, forestry, fisheries and mining.....	—	—	—	—
Construction.....	—	—	—	—
Transportation, communications and public enterprises.....	4,870	61.88	4,780	48.88
Wholesale and retail.....	1,000	12.71	1,000	10.22
Finance and insurance.....	—	—	—	—
Real estate.....	—	—	—	—
Services.....	—	—	—	—
Municipalities.....	—	—	—	—
Others.....	—	—	—	—
Total.....	¥7,870	100.00%	¥9,780	100.00%

Loans to Individuals/Small and Medium-Sized Corporations

Balance of Loans

March 31	Millions of yen	
	2006	2005
Total to individuals, and small and medium-sized corporations (A).....	¥4,870	¥4,780
Total loans (B).....	7,870	9,780
(A) / (B).....	61.88%	48.87%

Number of Loans Lent

March 31	Number of loans	
	2006	2005
Total to individuals, and small and medium-sized corporations (C).....	5	4
Total loans (D).....	7	6
(C) / (D).....	71.42%	66.66%

Note: Small and medium-sized corporations are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees. (Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million, 100 employees; retailers: ¥50 million, 50 employees; and service industry companies: ¥50 million, 100 employees.)

Year-End Balance of Securities Related with Money Trusts and Others

March 31	Millions of yen			
	2006		2005	
Japanese government bonds.....	¥146,128	61.35%	¥34,510	42.17%
Japanese local government bonds.....	—	—	—	—
Short-term Japanese corporate bonds.....	—	—	—	—
Japanese corporate bonds.....	—	—	—	—
Japanese stocks.....	—	—	—	—
Others.....	92,076	38.65	47,329	57.83
Total.....	¥238,205	100.00%	¥81,840	100.00%

Sumitomo Mitsui Financial Group, Inc.

■ Board of Directors, Corporate Auditors, and Executive Officers (as of July 13, 2006)

BOARD OF DIRECTORS

Masayuki Oku

Chairman of the Board and Representative Director

Teisuke Kitayama

President and Representative Director

Shigeru Nishiyama

Deputy President and Representative Director,
Group Business Management Dept., Audit Dept.

Masahide Hirasawa

Director,
General Affairs Dept., Human Resources Dept.,
Corporate Risk Management Dept.

Osamu Endo

Director,
Consumer Business Planning Dept.

Junji Tanehashi

Director,
Public Relations Dept., Corporate Planning Dept.,
Financial Accounting Dept., Subsidiaries & Affiliates Dept.

Yoshiaki Yamauchi

Director (outside)

Yoichiro Yamakawa

Director (outside)

Yoshinori Yokoyama

Director (outside)

CORPORATE AUDITORS

Morio Kusunoki

Corporate Auditor

Sadao Kobayashi

Corporate Auditor

Katsuya Onishi

Corporate Auditor (outside)

Hiroshi Araki

Corporate Auditor (outside)

Ikuo Uno

Corporate Auditor (outside)

EXECUTIVE OFFICERS

Shigenobu Aikyo

Senior Managing Director,
Investment Banking Planning Dept.

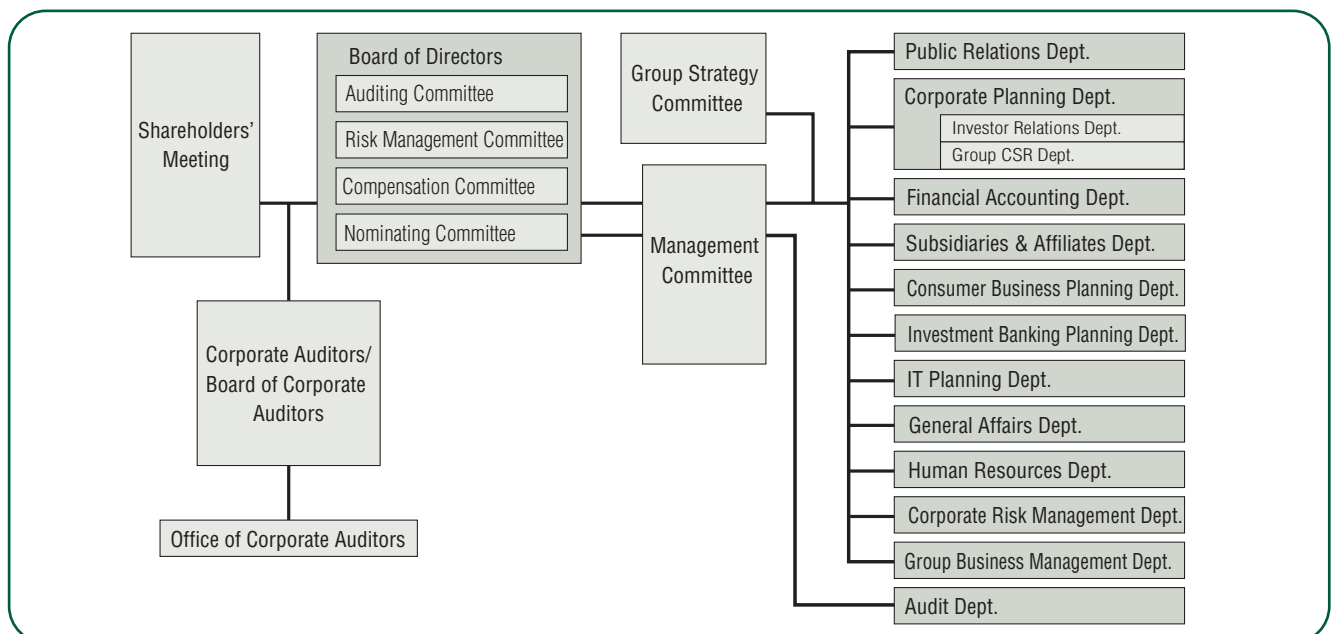
Hirosumi Tsusue

Senior Managing Director,
IT Planning Dept.,
Corporate Risk Management Dept.

Nobuo Tsukuni

General Manager of Audit Dept.

■ SMFG Organization (as of July 13, 2006)



Sumitomo Mitsui Banking Corporation

■ Board of Directors, Corporate Auditors, and Executive Officers (as of July 3, 2006)

BOARD OF DIRECTORS

Chairman of the Board

Teisuke Kitayama

President

Masayuki Oku*

Deputy Presidents

Masahide Hirasawa*

Human Resources Dept., Human Resources Development Dept.,
General Affairs Dept., Legal Dept., Administrative Services Dept.,
Corporate Research Dept.

Mitsuaki Yahagi*

Head of Corporate Banking Unit

Kenjiro Nakano*

Head of Middle Market Banking Unit

Senior Managing Directors

Shigenobu Aikyo*

Head of Investment Banking Unit,
Head of Corporate Advisory Division

Osamu Endo*

Head of Consumer Banking Unit,
Operations Planning Dept.,
Operations Support Dept.

Shuntaro Higashi*

Head of International Banking Unit,
Head of Treasury Unit, Head of Asia Pacific Division

Shunji Ono*

Quality Management Dept.

Junji Tanehashi*

Public Relations Dept., Corporate Planning Dept.,
Financial Accounting Dept., Subsidiaries & Affiliates Dept.

Hirosumi Tsusue*

Corporate Risk Management Dept., Credit Planning Dept.,
Credit Risk Management Dept., IT Planning Dept.,
Trust Services Dept., Director of The Japan Research Institute

Directors (outside)

Yoshiaki Yamauchi

Yoichiro Yamakawa

Yoshinori Yokoyama

*Executive Officers

CORPORATE AUDITORS

Tatsumasa Matsumoto

Keizo Kamiya

Katsuya Onishi

Hiroshi Araki

Ikuo Uno

Morio Kusunoki

EXECUTIVE OFFICERS

Managing Directors

Kohei Katsukawa

Deputy Head of Middle Market Banking Unit (in charge of West Japan)

Kazuhisa Kishikawa

Deputy Head of Consumer Banking Unit (in charge of West Japan)

Hiroki Nishio

Internal Audit Dept., Credit Review Dept.,
Human Resources Dept., Human Resources Development Dept.

Hajime Yamashita

Head of Tokyo Corporate Banking Division I

Takashi Ueda

Deputy Head of Corporate Banking Unit

Yoshinori Kawamura

Deputy Head of International Banking Unit,
Investment Banking Unit

Fukuzo Yasuo

Head of Tokyo Corporate Banking Division II

Akira Kitamura

Credit Administration Dept.,
Deputy Head of Corporate Banking Unit (Credit Dept.), Investment
Banking Unit (Structured Finance Credit Dept.)

Wataru Ohara

Deputy Head of Middle Market Banking Unit
(Credit Dept. II)

Hideo Shimada

General Manager, IT Planning Dept.

Keiichi Ando

Head of Osaka Corporate Banking Division

Satoru Nakanishi

Head of Nagoya Corporate Banking Division, and Head of Tokai
Middle Market Banking Division

Koki Nomura

Deputy Head of Middle Market Banking Unit (in charge of East Japan)

Junsuke Fujii

Deputy Head of Middle Market Banking Unit (in charge of East Japan)

Tetsuya Kubo

Head of The Americas Division

Directors

Takeshi Kunibe

General Manager, Corporate Planning Dept.

Fumihiko Tanizawa

General Manager, Credit Planning Dept.

Koichi Miyata

Deputy Head of Treasury Unit

Shoji Ishida

General Manager, Himeji Corporate Business Office

Yoshio Narukage

Deputy Head of Middle Market Banking Unit (Credit Dept. I)

Kazumasa Hashimoto

Head of West Japan Middle Market Banking Division I

Jun Mizoguchi

Head of Europe Division, and President of Sumitomo Mitsui Banking Corporation Europe Limited

Tatsuo Yamanaka

Deputy Head of Corporate Advisory Division

Ken Kubo

Deputy Head of Consumer Banking Unit (in charge of East Japan)

Nobuo Tsukuni

(General Manager, Audit Dept., SMFG)

Makoto Nakao

General Manager, Planning Dept., Consumer Banking Unit

Keizo Umemoto

Head of East Japan Middle Market Banking Division II

Yoshihiko Shimizu

General Manager, Planning Dept., Corporate Banking Unit & Middle Market Banking Unit

Koichi Danno

General Manager, Singapore Branch

Mitsunori Watanabe

Head of East Japan Middle Market Banking Division I

Naoyuki Kawamoto

General Manager, Corporate Risk Management Dept. and Risk Management Systems Dept.

Makoto Nakagawa

General Manager, M&A Advisory Services Dept.

Kozo Masaki

General Manager, Shanghai Branch,
Head of Mainland China

Kazuhiko Kashikura

General Manager, Internal Audit Dept.

Kazuya Jono

General Manager, Tokyo Corporate Banking Dept. II

Keiji Takamasu

Head of West Japan Middle Market Banking Division II

Hideo Hiyama

General Manager, Hong Kong Branch

Koichi Minami

General Manager, Credit Dept. II, Middle Market Banking Unit

Tsuyoshi Isono

General Manager, Treasury Dept.

Yuichiro Takada

General Manager, Tokyo Corporate Banking Dept. V

Masahiko Hasumi

General Manager, Public Institutions Banking Dept.

Hiroshi Minoura

General Manager, Planning Dept., International Banking Unit

Yujiro Ito

General Manager, General Affairs Dept.

Seiichiro Takahashi

General Manager, Planning Dept., Treasury Unit,
International Treasury Dept.

Hidetoshi Furukawa

General Manager, Bangkok Branch

Ikuhiko Morikawa

General Manager, Mass Retail Dept.

Takayuki Hayakawa

Head of East Japan Middle Market Banking Division III

Seiichi Shiraishi

Head of West Japan Middle Market Banking Division III

Masanori Nakatsukasa

General Manager, Kobe Block Consumer Business Office

Katsunori Okubo

General Manager, Osaka Corporate Banking Dept. III

Kenichi Gogami

General Manager, Ikebukuro Block Consumer Business Office

Takashi Saito

General Manager, Tokyo Corporate Banking Dept. IV

Kunio Sato

General Manager, Nagoya Corporate Banking Dept.

Eiichi Yonezawa

Head of West Japan Middle Market Banking Division IV

Shozo Watanabe

General Manager, Shinjuku Block Consumer Business Office

Ryusuke Itakura

General Manager, Consumer Loan Dept.

Shuichi Kageyama

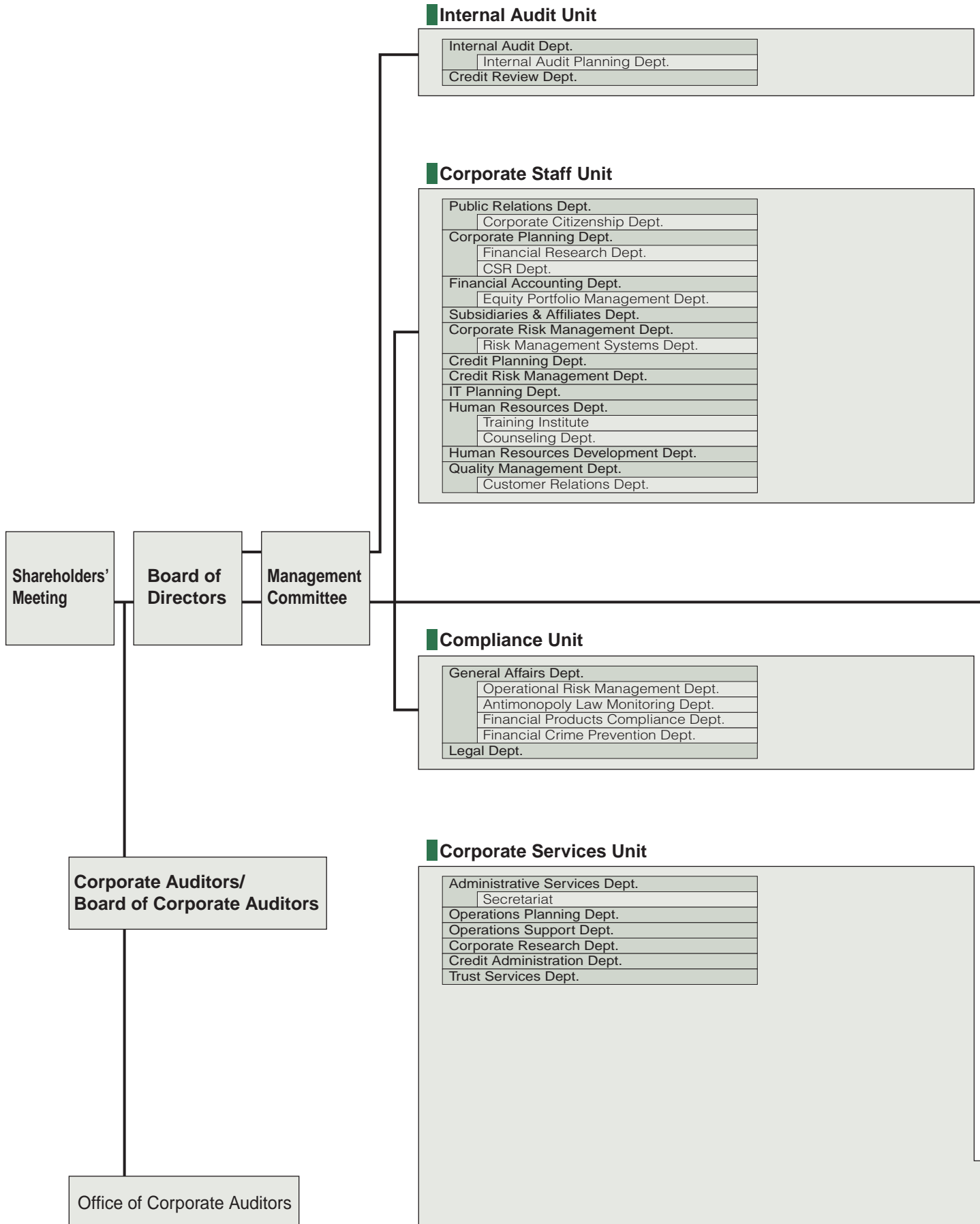
Head of Kyoto Hokuriku Middle Market Banking Division,
and General Manager, Kyoto Corporate Business Office I

Yuzuru Hiraishi

Head of East Japan Middle Market Banking Division IV

Naohito Muramatsu

Head of East Japan Middle Market Banking Division V



Consumer Banking Unit

Planning Dept., Consumer Banking Unit Marketing Dept. Next W-ing Project Dept. Financial Consulting Dept. Consumer Loan Dept. Mass Retail Dept. Card Loan Dept. Private Banking Dept. Credit Dept., Consumer Banking Unit	Block Consumer Business Office	Branch Consumer Loan Promotion Office Apartment House Loan Promotion Office Consumer Loan Servicing Center Private Banking Dept. Direct Banking Dept. Life Planning Service Dept. Defined Contribution Dept. Consumer Finance Promotion Office
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Middle Market Banking Unit

Public Institutions Banking Dept. Small and Medium Enterprises Business Promotion Dept. Credit Dept. I, Middle Market Banking Unit Credit Dept. II, Middle Market Banking Unit	Middle Market Banking Division	Corporate Business Office Business Promotion Office Financial Development Office Public Institutions Business Office Business Support Office
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Corporate Banking Unit

Planning Dept., Corporate Banking Unit & Middle Market Banking Unit Solution Promotion Dept. Real Estate Financial Solution Dept. International Business Promotion Dept. China Business Promotion Dept.	Corporate Advisory Division Corporate Banking Dept.
Credit Dept., Corporate Banking Unit	Tokyo Corporate Banking Division I Tokyo Corporate Banking Division II Osaka Corporate Banking Division Nagoya Corporate Banking Division

International Banking Unit

Planning Dept., International Banking Unit IT & Business Administration Planning Dept. Planning Dept., The Americas Division Credit Dept., The Americas Division Planning Dept., Europe Division Credit Dept., Europe Division Credit Dept., International Banking Unit Environment Analysis Dept.	Asia Pacific Division The Americas Division Europe Division	Global Institutional Banking Dept. Global Client Business Dept. Global Corporate Investment Dept. Branches/Representative Offices in Asia Pacific Division Departments of the Americas Division Departments of Europe Division
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Treasury Unit

Planning Dept., Treasury Unit Treasury Dept. International Treasury Dept. Trading Dept. Treasury Marketing Dept.
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Investment Banking Unit

Planning Dept., Investment Banking Unit R&D Dept. Syndication Dept. Corporate Finance Administration Dept. Structured Finance Dept. Real Estate Finance Dept. M&A Advisory Services Dept. Investment Development Dept. Financial Engineering Dept. Securities Marketing Dept. Structured Finance Credit Dept.
Settlement Finance Unit Electronic Commerce Banking Dept. Transaction Business Promotion Dept. Asset Finance Dept. Global Investors Services Dept.

Branch Service Office
Head/Main Service Office
Public Institutions Operations Office

Principal Subsidiaries and Affiliates (as of March 31, 2006)

All companies shown hereunder are consolidated subsidiaries or affiliates of Sumitomo Mitsui Financial Group, Inc. Those printed in green ink are consolidated subsidiaries or affiliates of Sumitomo Mitsui Banking Corporation.

Principal Domestic Subsidiaries

Company Name	Issued Capital (Millions of Yen)	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Established	Main Business
Sumitomo Mitsui Banking Corporation	664,986	100	—	June 6, 1996	Commercial banking
Sumitomo Mitsui Card Company, Limited	34,000	65.99	—	Dec. 26, 1967	Credit card services
SMBC Leasing Company, Limited	82,600	100	—	Sept. 2, 1968	Leasing
SMBC Auto Leasing Company, Limited	4,200	0 (100)	—	Jan. 6, 1995	Leasing
The Japan Research Institute, Limited*	10,000	100	—	Nov. 1, 2002	System engineering, data processing, management consulting, and economic research
SMFG Corporate Recovery Servicer Co., Ltd.	500	52	—	Nov. 5, 2003	Corporate recovery consulting and servicer
SAKURA CARD CO., Ltd.	7,438	0 (95.74)	77.78 (17.95)	Feb. 23, 1983	Credit card services
The Japan Net Bank, Limited	20,000	0 (57)	57	Sept. 19, 2000	Commercial banking
SMBC Loan Business Planning Co., Ltd.	100,010	0 (100)	100	April 1, 2004	Management support services
SMBC Loan Adviser Co., Ltd.	10	0 (100)	0 (100)	April 1, 1998	Consulting and agency services for consumer loans
SMBC Guarantee Co., Ltd.	187,720	0 (100)	0 (100)	July 14, 1976	Credit guarantee
SMBC Loan Servicer Co., Ltd.	500	0 (100)	0 (100)	July 28, 1999	Servicer
SMBC Finance Business Planning Co., Ltd.	10	0 (100)	100	April 1, 2004	Management support services
SMBC Finance Service Co., Ltd.	71,705	0 (100)	0 (100)	Dec. 5, 1972	Factoring, loans and collecting agent
SMBC Business Support Co., Ltd.	10	0 (100)	0 (100)	July 1, 2004	Clerical work outsourcer
Financial Link Company, Limited	160	0 (100)	0 (100)	Sept. 29, 2000	Data processing service and e-trading consulting
SMBC Consulting Co., Ltd.	1,100	0 (98.36)	50 (23.36)	May 1, 1981	Management consulting and seminar organizer
SMBC Support & Solution Co., Ltd.	10	0 (100)	100	April 1, 1996	Help desk and system support
SMBC Business Servicing Co., Ltd.	500	0 (100)	100	Mar. 11, 1999	Servicer
SMBC Friend Securities Co., Ltd.	27,270	0 (45.81)	41.19 (4.07)	Mar. 2, 1948	Securities
Sakura Information Systems Co., Ltd.	600	0 (69)	37.48 (31.51)	Nov. 29, 1972	System engineering and data processing
SAKURA KCS Corporation	2,054	0 (52.89)	25.75 (9.46)	Mar. 29, 1969	System engineering and data processing
THE MINATO BANK, LTD.	24,908	0 (50.02)	48.41 (1.58)	Sept. 6, 1949	Commercial banking
Kansai Urban Banking Corporation	37,040	0 (57.97)	42.26 (6.18)	July 1, 1922	Commercial banking
SMBC Staff Service Co., Ltd.	90	0 (100)	100	July 15, 1982	Temporary manpower service
SMBC Learning Support Co., Ltd.	10	0 (100)	100	May 27, 1998	Seminar organizer
SMBC PERSONNEL SUPPORT CO., LTD.	10	0 (100)	100	April 15, 2002	Banking clerical work
SMBC Center Service Co., Ltd.	100	0 (100)	100	Oct. 16, 1995	Banking clerical work
SMBC Delivery Service Co., Ltd.	30	0 (100)	100	Jan. 31, 1996	Banking clerical work
SMBC Green Service Co., Ltd.	30	0 (100)	100	Mar. 15, 1990	Banking clerical work
SMBC International Business Co., Ltd.	20	0 (100)	100	Sept. 28, 1983	Banking clerical work
SMBC International Operations Co., Ltd.	40	0 (100)	100	Dec. 21, 1994	Banking clerical work
SMBC Loan Business Service Co., Ltd.	70	0 (100)	100	Sept. 24, 1976	Banking clerical work
SMBC Market Service Co., Ltd.	10	0 (100)	100	Feb. 3, 2003	Banking clerical work
SMBC Loan Administration and Operations Service Co., Ltd.	10	0 (100)	100	Feb. 3, 2003	Banking clerical work
SMBC Property Research Service Co., Ltd.	30	0 (100)	100	Feb. 1, 1984	Banking clerical work

* On July 1, 2006, The Japan Research Institute, Ltd. established JRI Solutions, Ltd. through a corporate split.

Note: Figures in parentheses () in the voting rights column indicate voting rights held indirectly via subsidiaries and affiliates.

Principal Overseas Subsidiaries

Company Name	Country	Issued Capital	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Established	Main Business
Sumitomo Mitsui Banking Corporation Europe Limited	U.K.	US\$1,700 million	0 (100)	100	Mar. 5, 2003	Commercial banking
Manufacturers Bank	U.S.A.	US\$80.786 million	0 (100)	100	June 26, 1962	Commercial banking
Sumitomo Mitsui Banking Corporation of Canada	Canada	C\$121.870 million	0 (100)	100	April 1, 2001	Commercial banking
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil	R\$309.356 million	0 (100)	100	Oct. 6, 1958	Commercial banking
PT Bank Sumitomo Mitsui Indonesia	Indonesia	Rp1,502.4 billion	0 (98.29)	98.29	Aug. 22, 1989	Commercial banking
SMBC Leasing and Finance, Inc.	U.S.A.	US\$1,620	0 (100)	89.69 (7.69)	Nov. 9, 1990	Leasing, investments
SMBC Capital Markets, Inc.	U.S.A.	US\$100	0 (100)	99.9 (0.1)	Dec. 4, 1986	Derivatives and investments
SMBC Securities, Inc.	U.S.A.	US\$100	0 (100)	90 (10)	Aug. 8, 1990	Securities, investments
SMBC Financial Services, Inc.	U.S.A.	US\$300	0 (100)	100	Aug. 8, 1990	Investments, investment advisor
SMBC Cayman LC Limited *	British West Indies	US\$1,375 million	0 (100)	100	Feb. 7, 2003	Credit guarantee, bond investment
Sumitomo Finance (Asia) Limited	British West Indies	US\$35 million	0 (100)	100	Sept. 26, 1973	Investments
SBTC, Inc.	U.S.A.	US\$1	0 (100)	100	Jan. 26, 1998	Investments
SB Treasury Company L.L.C.	U.S.A.	US\$470 million	0 (100)	0 (100)	Jan. 26, 1998	Loans
SB Equity Securities (Cayman), Limited	British West Indies	¥25,000 million	0 (100)	100	Dec. 15, 1998	Finance
SFVI Limited	British Virgin Islands	US\$300	0 (100)	100	July 30, 1997	Investments
Sakura Finance (Cayman) Limited	British West Indies	US\$100,000	0 (100)	100	Feb. 11, 1991	Finance
Sakura Capital Funding (Cayman) Limited	British West Indies	US\$100,000	0 (100)	100	July 15, 1992	Finance
Sakura Preferred Capital (Cayman) Limited	British West Indies	¥10 million	0 (100)	100	Nov. 12, 1998	Finance
SMBC International Finance N.V.	Netherlands Antilles	US\$200,000	0 (100)	100	June 25, 1990	Finance
SMBC Leasing Investment LLC	U.S.A.	US\$332.779 million	0 (100)	0 (100)	April 7, 2003	Investments in leasing
SMBC Capital Partners LLC	U.S.A.	US\$10,000	0 (100)	100	Dec. 18, 2003	Holding and trading securities
SMBC MVI SPC	British West Indies	US\$45 million	0 (100)	100	Sept. 9, 2004	Loans, buying/selling of monetary claims
SMBC DIP Limited	British West Indies	US\$1 million	0 (100)	100	Mar. 16, 2005	Loans, buying/selling of monetary claims
SMBC Capital Markets Limited	U.K.	US\$297 million	0 (100)	100	April 18, 1995	Derivatives
SMBC Derivative Products Limited	U.K.	US\$300 million	0 (100)	0 (100)	April 18, 1995	Derivatives
Sumitomo Finance International plc	U.K.	£200 million	0 (100)	100	July 1, 1991	Investments
Sumitomo Mitsui Finance Dublin Limited	Ireland	US\$18 million	0 (100)	100	Sept. 19, 1989	Finance
Sakura Finance Asia Limited	P.R.C.	US\$65.5 million	0 (100)	100	Oct. 17, 1977	Investments
Sumitomo Mitsui Finance Australia Limited	Australia	A\$156.5 million	0 (100)	100	June 29, 1984	Finance

* SMBC Cayman LC Limited, like other subsidiaries of SMBC, is a separate corporate entity with its own separate creditors and the claims of such creditors are prior to the claims of SMBC, as the direct or indirect holder of the equity in such subsidiary.

Note: Figures in parentheses () in the voting rights column indicate voting rights held indirectly via subsidiaries and affiliates.

■ Principal Affiliates

Company Name	Issued Capital (Millions of Yen)	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Established	Main Business
Daiwa Securities SMBC Co. Ltd.	205,600	40	—	Feb. 5, 1999	Securities
NIF SMBC Ventures Co., Ltd.	18,767	0 (40)	40 (40)	Oct. 20, 1983	Venture capital
Daiwa Securities SMBC Principal Investments Co. Ltd.	2,000	0 (100)	—	Sept. 4, 2001	Investments
Daiwa SB Investments Ltd.	2,000	43.96	—	April 1, 1999	Investment advisory and investment trust management
Sumitomo Mitsui Asset Management Company, Limited	2,000	0 (17.50)	17.50	Dec. 1, 2002	Investment advisory and investment trust management
Japan Pension Navigator Co., Ltd.	4,000	0 (30)	30	Sept. 21, 2000	Operation and administration of defined contribution pension plans
QUOQ Inc.	1,000	0 (45.67)	13.75 (16.02)	April 5, 1978	Credit card services
Promise Co., Ltd.	80,737	0 (21.50)	21.50	Mar. 20, 1962	Consumer loans
At-Loan Co., Ltd.	10,912	0 (100)	49.99 (50.00)	June 8, 2000	Personal loans
SMFC Holdings (Cayman) Limited	1.5	49	—	Feb. 13, 2003	Finance

Note: Figures in parentheses () in the voting rights column indicate voting rights held indirectly via subsidiaries and affiliates.

International Directory (as of July 31, 2006)

Asia and Oceania

SMBC

Branches and Representative Offices

Hong Kong Branch

7th and 8th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong Special Administrative Region, The People's Republic of China
Tel: 852 (2206) 2000
Fax: 852 (2206) 2888

Shanghai Branch

30F, HSBC Tower, 1000 Lu Jia Zui Ring Road, Pudong New Area, Shanghai, 200120
The People's Republic of China
Tel: 86 (21) 6841-5000
Fax: 86 (21) 6841-0144

Tianjin Branch

Room No. 1210, Tianjin International Building, No. 75 Nan Jing Lu, Tianjin, 300050
The People's Republic of China
Tel: 86 (22) 2330-6677
Fax: 86 (22) 2319-2111

Guangzhou Branch

31F, Office Tower, CITIC Plaza, 233 Tianhe North Road, Guangzhou, Guangdong 510613
The People's Republic of China
Tel: 86 (20) 3819-1300
Fax: 86 (20) 8752-0672

Suzhou Branch

23F, Metropolitan Towers, No.199 Shi Shan Road, Suzhou New District, Suzhou, Jiangsu, 215011
The People's Republic of China
Tel: 86 (512) 6825-8205
Fax: 86 (512) 6825-6121

Hangzhou Branch

23F, Golden Plaza, 118 Qing Chun Road, Xia Cheng District, Hangzhou, Zhejiang 310006
The People's Republic of China
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● <http://www.smfg.co.jp/english/>

● Links to SMFG Subsidiaries

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- Sumitomo Mitsui Card* ► <http://www.smbc-card.com>
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