

Subprime-related exposure

SMBC had approximately ¥95 billion in exposure related to subprime mortgage loans in the United States as of September 30, 2007. This was about 0.1% of total investments and loans.

SMBC sold subprime loan-related securitized products such as residential mortgage-backed securities (RMBS) and asset-backed securities/collateralized debt obligations (ABSCDO) of approximately ¥350 billion and recorded a loss on the sale of these products of approximately ¥4 billion in the first half of fiscal 2007. SMBC wrote off some of the remaining products with fair value below 50% of face value as of September 30, 2007. Write-offs totaled approximately ¥17 billion, and the book value after the write-offs was approximately ¥70 billion as of September 30, 2007.

SMBC provided warehousing loans of approximately ¥40 billion in the United States as of September 30, 2007, and approximately ¥25 billion of this amount is collateralized with subprime loan-related assets. Consequently, SMBC has established loss provisions for such loans in the amount of approximately ¥11 billion, using the discounted cash flow method.

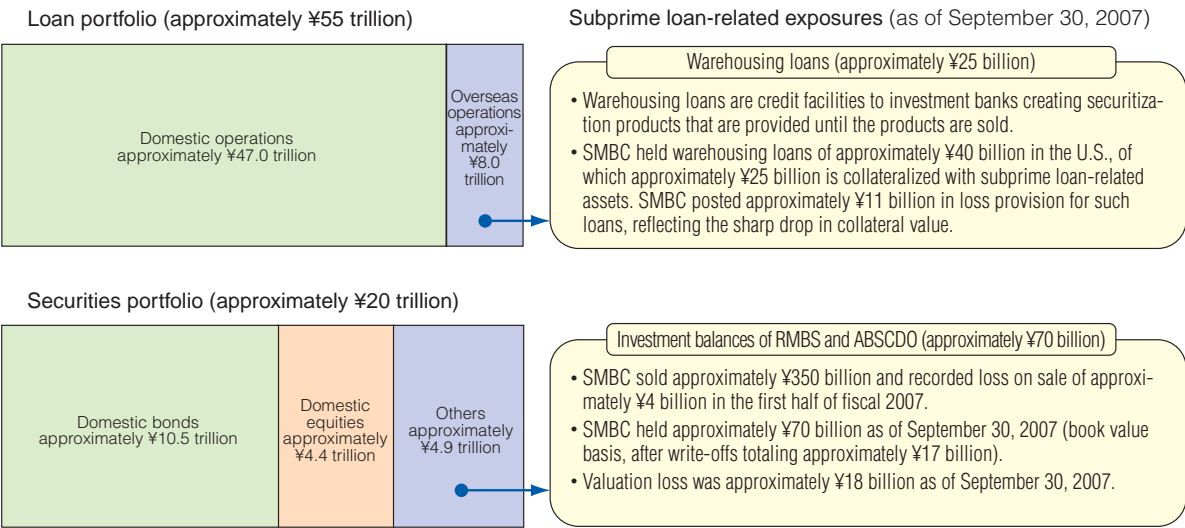
The abovementioned combined amount of loss, expenses incurred, and cost on the sale and write-down of investment, and provision to reserves carried out in the first half of fiscal 2007 was approximately ¥32 billion. However, this was offset by an increase in dealing gains by SMBC's Treasury Unit, including bond-related gains amid declining interest rates in domestic and overseas markets arising from the subprime loans issue.

SMBC held net unrealized losses on securitized products such as RMBS and ABSCDO, etc. of approximately ¥18 billion against book value of approximately ¥70 billion as of September 30, 2007, while it held net unrealized gains on total "Other Securities" of approximately ¥1,500 billion.

Subsidiaries other than SMBC (including subsidiaries of SMBC) had no subprime-related exposure as of September 30, 2007, and most of the assets held by ABCP programs which SMBC sponsors are receivables of corporate clients, and do not include subprime loan-related assets as of September 30, 2007.

The following comments relating to the subprime securities issue were made by SMFG at the announcement of business results for the fiscal 2007 first-half period, on November 19, 2007. For up-to-date information, please see our website.

More recently, as of November 8, 2007, SMBC reflected the deterioration of the subprime-related securities due to the massive downgrading by rating agencies, and held net unrealized losses on RMBS and ABSCDO, etc. of approximately ¥50 billion. This was an increase of approximately ¥32 billion in losses compared with September 30, 2007. In addition, related to warehousing loans, the fair value of underlying subprime loan-related assets declined by approximately ¥5 billion from September 30, 2007. On the other hand, SMBC held net unrealized gains on total "Other Securities" of approximately ¥1,600 billion as of October 31, 2007.



Note: Balances of SMBC are on a nonconsolidated basis as of September 30, 2007.