

## ► Exposure of Securitized Products (Sumitomo Mitsui Financial Group (Consolidated))

The figures contained in this section have been compiled for in-house management purposes and are as of September 30, 2008. Figures for the allowance for loan losses do not include provisions to the general reserve for normal borrowers.

### 1. Securitized Products

As of September 30, 2008, the Group held ¥1.3 billion in sub-prime related securitized products after write-offs and provisions. Most parts of the Group's exposure of securitized products other than sub-prime related products are those to Government Sponsored Enterprises ("GSEs"), etc. (Approximately ¥250 billion). The amount

of loss on securitized products for the first half of fiscal 2008 was ¥4.6 billion (¥3.9 billion of provisions and write-offs and ¥0.7 billion of losses on sale) for sub-prime related products and ¥10.9 billion (¥4.0 billion of provisions and write-offs and ¥6.9 billion of losses on sales) for products other than sub-prime, respectively.

#### (1) Sub-prime related products

(Consolidated)

(Billions of yen)

	September 30, 2008						March 31, 2008			Ratings of underlying assets, etc.
	Balances (after provisions and write-offs)	Change from March 2008	Overseas	Change from March 2008	Net unrealized gains/losses (after write-offs)	Change from March 2008	Balances (after provisions and write-offs)	Overseas	Net unrealized gains/losses (after write-offs)	
Investments to securitized products	¥1.3	¥(3.6)	¥1.3	¥(3.6)	¥—	¥—	¥4.9	¥4.9	¥—	Speculative ratings
Warehousing loans, etc.	—	(0.6)	—	(0.6)	—	—	0.6	0.6	—	
<b>Total</b>	<b>¥1.3</b>	<b>¥(4.2)</b>	<b>¥1.3</b>	<b>¥(4.2)</b>	<b>¥—</b>	<b>¥—</b>	<b>¥5.5</b>	<b>¥5.5</b>	<b>¥—</b>	

Notes: 1. Warehousing loans are loans made based on collateral consisting of securitized investment products held by a special purpose company established for the purpose of securitization.  
2. Ratings shown are the lower of those issued by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"). Ratings are shown in the ranking employed by S&P.

#### (2) Products other than sub-prime related

(Consolidated)

(Billions of yen)

	September 30, 2008						March 31, 2008			Ratings of underlying assets, etc.
	Balances (after provisions and write-offs)	Change from March 2008	Overseas	Change from March 2008	Net unrealized gains/losses (after write-offs)	Change from March 2008	Balances (after provisions and write-offs)	Overseas	Net unrealized gains/losses (after write-offs)	
RMBS	¥178.2	¥(41.6)	¥178.2	¥(41.6)	¥(4.4)	¥(2.8)	¥219.8	¥219.8	¥(1.6)	
Guaranteed by GSEs, etc.	178.2	(41.6)	178.2	(41.6)	(4.4)	(2.8)	219.8	219.8	(1.6)	AAA
Cards	9.6	(2.9)	9.6	(2.9)	(0.4)	0.2	12.5	12.5	(0.6)	A~BBB
CLO	6.7	(17.2)	6.7	(17.2)	(0.5)	2.5	23.9	23.9	(3.0)	
Senior	5.8	(16.2)	5.8	(16.2)	(0.5)	1.9	22.0	22.0	(2.4)	AAA
Equity	0.9	(1.0)	0.9	(1.0)	—	0.6	1.9	1.9	(0.6)	No ratings
CMBS	20.7	14.7	—	—	0.1	0.1	6.0	—	0.0	AAA~BBB
ABCP	31.1	31.1	31.1	31.1	—	—	—	—	—	A1 (short-term rating)
Investments to securitized products	246.3	(15.9)	225.6	(30.6)	(5.2)	0.0	262.2	256.2	(5.2)	
Warehousing loans, etc.	3.4	(2.5)	3.4	(2.5)	—	—	5.9	5.9	—	
<b>Total</b>	<b>¥249.7</b>	<b>¥(18.4)</b>	<b>¥229.0</b>	<b>¥(33.1)</b>	<b>¥(5.2)</b>	<b>¥ 0.0</b>	<b>¥268.1</b>	<b>¥262.1</b>	<b>¥(5.2)</b>	

Notes: 1. GSEs, etc. includes GNMA, FNMA and FHLMC. Besides RMBS, SMFG held bonds issued by GSEs (FNMA, FHLMC and Federal Home Loan Banks) of ¥11.4 billion.  
2. "Senior" means the upper tranche under senior-subordinate structure.  
3. Credit ratings are, in principle, indicated by the lower of S&P ratings and Moody's ratings. Notation of credit ratings is followed by the notation system of S&P.  
4. SMBC's exposure to subordinated beneficiaries owned through the securitization of SMBC's loan receivables (see next page for details) is not included.

## (Reference)

### Subordinated beneficiaries in securitization of SMBC's loans

Most of the securitized assets are domestic residential mortgage loans with low default rates. SMBC properly conducts self-assessment and has made the necessary write-offs and provisions for the subordinated beneficiaries.

(Billions of yen)

	September 30, 2008					March 31, 2008			
	Balances	Change from March 2008	Overseas	Subprime-related	Allowance for loan losses	Balances	Overseas	Subprime-related	Allowance for loan losses
Receivables of residential mortgage loans	¥247.5	¥2.0	¥—	¥—	¥—	¥245.5	¥—	¥—	¥—
Receivables of loans to corporations	6.3	(1.6)	—	—	1.8	7.9	—	—	1.5
Total	¥253.8	¥0.4	¥—	¥—	¥1.8	¥253.4	¥—	¥—	¥1.5

Note: No subsidiary other than SMBC has those subordinated beneficiaries mentioned above.

## 2. Transactions with Monoline Insurance Companies

Monoline insurance companies guarantee payment on underlying or reference assets. Our recognition of profit or loss on the transactions

with monoline insurance companies is basically affected by the credit conditions and prices of underlying or reference assets, and is also affected by the credit conditions of monoline insurance companies.

### (1) Credit derivatives (Credit Default Swap ["CDS"]) transactions with monoline insurance companies

In CDS<sup>\*1</sup> brokerage transactions, positions are covered through transactions with monoline insurance companies. As of September 30, 2008, the Group's exposure<sup>\*2</sup> to monoline insurance companies, which are rated investment grade, after loss provision totaled approximately ¥32 billion. Reference assets of these CDS transactions are rated investment grade or equivalent, and do not include subprime-related assets. SMFG recorded a loss on such transactions of ¥1.7 billion in the first half of fiscal 2008.

\*1 Derivatives to hedge credit risks

\*2 Mark-to-market value claimable to monoline insurance companies for net loss of reference assets on the settlement

#### (Consolidated)

(Billions of yen)

	September 30, 2008			March 31, 2008		September 30, 2008		March 31, 2008
	Net exposure	Change from March 2008	Allowance for loan losses	Net exposure	Allowance for loan losses	Amount of reference assets	Change from March 2008	Amount of reference assets
Exposure to CDS transactions with monoline insurance companies	¥35.8	¥4.7	¥3.9	¥31.1	¥1.9	¥578.3	¥19.2	¥559.1

Notes: 1. Excluding figures related to the portion to which SMFG already realized losses in the previous fiscal year.

2. The credit ratings of counterparty monoline insurance companies (excluding those to which losses have been realized) are investment grade, most of which are rated equal to or above AA by S&P or Moody's.

### (2) Loans and investments guaranteed by monoline insurance companies, etc.

Underlying assets are those of project finance and local government bonds rated investment grade or equivalent, and include no subprime-related assets. We conduct self-assessment to these loans and investments properly.

#### (Consolidated)

(Billions of yen)

	September 30, 2008			March 31, 2008	
	Exposure	Change from March 2008	Allowance for loan losses	Exposure	Allowance for loan losses
Loans and investments guaranteed or insured by monoline insurance companies	¥16.7	¥(25.0)	¥—	¥41.7	¥—

(Reference) In addition, we had approximately ¥12 billion in commitment contracts (drawn down amount: ¥1.2 billion) to insurance companies with monoline insurance companies as group members. There are no indications so far that the creditworthiness of these insurance companies are at issue.

### 3. Leveraged Loans

(1) As of September 30, 2008, the Group's balance of financing for mergers and acquisitions of whole or part of companies was approximately ¥810 billion and undrawn commitments for them was approximately ¥150 billion.

(2) In providing loans and commitment lines for mergers and acquisitions, we carefully scrutinize stability of cash flow of the borrowers,

and diversify the exposure especially for overseas portfolios in order to reduce concentration risk. At the same time, in credit risk management, we monitor each of such transactions individually, making loss provisions properly, thereby maintaining the quality of both domestic and overseas portfolios.

(Consolidated)

(Billions of yen)

	September 30, 2008					March 31, 2008		
	Loans	Change from March 2008	Undrawn commitments	Change from March 2008	Allowance for loan losses	Loans	Undrawn commitments	Allowance for loan losses
Europe	¥334.0	¥ 8.6	¥ 49.2	¥38.2	¥ —	¥325.4	¥ 11.0	¥ —
Japan	197.3	(35.0)	7.6	(10.3)	15.2	232.3	17.9	13.7
United States	189.4	(6.0)	85.5	4.3	1.7	195.4	81.2	1.3
Asia (excluding Japan)	91.2	1.6	5.6	(2.4)	0.6	89.6	8.0	0.5
Total	¥811.9	¥(30.8)	¥147.9	¥29.8	¥17.5	¥842.7	¥118.1	¥15.5

Notes: 1. Above figures include the amount to be sold of approximately ¥13 billion. Loss on sales is expected to be approximately 10% to its face value, currently. In the first half of fiscal 2008, we sold leveraged loans of approximately ¥73 billion, and loss on the sale amounted to approximately ¥8 billion.

2. Above figures do not include leveraged loans which are included in underlying assets of "1. Securitized Products" shown on page 28.

### 4. Asset Backed Commercial Paper (ABCP) Programs as Sponsor

(1) The Group sponsors issuance of ABCP, whose reference assets are such as clients' receivables, in order to fulfill clients' financing needs.

Specifically, as a sponsor, we provide services to special purpose vehicles, which are set up for clients' financing needs, for purchase of claims, financing, issuance and sales of ABCP. We also provide liquidity and credit support for such special purpose vehicles.

(2) As of September 30, 2008, the total notional amount of reference assets of sponsored ABCP programs was approximately ¥870 billion. Most of the reference assets are high-grade claims of corporate clients and do not include subprime loan related assets.

In addition, regarding the exposure of liquidity and credit support, we properly conduct self-assessment, making provisions and write-offs properly.

The Group held approximately ¥30 billion of ABCP issued under the program, and it is reported in "ABCP" on page 28.

(Billions of yen)

Types of reference assets	September 30, 2008					March 31, 2008			Support for programs	
	Notional amount of reference assets	Change from March 2008	Overseas	Change from March 2008	Allowance for loan losses	Notional amount of reference assets	Overseas	Allowance for loan losses	Liquidity support	Credit support
Claims on corporations	¥729.0	¥(99.6)	¥311.9	¥119.6	¥0.0	¥828.6	¥192.3	¥0.1	yes	yes
	57.0	(8.4)	—	—	—	65.4	—	—	no	no
Claims on financial institutions	51.8	11.7	51.8	11.7	—	40.1	40.1	—	yes	yes
Retail loan claims	34.3	9.2	34.3	9.2	—	25.1	25.1	—	yes	yes
Other claims	1.8	(0.3)	1.8	(0.3)	—	2.1	2.1	—	yes	yes
Total	¥873.9	¥(87.4)	¥399.8	¥140.2	¥0.0	¥961.3	¥259.6	¥0.1		

Note: The maximum amount of credit support provided for the overseas ABCP program is limited to 10% of the balance of reference assets. On the other hand, the maximum amount of credit support provided for domestic ABCP programs is limited to the balance of 100% of reference assets.

(Reference) In addition, we provide liquidity and credit support for ABCP programs which are sponsored by other banks. The total notional amount of reference assets of such programs is approximately ¥110 billion.

### 5. Others

We have no securities issued by structured investment vehicles.