

**(Reference 2) Subprime-related exposure and its impact
on the business results for the first half of FY2007**

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

2. SMBC sold securitized products such as RMBSs and ABSCDOs of approximately 350 billion yen and recorded a loss on sale of these products of approximately 4 billion yen in the first half of FY 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 yen and the book value after the write-offs was approximately 70 billion yen as of September 30, 2007.

SMBC provided warehousing loans of approximately 40 billion yen in the United States as of September 30, 2007, and approximately 25 billion yen 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 yen, using the discounted cash flow method.

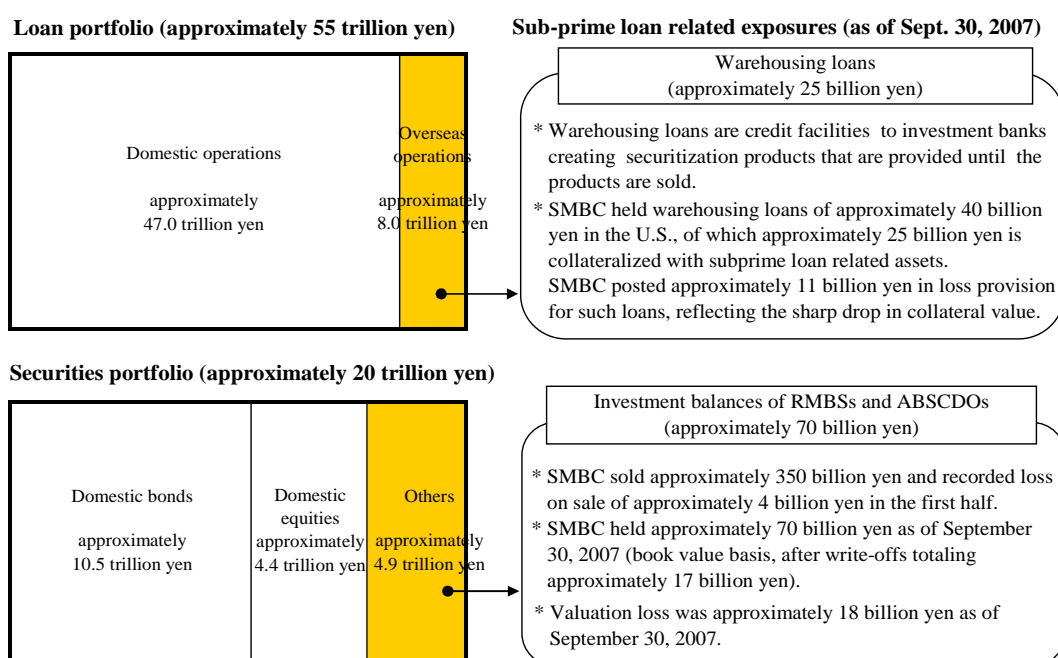
However, the above loss on sale and credit cost totaling approximately 32 billion yen was offset by an increase in Treasury Unit's profits including bond related gains amid declining interest rates in domestic and overseas markets arising from the subprime loans issues.

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

More recently, as of November 8, 2007, SMBC reflected the deterioration of the subprime related bonds due to the massive downgrading by rating agencies and held net unrealized losses on RMBSs and ABSCDOs, etc. of approximately 50 billion yen, an approximately 32 billion yen increase 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 yen compared with September 30, 2007. On the other hand, SMBC held net unrealized gains on total "Other Securities" of approximately 1,600 billion yen as of October 31, 2007.

3. Subsidiaries other than SMBC (including subsidiaries of SMBC) had no subprime-related exposure as of September 30, 2007.

Also, 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.



(Note) Balances of SMBC on a non-consolidated basis as of Sept. 30, 2007