

**(Reference 2) SMFG's exposure of securitized products**

• Managerial accounting basis  
 • Provisions do not include provisions for general reserve for possible loan losses.

## 1. Securitized products

(1) As of March 31, 2008, SMFG held approx. 270 billion yen in securitized products after write-offs and provisions. Most parts of SMFG's exposure of securitized products is those to Government Sponsored Enterprises ("GSE") etc. with higher credit ratings. (Approx. 220 billion yen)

(2) SMFG substantially reduced subprime-related exposure to approx. 5.5 billion yen after write-offs and provisions. The amount of loss through the reduction for FY2007 was approx. 93 billion yen (89.1 billion yen of provisions and write-offs, loss on sale of 3.9 billion yen).

&lt;Consolidated&gt;

(Billions of yen)

	March 31, 2008											Ratings of underlying assets, etc.
	Balances (before write-offs) <sup>1</sup>	Overseas	Subprime-related	Net unrealized gains / losses (before write-offs)	Provisions and write-offs	Subprime-related	Balances (after provisions and write-offs) (a.-b.)	Overseas	Subprime-related	Net unrealized gains / losses (after write-offs)	Subprime-related	
	(a.)				(b.)		(a.-b.)					
RMBS	219.8	219.8	-	(1.6)	-	-	219.8	219.8	-	(1.6)	-	
Guaranteed by GSE etc.	219.8	219.8	-	(1.6)	-	-	219.8	219.8	-	(1.6)	-	AAA
Cards	12.5	12.5	-	(0.6)	-	-	12.5	12.5	-	(0.6)	-	A~BBB
CLO	24.3	24.3	-	(3.4)	0.4	-	23.9	23.9	-	(3.0)	-	
Senior (*4)	22.0	22.0	-	(2.4)	-	-	22.0	22.0	-	(2.4)	-	AAA~A
Equity	2.3	2.3	-	(1.0)	0.4	-	1.9	1.9	-	(0.6)	-	No ratings
CMBS	6.0	-	-	0.0	-	-	6.0	-	-	0.0	-	BBB
ABS-CDO	73.5	73.5	73.5	(68.6)	68.6	68.6	4.9	4.9	4.9	-	-	
Senior (*4)	66.1	66.1	66.1	(61.2)	61.2	61.2	4.9	4.9	4.9	-	-	Speculative ratings
Mezzanine (*5)	5.3	5.3	5.3	(5.3)	5.3	5.3	-	-	-	-	-	Speculative ratings, No ratings
Equity	2.1	2.1	2.1	(2.1)	2.1	2.1	-	-	-	-	-	No ratings
Investments to securitized products (A)	336.1	330.1	73.5	(74.2)	69.0	68.6	267.1	261.1	4.9	(5.2)	-	
Warehousing Loans etc. (B)	35.4	35.4	21.1	/	28.9	20.5	6.5	6.5	0.6	/	/	
Total (A+B)	371.5	365.5	94.6	/	97.9	89.1	273.6	267.6	5.5	/	/	

(\*1) Aside from above mentioned provisions and write-offs of approx. 89.1 billion yen, SMBC sold subprime-related products of approx. 350 billion yen and recorded loss on sale of approx. 3.9 billion yen.

(\*2) SMBC's exposure to subordinated beneficiaries owned through the securitization of SMBC's loan receivables (see next page for details) isn't included.

(\*3) "Senior" means the upper tranche with credit rating of A or above on securitization.

(\*4) "Mezzanine" means junior to "Senior" but not "Equity".

(\*5) Warehousing loans represent lendings to SPV established for the securitization with collateral of SPV's assets.

(\*6) Credit ratings are in principle indicated by the lower of S&P ratings and Moody's Investors Services ("Moody's") ratings.

Notation of credit ratings is followed by the notation system of S&P.

## (Note) Subordinated beneficiaries in securitization of SMBC's loan receivables

- (1) Through securitization of SMBC's loan receivables, SMBC holds a part of loan receivables which constitute subordinated beneficiaries in securitization.
- (2) As of March 31, 2008, SMBC holds approx. 250 billion yen of those subordinated beneficiaries. Most of the securitized assets are domestic residential mortgage loans with low default rate. SMBC properly enforced self-assessment and adequately established provisions and write-offs for the subordinated beneficiaries.

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

(Billions of yen)

	March 31, 2008			
	Balances	Overseas	Subprime-related	Loan loss reserve
Receivables of residential mortgage loans	245.5	-	-	-
Receivables of loans to corporations	7.9	-	-	1.5
Total	253.4	-	-	1.5

## 2. Transactions with monoline insurance companies

Monoline insurance companies guarantee payment when underlying or reference assets become unpaid. 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

- ① Through cover transactions in CDS\* brokerage with monoline insurance companies, SMFG holds, as of March 31, 2008, approx. 30 billion yen of net exposure\*\* after net of reserve. All of these exposure are to companies with high credit ratings.  
Reference assets of these CDS transactions are investment grade equivalent, and do not include subprime-related assets.
- ② SMFG enforces self-assessment to these exposures and in fiscal year ended March 31, 2008, since the creditworthiness of a part of monoline insurance companies was substantially deteriorated, SMFG provisioned full amount of reserves for the exposure to the particular company and conducted a series of transactions (realized loss of 30 billion of yen) to set the upper limit of loss amount associated to the remaining exposure in order to avoid any additional losses.
- ( \* Derivatives to hedge credit risks  
\*\* Mark-to-market value claimable to monoline insurance companies for net loss of reference assets on the settlement )

&lt;Consolidated&gt;

(Billion of yen)

	March 31, 2008		Amount of reference assets As of Mar. 31
	Net exposure	Loan loss reserve	
Exposure to CDS transactions with monoline insurance companies	31.1	1.9	559.1

- (Note) 1. Excluding figures related to the portion to which SMFG already realized losses (30 billion of yen) through write-off  
2. The credit ratings of counterparty monoline insurance companies (excluding those to which SMFG realized losses) are equal to or above AA rank, most of them are ranked to AAA by S&P or Moody's.

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

- ① As of March 31, 2008, SMFG holds approx. 40 billion yen of exposure in loans and investments guaranteed by monoline insurance companies.
- ② Underlying assets are those of project finance and local government bonds with investment grade equivalent, no subprime-related assets. SMFG properly enforces self-assessment to these loans and investments.

&lt;Consolidated&gt;

(Billion of yen)

	March 31, 2008	
	Exposure	Loss provisions
Loans and investments guaranteed or insured by monoline insurance companies	41.7	-

- (Reference) In addition, we had approx. 16 billion yen in commitment contracts (withdrew amount: 10 million yen) to insurance companies with monoline insurance companies as group members.  
There are no indications so far that the creditworthiness of these monoline insurance companies are at issue.

## 3. Leveraged loans

- (1) As of March 31, 2008, SMFG's balance of financing for mergers and acquisitions of whole or part of companies, was approx. 840 billion yen and undrawn commitments for them was approx. 120 billion yen.
- (2) In providing loan and credit line for mergers and acquisitions, SMFG carefully scrutinizes stability of cash-flow of the borrowers, and, especially in overseas, diversifying especially for overseas portfolio in order to reduce concentration risk.  
At the same time, in credit risk management, SMFG monitors each of such transactions individually, making loss provisions properly, thereby maintaining quality of portfolio both in domestic and overseas.

&lt;Consolidated&gt;

(Billions of yen)

	March 31, 2008		
	Loans	Undrawn commitments	Loss provisions
Europe	325.4	11.0	-
Japan	232.3	17.9	13.7
United States	195.4	81.2	1.3
Asia (excluding Japan)	89.6	8.0	0.5
Total	842.7	118.1	15.5

\*1 Above figures include the amount to be sold of approx. 80 billion yen.

Loss on sales is expected to be below 10% to its face value, currently.

\*2 Above figures do not include leveraged loans which are collaterals of included in securitized products exposure shown on page 21.

## 4. ABCP programs as Sponsor

- (1) SMFG sponsors issuance of ABCP, whose reference assets are such as clients' receivables, in order to fulfill clients' financing needs.  
Specifically, SMFG, as a sponsor, provides services to special purpose vehicles, which are set up for clients' financing needs, for purchase of claims, financing, issuance and sales of ABCP. SMFG also provides liquidity and credit supports for such special purpose vehicles.
- (2) As of March 31, 2008, the total notional amount of reference assets of sponsored ABCP programs is approx. 960 billion yen. Most of the reference assets are credible claims of corporate clients and do not include subprime loan related assets.  
In addition, regarding the exposure of liquidity and credit supports, SMFG properly conducts self-assessment, and there is no need to prepare reserves so far.

(Billions of yen)

Types of reference assets	March 31, 2008				Support for programs	
	Notional amount of reference assets	Overseas	Subprime loan related assets	Loss provisions	Liquidity support	Credit support
Claims on corporations	828.6	192.3	-	0.1	yes	yes
	65.4	-	-	-	no	no
Claims on financial institutions	40.1	40.1	-	-	yes	yes
Retail loan claims	25.1	25.1	-	-	yes	yes
Other claims	2.1	2.1	-	-	yes	yes
Total	961.3	259.6	-	0.1		

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

(Reference) In addition, SMFG provides liquidity and credit supports for ABCP programs which are sponsored by other banks. Total notional amount of reference assets of such programs are approx. 110 billion yen.

## 5. Others

SMFG has no securities issued by Structured Investment Vehicles.