The Group's Exposure of Securitized Products (Sumitomo Financial Group (Consolidated))

The figures contained in this section have been compiled for in-house management purposes and are as of March 31, 2008. Figures for the reserve for possible loan losses do not include provisions to the general reserve for normal borrowers.

1. Securitized products

As of March 31,2008, the Group held approximately ¥270 billion in securitized products after write-offs and provisions, mostly to Government Sponsored Enterprises (“GSE”) etc. with high credit ratings of approximately ¥220 billion.

We substantially reduced subprime-related exposure to approximately ¥5.5 billion after write-offs and provisions. The amount of loss from the reduction was approximately ¥93 billion (¥89.1 billion) of provisions and write-offs and loss on sale of ¥3.9 billion.

(Consolidated) (Billions of yen)

	March 31, 2008											
	Balances (before write-offs)*1(a.)	Overseas	Subprime-related	Net unrealized gains / losses (before write-offs)	Provisions and write-offs (b.)	Subprime-related	Balances (after provisions and write-offs)(a.-b.)	Overseas	Subprime-related	Net unrealized gains /losses (after write-offs)	Subprime-related	Ratings of underlying assets, etc.
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	—	—	6.0	—	—	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			

Notes: 1. These figures do not include the subordinated beneficiary claims (Please refer to the next page for related figures) held by SMBC in the process of liquidating loan assets.
2. The senior debt portion is the part classified in the top tranching positions with ratings of A or higher at the time of securitization. (Tranching is the establishment of a structure according to debt seniority, from senior to subordinated debt.)
3. The mezzanine portion is the part after the exclusion of both the senior portion and the portion lowest in seniority (equity).
4. 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.
5. Ratings shown are the lower of those issued by Standard & Poor's and Moody's Investors Service. Ratings are shown in the ranking employed by Standard & Poor's.
6. The Group held no asset-backed commercial paper (ABCP) as of the date.

(Reference) Subordinated beneficiaries in securitization of SMBC's loans

SMBC holds a part of its securitized loan receivables as subordinated beneficiaries.

As of March 31, 2008, SMBC held approximately ¥250 billion in those subordinated beneficiaries. 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. No subsidiary other than SMBC has those subordinated beneficiaries mentioned above.

(Billions of yen)

	March 31, 2008			
	Balance	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 on underlying or reference assets. Our recognition of profit or loss on the transactons 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.

Credit derivatives (Credit Default Swap [CDS*]) transactions with monoline insurance companies

In CDS brokerage transactions, positions are covered through transactions with monoline insurance companies. As of March 31, 2008, the Group's exposure** to monoline insurance companies, all with high credit ratings, after loss provision totaled approximately ¥30 billion. Reference assets of these CDS transactions are rated investment grade or equivalent, and do not include subprime-related assets.

We conduct self-assessment to these exposures and, in the fiscal year ended March 31, 2008, due to the substantial deterioration in creditworthiness of certain monoline insurance companies, we made loss provisions for the entire amount of the exposure to these companies and conducted a series of transactions (realized loss of approximately ¥30 billion) to set the upper limit of a loss amount associated with the exposure amount 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

(Consolidated) (Billions 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

Notes: 1. Excluding figures related to the portion to which losses (¥30 billion) have been realized through write-off
2. The credit ratings of counterparty monoline insurance companies (excluding those to which losses have been realized) are equal to or above AA, most of them are rated AAA by S&P or Moody's.

Loans and investments guaranteed by monoline insurance companies, etc.

As of March 31, 2008, the Group held approximately ¥40 billion of exposure in loans and investments guaranteed by monoline insurance companies.

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 on these loans and investments.

(Consolidated) (Billions of yen)

	March 31, 2008	
	Balance	Loss provisions
Loans and investments guaranteed or insured by monoline insurance companies	¥41.7	¥—

Reference: In addition, we had approximately ¥16 billion in commitment contracts (drawn down amount: ¥10 million) 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

As of March 31, 2008, the Group's balance of financing for mergers and acquisitions of whole or part of companies was approximately ¥840 billion and undrawn commitments for them was approximately ¥120 billion.

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 portfolio 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)

	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

Notes: 1. Above figures include the amount to be sold of approximately ¥80 billion. Loss on sales is expected to be below 10% to its face value, currently.
2. Above figures do not include leveraged loans which are underlying assets included in securitized products exposure shown on page 33.

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

The Group sponsors issuance of ABCPs, whose reference assets are such as clients' receivables or other claims, 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 ABCPs. We also provide liquidity and credit supports for such special purpose vehicles.

As of March 31, 2008, the total notional amount of reference assets of sponsored ABCP programs was approximately ¥960 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 supports, we properly conduct self-assessment, making provisions and write-offs properly.

(Billions of yen)

Types of reference assets	March 31, 2008				Support for programs	
	Notional amount of reference assets	Overseas	Subprime-related	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, we provide liquidity and credit supports for ABCP programs which are sponsored by other banks. Total national amount of reference assets of such programs are approximately ¥110 billion.

5. Other

SMFG has no securities issued by Structured Investment Vehicles.