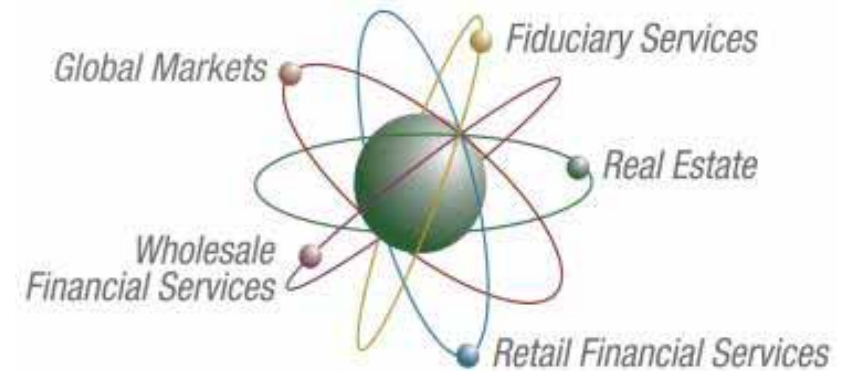




SUMITOMO
TRUST 住友信託銀行

***The Sumitomo Trust
& Banking Co., Ltd.***



**Explanatory Material
for
Financial Results for 3QFY2008**

February 6, 2009

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3QFY2008 financial results



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3QFY2008 financial results (April 2008 – December 2008)

- ▶ Net income (consolidated): Decreased by 33.4 billion yen from 3QFY2007 to 20.4 billion yen, mainly due to the increase in total substantial credit costs
- ▶ Net business profit before credit costs (non-consolidated): Increased by 33.1 billion yen from 3QFY2007 to 148.9 billion yen, as the increase in market-related profit exceeded the decrease in net fees and commissions

| | 3QFY2008 | | | 3QFY2007 | Change (A) - (B) |
|--|-------------------------|-------|--------|-------------------------|---------------------|
| | Cumulative total (A) | 3Q | 1 - 2Q | Cumulative total (B) | |
| <Consolidated> (in billions of Yen) | | | | | |
| Net business profit before credit costs | 181.2 | 85.9 | 95.3 | 148.5 | 32.7 |
| Total substantial credit costs ^(*) | -96.7 | -72.1 | -24.5 | -58.6 | -38.0 |
| Ordinary profit | 52.0 | -2.6 | 54.7 | 87.4 | -35.3 |
| Net income | 20.4 | -7.9 | 28.3 | 53.8 | -33.4 |
| <Non-consolidated> (in billions of Yen) | | | | | |
| Net business profit before credit costs | 148.9 | 76.1 | 72.7 | 115.8 | 33.1 |
| Net interest income (Incl. Trust fees from principal guaranteed trust a/c) | 123.9 | 42.3 | 81.6 | 116.6 | 7.3 |
| Net fees & commissions (Incl. Other trust fees) | 60.5 | 15.8 | 44.7 | 78.6 | -18.0 |
| Other profits | 62.5 | 48.9 | 13.5 | 16.1 | 46.3 |
| General and administrative expenses | -98.1 | -30.9 | -67.2 | -95.6 | -2.4 |
| Total substantial credit costs ^(*) | -65.3 | -55.0 | -10.3 | -51.3 | -14.0 |
| Losses related to international credit investments | -44.8 | -34.8 | -10.0 | -27.6 | -17.2 |
| Net gains on sales of Japanese stocks | -26.0 | -16.8 | -9.1 | 5.7 | -31.8 |
| Ordinary profit | 52.4 | 4.9 | 47.5 | 62.5 | -10.0 |
| Extraordinary profit ^(**) | 1.1 | 1.4 | -0.3 | 8.9 | -7.8 |
| Net income | 34.9 | 4.5 | 30.3 | 45.5 | -10.5 |

(*) Total substantial credit costs" is a sum of "Total credit costs", costs in "Net gains on sales of stocks and other securities" and "Other non-recurring profit" which are related to investment in securities of domestic and overseas credit (Total credit costs of affiliates by equity method are included in Consolidated total substantial credit costs.).

(**) Exclude items included in "Total substantial credit cost"



Breakdown of profit by business (Non-consolidated)

- ▶ Retail financial services: Gross business profit decreased by 6.3 billion yen from 3QFY2007, due to the decline in sales of mutual funds and individual annuities
- ▶ Real estate: Gross business profit decreased by 13.9 billion yen from 3QFY2007, due to the decline in real estate brokerage transactions
- ▶ Treasury and financial products: Gross business profit increased by 73.1 billion yen from 3QFY2007, due to the significant improvement in bond related profit while trading profit declined

<Gross business profit before credit costs (Non-consolidated)>

| (in billions of Yen) | 3QFY2008 | | | 3QFY2007 | Change from 3QFY2007 | FY2007 | FY2007 |
|---|------------------|--------------|--------------|------------------|----------------------|--------------|--------------|
| | Cumulative total | 3Q | 1-2Q | Cumulative total | | 2H | 1H |
| Retail financial services | 59.5 | 19.1 | 40.5 | 65.9 | -6.3 | 43.1 | 44.5 |
| Wholesale financial services | 72.0 | 22.4 | 49.6 | 73.0 | -1.0 | 43.7 | 52.6 |
| Stock transfer agency services | 15.1 | 5.9 | 9.2 | 14.2 | 0.8 | 8.5 | 10.0 |
| Treasury and financial products | 107.8 | 74.7 | 33.2 | 34.7 | 73.1 | 39.5 | 9.8 |
| Fiduciary services | 41.2 | 11.2 | 30.0 | 37.5 | 3.7 | 32.7 | 29.7 |
| Pension asset management | 27.5 | 7.8 | 19.7 | 23.4 | 4.1 | 23.1 | 19.8 |
| Securities processing services | 13.7 | 3.4 | 10.3 | 14.2 | -0.4 | 9.6 | 9.9 |
| Real estate | 8.3 | 1.3 | 7.0 | 22.2 | -13.9 | 13.0 | 18.8 |
| Fees paid for outsourcing ^(*1) | -20.0 | -6.8 | -13.2 | -18.2 | -1.7 | -12.8 | -13.3 |
| Others ^(*2) | -21.8 | -14.7 | -7.1 | -3.6 | -18.1 | 1.9 | 2.5 |
| Total | 247.0 | 107.1 | 139.9 | 211.4 | 35.6 | 161.0 | 144.6 |

Note: Redemption profit of mutual fund (9.0 billion yen), which was included in Others in 1HFY2008, has been reclassified into Treasury and financial products since 3QFY2008.

(*1) Breakdown by business group for 3QFY2008 with changes from 3QFY2007 in parenthesis: Stock transfer agency services -9.7 billion yen (-0.5 billion yen), Fiduciary services -10.2 billion yen (-1.1 billion yen)

(*2) Net of dividend income, cost of capital sourcing and adjustment as a result of reclassifying some non-recurring profit into gross business profit for certain business group are included.

Fee revenue breakdown (Non-consolidated)

- ▶ Retail financial services: Fee revenue decreased by 7.4 billion yen from 3QFY2007, mainly due to the reduction of mutual fund sales fee owing to the decline in mutual fund sales, though mutual fund administration fee decreased by only 0.9 billion yen
- ▶ Real estate: Fee revenue decreased by 11.5 billion yen from 3QFY2007, due to the decline in real estate brokerage fee owing to the stagnant real estate market
(Fee revenue of our real estate brokerage subsidiary, which handles residence and small to medium-scale real estate, decreased by only 23% from 3QFY2007)

<Sales volume and fee revenue of mutual fund/ individual annuity (Non-consolidated)>

| (in billions of Yen) | 3QFY2008 | | | Change from 3QFY2007 | FY2007 |
|------------------------------------|------------------|------|-------|----------------------|--------|
| | Cumulative total | 3Q | 1-2Q | | 2H |
| Sales volume of mutual fund | 116.5 | 22.2 | 94.2 | -205.3 | 102.7 |
| Sales volume of individual annuity | 45.9 | 12.8 | 33.0 | -17.7 | 36.2 |
| Total | 162.4 | 35.1 | 127.2 | -223.1 | 138.9 |
| Sales fee | 4.9 | 0.9 | 3.9 | -6.5 | 4.3 |
| Administration fee | 6.7 | 1.8 | 4.8 | -0.9 | 5.0 |
| Total | 11.6 | 2.8 | 8.8 | -7.4 | 9.4 |

(For reference) Balance of mutual fund/ individual annuity (Non-consolidated)

| (in billions of Yen) | Dec-08 | Sep-08 | Mar-08 | Sep-07 |
|-------------------------------|---------|---------|---------|---------|
| Balance of mutual fund | 935.1 | 1,199.6 | 1,278.1 | 1,484.1 |
| Balance of individual annuity | 555.1 | 576.5 | 550.0 | 529.3 |
| Total | 1,490.2 | 1,776.1 | 1,828.1 | 2,013.4 |

<Major factors of decrease in balance of mutual fund >

Balance of mutual fund decreased by 264.5 billion yen from the end of September 2008, mainly due to the market conditions of stock market decline and yen appreciation (approximately -260.0 billion yen)

<Gross profit for real estate business (Non-consolidated)>

| (in billions of Yen) | 3QFY2008 | | | Change from 3QFY2007 | FY2007 |
|------------------------|------------------|-----|------|----------------------|--------|
| | Cumulative total | 3Q | 1-2Q | | 2H |
| Brokerage (commercial) | 4.3 | 0.4 | 3.9 | -10.2 | 9.0 |
| Securitization | 3.5 | 0.9 | 2.6 | -1.2 | 3.5 |
| Total | 7.8 | 1.3 | 6.5 | -11.5 | 12.5 |

(For reference) Group companies' Gross profit for real estate business (Consolidated)>

| (in billions of Yen) | 3QFY2008 | | | Change from 3QFY2007 | FY2007 |
|-------------------------|------------------|-----|------|----------------------|--------|
| | Cumulative total | 3Q | 1-2Q | | 2H |
| Brokerage (residential) | 5.8 | 1.6 | 4.2 | -1.7 | 5.4 |
| Asset management | 1.1 | 0.3 | 0.7 | 0.1 | 1.1 |
| Total | 7.0 | 2.0 | 4.9 | -1.6 | 6.5 |

Breakdown of total substantial credit costs 1. Group companies, Domestic (Non-consolidated)

- ▶ Total substantial credit costs of group companies for 3QFY2008 alone were -17.1 billion yen including -14.9 billion yen of First Credit mainly due to the revaluation of real estate collaterals
- ▶ Domestic (non-consolidated) for 3QFY2008 alone was -20.1 billion yen including credit cost caused by the downgrade of a certain large corporation to substandard debtor (approximately -11.0 billion yen) and that caused by the legal bankrupt of certain debtors (approximately -6.0 billion yen)

<Total substantial credit costs>

| (in billions of Yen) | FY2007 | FY2008 | 3QFY2008 | | Major factors (Oct. to Dec. 2008) |
|--|--------|--------|------------------|-------|--|
| | Full | 1H | Cumulative total | 3Q | |
| Consolidated | -83.5 | -24.5 | -96.7 | -72.1 | |
| Non-consolidated | -75.5 | -10.3 | -65.3 | -55.0 | Overseas related -34.8 (see next page), domestic related -20.1 |
| Group companies | -7.9 | -14.1 | -31.3 | -17.1 | |
| STB Leasing | -1.4 | -1.9 | -2.9 | -0.9 | Worsened business condition of large debtors -0.9 |
| Sumishin Matsushita Financial Services | -0.4 | -1.9 | -2.4 | -0.4 | Worsened business condition of debtors -0.4 |
| First Credit | 0.1 | -8.1 | -23.0 | -14.9 | Revaluation of real estate collateral -10.6, increase in loss ratio -0.9 |

<Breakdown of total substantial credit costs (Domestic, non-consolidated)>

| Account (in billions of Yen) | FY2007 | FY2008 | 3QFY2008 | | Major factors of change (Oct. to Dec. 2008) |
|--|--------|--------|------------------|-------|--|
| | Full | 1H | Cumulative total | 3Q | |
| Total credit costs | 5.7 | -0.3 | -20.4 | -20.1 | |
| General allowance for loan losses | -5.5 | 2.6 | -10.8 | -13.4 | Downgrade of a certain large corporation to substandard debtor appx. -11.0 Increase in loans to special mention debtors |
| Specific allowance for loan losses | 15.0 | -3.0 | -3.7 | -0.7 | |
| Written off and losses on sales of loans | -5.1 | -0.6 | -6.7 | -6.1 | Legal bankrupt of certain debtors appx. -6.0 |
| Total | 3.7 | -0.2 | -20.4 | -20.1 | |



Breakdown of total substantial credit costs 2. Overseas (Non-consolidated)

- ▶ Overseas (non-consolidated) for 3QFY2008 alone was -34.8 billion yen including the impairment loss of asset-backed securities (-35.3 billion yen)
- ▶ Asset-backed securities are valued based on “market prices” as before, and the impairment rule of “Over 30% of unrealized loss for a certain period or longer” is not changed

< Breakdown of total substantial credit costs (Overseas, non-consolidated) >

| Account (in billions of Yen) | FY2007 | FY2008 | 3QFY2008 | | Major factors of change (Oct. to Dec. 2008) |
|---|--------|--------|------------------|-------|--|
| | Full | 1H | Cumulative total | 3Q | |
| Total credit costs | -15.9 | -3.1 | -2.5 | 0.5 | |
| General allowance for loan losses | -10.0 | 8.8 | 8.9 | 0.0 | |
| Specific allowance for loan losses | - | -7.8 | -7.0 | 0.7 | |
| Written off and losses on sales of loans | -5.8 | -4.1 | -4.4 | -0.3 | |
| Net gains on sales of stocks and other securities | -10.8 | -0.1 | -9.6 | -9.5 | |
| Losses on sale of stocks and other securities | -0.7 | -0.1 | -0.1 | - | |
| Losses on devaluation of stocks and other securities | -10.1 | - | -9.5 | -9.5 | CLO equities -9.5 |
| Others | -52.5 | -6.7 | -32.6 | -25.9 | |
| Allowance for investment loss | - | - | -0.7 | -0.7 | |
| Impairment loss related to overseas asset-backed securities | -48.2 | -6.7 | -31.8 | -25.1 | |
| Losses on sales | -7.4 | -3.7 | -3.0 | 0.7 | CDO mezzanine -8.6, RMBS -8.0 |
| Write-offs | -40.7 | -2.9 | -28.8 | -25.8 | Subprime related RMBS -2.3, CARDS -2.3, ABS-CDO -1.9 |
| Total | -79.3 | -10.0 | -44.8 | -34.8 | |

Asset-backed securities impairment -35.3



3QFY2008 financial condition



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Non-performing loans and migration analysis (October 2008 – December 2008)

- ▶ NPL volume under the Financial Reconstruction Law increased by 12.4 billion yen from the end of September 2008, and loans to substandard debtors increased by 31.0 billion yen. The revision of Guidelines for Supervision as to loans to SMEs has no effect
- ▶ Loans to special mention debtors (excluding loans to substandard debtors) increased by 16.0 billion yen, as the gross increase due to the worsening business conditions exceeded the gross decrease due to repayment

<Balance and ratio to total loan balance of NPLs (non-consolidated; banking a/c and principal guaranteed trust a/c combined)>

| (in billions of Yen) | Dec-08 | | |
|--|--------|--------------------|--------------------|
| | | Change from Sep-08 | Change from Mar-08 |
| Assets classified under the Financial Reconstruction Law | 82.4 | 12.4 | -24.6 |
| Loans in bankrupt and practically bankrupt | 25.8 | 6.1 | 18.9 |
| Doubtful loans | 29.0 | 0.7 | 1.7 |
| Substandard loans | 27.7 | 5.5 | -45.3 |
| <For reference> (Loans to substandard debtors) | (56.4) | (31.0) | (-20.6) |
| Ratio to total loan balance | 0.7% | 0.1% | -0.2% |
| Loans to special mention debtors (excluding substandard loans) | 826.8 | 41.5 | 75.5 |

<Major factors of change from September 2008> (in billions of yen)

(*1) Real estate developer appx. 9.0

(*2) Large companies/ordinary industry appx. 28.0,
Real estate/Construction appx.13.0

(*3) Deteriorating business environment in broad industries (Ordinary industry appx.40.0, Real estate/Construction appx.27.0, Financial appx.3.0, Overseas appx. 5.0)
However, appx. 80% of loans to Japanese (appx. 71.0) are to large companies or their subsidiaries)

(*4) Financial appx. -32.0

Note: Ordinary industry: excluding Real estate/Construction, Financial

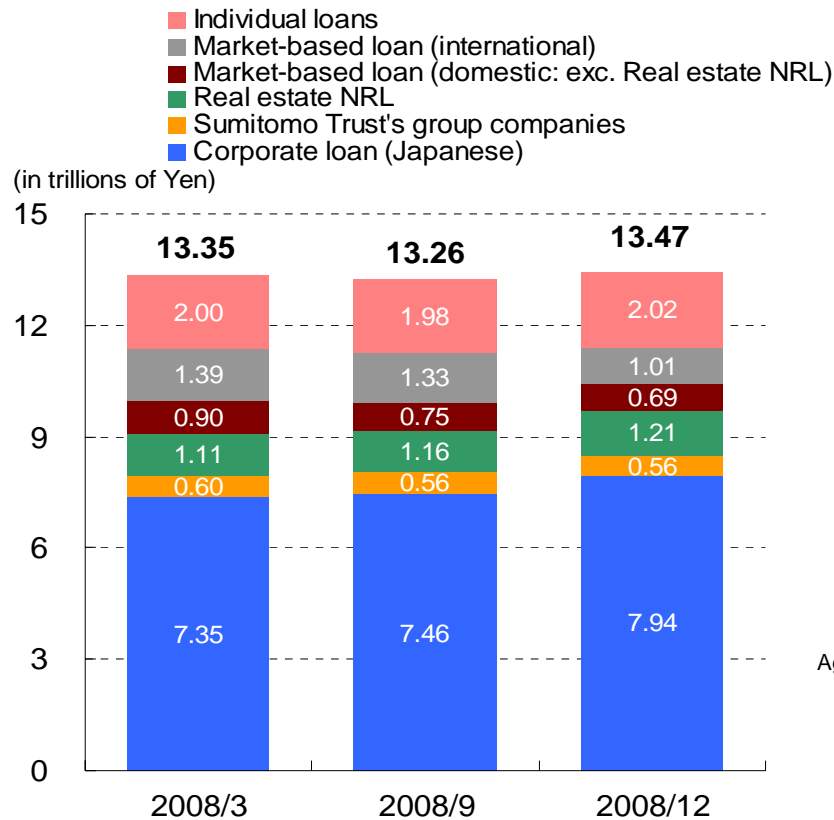
<Migration analysis (non-consolidated; banking a/c and principal guaranteed trust a/c combined)>

| (in billions of Yen) | Dec-08 | Sep-08 | Change | Downgrade (+) | Downgrade (-) | Upgrade (+) | Upgrade (-) | Repayment, etc. |
|---|--------|--------|--------|---------------|---------------|-------------|-------------|-----------------|
| Bankrupt / practically bankrupt | 25.8 | 19.6 | 6.1 | (*1) 10.2 | - | - | -0.3 | -3.8 |
| Doubtful | 29.0 | 28.3 | 0.7 | 2.4 | -0.2 | 0.1 | -0.5 | -1.2 |
| Loans to substandard debtors | 56.4 | 25.5 | 31.0 | (*2) 44.0 | - | 0.2 | -6.9 | -6.4 |
| Loans to special mention debtors (excluding loans to substandard debtors) | 798.1 | 782.0 | 16.0 | (*3) 77.0 | -14.4 | 7.2 | -1.0 | (*4) -52.8 |

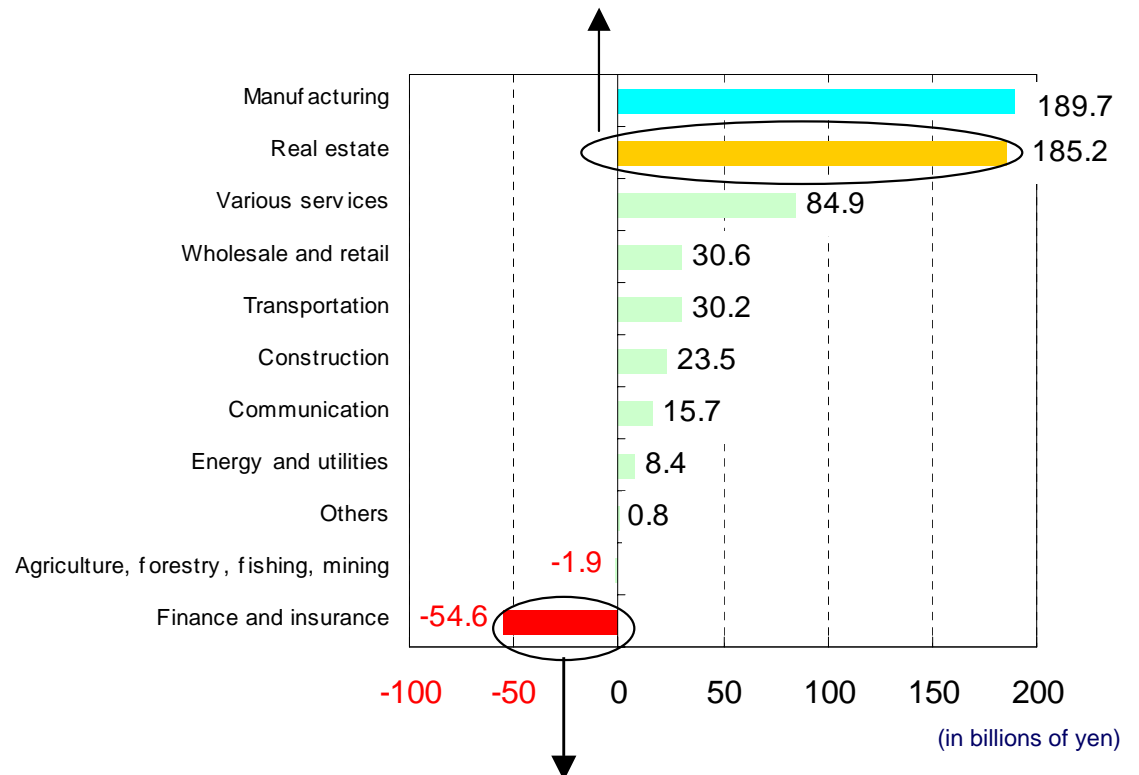
Credit portfolio (Non-consolidated)

- ▶ Total credit portfolio increased by 0.21 trillion yen from the end of September 2008 to 13.47 trillion yen due to the increase in corporate loan (Japanese), while market-based loan (international) decreased
- ▶ Approximately 70% of the increase in corporate loan (Japanese), that was 0.48 trillion yen, was short-term lending mainly as a substitute for CP

<Balance of credit portfolio (non-consolidated)>



Real estate: NRL(+64.2), an independent administrative institution with AAA rating (+82.7), other large company groups (+47.2)



Finance and insurance: Credit card and other consumer credit (-34.2), Consumer finance (-19.5)

Securities portfolio (Consolidated)

- ▶ “Held-to-maturity debt securities” increased to 687.9 billion yen (unrealized loss: -8.5 billion yen), as some overseas asset-backed securities were reclassified from “Available-for-sale securities” category (288.0 billion yen)
- ▶ Unrealized gain on available-for-sale securities dropped by 19.7 billion yen from the end of September 2008 to 18.3 billion yen mainly due to the decline of stock prices, however it was substantially -73.9 billion yen considering the unrealized loss of -92.3 billion yen on the date of reclassification

<Held-to-maturity debt securities with fair value (Consolidated)>

| (in billions of Yen) | Book value | | | Fair value | | | Net | | |
|---|------------|--------|--------|------------|--------|--------|--------|--------|--------|
| | Dec-08 | Sep-08 | Change | Dec-08 | Sep-08 | Change | Dec-08 | Sep-08 | Change |
| Held-to-maturity debt securities | 687.9 | 510.2 | 177.7 | 679.3 | 514.3 | 165.0 | -8.5 | 4.1 | -12.7 |
| Japanese government bonds and corporate bonds | 399.6 | 509.9 | -110.2 | 408.3 | 514.0 | -105.6 | 8.7 | 4.0 | 4.6 |
| Foreign bonds and others | 288.3 | 0.2 | 288.0 | 270.9 | 0.2 | 270.6 | -17.3 | 0.0 | -17.3 |

(For reference) Book value and Unrealized gains/losses before reclassification of the reclassified securities

| (in billions of Yen) | Book value Dec-08 | Unrealized gains/losses before reclassification (*) | Net Dec-08 |
|----------------------|----------------------|--|---------------|
| Foreign bonds | 288.0 | -92.3 | -17.3 |

(*): Book value of the reclassified securities (288.0 billion yen) is calculated based on market prices that could be acquired when decided on the reclassification. Unrealized gains/losses before reclassification (-92.3 billion yen) are posted on net assets of balance sheets after considering deferred tax and will be amortized evenly until maturity.

<Available-for-sale securities with fair value (Consolidated)>

| (in billions of Yen) | Cost | | | Book value | | | Net | | |
|---|---------|---------|--------|------------|---------|--------|--------|--------|--------|
| | Dec-08 | Sep-08 | Change | Dec-08 | Sep-08 | Change | Dec-08 | Sep-08 | Change |
| Available-for-sale securities | 4,250.9 | 4,579.8 | -328.9 | 4,269.2 | 4,617.8 | -348.6 | 18.3 | 38.0 | -19.7 |
| Stocks | 449.8 | 467.4 | -17.5 | 474.7 | 641.7 | -166.9 | 24.8 | 174.2 | -149.4 |
| Japanese government bonds and corporate bonds | 1,365.3 | 996.4 | 368.8 | 1,397.7 | 985.6 | 412.0 | 32.3 | -10.8 | 43.2 |
| Foreign bonds and others | 2,435.7 | 3,115.9 | -680.2 | 2,396.7 | 2,990.5 | -593.7 | -38.9 | -125.4 | 86.4 |

Note: Book value of floating rate government bonds held as available-for-sale securities had been calculated based on market prices in the past. However, it starts to be calculated based on the rationally calculated value from the end of December 2008, based on the Accounting Standards Board of Japan's "Practical Solution on Measurement of Fair Value for Financial Assets (Practical Issue Task Force No.25)".

As a result, Book value and Net as of December 2008 increase by 15.2 billion yen respectively, compared with those calculated based on market prices.

Overview of Market-based loan (International) 1. Securities with fair value

- ▶ Impairment loss of asset-backed securities for 3QFY2008 alone was -35.3 billion yen, and unrealized loss increased to -45.2 billion yen
- ▶ The securities with high credit ratings that are individually judged to be redeemed at maturity with certainty (cost: 380.3 billion yen) are reclassified from “Available-for-sale securities” category to “Held-to-maturity debt securities” category based on our decision to hold them until maturity
 - Unrealized loss, that affects the balance of net assets, has been fixed at -92.3 billion yen and will be amortized evenly until maturity

<Status of securities with fair value>

(in billions of yen)

| | Held-to-maturity debt securities | | | Total | | | | | |
|---|-------------------------------------|----------------------------------|--|-------------------------|--------------------|-------------------------|--------------------|----------------------------|-------|
| | Cost * (before reclassification) | Cost (after reclassification) | Unrealized gains/losses (before reclassification) | Cost (after impairment) | | Unrealized gains/losses | | 3QFY 2008 cumulative total | |
| | | | | | Change from Sep-08 | | Change from Sep-08 | Impairment | 3Q |
| Securities backed by non-securitized assets | 380.3 | 288.0 | -92.3 | 477.3 | -125.0 | -130.2 | -50.6 | -26.8 | -23.9 |
| RMBS exc. Subprime related RMBS | 130.3 | 107.1 | -23.2 | 155.8 | -44.8 | -37.7 | -15.4 | -8.0 | -8.0 |
| CMBS | - | - | - | 26.6 | -9.0 | -6.9 | -2.6 | - | - |
| CARDS | 65.9 | 50.5 | -15.3 | 70.1 | -17.2 | -19.7 | -11.1 | -2.3 | -2.3 |
| CLO (Corporate loans) | 179.8 | 126.6 | -53.2 | 179.8 | -27.1 | -57.3 | -24.6 | -0.1 | -0.1 |
| Other ABS | 4.2 | 3.6 | -0.5 | 26.1 | -9.5 | -4.6 | -0.2 | -2.1 | -2.1 |
| Subprime related RMBS | - | - | - | 6.2 | -4.4 | -1.4 | 0.8 | -2.7 | -2.4 |
| CDO mezzanine | - | - | - | 7.0 | -10.9 | -1.3 | 3.0 | -9.1 | -8.7 |
| Synthetic CDO | - | - | - | 5.4 | -1.6 | -1.1 | -0.3 | -2.3 | -0.2 |
| Securities backed by securitized assets | - | - | - | 3.6 | -2.7 | -0.8 | 0.7 | -1.9 | -1.9 |
| ABS-CDO | - | - | - | 3.6 | -2.7 | -0.8 | 0.7 | -1.9 | -1.9 |
| Equity type securities | - | - | - | 4.5 | -11.6 | 0.1 | 4.6 | -9.5 | -9.5 |
| CLO equities | - | - | - | 4.0 | -11.4 | - | 4.9 | -9.5 | -9.5 |
| SIV Capital notes | - | - | - | 0.5 | -0.2 | 0.1 | -0.2 | - | - |
| Asset-backed securities | 380.3 | 288.0 | -92.3 | 485.5 | -139.4 | -130.9 | -45.2 | -38.2 | -35.3 |
| Corporate bonds | - | - | - | 277.3 | -48.6 | -25.0 | -7.9 | -0.0 | -0.0 |
| Bonds issued by financial institutions | - | - | - | 76.6 | -10.9 | -10.9 | -4.1 | - | - |
| Securities with fair value | 380.3 | 288.0 | -92.3 | 762.9 | -188.1 | -156.0 | -53.1 | -38.3 | -35.3 |

<Portfolio with limited risk>
 -Cost after impairment: 458.6 bn yen
 (-107.8 bn yen from the end of September 2008)

→ Impairment -12.6 bn yen,
 Redemption -8.4 bn yen,
 Yen appreciation -86.7 bn yen
 -Securities with high credit ratings that are judged to be redeemed at maturity with certainty excluding those with impairment loss were reclassified into “Held-to-maturity debt securities” (380.3 bn yen)
 -Unrealized losses on the date of reclassification (-92.3 bn yen) will be amortized evenly until maturity
 → At the same time, the difference between cost after reclassification and that before reclassification (gain from redemption) will be accumulated evenly until maturity
 -Securities that are not reclassified (78.3 bn yen) will be reduced

<Portfolio with higher risk>
 - Cost after impairment: 26.9 bn yen (-31.6 bn yen from the end of September 2008)

→ Sales -0.5 bn yen,
 Impairment -22.6 bn yen,
 Redemption -0.7 bn yen,
 Yen appreciation -7.6 bn yen

(*) Cost and Unrealized gains/losses of Held-to-maturity debt securities are calculated based on the past standards before reclassification.

Overview of Market-based loan (International) 2. Available-for-sale securities

- ▶ Balance of asset-backed securities classified as “Available-for-sale securities” as of the end of December 2008 decreased by 71.9 billion yen from the end of September 2008 to 105.2 billion yen (unrealized loss: -21.3 billion yen, unrealized loss ratio: -20.3%)
- ▶ Loss of approximately 10.0 billion yen as to overseas credit investment for 4QFY2008 alone is incorporated into earnings forecast for FY2008

<Available-for-sale securities>

(in billions of yen)

| | Cost (after impairment) | | | Unrealized gains/losses | | | Credit ratings (*2) | | | | | |
|---|-------------------------|--------|-------------------------|-------------------------|-------|------|---------------------|------|------|----------------------------|------|-----------|
| | North America | Europe | Change from Sep-08 (*1) | Change from Sep-08 (*1) | % | AAA | AA | A | BBB | BB and below/ (Non rating) | | |
| Securities backed by non-securitized assets | 97.0 | 24.3 | 70.3 | -57.4 | -20.6 | 3.2 | -21.2% | 55.0 | 15.9 | 10.6 | 12.0 | 3.2 |
| RMBS exc. Subprime related RMBS | 25.4 | 1.0 | 22.9 | -15.5 | -4.5 | 2.5 | -17.9% | 20.0 | 1.8 | 1.7 | 1.4 | 0.2 |
| CMBS | 26.6 | 0.2 | 26.3 | -9.0 | -6.9 | -2.6 | -26.1% | 18.7 | 6.7 | 1.1 | - | - |
| CARDS | 4.2 | 4.2 | - | -6.9 | -1.2 | -0.0 | -28.7% | - | - | - | 4.2 | - |
| CLO (Corporate loans) | 0.0 | 0.0 | - | -0.1 | - | 0.0 | -% | - | - | - | 0.0 | - |
| Other ABS | 21.9 | 6.0 | 14.9 | -8.6 | -4.0 | -0.0 | -18.6% | 9.3 | 4.3 | 4.8 | 3.2 | - |
| Subprime related RMBS | 6.2 | 6.2 | - | -4.4 | -1.4 | 0.8 | -22.6% | 2.7 | 0.9 | 0.5 | 1.6 | 0.3 |
| CDO mezzanine | 7.0 | 6.1 | 0.9 | -10.9 | -1.3 | 3.0 | -18.4% | - | 1.0 | 2.2 | 1.3 | 2.3 |
| Synthetic CDO | 5.4 | 0.3 | 5.1 | -1.6 | -1.1 | -0.3 | -20.3% | 4.1 | 0.9 | - | - | 0.3 |
| ABS-CDO | 3.6 | 3.3 | 0.3 | -2.7 | -0.8 | 0.7 | -23.5% | 1.9 | 0.9 | - | 0.6 | 0.1 |
| CLO equities | 4.0 | 2.1 | 1.8 | -11.4 | - | 4.9 | -% | - | - | - | - | 4.0/(4.0) |
| SIV Capital notes | 0.5 | 0.5 | - | -0.2 | 0.1 | -0.2 | 27.4% | - | - | - | - | 0.5/(-) |
| Asset-backed securities | 105.2 | 30.3 | 72.5 | -71.9 | -21.3 | 8.7 | -20.3% | 57.0 | 16.9 | 10.6 | 12.6 | 7.9 |
| Corporate bonds | 277.3 | 21.6 | 113.8 | -48.6 | -25.0 | -7.9 | -9.0% | - | 44.7 | 125.7 | 82.6 | 24.1 |
| Bonds issued by financial institutions | 76.6 | 10.3 | 36.6 | -10.9 | -10.9 | -4.1 | -14.3% | - | 41.2 | 28.5 | 5.4 | 1.3 |
| Securities with fair value | 382.5 | 52.0 | 186.3 | -120.6 | -46.4 | 0.7 | -12.1% | 57.0 | 61.7 | 136.3 | 95.3 | 32.0 |

(*1) Cost (after impairment) as of September 2008 excludes those of the securities that are reclassified to "Held-to-maturity debt securities" category as of December 2008.

(*2) On internal credit ratings basis (shown in rating marks based on the general correspondence with external credit ratings.)

Overview of Market-based loan (International) 3. Held-to-maturity debt securities, corporate loans

- ▶ Criteria of “Held-to-maturity debt securities” are credit rating of over or equivalent to BBB, test of redemption at maturity with certainty, and qualitative judgment
→Qualification of “Held-to-maturity debt securities” continues to be examined, and if securities do not meet the criteria, they are reclassified into “Available-for-sale securities”
- ▶ Balance of “Held-to-maturity debt securities” as of the end of December 2008 was 288.0 billion yen (unrealized loss: -17.3 billion yen, unrealized loss ratio: -6.0%)

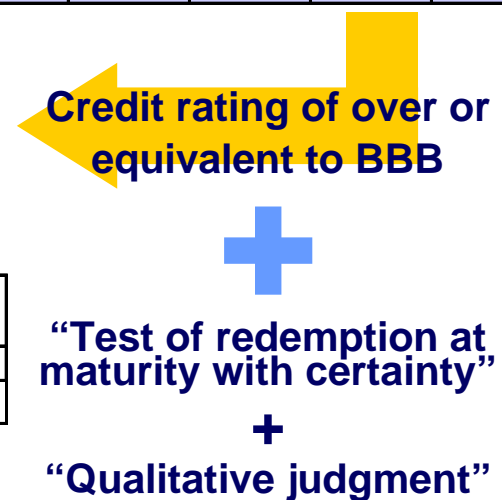
<Held-to-maturity debt securities>

(in billions of yen)

| | Cost (after reclassification) (*1) | | Unrealized gains/losses (after reclassification) (*1) | | Credit ratings (*2) | | | | | |
|---------------------------------|---------------------------------------|--------|--|-------|---------------------|-------|------|------|--------------|---|
| | North America | Europe | | % | AAA | AA | A | BBB | BB and below | |
| RMBS exc. Subprime related RMBS | 107.1 | - | 107.1 | -10.0 | -9.4% | 50.6 | 26.1 | 17.5 | 12.7 | - |
| CARDS | 50.5 | 44.9 | 5.6 | -3.2 | -6.4% | 21.6 | - | 4.0 | 24.8 | - |
| CLO (Corporate loans) | 126.6 | 90.6 | 35.9 | -4.0 | -3.2% | 115.6 | 11.0 | - | - | - |
| Other ABSs | 3.6 | 3.6 | - | -0.0 | -0.6% | 3.6 | - | - | - | - |
| Asset-backed securities | 288.0 | 139.2 | 148.8 | -17.3 | -6.0% | 191.6 | 37.1 | 21.5 | 37.6 | - |

(*1) Cost (after reclassification) is a figure after deducting Unrealized gains/losses before reclassification. Net (after reclassification) is a difference between market value as of December 2008 and that as of the reclassification date.

(*2) On internal credit ratings basis (shown in rating marks based on the general correspondence with external credit ratings.)



<Corporate loans>

(in billions of yen)

| | Balance | | | Change from Sep-08 | Internal credit ratings (*1) | | |
|----------------------|---------------|--------|------|-----------------------|------------------------------|-------|------|
| | North America | Europe | | | 1-4 | 5-6 | 7-8 |
| Corporate loans (*2) | 300.9 | 157.4 | 56.6 | -46.0 | 96.7 | 189.9 | 13.8 |

(*1) Internal Credit Ratings: 1-6: Ordinary debtors, 7-8: Special mention debtors (except for Substandard debtors)

(*2) There are no subprime related loans.

Real estate-related loans of group companies: First Credit

- ▶ Total substantial credit costs of 14.9 billion yen were posted for 3QFY2008 alone, mainly due to the strict revaluation of real estate collaterals for every half year and the reserves based on bank standards
- ▶ Loan balance decreased by 10.0 billion yen from the end of September 2008 to 173.6 billion yen mainly due to the reduction of loans to real estate and construction companies

| <P/L> (in billions of Yen) | 3QFY2008 | | 3QFY2007 |
|--------------------------------|------------------|-------|------------------|
| | Cumulative total | 3Q | Cumulative total |
| Net business profit | -17.0 | -13.5 | 9.0 |
| Loan profit | 8.9 | 2.2 | 12.1 |
| G&A expense | -26.0 | -15.7 | -3.1 |
| Ordinary profit | -17.0 | -13.5 | 9.0 |
| Net income | -17.6 | -13.5 | 9.9 |
| Total substantial credit costs | -23.0 | -14.9 | 0.7 |

- I. Real estate collaterals revalued in 1QFY2008, which were for loans of over 50.0 billion yen, were revalued once again based on the latest market prices
→ Average approximately 20% devaluation of collaterals
- II. As to risk managed loans, reserves for loans in bankruptcy proceedings and other delinquent loans are accumulated over 70% of collateral value
- III. Reserves of 30.0 billion yen were accumulated for loans of 173.6 billion yen before direct written-off (109.9 billion yen to real estate and construction companies) as of the end of December 2008

(For reference) <Risk managed loans (Banking a/c and principal guaranteed trust a/c combined)>

| (in billions of Yen) | Consolidated | | | Group companies | | | First Credit | | |
|-----------------------------------|--------------|----------|----------|-----------------|--------|--------|--------------|--------|--------|
| | Dec-08 | Sep-08 | Mar-08 | Dec-08 | Sep-08 | Mar-08 | Dec-08 | Sep-08 | Mar-08 |
| Risk managed loans | 172.7 | 138.7 | 150.3 | 97.5 | 76.8 | 43.4 | 94.9 | 74.3 | 41.1 |
| Total loans under risk management | 11,565.9 | 11,145.1 | 11,075.1 | 359.1 | 367.2 | 367.1 | 163.4 | 177.6 | 191.8 |

| | | | |
|--|-------|-------|-------|
| Total loans under risk management (Before direct write-off) | 173.6 | 183.7 | 194.9 |
| Real estate/Construction | 109.9 | 118.3 | 128.4 |
| Allowance for loan losses (Before direct write-off) | 30.0 | 15.1 | 7.2 |

3QFY2008 capital ratio



Regulatory capital

- ▶ Tier I capital is in a relatively competitive position both in terms of level (7.64%) and quality (deferred tax assets ratio 14.7%, hybrid securities ratio 25.0%)
- ▶ Tier II is also in a stable position with higher portion of Upper Tier II (43%) in subordinate debts

<Capital and BIS capital adequacy ratio>

| (in billions of Yen) | Dec-08 (Actual) | Sep-08 (Actual) | Change | Major factors of change |
|---|--------------------|--------------------|--------|---|
| Total qualifying capital | 1,711.3 | 1,684.2 | 27.0 | |
| Tier I | 1,118.7 | 1,114.3 | 4.4 | Deferred tax assets ratio 14.7% |
| Retained earnings | 475.7 | 497.8 | -22.1 | Dividend -14.2 |
| Noncumulative preferred securities issued by overseas SPV | 280.0 | 210.0 | 70.0 | Issued preferred securities 70.0 (Hybrid securities ratio 25.0%) |
| Less: Goodwill equivalents | 109.1 | 111.2 | -2.1 | |
| Less: Net unrealized loss on available-for-sale securities | 59.7 | - | 59.7 | |
| Less: (EL - Eligible provisions) x 50% | 20.0 | 18.2 | 1.7 | |
| Tier II | 682.9 | 669.2 | 13.6 | |
| 45% of net unrealized gain on available-for-sale securities | - | 14.4 | -14.4 | |
| Subordinated debts | 674.2 | 647.0 | 27.2 | Issuance and yen appreciation effect |
| Upper Tier II | 288.3 | 266.1 | 22.2 | Upper Tier II ratio 43% |
| Lower Tier II | 385.8 | 380.8 | 5.0 | Lower Tier II ratio 57% |
| Less: Deduction (double gearing) | 90.3 | 99.2 | -8.9 | |
| BIS capital adequacy ratio | 11.69% | 11.42% | +0.27% | |
| Tier I capital ratio | 7.64% | 7.56% | +0.08% | |

<Total risk-weighted assets>

| (in billions of Yen) | Dec-08 (Actual) | Sep-08 (Actual) | Change | Major factors of change (in trillions of yen) |
|--|--------------------|--------------------|--------|---|
| Total risk-weighted assets | 14,630.5 | 14,738.3 | -107.7 | |
| Amount of credit risk-weighted assets | 13,320.4 | 13,812.2 | -491.7 | Stocks -0.23 |
| Amount of market risk equivalents | 587.2 | 203.3 | 383.9 | |
| Amount of operational risk equivalents | 722.8 | 722.8 | - | |

Forecast for FY2008



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Forecast for FY2008 (Announced in January 2009)

- ▶ Net business profit (non-consolidated) is forecasted to be 190.0 billion yen, which increases by 35.0 billion yen from the previous forecast considering results through 3QFY2008
- ▶ Net income (consolidated) is forecasted to be 30.0 billion yen, which decreases by 30.0 billion yen from the previous forecast, incorporating consolidated total substantial credit costs of 130.0 billion yen for FY2008 (approximately 33.0 billion yen for 4QFY2008 alone)
- ▶ In line with our policy of dividend based on the business performance, dividend per share for FY2008 is planned to be 10 yen, which equates a consolidated dividend payout ratio of 55.7%

| | FY2007 (Actual) | 3QFY2008 (Actual) | FY2008 (Forecast) (January 2009) | FY2008 (Forecast) (November 2008) |
|--|----------------------|----------------------|--|---|
| <Consolidated> | (in billions of Yen) | | | |
| Net business profit before credit costs | 216.8 | 181.2 | 230.0 | 195.0 |
| Total substantial credit costs | -83.5 | -96.7 | -130.0 | -55.0 |
| Ordinary profit | 136.9 | 52.0 | 65.0 | 110.0 |
| Net income | 82.3 | 20.4 | 30.0 | 60.0 |
| <Non-consolidated> | | | | |
| Net business profit before credit costs | 173.8 | 148.9 | 190.0 | 155.0 |
| Total substantial credit costs | -75.5 | -65.3 | -95.0 | -35.0 |
| Losses related to international credit investments | -79.3 | -44.8 | -55.0 | -30.0 |
| Other non-recurring profit | 6.5 | -30.2 | -30.0 | -30.0 |
| Ordinary profit | 103.9 | 52.4 | 65.0 | 90.0 |
| Net income | 69.9 | 34.9 | 50.0 | 60.0 |
| Full year dividend per share (Yen) | 17 | | 10 | 17 |
| Consolidated dividend payout ratio | 34.6% | | 55.7% | 47.4% |

Strengthening credit risk management system



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Strengthening credit risk management system

- ▶ Following the worsening overseas credit assets and domestic corporate performance against the background of deteriorating global financial market conditions and economic decline, we have implemented measures to strengthen our credit management system.
- ▶ While continuing to refine further our credit risk management system, we will make positive efforts to meet sound new demand for finance so as to diversify our credit portfolio and strengthen our customer base.

1. Reinforced credit supervision structure

- (1) Structural reform: as of January 5, 2009, Global Credit Supervision Department was removed from Wholesale and Retail Client Services Group to newly form Credit Risk Management Group.
- (2) Strengthening credit supervision and research functions: Global Credit Supervision Department I and II replace the single department, and personnel has been increased in both new departments as well as in Research Department to strengthen their respective functions.
- (3) A credit investment committee has been created to supervise overall credit investment centering on overseas credit investment assets.

2. Upgrade of credit supervision process <Strengthen credit supervision system>

Together with a review of our internal credit rating system, we have adopted evaluation criteria based on leading indicators in order to upgrade our credit supervision process.

