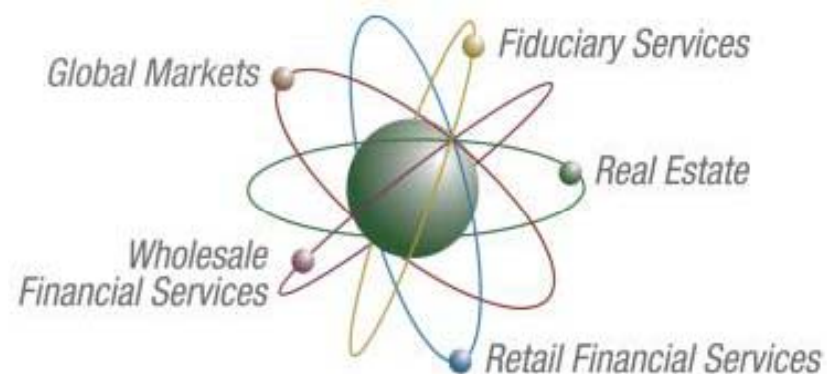




SUMITOMO  
TRUST

住友信託銀行

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



**Explanatory Material  
for  
Financial Results for 3QFY2009**

**February 3, 2010**

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# 3QFY2009 financial results and financial condition



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## 3QFY2009 financial results (April 2009 – December 2009)

- ▶ Net income (consolidated) increased by 31.8 billion yen from 3QFY2008 to 52.2 billion yen mainly due to the decrease in total substantial credit costs
- ▶ Net business profit before credit costs (non-consolidated) decreased by 23.8 billion yen from 3QFY2008 to 125.1 billion yen mainly due to the decrease in market-related profit which recorded a high level in the previous fiscal year

<Consolidated> (in billions of Yen)	3QFY2008	3QFY2009		Change (B) - (A)	
	Cumulative total (A)	1 - 2Q	3Q		Cumulative total (B)
Net business profit before credit costs	181.2	87.7	53.2	141.0	-40.2
(Total substantial credit costs <sup>(*)</sup> )	(-96.7)	(-40.8)	(12.6)	(-28.1)	(68.5)
Ordinary profit	52.0	33.4	58.7	92.1	40.0
Extraordinary profit <sup>(**)</sup>	3.7	9.5	0.1	9.7	6.0
Net income	20.4	19.2	32.9	52.2	31.8

<Non-consolidated> (in billions of Yen)	3QFY2008	3QFY2009		Change (B) - (A)	
	Cumulative total (A)	1 - 2Q	3Q		Cumulative total (B)
Net business profit before credit costs	148.9	81.6	43.5	125.1	-23.8
Net interest income (Incl. net trust fees from principal guaranteed trust a/c) <sup>(*)</sup>	123.9	90.7	49.2	139.9	15.9
Net fees & commissions (Incl. Other trust fees)	60.5	41.7	17.6	59.4	-1.0
Other profits	62.5	13.7	7.5	21.2	-41.3
General and administrative expenses	-98.1	-64.6	-30.8	-95.5	2.5
Total credit costs	-23.0	-27.2	12.8	-14.4	8.6
(Total substantial credit costs <sup>(*)</sup> )	(-65.3)	(-32.7)	(14.9)	(-17.7)	(47.6)
Net gains on sales of stocks and other securities	35.7	-6.3	-1.8	-8.1	27.5
Ordinary profit	52.4	31.1	45.2	76.4	23.9
Extraordinary profit	1.9	0.1	6.3	6.5	4.6
Net income	34.9	19.3	31.2	50.5	15.5

(\*1) 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, and affiliates' total credit costs included in "Net income from affiliates by equity method".

(\*2) The gain on retirement of perpetual subordinated bonds (8.9 billion yen) which was posted in "Extraordinary profit" on consolidated basis was posted in "Net interest income" as dividend income from a subsidiary (9.5 billion yen) on non-consolidated basis.

## Contribution of major group companies to consolidated financial results

- ▶ Contribution to net business profit before credit costs decreased by 5.3 billion yen from 3QFY2008, while contribution to net income increased significantly by 19.9 billion yen mainly due to the decrease in total credit costs of First Credit Corporation (before consolidated adjustments, excluding the effect of special factor)
- ▶ Nikko Asset Management (consolidated on Oct.1, 2009) contributed by 1.0 billion yen to net income (before amortization of goodwill)

(in billions of Yen)	Consolidated Net business profit before credit costs			Consolidated Net income before amortization of goodwill			Goodwill(*) (As of Dec. 2009)	
	3Q FY2008	3Q FY2009	Change	3Q FY2008	3Q FY2009	Change	Amortization amount (Cumulative total)	Outstanding balance
	(Cumulative total)	(Cumulative total)		(Cumulative total)	(Cumulative total)			
Total	32.79	27.44	-5.35	-8.40	20.46	28.87	-7.4	177.8
(Exc. STB Finance Cayman Ltd.)	(32.79)	(27.44)	(-5.35)	(-8.40)	(11.56)	(19.97)	---	---
STB Leasing Co., Ltd.	5.18	6.03	0.84	1.38	1.95	0.56	---	---
Sumishin Matsushita Financial Services Co., Ltd.	5.08	5.07	-0.00	0.81	1.27	0.46	-1.2	0.5
First Credit Corporation	5.98	3.70	-2.28	-17.62	2.05	19.68	-4.0	84.0
Life Housing Loan, Ltd.	2.57	3.79	1.22	1.47	2.20	0.73	-0.8	16.0
BUSINEXT CORPORATION	1.87	1.43	-0.44	-0.00	-0.07	-0.07	---	---
Japan TA Solution, Ltd.	2.74	-1.01	-3.76	1.30	-0.85	-2.15	---	---
Nikko Asset Management Co., Ltd.	---	1.73	1.73	---	1.00	1.00	-1.3	77.3
Sumitomo Trust and Banking Co. (U.S.A.)	3.67	1.30	-2.36	2.16	0.88	-1.27	---	---
Japan Trustee Services Bank, Ltd.	-0.01	-0.27	-0.25	-0.00	-0.27	-0.26	---	---
Sumishin Realty Co., Ltd.	0.15	-0.44	-0.59	0.07	-0.28	-0.35	---	---
SBI Sumishin Net Bank, Ltd.	-1.86	0.91	2.77	-1.91	0.88	2.79	---	---
Total (Consolidated difference, after consolidated adjustments)	32.31	15.86	-16.45	-14.56	1.66	16.23	---	---

(\*) Incl. goodwill of affiliated companies (7.1 billion yen)

## Breakdown of profit by business (Non-consolidated)

- ▶ Retail financial services: Gross business profit decreased by 4.9 billion yen from 3QFY2008 due to the decline in spread income of deposits, while sales of mutual funds and individual annuities improved
- ▶ Real estate: Gross business profit decreased by 1.9 billion yen from 3QFY2008 due to rather slow recovery of real estate brokerage transaction
- ▶ Wholesale financial services: Gross business profit increased by 2.5 billion yen from 3QFY2008 due to the increase in fee revenues of real estate NRLs and syndicated loans
- ▶ Treasury and financial products: Gross business profit decreased by 44.2 billion yen from 3QFY2008 due to the decrease in net gains on bonds which recorded a high-level profit in the previous fiscal year

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

(in billions of Yen)	3QFY2008		3QFY2009			Change from 3QFY2008	
	3Q	Cumulative total	1-2Q	3Q	Cumulative total	3Q	
Retail financial services	19.1	59.5	36.3	18.2	54.5	-0.8	-4.9
(Fee revenue of mutual fund/ individual annuity)	(2.8)	(11.6)	(7.5)	(4.5)	(12.0)	(1.7)	(0.4)
Wholesale financial services	22.4	72.0	53.9	20.6	74.5	-1.7	2.5
Stock transfer agency services	5.9	15.1	7.7	3.2	10.9	-2.7	-4.1
Treasury and financial products	74.7	107.8	34.9	28.6	63.5	-46.1	-44.2
Fiduciary services	11.2	41.2	23.5	11.8	35.3	0.5	-5.9
Pension asset management	7.8	27.5	17.6	9.0	26.6	1.1	-0.9
Securities processing services	3.4	13.7	5.9	2.8	8.8	-0.5	-4.9
Real estate	1.3	8.3	4.4	2.0	6.4	0.6	-1.9
Fees paid for outsourcing <sup>(*1)</sup>	-6.8	-20.0	-10.4	-5.5	-16.0	1.2	4.0
Others <sup>(*2)</sup>	-14.8	-21.8	3.6	-1.2	2.4	13.6	24.2
<b>Total</b>	<b>107.1</b>	<b>247.0</b>	<b>146.2</b>	<b>74.4</b>	<b>220.6</b>	<b>-32.6</b>	<b>-26.3</b>

(\*1) Breakdown by business group for 3QFY2009 with changes from 3QFY2008 in parenthesis: Stock transfer agency services -5.1 billion yen (+4.6 billion yen), Fiduciary services -10.8 billion yen (-0.6 billion yen)

(\*2) Include cost of capital funding, dividend of shares for cross-shareholdings, general and administrative expenses of headquarters, etc.

Include dividend income (9.5 billion yen) resulting from the gain on retirement of perpetual subordinated bonds (8.9 billion yen) on non-consolidated basis

## Breakdown of total substantial credit costs (Consolidated)

- ▶ Total substantial credit costs (consolidated) decreased by 12.6 billion yen from 2QFY2009 (cumulative total) mainly due to the decreased allowances resulting from the upgrades of some borrowers which had been classified in doubtful category
- ▶ Total substantial credit costs of overseas credit investments (non-consolidated) and those of group companies keep stabilizing to normalized levels

### <Total substantial credit costs>

(in billions of Yen)	FY2008	3QFY2009		Cumulative total	Major factors (Oct. to Dec. 2009)
	Full	1-2Q	3Q		
Consolidated	-170.0	-40.8	12.6	-28.1	
Non-consolidated	-121.3	-32.7	14.9	-17.7	
Domestic	-48.1	-24.1	12.7	-11.3	
Total credit costs	-46.8	-24.0	12.6	-11.3	
General allowance for loan losses	1.0	20.5	-14.2	6.3	- Upgrades and downgrades of some of the doubtful loans appx. +20.0 - Real estate related appx. -4.5 out of remaining amount (appx. -7.0)
Specific allowance for loan losses	-39.4	-42.6	41.6	-0.9	
Written off and losses on sales of loans	-9.3	-2.4	-15.1	-17.5	
Overseas	-73.1	-8.5	2.1	-6.4	
Total credit costs	-8.0	-3.2	0.1	-3.0	Loss on sales -1.1, reversal of allowance for loan losses +1.2
Others	-51.2	-4.7	1.9	-2.7	
Impairment loss related to overseas asset-backed securities	-51.1	-4.7	1.9	-2.7	- Decreased impairment losses due to the recovery of fair value +2.6. - Loss on sales -0.6
Group companies	-48.7	-8.1	-2.3	-10.4	
STB Leasing	-4.2	-2.9	0.1	-2.8	
Sumishin Matsushita Financial Services	-2.8	-2.0	-1.4	-3.5	
First Credit	-37.3	-1.1	-0.1	-1.2	

# Non-performing loans and migration analysis (October 2009 – December 2009)

- ▶ The total balance of assets classified under the Financial Reconstruction Law decreased by 104.7 billion yen from Sep. 2009 owing to the upgrades and downgrades of some of the doubtful loans, the ratio of which to the total loan balance stands at 1.7% (decreased by 0.8% points from Sep. 2009)
- ▶ Coverage ratio (collateral values and allowance for loan losses divided by corresponding asset balances) for doubtful loans as of Dec. 2009 stands at 88%, and that for substandard loans stands at 70%, both of which are sufficiently high

## <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. 2009			Change fm Sep. 2009
		Coverage ratio <sup>(*1)</sup>	Reserve ratio <sup>(*2)</sup>	
Assets classified under the Financial Reconstruction Law	204.5	81%	53%	-104.7
Loans in bankrupt and practically bankrupt	38.4	100%	100%	12.3
Doubtful loans	64.4	88%	74%	-177.8
Substandard loans	101.7	70%	25%	60.8
<For reference> (Loans to substandard debtors)	(139.2)	---	---	(87.4)
Ratio to total loan balance	1.7%	---	---	-0.8%
Special mention (exc. substandard)	721.1	---	---	102.0

<Major factors of change from Sep. 2009> (in billions of yen)  
 (\*1) (\*2) Downgrades of the doubtful loans due to the filing for legal liquidation appx. 14.0  
 (\*3) (\*5) Upgrades to Substandard loans and Special mention category mainly due to the adoption of business turnaround plan of our debtors appx. 146.0  
 (\*4) Real estate non recourse loan appx. 21.0, Manufacturing appx. 28.0

(\*1) Coverage ratio for loan balance which is secured by collateral values and allowance for losses

(\*2) Reserve ratio for uncovered portion of loan balance (remaining loan balance after deduction of collateral value)

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



(in billions of Yen)	Sep. 2009	Dec. 2009	Change	Downgrade (+)	Downgrade (-)	Upgrade (+)	Upgrade (-)	Repayment, etc.
Loans in bankrupt and practically bankrupt	26.1	38.4	12.3	(*1) 14.1	-	-	-0.3	-1.5
Doubtful loans	242.2	64.4	-177.8	9.3	(*2) -13.9	0.2	(*3) -146.4	-27.0
Loans to substandard debtors	51.8	139.2	87.4	1.9	-4.6	93.3	-	-3.2
Loans to special mention debtors (excluding loans to substandard debtors)	608.1	683.5	75.4	(*4) 54.9	-6.1	(*5) 53.2	-0.3	-26.2





# Overview of international credit investment

- ▶ Unrealized gains/ losses of available-for-sale securities with fair value improved by 4.8 billion yen from Sep. 2009 to the net gains of 4.1 billion yen, and the ratio of unrealized gains to cost stands at 1.3%
- ▶ Unrealized gains/ losses of held-to-maturity securities improved by 8.2 billion yen from Sep. 2009 to the net gains of 40.9 billion yen, and the ratio of unrealized gains to cost stands at 14.6% (after consideration of unrealized gains/ losses including unamortized amount of unrealized gains/ losses resulting from reclassification: the net losses of -42.7 billion yen, the ratio of unrealized losses to cost: -11.7%)
- ▶ The balance of available-for-sale securities with fair value decreased by 9.5 billion yen from Sep. 2009 to 320.0 billion yen: redemption 8.6 billion yen, sales 7.5 billion yen
- ▶ Corporate loans (non-Japanese) decreased by 9.7 billion yen from Sep. 2009 to 253.6 billion yen: collection etc. 16.2 billion yen, sales 2.9 billion yen

## <Securities with fair value>

	Cost (after impairment)			Unrealized gains/ losses			Credit ratings (*1)				
	North America	Europe	Change from Sep. 2009	Change from Sep. 2009	%	AAA	AA	A	BBB	BB and below	
Available-for-sale securities	320.0	153.8	-9.5	4.1	1.3%	22.0	51.6	129.2	88.9	28.1	
Asset-backed securities	63.7	50.8	-1.1	1.3	2.1%	22.0	20.3	7.9	9.2	4.0	
Corporate bonds	256.3	102.9	-8.4	2.8	1.1%	-	31.2	121.2	79.6	24.1	
Held-to-maturity debt securities	279.8	143.3	-5.0	40.9	14.6%	65.6	137.5	37.0	39.7	-	

(\*1) On internal credit ratings basis (shown in rating marks based on the general correspondence with external credit ratings).

(\*2) Unamortized balance of unrealized loss on asset-backed securities which were reclassified to "Held-to-maturity debt securities" as of Dec. 2009: -83.6 billion yen.

(\*3) Some of the asset-backed securities (1.8 billion yen) failed to meet the company's criteria of "Held-to-maturity debt securities" due to the downgrade of credit rating. As a result, these asset-backed securities have been reclassified into "Available-for-sale securities".

## <Corporate loans (non-Japanese)>

(in billions of yen)

	Balance			Internal credit ratings (*4)		
	North America	Europe	Change from Sep. 2009	AAA	AA	BB and below
Corporate loans (*5)	253.6	52.0	-9.7	76.1	148.2	28.4

(\*4) Internal credit ratings: 1-6: Ordinary debtors, 7-8: Special mention debtors (except for Substandard debtors).

(\*5) There are no subprime loans.

## <Securities with no available fair value>

(in billions of yen)

	Cost (after impairment)	
		Change from Sep. 2009
Securities with no available fair value	23.1	1.9

# Consolidated capital (As of December 31, 2009)

- ▶ Tier I capital ratio stands at 9.62%, while Tier I capital decreased by 48.5 billion yen from 2009/9 mainly due to the goodwill (71.1 billion yen at the time of acquisition) related to the acquisition of Nikko Asset Management (Nikko AM)
- ▶ Core Tier I capital (Tier I capital excluding preferred shares and preferred securities) ratio stands at 6.55%, and the ratio after deducting net deferred tax assets (DTA) stands at 5.63%

## <Capital and BIS capital adequacy ratio (consolidated)>

(in billions of Yen)	Dec-09 (Actual)	Sep-09 (Actual)	Change
Total qualifying capital	1,746.4	1,818.9	-72.5
Tier I	1,220.1	1,268.7	-48.5
Shareholders' equity	1,143.0	1,110.0	32.9
Preferred shares	109.0	109.0	-
Noncumulative preferred securities issued by overseas SPV	280.0	280.0	-
Less: Goodwill equivalents	170.7	102.7	67.9
Less: Unrealized loss on available-for-sale securities	24.3	9.6	14.6
Less: (EL - Eligible provisions) x 50%	18.3	25.3	-6.9
Tier II	614.7	632.8	-18.1
45% of unrealized gain on available-for-sale securities	-	-	-
Subordinated debts	604.3	623.7	-19.4
Upper Tier II	188.4	207.8	-19.4
Lower Tier II	415.9	415.8	0.0
Less: Deduction (double gearing)	88.5	82.6	5.8
BIS capital adequacy ratio	13.77%	14.17%	-0.40%
Tier I capital ratio	9.62%	9.88%	-0.26%

## <Total risk-weighted assets>

Total risk-weighted assets	12,673.6	12,834.3	-160.6
Amount of credit risk-weighted assets	11,889.5	12,029.9	-140.3
Amount of market risk equivalents	111.2	131.6	-20.3
Amount of operational risk equivalents	672.7	672.7	-

### <Major factors of change in capital from 2009/9>

- (1) Shareholders' equity: +32.9 billion yen
  - Earnings for 3QFY2009 +32.9 billion yen
- (2) Goodwill equivalents (Less): +67.9 billion yen
  - The goodwill related to Nikko AM at the time of acquisition 71.1 billion yen
  - Amortization of goodwill during 3QFY2009 -3.1 billion yen
- (3) Subordinated debts: -19.4 billion yen
  - Repayment of perpetual subordinated loans -20.0 billion yen

### <Major factors of change in risk-weighted assets from 2009/9>

- (1) Amount of credit risk-weighted assets: -0.14 trillion yen
  - Effect of revision of probability of default (PD) by utilizing accumulated default data -0.30 trillion yen (Corporate, etc.)

### <The quality of capital>

- (1) Core Tier I capital ratio: 6.55% (decreased by 0.30% from 2009/9)
- (2) Core Tier I capital (excl. DTA) ratio: 5.63% (decreased by 0.25% from 2009/9)
  - Net deferred tax assets: 124.6 billion yen  
(Ratio to Tier I capital is 10.2%)

Core Tier I capital ratio = Core Tier I capital / Total risk-weighted assets

(Core Tier I capital = Tier I capital – Preferred shares – Preferred securities)

Core Tier I capital (excl. DTA) ratio

= Core Tier I capital (excl. DTA) / (Total risk-weighted assets – Net deferred tax assets)

(Core Tier I capital (excl. DTA) = Core Tier I capital – Net deferred tax assets)



## Forecast for FY2009 (As of January 2010)

- ▶ We keep the forecasts of ordinary profit and net income for FY2009 unchanged at the present time. But taking into account the performance of the 3QFY2009 cumulative total, it is possible that the earning forecasts will be reviewed going forward
- When the outlook of the earnings for FY2009 becomes more certain, we will announce revision of the forecasts in a timely manner, if necessary

<Consolidated> (in billions of Yen)	Full FY2009				<For reference> (B) - (A)
	3QFY2009 Cumulative total		(Forecast)		
	1-2Q	3Q	(A)	(B)	
Net business profit before credit costs	87.7	53.2	141.0	175.0	34.0
(Total substantial credit costs)	(-40.8)	(12.6)	(-28.1)	(-70.0)	(-41.9)
Ordinary profit	33.4	58.7	92.1	80.0	-12.1
Net income	19.2	32.9	52.2	45.0	-7.2
<b>&lt;Non-consolidated&gt;</b>					
Net business profit before credit costs	81.6	43.5	125.1	155.0	29.9
Total credit costs	-27.2	12.8	-14.4	-45.0	-30.6
(Total substantial credit costs)	(-32.7)	(14.9)	(-17.7)	(-55.0)	(-37.3)
(Domestic)	(-24.1)	(12.7)	(-11.3)	(-40.0)	(-28.7)
(International)	(-8.5)	(2.1)	(-6.4)	(-15.0)	(-8.6)
Other non-recurring profit	-22.7	-4.7	-27.5	-35.0	-7.5
Ordinary profit	31.1	45.2	76.4	75.0	-1.4
Net income	19.3	31.2	50.5	45.0	-5.5
Dividend per common shares (Yen)	-	-	5	10	-
Consolidated dividend payout ratio (%) <sup>(*)</sup>	-	-	-	39.5%	-

(\*) Consolidated dividend payout ratio

= { Total amount of dividends for common shares / (Consolidated net income - Total amount of dividends for preferred shares) } X 100