



SMFG SUMITOMO MITSUI  
FINANCIAL GROUP

FISCAL YEAR **2003** INTERIM FINANCIAL REPORT

---

APRIL 1 — SEPTEMBER 30, 2003

SUMITOMO MITSUI FINANCIAL GROUP  
SUMITOMO MITSUI BANKING CORPORATION

## Our Mission

The Groupwide management philosophy is as follows:

- To provide optimum added value to our customers and together with them achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

## Profile (as of September 30, 2003)

<b>Company Name:</b>	Sumitomo Mitsui Financial Group, Inc.	<b>Capital Stock:</b>	¥1,247.7 billion
<b>Head Office:</b>	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan	<b>Business Description:</b>	Management of the affairs of subsidiaries and relevant ancillary functions
<b>Chairman of the Board:</b>	Akishige Okada (Concurrent Chairman of the Board at Sumitomo Mitsui Banking Corporation)	<b>Stock Exchange Listings:</b>	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section)
<b>President &amp; CEO:</b>	Yoshifumi Nishikawa (Concurrent President and CEO at Sumitomo Mitsui Banking Corporation)		

<b>Shares Issued and Outstanding:</b>	Type 4 Preference Shares (2nd series):	4,175	Type 4 Preference Shares (8th series):	4,175
Ordinary Shares:	Type 4 Preference Shares (3rd series):	4,175	Type 4 Preference Shares (9th series):	4,175
Type 1 Preference Shares:	Type 4 Preference Shares (4th series):	4,175	Type 4 Preference Shares (10th series):	4,175
Type 2 Preference Shares:	Type 4 Preference Shares (5th series):	4,175	Type 4 Preference Shares (11th series):	4,175
Type 3 Preference Shares:	Type 4 Preference Shares (6th series):	4,175	Type 4 Preference Shares (12th series):	4,175
Type 4 Preference Shares (1st series):	Type 4 Preference Shares (7th series):	4,175	Type 4 Preference Shares (13th series):	114,999

## Credit Ratings

Credit ratings for applicable companies within SMFG as of December 31, 2003 are as follows:

● Sumitomo Mitsui Banking Corporation			● Sumitomo Mitsui Card Company, Limited			● SMBC Leasing Company, Limited		
	Long-term	Short-term		Long-term	Short-term		Long-term	Short-term
Moody's	A3	P-1	JCR	A+	J-1+	JCR	A-	J-1
S&P	BBB	A-2						
Fitch	BBB+	F2						
R&I	A	a-1						
JCR	A+	J-1+						

## CONTENTS

Foreword.....	1
President's Message .....	2
Group Companies.....	4
Topics .....	6
Financial Highlights.....	9
SMFG's New Plan for Strengthening the Financial Base .....	11
Asset Quality.....	13
Business Overview .....	19
Financial Section .....	25
SMFG Website .....	65

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors. Important factors that might cause such a material difference include, but are not limited to, those economic conditions referred to in this material as assumptions.

In addition, the following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

### Sumitomo Mitsui Financial Group, Inc.

Public Relations Department  
1-2, Yurakucho 1-chome, Chiyoda-ku,  
Tokyo 100-0006, Japan  
TEL: +81-3-5512-3411

February 2004



We are pleased to present to you this interim financial report, covering the first half of fiscal 2003. We aim to provide full disclosure as part of our mission to enhance shareholder value, and hope that you will gain a greater understanding of our ongoing initiatives.

Against the background of a continued difficult business environment, Sumitomo Mitsui Financial Group, Inc. is committed to providing greater value-added products and services that meet our customers' exacting needs and thereby further solidifying their trust and support. At the same time, with a strengthened financial base, we will focus more energy on quickly delivering improved performances to enhance shareholder value.

We look forward to your continued support and encouragement as SMFG takes decisive steps toward a prosperous future.

February 2004

A handwritten signature in black ink, appearing to read 'A. Okada'.

Akishige Okada  
*Chairman of the Board*

A handwritten signature in black ink, appearing to read 'Y. Nishikawa'.

Yoshifumi Nishikawa  
*President and Chief Executive Officer*

## | President's Message |

Building on the momentum created by the swift and solid progress in reaping the synergies from business consolidation at Sumitomo Mitsui Banking Corporation (SMBC), SMFG was established as a holding company in December 2002. In February 2003, Sumitomo Mitsui Card Company, Limited, SMBC Leasing Company, Limited, and The Japan Research Institute, Limited became wholly owned subsidiaries along with SMBC to optimize Group management and strengthen strategic businesses. These and other initiatives have fortified the core capital base and earnings capability of the Group.

In the first half of fiscal 2003, we moved aggressively from this reinforced position to strengthen the foundation for achieving higher sustainable profitability.

### **Business Environment and Policy**

The Japanese economy stagnated in the first half of 2003 as the Iraq war, the outbreak of SARS, and other events led to a heightened sense of economic uncertainty. However, these worries receded and the economy entered a slow recovery trend in the summer, led by improving corporate earnings, resulting from business restructuring and recovering exports. With the gradually rising capital investment, mainly in the manufacturing industries, the deterioration in income and employment and the increase in the number of bankruptcies have been slowing down. Aided by overseas factors, stock prices have been recovering also. The business environment has been improving, but deflation, the overriding factor, continues to prevail.

Against this backdrop, we set decisive targets to rapidly improve asset quality and enhance profitability. We designated fiscal years 2003 and 2004 as the period for halving the non-performing loan ratio and further reducing shareholdings. In the Plan for Strengthening the Financial Base (the Plan), published in September 2003, we outlined our initiatives for enhancing profitability: expand business volume by utilizing the unified Groupwide capabilities to provide higher value-added services that match customers' needs; increase capital efficiency by improving the risk-return profile, and channel resources into high-profit businesses; and strengthen cost efficiency by reinforcing low-cost operation.

In the first half of fiscal 2003, I am pleased to report that significant progress was made in improving asset quality and reinforcing business models with competitive advantage in a number of strategic businesses to

enhance profitability. Although we anticipate that the economy will remain in a slow recovery mode in the second half, we are firmly committed to further reinforcing the financial base by improving asset quality and profitability. At the same time, we remain steadfast in our focus on net profit and building up internal reserves.

### **Key Issues and Achievements**

#### **1. Improving Asset Quality**

We moved swiftly to achieve the target of reducing the non-performing loan balance to ¥3,900 billion by the end of fiscal 2003 by off-balancing, corporate revitalization, and preventing deterioration of borrowers' financial conditions. As a result, we were able to achieve this target by the end of September 2003, six months ahead of schedule. We will maintain this momentum by utilizing the corporate recovery joint venture established with Goldman Sachs (Japan) Ltd., Daiwa Securities SMBC Principal Investments Co. Ltd., and Development Bank of Japan.

On the shareholdings front, in the first half of fiscal 2003, we achieved nearly 80 percent of the initial aim of selling at least ¥700 billion in cross-shareholdings during the fiscal year. We will continue to reduce our exposure to stock price fluctuations in the second half.

#### **2. Enhancing Profitability**

We also made steady headway on all fronts of the Plan to bolster profitability by: establishing business models with competitive advantage in several strategic businesses; significantly cutting costs; and utilizing the Groupwide capabilities to provide higher value-added services. We have taken additional steps to maintain this momentum in the second half.

In the middle market banking business, while remaining committed to improving spreads, we focused on loans to small and medium-sized enterprises (SMEs) by expanding and improving risk-taking products. The greater-than-expected number of new originations of *Business Select Loan*, a new-type unsecured loan for small enterprises, and other such unsecured products in the first half reflects the success of our business model. Our capacity to originate unsecured loans will be bolstered in the second half with the standardization of the credit-screening process implemented in the first half, further reducing credit-screening time and

cost. Under the deflationary environment, companies are strongly compelled to reduce interest-bearing debt, but we will effect a sweeping reinforcement of the lending business to reverse the downward trend in the loan balance. One such initiative is the change in our strategy for our office network, from streamlining to expansion. For example, sales offices will be newly established in areas with a huge potential SME customer base. For large and medium-sized companies, we will provide a wider range of financing solutions, such as loan syndication and asset securitization, through strengthened cooperation with Daiwa Securities SMBC Co. Ltd.

In the consumer banking business, we have a competitive advantage in marketing investment trusts and pension-type insurance products, and home mortgages. We will continue to establish new business models, such as a financing consultation service through the new delivery channel “SMBC Consulting Plaza,” to further strengthen these strategic businesses. We originally set high targets to far surpass the previous fiscal year’s results in these strategic businesses, but in fact, we are on course to exceed these targets by even wider margins.

On the cost front, we pushed up our schedule of achieving an annual cost structure of ¥600 billion by one year from fiscal 2004 to fiscal 2003, and made great strides in the first half by further reducing personnel expenses. We are reassessing procurement practices for supplies and imposing other rigorous measures to realize additional cuts in the second half.

Collaborations among Group companies are starting to bear fruit also. In April 2003, we transferred and integrated into JRI the systems-related functions of SMBC. JRI will act as the Group’s IT company and be the main cog of the Group’s information systems. Another illustration of Group teamwork is “One’s Style,” a new product jointly developed by SMBC and Sumitomo Mitsui Card, aimed exclusively at people in their 20s and 30s, which we launched in November 2003. Reinforcement of the Group’s consumer finance business is next in line. Through these and other initiatives, we will raise the earnings potential Groupwide by capitalizing on the intrinsic strengths of each Group company.



### **In Closing**

We believe “competitive business models” and “a strong, diversified business portfolio” are necessary to enable us to adapt to changing economic environments and achieve higher sustainable profitability. However, it takes time and fortitude for a huge company such as SMFG, with consolidated banking profit of more than ¥1 trillion, to boost profit 10% or 20%. Nevertheless, speed is of the essence. In strategically important markets with high growth prospects, we will quickly spot and act on opportunities to create new businesses, each of which should have the potential to generate tens of billions of yen in profit. We are firmly committed to seeking and realizing such opportunities.

Underpinning this drive for higher sustainable profitability is our dedication to provide greater value-added products and services to satisfy our customers’ needs. The challenge going forward is to realize the opportunities and fulfill our potential, thereby improving our net worth and shareholder value. We respectfully continue to seek your valued support and guidance.

Yoshifumi Nishikawa  
*President and Chief Executive Officer*  
Sumitomo Mitsui Financial Group, Inc.

February 2004



[www.smbc.co.jp/global/](http://www.smbc.co.jp/global/)

## SUMITOMO MITSUI BANKING CORPORATION

Sumitomo Mitsui Banking Corporation (SMBC) was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. was established through a stock transfer as a holding company, under which SMBC became a wholly owned subsidiary. SMBC boasts a number of competitive advantages, including a strong customer base, the quick implementation of strategies, and an extensive lineup of financial products that leverage the expertise of strategic Group companies in specialized areas.

As a pivotal member of SMFG, SMBC works closely with other Group companies to offer customers highly sophisticated, comprehensive financial services.



**Company Name:** Sumitomo Mitsui Banking Corporation  
**Business Profile:** Banking  
**Establishment:** June 6, 1996  
**Head Office:** 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo

**President & CEO:** Yoshifumi Nishikawa

**Number of Employees:** 23,838  
 (as of September 30, 2003)

**Network:**  
 (as of September 30, 2003)  
 Domestic: 1,416 locations\*  
 Branches 466 (including 28 specialized deposit account branches)  
 Subbranches 107  
 Agencies 2  
 Offices handling nonbanking business 10  
 Automated service centers 831  
 Overseas: 37 locations  
 Branches 20  
 Subbranches 3  
 Representative offices 14

\*Excluding the number of ATMs installed at corporate client facilities and convenience stores

### Consolidated

Billions of yen

	Sept. 30, 2003	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001
<b>For the Interim Term (Year):</b>				
Total income .....	¥ 1,408.4	¥ 3,561.8	¥ 3,809.1	¥ 4,501.2
Income (loss) before income taxes and minority interests ...	168.8	(542.7)	(604.3)	405.5
Net income (loss) .....	132.3	(429.3)	(463.9)	132.4
<b>At Interim Term- (Year-) End:</b>				
Total stockholders' equity .....	¥ 2,482.6	¥ 2,142.5	¥ 2,912.6	¥ 4,013.0
Total assets .....	98,449.9	102,394.6	108,005.0	119,242.7



[www.smbc-card.com](http://www.smbc-card.com)

## SUMITOMO MITSUI CARD COMPANY, LIMITED

Sumitomo Mitsui Card Company, Limited was established in December 1967 as The Sumitomo Credit Service Company, Limited. As the pioneer in the issuance of the Visa Card in Japan after starting operations in June 1968, it has been supported by many customers and continues to hold the leading position in the domestic card industry. Its name was changed to Sumitomo Mitsui Card Company, Limited in April 2001. In July of that year, the company integrated the Visa and MasterCard operations of Sakura Card Co., Ltd. Revenue for the year ended March 31, 2003 came to ¥3,036 billion, with the number of cardholders reaching 12 million.

Committed to being a world-class leader in its field, Sumitomo Mitsui Card provides its customers with the most convenient and user-friendly card services.



**Company Name:** Sumitomo Mitsui Card Company, Limited  
**Business Profile:** Credit card services  
**Establishment:** December 26, 1967

**Head Office:**  
 Tokyo Head Office 5-2-10, Shimbashi, Minato-ku, Tokyo  
 Osaka Head Office 4-5-15, Imahashi, Chuo-ku, Osaka

**President & CEO:** Michiyoshi Kuriyama

**Number of Employees:** 1,741  
 (as of September 30, 2003)

Billions of yen

	Sept. 30, 2003	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001
<b>For the Interim Term (Year):</b>				
Revenues from credit card operations .....	¥1,581.6	¥3,035.5	¥2,813.1	¥2,469.5
Operating revenue .....	61.6	122.1	116.4	101.6
Operating profit .....	6.3	16.0	9.6	14.8
<b>At Interim Term- (Year-) End:</b>				
Number of cardholders (in thousands) .....	12,335	12,118	11,708	8,464
Number of merchant outlets (in thousands) .....	2,801	2,699	2,531	2,383



www.smbcleasing.co.jp

## SMBC LEASING COMPANY, LIMITED

SMBC Leasing Company, Limited, and its own subsidiaries specialize in leasing for corporate customers' large-scale capital investment needs and have earned an excellent reputation by providing tailor-made solutions to customers. The company and its subsidiaries combine a broad spectrum of products such as leasing of overseas facilities, leasing of eco-friendly equipment, Internet-equipment leasing and sales-type leasing.

In January 2003, SMBC Leasing launched the "Select Lease" service, which is designed to respond promptly to the needs of small and medium-sized businesses. The company and its subsidiaries are also actively engaged in the leasing of motor vehicles and in a rental business focused on instruments, PCs and other IT equipment, as well as various measuring instruments.

In recent years, the extremely fast pace of technological progress and the need for companies to greatly improve efficiency have made leasing, from the perspective of corporate management strategy, an effective option for plant and equipment investment. As a pioneer and industry leader, SMBC Leasing seeks to ensure consistently higher levels of quality in the services it provides.



**Company Name:** SMBC Leasing Company, Limited  
**Business Profile:** Leasing  
**Establishment:** September 2, 1968  
**Head Office:** 3-9-4, Nishishimbashi, Minato-ku, Tokyo  
**President & CEO:** Youhei Shiraga  
**Number of Employees:** 1,070  
(as of September 30, 2003)

Billions of yen

	Sept. 30, 2003	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001
For the Interim Term (Year):				
Revenues from leasing				
operations .....	¥267.5	¥466.4	¥443.6	¥409.5
Operating revenue .....	247.5	515.0	479.0	470.0
Operating profit .....	10.0	20.4	16.9	16.4



www.jri.co.jp/english/

## The Japan Research Institute, Limited

The Japan Research Institute, Limited (JRI) is a "knowledge engineering" company that offers comprehensive high-value-added services, effectively combining the three functions of information systems integrator, consultant, and think-tank. Targeting customers in a wide range of sectors, JRI offers services such as the design and development of strategic information systems, and the provision of outsourced services. The institute particularly enjoys a high reputation in the development of IT systems for the financial services industry. It is also active in research and analysis of both domestic and overseas economies, formulation of policy recommendation and management innovation, and IT-related consulting. JRI also assists in the incubation of new markets and businesses.

JRI plays a key role as the core IT specialist within the Group, and we intend to leverage the merits offered by SMBC's computer system resources, related expertise, and greater scale to enable us to provide still more sophisticated solutions and become the top player in this field.



**Company Name:** The Japan Research Institute, Limited  
**Business Profile:** Systems engineering, data processing, management consulting, and economic research  
**Establishment:** November 1, 2002  
**Head Office:** 16, Ichibancho, Chiyoda-ku, Tokyo  
**President & CEO:** Shunichi Okuyama  
**Number of Employees:** 3,177  
(as of September 30, 2003)

Billions of yen

	Sept. 30, 2003	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2001
For the Interim Term (Year):				
Operating revenue .....	¥45.6	¥70.2	¥67.4	¥63.7
Operating profit .....	1.5	7.6	7.5	7.9

Steps Toward Development of Corporate Revitalization Business

SMFG has been taking strong measures to establish a major position in the corporate revitalization business, with a view to nurturing it into a significant new source of earnings.

We believe that by applying investment-banking methods, as well as various other financial tools, including loans and investments, we can realize a system under which the successful revitalization of companies will lead automatically to increased profit opportunities.

Corporate Recovery Joint-Venture Company and Loan Purchase Fund

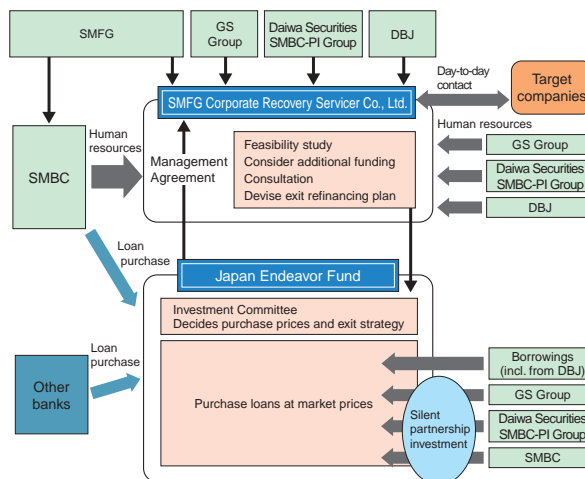
SMFG, Goldman Sachs (Japan) Ltd. (referred to hereinafter collectively with its affiliates as “the GS Group”) and Daiwa Securities SMBC Principal Investments Co. Ltd. (referred to hereinafter collectively with its affiliates as “the Daiwa Securities SMBC-PI Group”), together with Development Bank of Japan (DBJ), have formed a joint venture to engage in the corporate revitalization business, under the name of SMFG Corporate Recovery Servicer Co., Ltd.

The four parties in this joint venture will work together closely, contributing their top-class know-how and human resources to the financial and business restructuring of companies with good future potential.

Daystar Fund

Mitsui Sumitomo Insurance Company Limited (MSI), Sumitomo Mitsui Banking Corporation (SMBC), and Daiwa Securities SMBC-PI have jointly launched a corporate restructuring fund under the name of Daystar Fund. The purpose of the fund is to help revive companies which have excess liabilities but whose core businesses are stable.

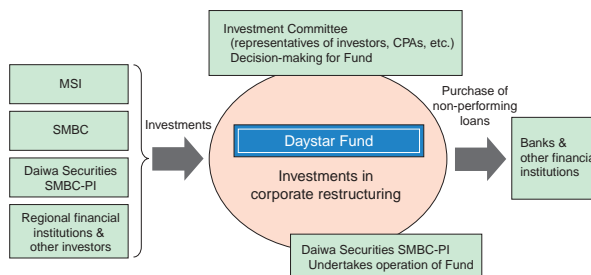
Outline of corporate recovery joint venture and loan purchase fund



The GS Group and the Daiwa Securities SMBC-PI Group have jointly set up the Japan Endeavor Fund, which will purchase loans that have been made to the target companies by SMBC and other banks.

SMFG Corporate Recovery Servicer will undertake the business of achieving recovery for specific target companies from the Japan Endeavor Fund. In addition to close cooperation from the managements of the target companies, featuring extensive communication on a daily basis, the joint venture will deploy a wide range of financial methods, including investment-banking methods, in pursuit of its goal of corporate recovery.

Outline of Daystar Fund



The Daystar Fund will purchase loans to the target companies made by SMBC and other financial institutions.

Daiwa Securities SMBC-PI, which is responsible for the operation of the fund, will utilize the know-how of all the partners in the venture to support the target companies in their efforts to restructure their financial bases and businesses.

The solicitation of participation by regional financial institutions and other investors in the fund's activities is being examined.



## Reinforcing Loan Business for Small and Medium-Sized Corporate Customers

Increased lending to new customers through the active promotion of *Business Select Loan* and other risk-taking products

SMFG has been actively promoting the business of loans to small and medium-sized corporate customers, principally through the loan products described below.

### Vigorous Marketing of *Business Select Loan*

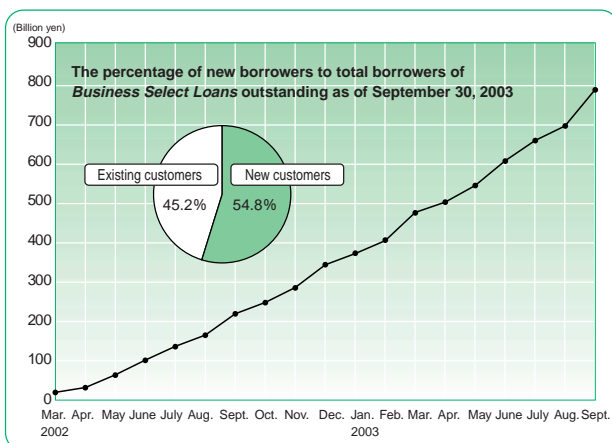
*Business Select Loan*, the full-scale marketing of which began in March 2002, is an unsecured loan product specifically designed for small and medium-sized enterprises (SMEs) with annual sales of less than ¥1 billion. This product, which is available up to a maximum of ¥50 million per loan, features a rapid credit screening process. We widely advertised *Business Select Loan* to raise its recognition rate among customers, and provided marketing services closely tailored to the needs of SMEs through Business Support Offices staffed by specialists from SMBC's Corporate Business Office. As a result, as of September 30, 2003, aggregate loans to this customer segment stood at ¥780 billion, of which 54.8% consisted of loans to new customers.

### Expanding Our Lineup of Risk-Taking (Unsecured) Loans

SMBC's *N-Fund Loans*, which are targeted at corporate customers with annual sales of ¥1 billion or more, are part of our drive to expand our portfolio of unsecured loan products with an appropriate risk-return profile.

We will continue to develop and market other risk-taking products to attract new customers.

### ■ Cumulative Total Value of *Business Select Loans*



## One's Style—New-Type Account Service for Customers in Their 20s and 30s

Personally tailored financial management style for the younger generation

In November 2003 we launched One's Style, a new service limited to customers in their 20s and 30s. Aimed at winning long-term customer loyalty, this product was jointly designed by young employees at SMBC and Sumitomo Mitsui Card Company, Limited.

One's Style is a new kind of service that expands on the features of the existing One's plus service to offer a bank card with loan and settlement functions. Customers are able to use a single card as a bank card, a credit card, and a bank loan card, and instead of a conventional bank book, they can access online their bank records via PC or cell phone.

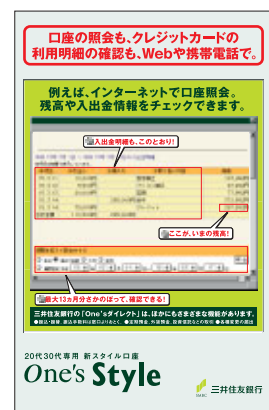
One's Style is the first banking service in Japan to be designed specifically for customers in their 20s or 30s as of the date of application. Not only do people in this age group comprise the majority of customers opening new accounts, they also account for 70% to 80% of applicants for credit cards and card loans. This new service offers appealing financial products in an easy-to-understand way, which makes marketing both effective and resource-efficient.

SMFG's cutting-edge financial products—designed to meet the needs of the younger generation with a special emphasis on user convenience—have been very well-received, with One's Style winning the 2003 Nikkei Superior Products and Services Awards for Excellence.

We will continue expanding our lineup of products and services taking into account customer requirements, and we intend to incorporate our customers' views to continuously enhance product quality.



SMBC poster advertising "One's Style"



View the account balance and credit card transactions online and via cell phone (Poster)

## Asian Business Development

Further strengthening our framework for supporting customers' business operations in the promising Asian market

### Bolstering China-Related Business

In December 2002 we established the China Business Promotion Department within SMBC, staffed mainly by personnel experienced in doing business in China. This enabled us to effectively meet a wider range of customer needs relating to business operations in China.

In the past year, we have been holding China Seminars all across Japan, which have been attended by over 1,800 corporate representatives. In China itself, we have jointly held seminars with local authorities on the investment environment in specific development zones as well on the general investment situation in the country as a whole.

In June 2003, we established the China Business Club, a membership-system club operated by SMBC Consulting Co., Ltd., to provide an even higher level of value-added services across a wide range of businesses for companies operating in China as well as those interested in entering the Chinese market. Services are provided with the collaboration of outside experts on the Chinese market, and free consultations are offered. Further information is provided through the publication of a monthly magazine devoted to Chinese business affairs, as well as a website. The club also offers a wide range of support services for companies doing business in China, including holding lectures on business circumstances and new developments, and arranging business opportunities between members.

We plan to build on our achievements by expanding the range of services offered by the China Business Club while further refining our Groupwide system of support for China-related business to help our customers grow their operations in that country.

### Debt Capital Markets Department Opens Offices in Singapore and Hong Kong

To strengthen our capability to provide customers with leading-edge financial solutions for the Asian market, where further growth is expected in the near future, SMBC's Debt Capital Markets Department opened offices in the Bank's Singapore and Hong Kong branches on January 2, 2004.

Japanese, U.S. and European companies are expanding operations in countries on the Asian mainland. As a result, rapid growth is also being seen in demand for sophisticated financial solutions such as the securitization of receivables and real estate.

In response to this demand, SMFG is working to expand its roster of specialists with extensive experience in the Asian market, enabling us to quickly obtain an accurate picture of our customers' financial needs and design more precise and effective financial solutions. Furthermore, we are confident that the operation of the Debt Capital Markets Department, through its new offices in Singapore and Hong Kong, will allow us to track developments in the local underwriting market with greater accuracy, leading to the development of a more effective risk-taking system.



Magazine for China Business Club members

# Financial Highlights

## Sumitomo Mitsui Financial Group, Inc.

Six months ended September 30, 2003 and year ended March 31, 2003

### Consolidated

	Millions of yen	
	Sept. 30, 2003	Mar. 31, 2003
For the Interim Term (Year):		
Total income.....	¥ 1,802,256	¥ 3,518,293
Total expenses.....	1,615,376	4,109,207
Net income (loss).....	143,492	(465,359)
At Interim Term- (Year-) End:		
Total stockholders' equity.....	¥ 2,745,476	¥ 2,424,074
Total assets.....	100,725,500	104,607,449
Risk-monitored loans.....	4,422,255	5,770,700
Reserve for possible loan losses.....	1,699,431	2,243,542
Net unrealized gains (losses) on other securities.....	303,629	(30,643)
Capital ratio (BIS guidelines).....	10.94%	10.10%
Number of employees.....	43,813	42,996
Per Share (Yen):		
Stockholders' equity.....	¥165,291.87	¥106,577.05
Net income (loss).....	24,993.09	(84,324.98)
Net income — diluted.....	15,608.81	—

Notes: 1. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period.  
2. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.

### Nonconsolidated

	Millions of yen	
	Sept. 30, 2003	Mar. 31, 2003
For the Interim Term (Year):		
Operating income.....	¥ 7,146	¥ 131,519
Operating expenses.....	1,508	971
Net income.....	4,829	124,738
Capital stock.....	1,247,650	1,247,650
Number of shares issued		
Preferred stock.....	1,132,099	1,132,100
Common stock.....	5,796,010	5,796,000
At Interim Term- (Year-) End:		
Total stockholders' equity.....	¥3,127,494	¥3,156,086
Total assets.....	3,357,722	3,413,529
Number of employees.....	98	94
Per Share (Yen):		
Stockholders' equity.....	¥229,727.04	¥231,899.30
Dividends:		
Common stock.....	—	3,000
Preferred stock (Type 1).....	—	10,500
Preferred stock (Type 2).....	—	28,500
Preferred stock (Type 3).....	—	13,700
Preferred stock (1st series Type 4).....	—	19,500
Preferred stock (2nd series Type 4).....	—	19,500
Preferred stock (3rd series Type 4).....	—	19,500
Preferred stock (4th series Type 4).....	—	19,500
Preferred stock (5th series Type 4).....	—	19,500
Preferred stock (6th series Type 4).....	—	19,500
Preferred stock (7th series Type 4).....	—	19,500
Preferred stock (8th series Type 4).....	—	19,500
Preferred stock (9th series Type 4).....	—	19,500
Preferred stock (10th series Type 4).....	—	19,500
Preferred stock (11th series Type 4).....	—	19,500
Preferred stock (12th series Type 4).....	—	19,500
Preferred stock (13th series Type 4).....	—	3,750
Net income.....	833.45	18,918.33

Note: All SMFG employees are on secondment assignment from SMBC.

# Sumitomo Mitsui Banking Corporation

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

## Consolidated

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
For the Interim Term (Year):			
Total income .....	¥ 1,408,367	¥ 1,765,477	¥ 3,561,843
Total expenses .....	1,239,610	1,655,128	4,104,514
Net income (loss) .....	132,388	55,145	(429,387)
At Interim Term- (Year-) End:			
Total stockholders' equity .....	¥ 2,482,647	¥ 2,690,010	¥ 2,142,544
Total assets .....	98,449,957	104,396,997	102,394,637
Risk-monitored loans .....	4,352,301	6,235,319	5,683,134
Reserve for possible loan losses .....	1,652,181	2,049,472	2,201,830
Net unrealized gains (losses) on other securities .....	302,671	(835,048)	(27,471)
Capital ratio (BIS guidelines) .....	11.21%	10.37%	10.38%
Number of employees .....	35,547	43,748	35,523
Per Share (Yen):			
Stockholders' equity .....	¥21,558.27	¥243.56	¥15,353.34
Net income (loss) .....	2,415.33	9.67	(10,429.29)
Net income — diluted .....	2,335.62	7.01	—

Notes: 1. Figures for the six months ended September 30, 2002 are those of the former SMBC. The figures include the financial results of the former Wakashio Bank.

2. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period.
3. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees and temporary staff.

## Nonconsolidated

	Millions of yen			
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003	
For the Interim Term (Year):				
Total income .....	¥ 1,232,071	¥ 1,249,482	¥ 2,424,023	
Total expenses .....	1,089,082	1,187,839	3,095,011	
Net income (loss) .....	139,659	45,538	(478,304)	
(Appendix)				
Gross banking profit (A) .....	¥ 795,339	¥ 903,339	¥ 1,760,684	
Banking profit .....	499,308	557,497	875,511	
Banking profit (excluding transfer to general reserve for possible loan losses) .....	499,308	578,061	1,113,643	
Expenses (excluding nonrecurring losses) (B) .....	296,030	325,278	647,040	
Expense ratio (B) / (A) .....	37.2%	36.0%	36.7%	
At Interim Term- (Year-) End:				
Total stockholders' equity .....	¥ 2,611,621	¥ 3,020,063	¥ 2,279,223	
Total assets .....	92,779,975	99,389,814	97,891,161	
Deposits .....	57,746,253	57,770,944	58,610,731	
Loans and bills discounted .....	55,153,522	59,283,833	57,282,365	
Securities .....	21,847,113	22,427,023	23,656,385	
Risk-monitored loans .....	3,833,032	5,649,384	5,169,531	
Problem assets based on the Financial Reconstruction Law .....	3,866,611	5,721,722	5,261,345	
Reserve for possible loan losses .....	1,518,988	1,877,194	2,074,797	
Net unrealized gains (losses) on other securities .....	306,912	(818,990)	(17,857)	
Former SMBC    Former Wakashio Bank				
Capital stock .....	¥559,985	¥1,326,746	¥20,831	¥559,985
Capital ratio (BIS guidelines) .....	11.51%	11.52%	8.47%	10.49%
ROE .....	24.34%	4.98%	6.55%	—%
Number of employees .....	18,792	21,940	641	19,797
Per Share (Yen):				
Stockholders' equity .....	¥23,911.29	¥297.44	¥50,686.13	¥17,846.95
Dividends:				
Common stock .....	528	19.17	—	19.17
Preferred stock (Type 1) .....	10,500	/	/	—
Preferred stock (Type 2) .....	28,500	/	/	—
Preferred stock (Type 3) .....	13,700	/	/	—
Preferred stock (First series Type 1) .....	/	10.50	/	10.50
Preferred stock (Second series Type 1) .....	/	28.50	/	28.50
Preferred stock (Type 5) .....	/	13.70	/	13.70
Net income .....	2,547.97	7.86	1,624.10	68,437.74

Notes: 1. Figures for the six months ended September 30, 2002 are combined figures of the former SMBC and the former Wakashio Bank.

2. Figures related to profit or loss for the year ended March 31, 2003 included the former SMBC's operating results for the period from April 1, 2002 to March 16, 2003 to make possible a substantive comparison with previous term.
3. Please refer to page 64 for the definitions of risk-monitored loans and problem assets based on the Financial Reconstruction Law.
4. Unrealized gains (losses) on other securities represent the difference between the market prices and acquisition costs (or amortized costs) of "other securities." In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period. For details, please refer to page 31.
5. Interim dividends for fiscal 2003 will be paid to stockholders and registered pledgees on the register on December 31, 2003. The maximum payable amounts represent in the table above, and the actual amounts and other details will be decided at a meeting of Board of Directors to be held after January 2004.
6. Capital ratios are calculated in accordance with the BIS standards, except for Wakashio Bank for the six-month period ended September 30, 2002 (prior to merger), which is calculated in accordance with domestic standards.
7. Number of employees has been reported on the basis of full-time workers. Number of employees includes locally hired overseas staff members but excludes contract employees, temporary staff, and executive officers who are not also Board members. Number of employees of the former Wakashio Bank represents number of full-time workers.

# | SMFG's New Plan for Strengthening the Financial Base |

## Background

In December 2000, SMBC published "The Plan for Strengthening the Financial Base of the Bank" (the Plan). However, two events necessitated the revision of the Plan—now published by SMFG under the name "Plan for Strengthening the Financial Base" (the New Plan) and covering the entire Group—in accordance with the Financial Reconstruction Commission guideline on reassessment of banks' plans for strengthening their financial bases (issued September 30, 1999) and Article 1.2 of the Enforcement Ordinance of the Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System. First, there was a major change in the management structure with the establishment of SMFG, in December 2002, through the transfer of shares from SMBC, which then became its wholly owned subsidiary. Second, two years had passed since the establishment of the Plan.

SMFG has encapsulated its Groupwide management philosophy under the following three mission statements: (1) to provide optimum added value to our customers and together with them achieve growth; (2) to create sustainable shareholder value through business growth; and (3) to provide a challenging and professionally rewarding work environment for our dedicated employees. Guided by this philosophy, we are committed to enhancing profitability and strengthening the financial base of the Group, and thereby achieving higher shareholder value.

Accordingly, under the New Plan, covering the period until March 31, 2007, we have set performance targets for each business term, drawn up a plan for the reorganization of the Group's business operations, and devised specific measures for raising the Group's earnings capability and reinforcing its financial position.

## Business Restructuring Plan

SMFG intends to pursue business rationalization through the implementation of three basic policies: (1) expand business volume by utilizing the unified Groupwide capabilities to provide higher value-added services that match customers' needs; (2) increase capital efficiency by improving the risk-return profile, and channel resources into high-profit businesses; and (3) strengthen cost efficiency by reinforcing low-cost operation.

With these aims in view, we are taking steps to build on the synergistic benefits of the merger that we have already realized by effecting reforms in two areas: Business Reform and Structural Reform. Firstly, at the level of actual operations, we are radically reforming the way we conduct commercial banking business on a full-scale basis. Secondly, with regard to Groupwide structural reform, we are working to realize the potential of important Group companies by enhancing the quality of their products and services, and strengthening their financial bases. A number of measures will be implemented to speed up the completion of these two reform processes.

We are confident that by meeting the targets specified in the New Plan the combined surplus (capital surplus plus retained earnings) of SMFG and its wholly owned subsidiaries by fiscal 2006 will reach ¥2,600 billion, of which retained earnings will amount to at least ¥1,700 billion. This will enable SMFG to repay the ¥1,301 billion in public funds received by the two founding banks with a comfortable safety margin.

To ensure SMFG's continued financial soundness, as well as sound and appropriate business operation, SMFG is working to halve its NPL ratio (problem assets under the Financial Reconstruction Law as a percentage of total assets) by the end of fiscal 2004, in line with the objectives of the government's Program for Financial Revival. With this goal in view, we are taking active steps to remove problem assets from our balance sheets, as well as other measures to enhance the soundness of our financial position.

## Principal Performance Targets through FY2006 (SMBC Nonconsolidated)

	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Gross banking profit	¥1,760.6	¥1,600.0	¥1,600.0	¥1,675.0	¥1,800.0
Expenses	647.0	600.0	600.0	595.0	590.0
Banking profit (Note 1)	1,113.6	1,000.0	1,000.0	1,080.0	1,210.0
Total credit cost (Note 2)	1,074.5	650.0	450.0	300.0	300.0
Gains (losses) on stocks	(635.7)	(110.0)	0	0	0
Ordinary profit (loss)	(597.2)	170.0	480.0	710.0	840.0
Net income (loss)	(478.3)	100.0	250.0	400.0	470.0
OHR	36.74%	37.50%	37.50%	35.52%	32.77%

Notes: 1. This figure excludes transfers to general reserve for possible loan losses.

2. This figure represents the sum of the credit cost and transfers to general reserve for possible loan losses.

## Reference: SMFG

(SMBC, Sumitomo Mitsui Card, SMBC Leasing and JRI)

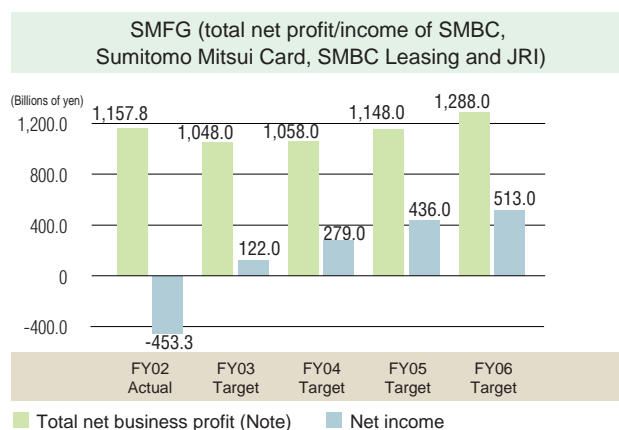
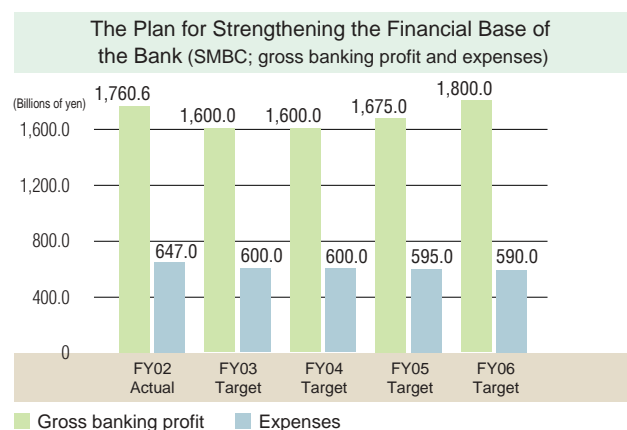
	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Total net business profit (Note)	¥1,157.8	¥1,048.0	¥1,058.0	¥1,148.0	¥1,288.0
Ordinary income	(563.7)	209.0	531.0	773.0	913.0
Net income	(453.3)	122.0	279.0	436.0	513.0

Note: This figure represents the sum of SMBC's banking profit (excluding transfers to general reserve for possible loan losses) and operating profit of Sumitomo Mitsui Card, SMBC Leasing and JRI.

## Buildup of Retained Earnings

	Billions of yen				
	FY02 Actual	FY03 Target	FY04 Target	FY05 Target	FY06 Target
Retained earnings (Note)	¥1,013.0	¥1,590.6	¥1,798.3	¥2,179.9	¥2,633.4
Other capital surplus	413.9	898.5	898.5	898.5	898.5

Note: This figure represents the sum of retained earnings of SMFG, SMBC, Sumitomo Mitsui Card, SMBC Leasing and JRI.



Note: This figure represents the sum of SMBC's banking profit (excluding transfers to the general reserve for possible loan losses) and operating profit of Sumitomo Mitsui Card, SMBC Leasing and JRI.

# | Asset Quality |

The Japanese economy has not yet started to fully recover from the prolonged period of deflation under which it has been laboring. Despite this, SMBC is working to reduce the ratio of problem assets to total assets by approximately fifty percent as early as possible within fiscal 2004, as called for in the government's Program for Financial Revival.

The Asset Restructuring Unit, established in December 2002, has been playing the central role in SMBC's efforts to reconstruct and reorganize corporate customers. We will also continue to utilize a variety of methods, including investment banking techniques, to accelerate the removal of problem assets from the balance sheet.

## I. Self-Assessment, Write-Offs, and Reserves

### 1. Self-Assessment

SMBC conducts rigorous self-assessment of asset quality twice a year using criteria based on the *Financial Inspection Manual* of the Financial Services Agency and the *Practical Guideline* published by the Japanese Institute of Certified Public Accountants. Self-assessment is the latter stage of the obligor grading process for determining the borrower's ability to fulfill debt obligations, and the obligor grade substrates are consistent with the categories used in self-assessment.

Self-assessment is a preparatory task for calculating the appropriate level of write-offs and reserves to ensure SMBC's asset quality, and each asset is assessed individually for its security and collectibility. Depending on the borrower's current situation, the borrower is assigned to one of five categories: Normal Borrowers, Borrowers Requiring Caution, Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers. Based on the borrower's category, claims on the borrower are classified into Classification I, II, III, and IV assets according to their default and impairment risk levels, taking into account collateral, guarantees, etc. As part of our efforts to bolster risk management throughout the Group, our consolidated subsidiaries carry out self-assessment in substantially the same manner.

#### Borrower Categories, Defined

Normal Borrowers	Borrowers with good business performance and in good financial standing without identified problems
Borrowers Requiring Caution	Borrowers identified for close monitoring
Potentially Bankrupt Borrowers	Borrowers perceived to have a high risk of falling into bankruptcy
Effectively Bankrupt Borrowers	Borrowers that may not have legally or formally declared bankruptcy but are essentially bankrupt
Bankrupt Borrowers	Borrowers that have been legally or formally declared bankrupt

#### Asset Classifications, Defined

Classification I	Assets not classified under Classifications II, III, or IV
Classification II	Assets perceived to have an above-average risk of noncollectibility
Classification III	Assets for which final collection or asset value is very doubtful and which pose a high risk of incurring a loss
Classification IV	Assets assessed as uncollectible or worthless

## 2. Asset Write-Offs and Reserves

In cases where claims have been determined to be uncollectible, or deemed to be uncollectible, write-offs signify the recognition of losses on account books with respect to such claims. Write-offs can be made either in the form of loss recognition by offsetting uncollectible amounts against corresponding balance sheet items, referred to as a direct write-off, or else by recognition of a loan

loss provision on a contra account in the amount deemed uncollectible, referred to as an indirect write-off. Recognition of indirect write-offs is generally known as provision of reserves.

SMBC has write-off and reserve criteria for each self-assessment borrower category, as follows.

Self-Assessment Borrower Categories		Standards for Write-Offs and Reserves
Normal Borrowers		Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months based on the historical bankruptcy rate for each obligor grading.
Borrowers Requiring Caution		These assets are divided into groups according to the risk of default. Amounts are recorded as general reserves in proportion to the expected losses based on the historical bankruptcy rate for each group. The groups are "claims to substandard borrowers," and "claims to other borrowers requiring caution" excluding claims to substandard borrowers. For the latter, the borrower's financial position and credit situation are additionally taken into account for establishing sub-groups. Additionally, SMBC uses the discounted cash flow (DCF) method to calculate the amount of reserve for possible losses on large-scale claims on substandard borrowers etc.
Potentially Bankrupt Borrowers		SMBC sets specific reserves for possible loan losses on the portion of Classification III assets (calculated for each borrower) not secured by collateral, guarantee, or other means.
Effectively Bankrupt/Bankrupt Borrowers		SMBC calculates the amount of Classification III assets and Classification IV assets for each borrower, and writes off the full amount of Classification IV assets (deemed to be uncollectible or of no value) and sets aside specific reserves for possible loan losses against the full amount of Classification III assets.
Notes	General reserve	Provisions made in accordance with general inherent default risks of loans, unrelated to specific individual loans or other claims
	Specific reserve	Provisions made for claims that have been found uncollectable in part or in total (individually evaluated claims)

Since fiscal 2002, SMBC has been using the discounted cash flow (DCF) method to calculate the amount of reserves for possible losses on large-scale claims to substandard borrowers. The DCF method is applied in cases where it is reasonable to estimate the cash inflow available for collecting the claims principal and interest, and provisions will then be made equivalent to the excess of claims book value over the said cash inflow discounted by the initial contractual interest rate or effective

interest rate at the time of debt purchase. In this way, we have provided sufficient protection against the risk of a future deterioration in asset quality.

As part of our overall measures to strengthen risk management throughout the Group, all consolidated subsidiaries use substantially the same standards as SMBC for write-offs and reserves.



## II. Credit Cost

The amount required for the disposal of problem assets—known as “credit cost”—refers to the additional provision for loan losses in the case of provisioning, or the difference between the amount

of uncollectible loans and provisions already made in the case of write-offs. The credit cost for the first half of fiscal 2003 is shown in the table below.

### ■ Credit Cost (SMBC Nonconsolidated; six months ended September 30, 2003)

(Billions of yen)

Credit cost	¥ 588.5
Write-off of loans	337.9
Transfer to specific reserve	217.3
Transfer to reserve for losses on loans sold	(0.4)
Losses on loans sold to CCPC	0.7
Losses on sale of delinquent loans	35.0
Transfer to loan loss reserve for specific overseas countries	(2.0)
Transfer to general reserve for possible loan losses	(229.1)
Total credit cost	¥ 359.4
Reserve for possible loan losses	¥1,519.0
Amount of direct reduction	¥1,320.8

### ■ Credit Cost (SMFG Consolidated; six months ended September 30, 2003)

(Billions of yen)

Total credit cost	¥ 441.5
Reserve for possible loan losses	¥1,699.4
Amount of direct reduction	¥1,693.3

### ■ Reserve for Possible Loan Losses (September 30, 2003)

(Billions of yen)

	SMBC (Nonconsolidated)	SMFG (Consolidated)
Reserve for possible loan losses	¥1,519.0	¥1,699.4
General reserve	880.3	945.5
Specific reserve	629.2	744.4
Loan loss reserve for specific overseas countries	9.5	9.5

Amid a business environment in which deflationary pressure has not yet started to ease on a full-scale basis, we are actively pressing ahead with the further removal of problem assets from our balance sheet and facilitating the radical restructuring

of borrowers' business operations to accelerate their financial rehabilitation. As a result of these measures, total credit cost for the first half of fiscal 2003 came to ¥359.4 billion.

### III. Disclosure of Problem Assets and Off-Balancing

#### 1. Disclosure of Problem Assets

Problem assets are loans and other claims of which recovery of either principal or interest appears doubtful, and are disclosed in accordance with the Banking Law (risk-monitored loans) and the Financial Reconstruction Law (problem assets based on the

Financial Reconstruction Law). Problem assets are classified based on the borrower categories assigned during self-assessment. The following tables explain the asset classification stipulated by the Financial Reconstruction Law and the differences between risk-monitored loans and problem assets.

Classification of Problem Assets Based on the Financial Reconstruction Law	
Bankrupt and quasi-bankrupt assets	This category is defined as the sum of claims on Bankrupt Borrowers and Effectively Bankrupt Borrowers under self-assessment, excluding Classification IV assets, which are fully written off. Classification III assets are fully covered by reserves, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Doubtful assets	This category is defined as claims on Potentially Bankrupt Borrowers under self-assessment. Specific reserves are set aside for Classification III assets, and Classification I and II assets, the collectible portion, are secured by collateral, guarantees, or other means.
Substandard loans	This category is defined as claims on Borrowers Requiring Caution under self-assessment. This category comprises past due loans (three months or more) and restructured loans.
Normal assets	This category is defined as the term-end sum of loans, securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees that are not included in the other three categories.

#### □ Problem Assets Based on the Financial Reconstruction Law, and Risk-Monitored Loans

Category of borrowers under self-assessment	Problem assets based on the Financial Reconstruction Law		Risk-monitored loans		Other assets
	Total loans	Other assets	Total loans		
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets		Bankrupt loans	(C)	
Effectively Bankrupt Borrowers			Non-accrual loans		
Potentially Bankrupt Borrowers	Doubtful assets	Past due loans (3 months or more)			
Borrowers Requiring Caution	Substandard loans	Restructured loans			
	(Normal assets)				
Normal Borrowers					
	(A)		(B)	=	(C)

The disclosure of risk-monitored loans corresponds exactly to the disclosure of problem assets based on the Financial Reconstruction Law, except for such non-loan assets as securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees, which are not subject to disclosure.

Since overdue interest from borrowers classified under self-assessment as Potentially Bankrupt Borrowers, Effectively Bankrupt Borrowers, and Bankrupt Borrowers is, as a rule, not recorded as accrued interest, the amount is not included in the problem assets disclosed on the basis of the Financial Reconstruction Law.

#### 2. Problem Asset Disclosure Amounts

SMBC's problem assets based on the Financial Reconstruction Law and risk-monitored loans at the end of September 2003 are as shown on the following page. In addition to a decrease of ¥498.3 billion in doubtful assets (compared with the end of March 2003), attributable to progress made in final disposal, substandard loans fell by ¥877.6 billion over the same six-month period

as a result of accelerated efforts to upgrade borrowers to higher categories through restructuring and corporate rehabilitation. As a consequence, the balance of problem assets based on the Financial Reconstruction Law decreased by ¥1,394.7 billion compared with the end of March 2003.

### ■ Problem Assets Based on the Financial Reconstruction Law (September 30, 2003)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2003	SMFG (Consolidated)
Bankrupt and quasi-bankrupt assets	¥ 506.1	¥ (18.8)	¥ 641.0
Doubtful assets	1,631.2	(498.3)	1,851.1
Substandard loans	1,729.3	(877.6)	1,960.7
Subtotal	¥ 3,866.6	¥(1,394.7)	¥ 4,452.8
Normal assets	56,623.8	(689.5)	59,375.5
Total	¥60,490.4	¥(2,084.2)	¥63,828.3
Amount of direct reduction	¥ 1,320.8		¥ 1,693.3

### ■ Risk-Monitored Loans (September 30, 2003)

(Billions of yen)

	SMBC (Nonconsolidated)	Compared with March 31, 2003	SMFG (Consolidated)
Bankrupt loans	¥ 146.0	¥ (26.5)	¥ 179.5
Non-accrual loans	1,957.7	(432.4)	2,287.3
Past due loans (3 months or more)	94.5	(20.2)	101.6
Restructured loans	1,634.8	(857.4)	1,853.9
Total	¥3,833.0	¥(1,336.5)	¥4,422.3
Amount of direct reduction	¥1,291.3		¥1,634.3

### ■ Classification under Self-Assessment, Disclosure of Problem Assets, and Write-Offs/Reserves (SMBC Nonconsolidated; September 30, 2003)

(Billions of yen)

Category of borrowers under self-assessment	Problem assets based on the Financial Reconstruction Law	Classification under self-assessment				Reserve for possible loan losses	Reserve ratio
		Classification I	Classification II	Classification III	Classification IV		
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets (1) ¥506.1	Portion of claims secured by collateral or guarantees, etc. (5) ¥491.6	Fully reserved ¥14.5	Direct write-offs (Note 1)	Specific reserve ¥20.3 (Note 2)	100% (Note 3)	
Effectively Bankrupt Borrowers							
Potentially Bankrupt Borrowers	Doubtful assets (2) ¥1,631.2	Portion of claims secured by collateral or guarantees, etc. (6) ¥755.6	Necessary amount reserved ¥875.6		General reserve ¥608.9 (Note 2)	69.5% (Note 3)	
Borrowers Requiring Caution	Substandard loans (3) ¥1,729.3	Portion of substandard loans secured by collateral or guarantees, etc. (7) ¥669.8			General reserve for substandard loans ¥335.3	30.5% (Note 3)	
	(Claims to substandard borrowers)					5.5% [12.2%] (Note 4)	19.3% (Note 3)
Normal Borrowers	Normal assets ¥56,623.8	Claims to normal borrowers			General reserve ¥880.3	0.2% (Note 4)	
					Loan loss reserve for specific overseas countries ¥9.5		
	Total (4) ¥60,490.4	Problem asset ratio (A) / (4) 6.4% (Note 5)	Total reserve for possible loan losses ¥1,519.0		¥964.5	Reserve ratio (B) / (D) 49.5% (Note 6)	
	(A) = (1) + (2) + (3) ¥3,866.6	Portion secured by collateral or guarantees, etc. (C) = (5) + (6) + (7) ¥1,917.0	Unsecured portion (D) = (A) - (C) ¥1,949.6				
			Coverage ratio (B) + (C) / (A)			74.5%	

Notes: 1. Includes amount of direct reduction totaling ¥1,320.8 billion.

2. Includes reserves for assets that are not subject to disclosure under the Financial Reconstruction Law. (Bankrupt/Effectively Bankrupt Borrowers: ¥5.8 billion; Potentially Bankrupt Borrowers: ¥9.9 billion)

3. Reserve ratios for claims on Bankrupt/Effectively Bankrupt Borrowers, Potentially Bankrupt Borrowers, Substandard Borrowers, and Borrowers Requiring Caution: The proportion of each category's total unsecured claims covered by reserve for possible loan losses.

4. Reserve ratios for claims on Normal Borrowers and Borrowers Requiring Caution (excluding claims to Substandard Borrowers): The proportion of each category's total claims covered by reserve for possible loan losses. The reserve ratio for unsecured claims on Borrowers Requiring Caution (excluding claims to Substandard Borrowers) is shown in brackets.

5. Ratio of problem assets to total assets subject to Financial Reconstruction Law

6. Reserve ratio = (Specific reserve + General reserve for substandard loans) ÷ (Bankrupt and quasi-bankrupt assets + Doubtful assets + Substandard loans - Portion secured by collateral or guarantees, etc.)

### 3. Off-Balancing Problem Assets

Work-out of problem assets refers to the removal of such assets from bank balance sheets by way of sale, direct write-off or other means. In April 2001, the Japanese government passed the Emergency Economic Package, with the objective of simultaneously revitalizing the financial system and industry. Specific

measures contained in the package include “the radical disposal of problem assets.” This provision requires Japan’s major banks to dispose of loans categorized as “claims to potentially bankrupt borrowers” and worse. From fiscal 2001 onward, existing loans must be off-balanced within two years, and new loans within three years.

#### ■ Breakdown of Off-Balancing (SMBC Nonconsolidated; September 30, 2003)

	March 31, 2002 ①	Fiscal 2002		March 31, 2003 ②	First half of fiscal 2003		September 30, 2003 ③
		New occurrences	Off-balanced		New occurrences	Off-balanced	
Bankrupt and quasi-bankrupt assets	¥ 498.2	¥ 108.9	¥ (82.2)	¥ 524.9	¥ 67.8	¥ (86.6)	¥ 506.1
Doubtful assets	2,982.3	1,293.3	(2,146.1)	2,129.5	602.0	(1,100.3)	1,631.2
Total	¥3,480.5	¥1,402.2	¥(2,228.3)	¥2,654.4	¥669.8	¥(1,186.9)	¥2,137.3
				Increase/Decrease (②-①)			Increase/Decrease (③-②)
Bankrupt and quasi-bankrupt assets				¥ 26.7			¥ (18.8)
Doubtful assets				(852.8)			(498.3)
Total				¥ (826.1)			¥ (517.1)

### 4. Problem Assets by Region and Industry

#### ■ Problem Assets by Domicile of Borrowers (SMBC Nonconsolidated; September 30, 2003)

	Financial Reconstruction Law Basis		Risk-Monitored Loans	
	Financial Reconstruction Law Basis	Percentage	Risk-Monitored Loans	Percentage
Domestic	¥3,741.3	96.8%	¥3,716.9	97.0%
Overseas	125.3	3.2	116.1	3.0
Asia	61.1	1.6	57.7	1.5
Indonesia	27.1	0.7	27.1	0.7
Hong Kong	3.9	0.1	3.9	0.1
India	4.6	0.1	3.2	0.1
China	2.3	0.1	2.3	0.1
Others	23.2	0.6	21.2	0.5
North America	53.8	1.4	52.2	1.4
Central and South America	5.6	0.1	1.4	0.0
Western Europe	4.8	0.1	4.8	0.1
Eastern Europe	—	—	—	—
Total	¥3,866.6	100.0%	¥3,833.0	100.0%

Note: “Domestic” means the total for domestic branches, excluding the special account for international financial transactions. “Overseas” means the total for overseas branches, including the special account for international financial transactions. The above countries and areas are categorized by the obligor’s domicile.

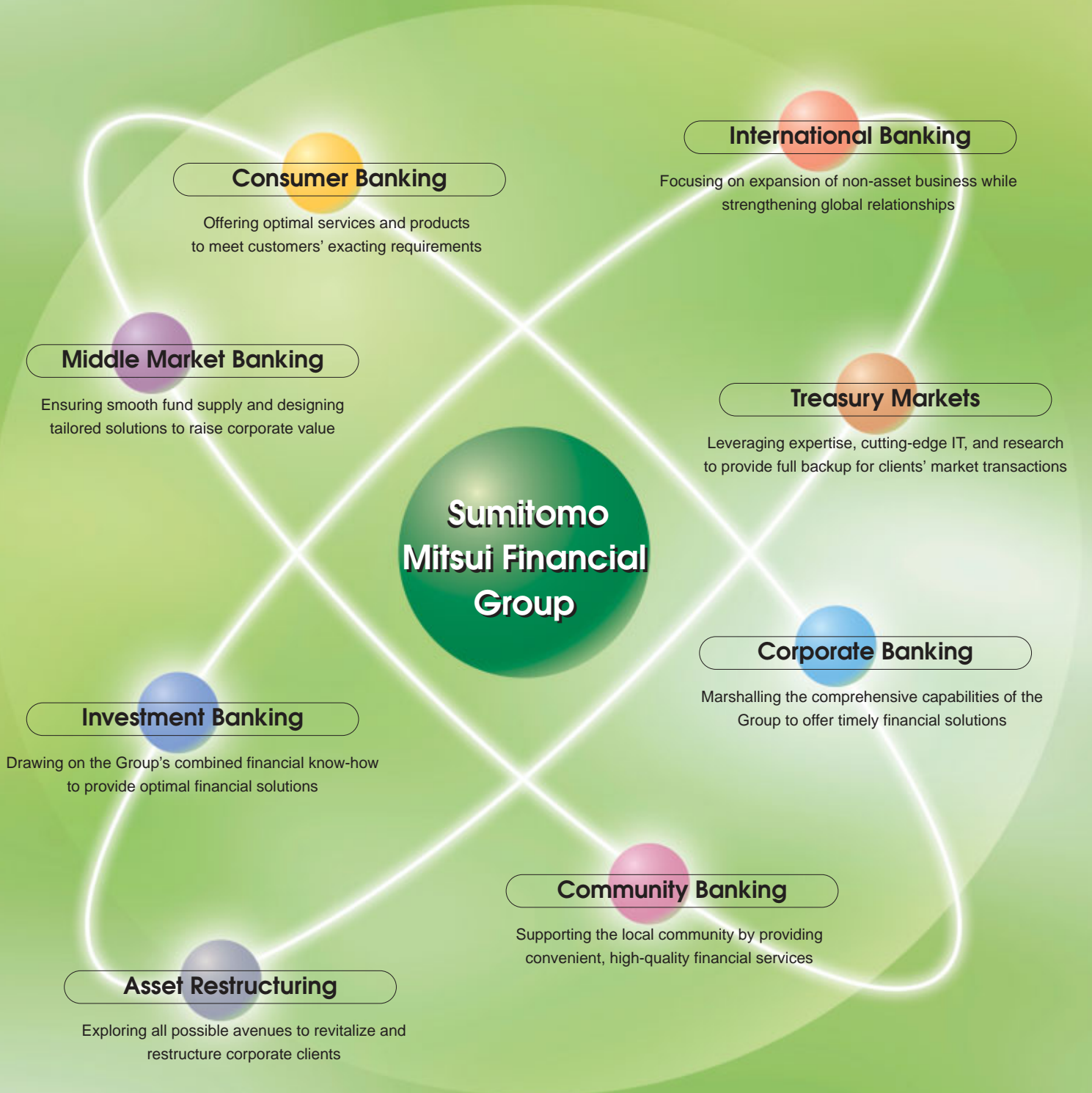
#### ■ Problem Assets by Type of Borrowers (SMBC Nonconsolidated; September 30, 2003)

	Financial Reconstruction Law Basis		Risk-Monitored Loans	
	Financial Reconstruction Law Basis	Percentage	Risk-Monitored Loans	Percentage
Domestic	¥3,741.3	96.8%	¥3,716.9	97.0%
Manufacturing	171.6	4.4	170.9	4.5
Agriculture, forestry, fishery and mining	3.6	0.1	3.6	0.1
Construction	318.2	8.2	317.5	8.3
Transportation, communications, and other public enterprises	111.9	2.9	111.3	2.9
Wholesale and retail	536.6	13.9	530.8	13.9
Finance and insurance	91.7	2.4	89.9	2.3
Real estate	1,396.2	36.1	1,391.0	36.3
Services	836.9	21.7	829.7	21.6
Municipalities	—	—	—	—
Others	274.6	7.1	272.2	7.1
Overseas	¥ 125.3	3.2%	¥ 116.1	3.0%
Public sector	11.4	0.3	11.4	0.3
Financial institutions	0.8	0.0	0.7	0.0
Commerce and industry	113.1	2.9	104.0	2.7
Others	—	—	—	—
Total	¥3,866.6	100.0%	¥3,833.0	100.0%

Note: “Domestic” means the total for domestic branches, excluding the special account for international financial transactions. “Overseas” means the total for overseas branches, including the special account for international financial transactions.

## The Financial Services Complex

# Maximizing Synergies, Customizing Solutions



## Consumer Banking

SMFG, through SMBC's Consumer Banking Unit, aims to create a new de facto standard in the provision of financial services for individuals, based on the following three-pronged strategy: (1) the establishment of a consulting-focused business model; (2) a radical strengthening of the settlement financing business; and (3) the constant reinforcement of low-cost operation.

### ■ Establishing a Consulting-Focused Business Model

We provide financial products and services that match the needs of each customer segment, through the most appropriate delivery channels. These customer segments are individuals seeking private banking services, those requiring asset management services, and those mainly interested in asset-building.

For example, for customers requiring asset management services, our highly professional and specialized financial consultants offer comprehensive and detailed assets and liabilities management services, centered on individually-designed portfolios for customers' entire financial assets. For customers seeking a way to build up their assets, our "Money-Life" consultants provide astute advice matching the specific requirements of each customer's stage of life.

While working to further enhance our lineup of financial products, which include investment trusts, pension funds and loans targeting specific customer segments, to more closely meet the diverse needs of all customer categories, we are employing new marketing tools such as *Asset Management Navigator*, making fuller use of customer relationship management (CRM) technology, and holding seminars for customers utilizing our advanced TV conferencing system.

### ■ Reshaping the Earnings Structure of the Settlement Finance Business

We are working to expand our market share in the consumer finance business by leveraging our comprehensive, Groupwide capabilities to offer settlement finance services, centered on banking products and services as well as credit cards. Specifically, we are developing a business model that incorporates the unified Groupwide settlement infrastructure, allowing us to further enhance customer convenience and build the settlement finance business into a stable revenue earner.

In line with this strategy, in November 2003 we launched *One's Style*, a new service limited to customers in their 20s and 30s. In this new service, the customer's bank book is a virtual *Web Passbook*, which is accessible via the Internet, and holders of these accounts are able to use a single card as a bank card, a credit card, and a bank loan card, thereby offering settlement finance functions from one unified source—just the kind of service customers in their 20s and 30s need.

We will continue to foster collaboration among Group companies in the consumer finance business by promoting joint development of new products and the sharing of customer bases and infrastructure facilities.

### ■ Pursuing Low-Cost Operation

All Group companies have been aggressively pursuing higher operational efficiency in the recognition that improving the expense ratio is the most crucial issue in maximizing profitability, and that this is particularly true in the consumer banking business. We are committed to further strengthening our efforts to realize low-cost operations.

SMBC's domestic branch network is being reorganized into a "hub-and-spoke" formation, in which one back-office center serves as the "hub" for a number of front-office branches. This formation not only raises operational efficiency, but also allows staff at the customer-service branches to concentrate entirely on their central service role. We hope to extend this formation to all branches by the end of March 2004.

We are pursuing greater customer convenience as well as operational efficiency. In Internet banking, we are expanding the functions offered by our *One's Direct* service, including enabling partial advanced repayment of mortgage loans. At our Money-Lifestyle Consulting (MC) Desks, which offer financial advice geared to each individual customer's stage of life and lifestyles, we have recently introduced MC Stations, dedicated terminals which allow easy and paperless transactions.

#### Major Accomplishments

- Developed new tools
  - The new asset allocation tool *Asset Management Navigator*
- Created and launched new products
  - One's Style*, a new type of account for customers in their 20s and 30s
  - Special mortgage loan for purchase of studio apartments
  - Goldman Sachs U.S. REIT Fund
- Launched new efficient and convenient services
  - Started *One's Direct* service enabling partial advanced repayment of housing loans
  - Increased consultation process efficiency through MC Stations
  - Introduced hub-and-spoke formation

#### Key Goals

- Create a de facto standard for consumer banking services by: 1) establishing consulting business; 2) improving the profitability of the settlement finance business; and 3) constantly reinforcing low-cost operation
- Build new marketing system
  - Opening SMBC Consulting Plazas in March 2004 (6 plazas scheduled initially)
  - Extending hours of operation in the evenings, on weekends and national holidays

## Middle Market Banking

SMFG, primarily through SMBC's Middle Market Banking Unit, provides solutions to small and medium-sized enterprises (SMEs), leveraging its Groupwide strength to meet their diverse range of needs. With the goal of forging closer ties with our customers through the active provision of loans and high-quality financial services, we intend to continue offering high-value-added services, speedily responding to customers' requests and thereby further reinforcing the SMFG brand in this business area.

### ■ Adopting a Positive Lending Stance toward SMEs

Since the establishment of SMBC, we have aggressively undertaken measures to further expand unsecured business loans to small and medium-sized companies, without requirement for a third-party guarantee.

By increasing the specialized marketing staff and widely advertising our *Business Select Loan*, an unsecured loan designed for SMEs with annual revenue of under ¥1 billion, we achieved a high recognition rate for this product among customers and registered 15,600 loans in the first half of fiscal 2003, a huge increase of 5,500 loans compared with the corresponding period of the previous year. In value terms, the loans totaled ¥310 billion, up ¥110 billion over the previous first-half period. Meanwhile, for customers with an annual revenue of ¥1 billion or more, we have accelerated the pre-loan credit screening process by delegating more responsibility to branch officers. We have been making particular efforts to market *N-Fund Loans*, providing up to ¥2 billion per loan, through the standardization of credit screening criteria and procedures. Thanks to this sales drive, we originated 18,200 *N-Fund Loans* worth ¥950 billion during the first half of fiscal 2003.

Through the combined use of the two loan products described above, we were able to meet the funding needs of a wide range of SMEs, extending loans to 9,500 first-time corporate customers involving a total of ¥670 billion in loans.

### ■ High-Quality Financial Services

To satisfy the varied requirements, the staff of SMBC's Corporate Business Offices, Business Support Offices, specialists at the SMBC head office and staff at SMFG subsidiaries and directly invested companies collaborate to deliver a fast and high-quality service.

To help customers streamline their domestic exchange business, we have been providing the *Exchange EB (Electronic Banking) Service*, while for foreign exchange needs we became the first Japanese bank to offer an online overseas trade service, the *Global e-Trade Service*. As of September 30, 2003, the number of contracts concluded was 121,000 for the *EB Service* and 6,500 for the *Global e-Trade Service*, with both products holding the top shares in their respective markets in Japan.

In response to customer needs to strengthen their financial bases, through such means as diversification of their fund

procurement sources, we propose such financing tools as loan syndication, private placement of bonds and asset securitization. For their needs related to risk hedging and enhancement of earnings, we make specific proposals regarding financial derivatives for risk hedging, methods of financing overseas expansion, and investment operations. In all these business areas, our performance surpassed the levels for the corresponding period of the previous year.

Our seminars on doing business in China (China Seminars) have been well received by clients. We have held 22 China Seminars since December 2002, attracting over 1,800 corporate representatives. SMBC Consulting Co., Ltd., a membership-system consulting company with approximately 40,000 corporate members and the No. 1 such enterprise run by a Japanese bank, started up the China Business Club in June 2003. This club now boasts over 2,000 members.

In the second half of fiscal 2003, we will be marketing a new financial product, the *Client Support Loan*, for SMEs, in collaboration with the Japan Federation of Certified Public Tax Accountants' Associations. We plan to establish around 40 new sales offices specializing in loans to SMEs, and to greatly increase the number of staff assigned to this market. While actively addressing customers' needs, we will offer a high-quality financial service incorporating new services such as business matching. In this way, we are confident of making important progress in strengthening our relationships with our customers.

#### Major Accomplishments

- Actively marketed *N-Fund Loans* and *Business Select Loans* to meet the fund procurement needs of small and medium-sized companies, extending 33,800 loans amounting to ¥1,260 billion
- Made ¥670 billion worth of loans to 9,500 first-time corporate customers
- Started *Global e-Trade Service*, the first electronic trade transaction service to be offered by a Japanese bank, with contracts signed with 6,500 firms

#### Key Goals

- Meet the fund procurement requirements of SMEs by focusing on the new product *Client Support Loan*; increase specialist-staff marketing offices targeting small and medium-sized companies to around 40
- Promote *Web21*, an electronic banking service

## Corporate Banking

SMFG, primarily through SMBC's Corporate Banking Unit, provides a wide array of financial services to top-tier companies in each industrial sector as well as to their group companies to respond to their sophisticated and diversified needs.

In the first half of fiscal 2003 we continued to propose solutions addressing these customers' broad range of management and financial issues. Our methods and instruments include loan syndication, asset liquidation, securitization, and non-recourse loans. We provided solutions tailored to each customer, focusing on such areas as business portfolio reorganization and balance sheet management.

Additionally, on a trial basis we introduced a new service-promotion framework starting from fiscal 2003 for major clients who operate on a global scale. Under this new framework, we adopt a unified approach to the servicing of each client's domestic and overseas operations, thereby achieving greater consistency and efficiency with shorter processing time.

We will continue to review and refine our service from a medium-to-long-term viewpoint, to provide an optimal array of proposals to our customers and grow in tandem with them.

### Major Accomplishments

- **Improved our origination capability in loan syndication**  
—Increased our ability to speedily design syndicated loans tailored to each customer's specific requirements by strengthening cooperation with SMBC's Investment Banking Unit right from an early stage. This upgraded capability has resulted in a growing amount of business in the loan syndication field.
- **Developed new risk management services**  
—Expanded the range of derivatives offered to hedge customers against the multitude of risks to which their businesses are subject, such as fluctuations in interest rates, commodity market prices, and demand for their own products and services
- **Enhanced our solutions for securities market needs**  
—Further improved our prompt response to customer needs in the field of equity financing, as well as IPOs and other securities market-related solutions through close collaboration with Daiwa Securities SMBC

### Key Goals

- Further improve our securities-related services by capitalizing on the specialist skills of Daiwa Securities SMBC
- Strengthen our ability to offer optimal solutions, including new business lines and financial instruments, by realizing still closer cooperation among Group companies
- Pursue a unified approach to the servicing of all domestic and overseas operations of major customers

## Community Banking

SMFG provides financial services tailored to the needs of customers—principally small businesses and individuals—in the Tokyo Metropolitan Area, through SMBC's Community Banking Unit\*.

The integration of the online systems of SMBC and THE WAKASHIO BANK, LTD. (Wakashio Bank) was successfully completed in July 2003 following the merger of the two banks in March. This integration enabled the Community Banking Unit, the successor to the branches and head office functions of Wakashio Bank, to offer a wide range of financial products and services comparable to those provided by the other units of SMBC. Former customers of Wakashio Bank now have access to a much more convenient and comprehensive service.

In line with its central mission of supporting the economic development of the local community, the Community Banking Unit actively markets risk-taking (unsecured) loan products such as the *Business Quick Loan* and the *Triple III Fund* to finance business growth plans.

By further integrating the unique business model that the former Wakashio Bank had established as an urban-style community bank with SMBC's vast management resources, SMFG, through the Community Banking Unit, aims to provide tailored solutions to meet the needs of its customers in the local community, with even higher added value and improved convenience.

\*Note: SMFG established the Community Banking Unit upon the merger on March 17, 2003 of SMBC and THE WAKASHIO BANK, LTD. As successor to the branches and head office functions of Wakashio Bank, the Community Banking Unit began operating as a new unit of SMBC, in charge of 34 branches, mostly within central Tokyo.

### Major Accomplishments

- Successfully marketed large business loans to small and medium-sized companies, as well as sole proprietorships, under the brand names *Business Quick Loan* and *Triple III Fund*, attracting many new customers
- Integrated the two banks' online services, allowing us to offer a wide range of financial products and services on a par with those provided by other units of SMBC, and thereby greatly enhancing customer convenience

### Key Goals

- Expand collaboration between the Community Banking Unit and other units of SMBC to enable the provision of convenient and sophisticated financial products and services that match all customer requirements
- Continue giving top priority to the strong relationship of trust we enjoy with the local community by further bolstering our capabilities in marketing with the personal touch



## International Banking

The international banking operations of SMFG, centering on SMBC's International Banking Unit, serve all customers outside Japan, including both Japanese and foreign companies, as well as offices and subsidiaries of multinational corporations in Japan.

We are providing services making optimal use of the Group's network, as well as various products, including cash management services (CMS) and trade finance services, that best suit customers' needs. We are also enhancing client support through an operational structure tailored to the unique demands of each region.

In Asia, including Japan, we aim to further strengthen our ability to provide customer-oriented products.

Operations in Europe and America are proceeding favorably, following the formation of a cooperative agreement with The Goldman Sachs Group, Inc. in February 2003 and the establishment of Sumitomo Mitsui Banking Corporation Europe Limited in March 2003. We will continue our efforts to establish a new business model in overseas operations by incorporating leading-edge financial products.

We provide customers with optimal solutions using a wide array of financial products, through close collaboration among all the units of SMBC, as well as other Group companies and overseas financial institutions. We will aggressively expand our business in this field, taking maximum advantage of the strong position we have achieved in Japan.

## Treasury Markets

SMFG, through SMBC's Treasury Unit, which conducts trading in domestic and international money, foreign exchange, bonds, and derivatives markets, offers customers a wide range of products and services that deliver optimal value-added solutions to meet their market transaction needs.

In fiscal 2003, to further enhance services and improve customer satisfaction, we have aggressively expanded our transaction capacity, introduced new products, and upgraded our computer systems. To enhance our capabilities in the Chinese market, we began offering services through the Treasury Marketing Department in Shanghai in December 2003 as our fifth sales base for Asian markets following Tokyo, Singapore, Hong Kong, and Bangkok.

In line with our projections, a growing number of customers are shifting from the traditional telephone-based market transactions to using *i-Deal*, an Internet-based transaction system launched in fiscal 2002. To provide the highest level of services in the industry to support clients' market transactions, we keep abreast of the latest developments in financial technology and IT systems, and are further strengthening our capabilities in market research and analysis. We are also reinforcing the processing infrastructure, including the back-office functions and compliance.

At SMBC's Treasury Unit, we are pursuing appropriate control of the Bank's market risk and liquidity risk through Asset Liability Management and trading operations. We are also striving to maximize earnings through various well-timed arbitrage operations.

In response to the general rise in domestic and overseas

### Major Accomplishments

- **Strengthened sales network in China**
  - Established a local sales network in China under the direction of the Shanghai Branch
  - Commenced the handling of business in renminbi at the Tianjin and Guangzhou branches
- **Commenced business cooperation with Goldman Sachs in the U.S. and Europe**
- **Received recognition for yen custody service**
  - Won the highest rating from *Global Custodian* magazine, published by Asset International, Inc., for the fourth consecutive year, and SMBC was the only Japanese bank to achieve this rating. SMBC also ranked the best bank in Japan in this category.

### Key Goals

- Expand lineup of financial products offered in Asian markets
- Broaden scope of business through utilization of cutting-edge financial technologies from Europe and the U.S.
- Expand revenue from fees for non-asset-based financial services

### Major Accomplishments

- **Expanded transaction volume by improving customer convenience**
  - Reinforced and enhanced our service provision, particularly in Asia with the posting of Treasury Marketing Department personnel to Shanghai
  - Conducted a sales campaign featuring deposits with an options trading feature as well as financial products involving small-lot transactions in commodity derivatives
  - Achieved another increase in online transaction volume by adding new functions to our *i-Deal* dealing system

### Key Goals

- Create an even more convenient service through optimal responses to all customer needs
- Take positions that sufficiently hedge against the risk of higher interest rates
- Ensure a high and stable level of earnings

## Investment Banking

In its investment banking operations, SMFG provides a variety of financing methods such as loan syndication, asset financing, and capital market financing through debt and equity markets as well as proposing financial solutions such as M&As and asset securitization.

SMFG meets the diverse financing needs of corporate customers by proposing solutions that draw on the combined know-how of Group companies with expertise in investment banking, such as SMBC's Investment Banking Unit and Daiwa Securities SMBC Co. Ltd.

A solid record of accomplishments was registered in the first half of fiscal 2003 in a variety of fields, including loan syndication and project finance by SMBC, and the underwriting of IPOs and bonds by Daiwa Securities SMBC. We also worked to nurture the loan syndication market through debt IR\* activities.

We will continue working toward our goal of becoming a leading player in our investment banking business area. Simultaneously, through strengthened collaboration among Group companies centered on Daiwa Securities SMBC, we will strengthen our ability to design comprehensive solutions to the whole range of our customers' financing requirements.

\*Debt IR refers to investor relations activities by bank customers (borrowers) targeting their creditors (such as other lending institutions and holders of their debentures), as well as the credit rating agencies.

### Major Accomplishments

- Value of loan syndications arranged by SMBC on domestic market up 15% over the same period of previous year
- SMBC held 21 debt IR meetings
- Daiwa Securities SMBC ranked No.1 in IPO underwriting by *Nikkei Bonds & Financial Weekly*

### Key Goals

- Expand share of the syndicated loan market and promote asset securitization
- Continue bolstering our marketing power in cutting-edge financial services, such as M&As and asset securitization

## Asset Restructuring

SMFG actively works to meet the corporate revitalization needs of its customers, primarily through SMBC's Asset Restructuring Unit.

By assigning numerous specialists in corporate revitalization, as well as professionals with accounting and legal expertise to the Asset Restructuring Unit, we have enabled the active promotion of customers' revitalization and reorganization, as well as the off-balancing of our non-performing loans. Through such measures, we have reduced approximately ¥1.4 trillion of problem assets during the first half of fiscal 2003, bringing the balance of problem assets down below the ¥3.9 trillion target well before the initially scheduled date of March 31, 2004.

To fully participate in the corporate revitalization business as well as to enjoy adequate returns, we enlisted the cooperation of leading investment banks—both Japanese and foreign—in designing a number of revitalization programs employing different methods to meet the requirements of each borrower (for further details see "Topics" on Page 6).

Committed to speedily and completely resolving the issue of non-performing loans, we are continuing to work on revitalizing SMBC's customers through the Asset Restructuring Unit while utilizing the abovementioned programs as well as working closely with government organizations such as the Industrial Revitalization Corporation of Japan (IRCJ) and the Resolution and Collection Corporation (RCC).

The primary objective of these programs is to reduce the balance of SMBC's non-performing loans. In the long term, however, we aim to grow this business into a new source of earnings, while applying the skills and the know-how we are acquiring through the practice of the corporate revitalization business to other business opportunities. We intend to pursue this new field

of activity aggressively in the belief that its success will be the key to ensuring our future competitiveness.

### Major Accomplishments

- Substantially reduced balance of problem assets
  - Reached the target of ¥3.9 trillion for the balance of problem assets at the end of September 2003, six months ahead of schedule
  - Succeeded in upgrading the borrower categories of many customers by providing support for their revitalization
  - Successfully helped reduce borrowers' excess liabilities through the sell-off of real estate put up as collateral for those who are unlikely to recover in the near future
  - Made steady progress in off-balancing through the sale of non-performing loan assets
  - Succeeded in normalizing loan conditions and strengthened our efforts to improve our risk-return profile
- Devised corporate revitalization plans
  - Enhanced overall support capabilities for corporate revitalization through the establishment of funds for purchasing non-performing loans, including the Daystar Fund, as well as the joint establishment of a company dedicated to corporate revitalization

### Key Goals

- Accelerate further the reduction of the non-performing loan balance through active employment of a wide variety of corporate revitalization plans
- Grow the corporate revitalization business into a profit-making operation

# Financial Section

Financial Review [SMFG] (Consolidated) .....	26
Financial Review [SMBC] (Nonconsolidated).....	29

## **SMFG (Unaudited)**

---

Consolidated Balance Sheets.....	34
Consolidated Statements of Operations .....	35
Consolidated Statements of Stockholders' Equity .....	36
Consolidated Statements of Cash Flows .....	37
Notes to Consolidated Interim Financial Statements .....	39

## **SMBC**

---

### Supplemental Information (Unaudited)

Nonconsolidated Balance Sheets .....	53
Nonconsolidated Statements of Operations .....	54

## **SMFG (Consolidated)**

---

Income Analysis .....	55
Loans .....	58

## **SMBC (Nonconsolidated)**

---

Income Analysis.....	60
Loans.....	63

# Financial Section

The following is a summary of SMFG's consolidated and SMBC's nonconsolidated financial results for the first half of fiscal 2003, the six-month period ended September 30, 2003.

## Financial Review (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for the first half of fiscal 2003. For the first half of fiscal 2002, the figures for SMBC on a consolidated basis are used. The figures include the financial results of the former Wakashio Bank, former SMBC's consolidated subsidiary that merged with SMBC on March 17, 2003.

### 1. Operating Results

Consolidated financial results for the first half of fiscal 2003 include the results of 169 consolidated subsidiaries (123 in Japan and 46 overseas) and 48 subsidiaries and affiliates accounted for by the equity method (21 in Japan and 27 overseas).

Consolidated gross profit showed a year-on-year decrease of ¥67.3 billion, to ¥1,049.1 billion, primarily attributable to the weaker performance of SMBC's Treasury Unit which had reported large profits in the first half of fiscal 2002. After factoring in general and administrative expenses, credit cost and gains/losses on stocks, ordinary profit showed a year-on-year increase of ¥15.7 billion, to ¥165.5 billion. Extraordinary gains (losses), income taxes, and minority interests resulted in a net income of ¥143.5 billion, a year-on-year increase of ¥88.3 billion.

Deposits as of September 30, 2003, stood at ¥63,142.3 billion, a ¥211.3 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥3,379.6 billion, a decrease of ¥1,473.4 billion from the previous fiscal year-end.

Loans and bills discounted declined ¥1,416.6 billion from the previous fiscal year-end to ¥59,666.4 billion, while securities decreased ¥1,667.5 billion to ¥22,451.1 billion.

Stockholders' equity increased ¥321.4 billion over the previous fiscal year-end to ¥2,745.5 billion due to the posting of net income for the first-half period as well as an improvement in the net unrealized gains (losses) on "other securities" (available-for-sale securities).

### Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

September 30, 2003 and 2002, and March 31, 2003

	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Consolidated subsidiaries.....	169	147	170
Subsidiaries and affiliates accounted for by the equity method.....	48	38	47

## Income Summary

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

	Millions of yen		
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended Mar. 31, 2003
Consolidated gross profit .....	¥1,049,121	¥1,116,392	¥2,184,006
Net interest income .....	663,237	733,944	1,399,504
Trust fees .....	84	/	7
Net fees and commissions .....	195,190	162,423	352,900
Net trading income .....	163,904	109,816	205,770
Net other operating income .....	26,704	110,208	225,823
General and administrative expenses .....	¥ (448,094)	¥ (446,103)	¥ (889,237)
Total credit cost .....	(441,522)	(318,583)	(1,200,904)
Write-off of loans .....	(388,924)	(122,826)	(364,605)
Transfer to specific reserve .....	(244,860)	(154,913)	(407,963)
Transfer to general reserve for possible loan losses .....	228,302	(22,660)	(250,636)
Others .....	(36,041)	(18,182)	(177,698)
Gains (losses) on stocks .....	¥ 20,604	¥ (197,926)	¥ (621,526)
Equity in earnings of affiliates .....	8,044	2,807	5,718
Other income (expenses) .....	(22,644)	(6,730)	6,193
Ordinary profit (loss) .....	¥ 165,508	¥ 149,856	¥ (515,749)
Extraordinary gains (losses) .....	21,371	(39,506)	(75,164)
Income (loss) before income taxes and minority interests .....	186,880	110,349	(590,914)
Income taxes, current .....	(22,436)	(26,700)	(66,068)
deferred .....	5,137	(10,333)	225,190
Minority interests in net income .....	(26,087)	(18,170)	(33,567)
Net income (loss) .....	¥ 143,492	¥ 55,145	¥ (465,359)
[Reference]			
Consolidated banking profit (Billions of yen) .....	¥ 532.7	¥ 608.6	¥ 1,131.0

- Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)  
 2. Consolidated banking profit = SMBC's nonconsolidated banking profit (excluding transfer to general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.)

## Assets, Liabilities and Stockholders' Equity

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Assets .....	¥100,725,500	¥104,396,997	¥104,607,449
Loans and bills discounted .....	59,666,363	62,553,278	61,082,946
Securities .....	22,451,050	22,650,667	24,118,520
Liabilities .....	96,974,137	100,754,733	101,186,654
Deposits .....	63,142,263	61,438,332	62,931,007
Negotiable certificates of deposit .....	3,379,610	4,846,529	4,853,017
Minority interests .....	1,005,886	952,253	996,720
Stockholders' equity .....	2,745,476	2,690,010	2,424,074

## 2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at September 30, 2003 amounted to ¥293.5 billion, which was an improvement of ¥318.3 billion from the previous fiscal year-end. Net unrealized gains on other securities (including “other money held in trust”) amounted to ¥303.6 billion, which was an improvement of ¥334.3 billion.

The substantial increase in unrealized gains on other securities was attributable to a turnaround from unrealized losses to gains on stocks, an improvement of ¥636.4 billion against the backdrop of a stock market recovery, which was more than enough to compensate for the deterioration in bonds from unrealized gains to losses, mainly JGBs, on higher long-term interest rates in Japan.

### Unrealized Gains (Losses) on Securities

September 30, 2003 and March 31, 2003

	Millions of yen						
	Sept. 30, 2003				Mar. 31, 2003		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ (10,103)	¥ (15,985)	¥ 2,051	¥ 12,155	¥ 5,882	¥ 5,988	¥ 105
Other securities .....	303,629	334,272	604,936	301,307	(30,643)	272,943	303,587
Stocks.....	470,979	636,421	578,166	107,187	(165,442)	112,952	278,395
Bonds .....	(154,872)	(266,036)	6,597	161,470	111,164	117,093	5,928
Others.....	(12,477)	(36,111)	20,171	32,649	23,634	42,897	19,263
Other money held in trust .....	(16)	28	249	265	(44)	510	555
Total.....	293,509	318,314	607,237	313,727	(24,805)	279,443	304,248
Stocks.....	470,979	636,421	578,166	107,187	(165,442)	112,952	278,395
Bonds .....	(166,025)	(282,041)	7,482	173,508	116,016	121,945	5,928
Others.....	(11,444)	(36,064)	21,587	33,032	24,620	44,545	19,925

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Deposits with banks” and commercial papers as well as beneficiary claims on loan trusts in “Commercial paper and other debt purchased.”
2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim period. Rest of the securities are valued at the market price as of the balance sheet date.
3. “Other securities” and “Other money held in trust” are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the difference between the acquisition costs (or amortized costs) and the balance sheet amounts.
- Of “Unrealized gains (losses) on other securities” shown above, ¥22,029 million is included in this interim term’s profit because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders’ equity has been decreased by ¥22,029 million.

## 3. Consolidated Capital Ratio (BIS Guidelines)

SMFG’s consolidated capital ratio (BIS guidelines) at September 30, 2003 was 10.94%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,460.4 billion, representing a ¥481.5 billion increase from the previous fiscal year-end.

On the other hand, risk-adjusted assets, the denominator in the equation, decreased slightly to ¥59,017.0 billion from the previous fiscal year-end. This was the mixed result of the accelerated disposal of non-performing loans and the sale of stockholdings on the one hand, and the active marketing of housing loans and higher-interest-bearing loan products dedicated to small and medium-sized companies on the other.

### Consolidated Capital Ratio (BIS Guidelines)

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Tier I capital (A).....	¥ 3,468,838	¥ 3,381,338	¥ 3,255,936
Tier II capital (B).....	3,235,658	3,316,197	2,961,619
Deductions (C) .....	(244,075)	(164,081)	(238,633)
Total capital (D) = (A) + (B) – (C).....	¥ 6,460,421	¥ 6,533,454	¥ 5,978,922
Risk-adjusted assets (E) .....	¥59,016,967	¥62,981,231	¥59,166,864
Capital ratio (BIS guidelines) = (D) / (E) × 100.....	10.94%	10.37%	10.10%

## Financial Review (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Figures shown for the six months ended September 30, 2002, are the sum of the financial results of the former SMBC and the former Wakashio Bank, a consolidated subsidiary that merged with SMBC on March 17, 2003. Figures for the fiscal year ended March 31, 2003 include the operating results of the former SMBC for the period from April 1, 2002 to March 16, 2003.

### 1. Operating Results

Banking profit (excluding transfer to the general reserve for possible loan losses) for the first half of fiscal 2003 decreased ¥78.8 billion to ¥499.3 billion year-on-year, as a result of a ¥108.0 billion decrease in gross banking profit to ¥795.3 billion and a ¥29.2 billion decrease in expenses (excluding nonrecurring losses) to ¥296.0 billion.

Ordinary profit, calculated by adjusting banking profit (excluding transfer to the general reserve for possible loan losses) for nonrecurring items such as credit cost and gains on stocks, was ¥105.2 billion.

After adjusting ordinary profit for extraordinary gains in the amount of ¥37.8 billion and income taxes of ¥3.3 billion under tax-effect accounting, net income came to ¥139.6 billion, a year-on-year increase of ¥94.1 billion.

### 2. Income Analysis

#### Gross Banking Profit

Gross banking profit for the first half of fiscal 2003 declined ¥108.0 billion year-on-year to stand at ¥795.3 billion. In domestic operations, gross banking profit declined ¥66.8 billion year-on-year, to ¥559.0 billion. This was a result of a

¥40.9 billion decrease in interest income, partly due to a decline in the loan balance, and a ¥36.7 billion drop in gains on bonds, mainly JGBs, offsetting a ¥14.7 billion increase in net revenue from fees and commissions on investment trusts, personal pension insurance, and loan syndications.

In international operations, gross banking profit decreased ¥41.2 billion year-on-year to ¥236.4 billion mainly due to Treasury Unit's weaker performance compared with the first half of fiscal 2002, despite an increase in gains on derivatives transactions.

#### Expenses

Expenses (excluding nonrecurring losses) decreased ¥29.3 billion year-on-year, to ¥296.0 billion. This was mainly due to a ¥17.5 billion decline in personnel expenses resulting from workforce downsizing and a reduction in provision to reserves for employee bonuses, as well as a ¥10.2 billion reduction in nonpersonnel expenses through the integration of domestic branches and further reductions in expenses made possible following the complete integration of the founding banks' computer systems.

#### Banking Profit

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

	Millions of yen		
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended Mar. 31, 2003
Gross banking profit.....	¥795,339	¥903,339	¥1,760,684
Gross banking profit (excluding gains (losses) on bonds) .....	776,567	826,710	1,625,025
Net interest income.....	568,597	641,214	1,223,336
Trust fees.....	84	/	7
Net fees and commissions .....	99,330	85,913	194,665
Net trading income .....	149,824	103,408	196,000
Net other operating income .....	(22,497)	72,803	146,672
Gross domestic banking profit .....	558,967	625,748	1,252,898
Gross international banking profit.....	236,371	277,590	507,785
Transfer to general reserve for possible loan losses .....	¥ —	¥ (20,564)	¥ (238,132)
Expenses (excluding nonrecurring losses) .....	(296,030)	(325,278)	(647,040)
Personnel expenses .....	(113,967)	(131,472)	(253,907)
Nonpersonnel expenses.....	(166,697)	(176,934)	(357,682)
Taxes .....	(15,365)	(16,870)	(35,450)
Banking profit.....	¥499,308	¥557,497	¥ 875,511
Banking profit (excluding transfer to general reserve for possible loan losses).....	499,308	578,061	1,113,643
Banking profit (excluding transfer to general reserve for possible loan losses and gains (losses) on bonds) .....	480,536	501,432	977,984

<Reference>

#### Banking Profit, by Business Unit

Six months ended September 30, 2003

	Billions of yen							
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Community Banking Unit	Treasury Unit	Others	Total
Banking profit (losses) (excluding transfer to general reserve for possible loan losses).....	¥34.6	¥210.7	¥68.1	¥22.7	¥1.4	¥206.4	¥(44.6)	¥499.3
Year-on-year increase (decrease) .....	22.1	47.3	5.0	4.3	0.7	(117.0)	(41.2)	(78.8)

Notes: 1. Year-on-year comparisons are those used for internal reporting and exclude changes due to interest rate and foreign exchange rate fluctuations.  
2. "Others" consists of (1) dividend income from subsidiaries and affiliates, (2) financing costs on preferred securities and subordinated debt, (3) profit earned on investing the Bank's own capital, and (4) adjustment of inter-unit transactions, etc.

## Banking Profit

Banking profit (excluding transfer to general reserve for possible loan losses) decreased ¥78.8 billion year-on-year, to ¥499.3 billion.

## Nonrecurring Losses (Credit Costs, etc.)

Nonrecurring losses amounted to ¥394.1 billion. This was mainly attributable to disposal of non-performing loans and amortization expenses for unrecognized obligations (actuarial loss) on retirement benefits, despite a turnaround from losses to gains of ¥18.8 billion on stocks against the backdrop of recovery in the share prices. Credit cost amounted to ¥359.4 billion, consisting of expenses for the disposal of non-performing loans in the amount of ¥373.6 billion, net of a ¥14.2 billion gain on reversal of reserves for possible loan losses and for possible losses on loans sold included in extraordinary gains. (Please refer to the "Asset Quality" section beginning on page 13 for more information on problem assets and progress in reducing such assets.)

## Ordinary Profit

As a result of the foregoing, ordinary profit increased ¥5.3 billion year-on-year to ¥105.2 billion.

## Extraordinary Gains and Losses

Net extraordinary gains amounted to ¥37.8 billion. This was mainly attributable to the refund of a revenue-based enterprise tax imposed by the Tokyo Metropolitan Government in the amount of ¥40.3 billion. Reversal of reserve for possible loan losses exceeded the relevant provisions (general, specific and overseas) for the disposal of non-performing loans in the amount of ¥13.8 billion. This also contributed to the posting of gains.

## Net Income

Income taxes totaled ¥12.6 billion. Deferred income taxes under tax-effect accounting came to ¥9.2 billion, due to the transfer of deferred tax liabilities on land revaluation, despite our continued conservative estimates for future earnings. As a result, net income surged to ¥139.6 billion, a sharp increase of ¥94.1 billion year-on-year.

## Ordinary Profit and Net Income

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

	Millions of yen		
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended Mar. 31, 2003
Banking profit (excluding transfer to general reserve for possible loan losses).....	¥ 499,308	¥ 578,061	¥ 1,113,643
Transfer to general reserve for possible loan losses (A) .....	—	(20,564)	(238,132)
Banking profit.....	¥ 499,308	¥ 557,497	¥ 875,511
Nonrecurring gains (losses).....	(394,133)	(457,610)	(1,472,700)
Credit cost (B).....	(373,597)	(246,482)	(836,385)
Write-off of loans .....	(337,901)	(89,687)	(284,418)
Transfer to specific reserve .....	—	(140,640)	(375,359)
Transfer to reserve for losses on loans sold.....	—	(7,109)	(15,245)
Losses on loans sold to CCPC.....	(740)	(3,013)	(16,370)
Losses on sale of delinquent loans .....	(34,955)	(10,006)	(148,870)
Transfer to loan loss reserve for specific overseas countries.....	—	3,974	3,879
Gains (losses) on stocks .....	18,783	(192,227)	(635,708)
Gains on sale of stocks .....	50,910	35,161	51,205
Losses on sale of stocks .....	(24,720)	(51,562)	(159,448)
Losses on devaluation of stocks.....	(7,406)	(175,825)	(527,465)
Enterprise taxes by local government .....	(7,678)	(3,542)	(7,811)
Others .....	(31,641)	(15,358)	7,204
Ordinary profit (loss) .....	¥ 105,175	¥ 99,886	¥ (597,188)
Extraordinary gains (losses) .....	37,813	(38,243)	(73,799)
Gains (losses) on disposition of premises and equipment .....	(6,404)	(9,571)	(26,169)
Amortization of net transition obligation from initial application of the new accounting standard for employee retirement benefits .....	(10,083)	(10,083)	(20,167)
Reversal of reserve for possible loan losses (C) .....	13,787	—	—
Reversal of reserve for possible losses on loans sold (D).....	393	—	—
Refund of enterprise tax from Tokyo government and interest on refund .....	40,333	—	—
Income taxes, current .....	(12,573)	(6,795)	(40,299)
Income taxes, deferred .....	9,244	(9,308)	232,983
Net income (loss).....	¥ 139,659	¥ 45,538	¥ (478,304)
Total credit cost (A) + (B) + (C) + (D).....	¥(359,415)	¥(267,046)	¥(1,074,517)



### 3. Assets, Liabilities and Stockholders' Equity

#### Assets

SMBC's total assets at September 30, 2003 stood at ¥92,780.0 billion on a nonconsolidated basis, a ¥5,111.2 billion decrease compared with the March 31, 2003 level. This decline is due to a ¥2,128.8 billion decrease in outstanding loans and bills discounted against the backdrop of continued weak corporate fund demand in Japan, and a decrease in overseas assets under our continued policy for the reduction in unprofitable loans outstanding. In addition, securities decreased by ¥1,809.3 billion with our trading policy of taking market interest fluctuations into account.

#### Liabilities

Liabilities at September 30, 2003 decreased ¥5,443.6 billion

#### Assets, Liabilities and Stockholders' Equity

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Assets .....	<b>¥92,779,975</b>	¥99,389,814	¥97,891,161
Loans and bills discounted .....	<b>55,153,522</b>	59,283,833	57,282,365
Securities .....	<b>21,847,113</b>	22,427,023	23,656,385
Liabilities .....	<b>90,168,353</b>	96,369,750	95,611,937
Deposits .....	<b>57,746,253</b>	57,770,944	58,610,731
Negotiable certificates of deposit .....	<b>3,454,958</b>	4,856,700	4,913,526
Stockholders' equity .....	<b>2,611,621</b>	3,020,063	2,279,223

### 4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at September 30, 2003 amounted to ¥308.3 billion, which was an improvement of ¥342.8 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust") amounted to ¥306.9 billion, which was an improvement of ¥324.8 billion.

#### Unrealized Gains (Losses) on Securities

September 30, 2003 and March 31, 2003

	Millions of yen							
	Sept. 30, 2003				Mar. 31, 2003			
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses	
Held-to-maturity securities.....	<b>¥ (10,338)</b>	<b>¥ (14,141)</b>	<b>¥ 1,813</b>	<b>¥ 12,152</b>	¥ 3,803	¥ 3,909	¥ 105	
Stocks of subsidiaries and affiliates .....	<b>11,734</b>	<b>32,162</b>	<b>11,734</b>	<b>—</b>	(20,428)	624	21,052	
Other securities .....	<b>306,912</b>	<b>324,769</b>	<b>585,142</b>	<b>278,230</b>	(17,857)	257,680	275,537	
Stocks .....	<b>469,067</b>	<b>621,421</b>	<b>562,844</b>	<b>93,776</b>	(152,354)	105,269	257,624	
Bonds .....	<b>(148,852)</b>	<b>(257,564)</b>	<b>4,997</b>	<b>153,849</b>	108,712	112,417	3,705	
Others .....	<b>(13,303)</b>	<b>(39,088)</b>	<b>17,301</b>	<b>30,604</b>	25,785	39,993	14,207	
Other money held in trust .....	<b>(16)</b>	<b>28</b>	<b>249</b>	<b>265</b>	(44)	510	555	
Total .....	<b>308,291</b>	<b>342,817</b>	<b>598,939</b>	<b>290,648</b>	(34,526)	262,725	297,251	
Stocks .....	<b>480,802</b>	<b>653,584</b>	<b>574,578</b>	<b>93,776</b>	(172,782)	105,894	278,677	
Bonds .....	<b>(160,002)</b>	<b>(271,530)</b>	<b>5,882</b>	<b>165,884</b>	111,528	115,234	3,705	
Others .....	<b>(12,508)</b>	<b>(39,235)</b>	<b>18,478</b>	<b>30,987</b>	26,727	41,597	14,869	

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and commercial papers as well as beneficiary claims on loan trusts in "Commercial paper and other debt purchased."

2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim period. Rest of the securities are valued at the market price as of the balance sheet date.

3. "Other securities" and "Other money held in trust" are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the difference between the acquisition costs (or amortized costs) and the balance sheet amounts.

Of "Unrealized gains (losses) on other securities" shown above, ¥22,029 million is included in this interim term's profit because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders' equity has been decreased by ¥22,029 million.

to ¥90,168.4 billion from the previous fiscal year-end. This decline was attributable to a decrease in payables under repurchase agreements based on our fund procurement policy of taking market interest fluctuations into account, in the amount of ¥2,255.6 billion. A decrease of ¥864.5 billion in deposits and a drop of ¥1,458.6 billion in negotiable certificates of deposit also contributed to the decline.

#### Stockholders' Equity

Stockholders' equity increased by ¥332.4 billion over the March 31, 2003 level to ¥2,611.6 billion at September 30, 2003. The major reasons for this rise include the posting of net income of ¥139.6 billion and a ¥192.7 billion increase in net unrealized gains on other securities.

The substantial increase in unrealized gains on other securities was attributable to a turnaround from unrealized losses to gains on stocks, an improvement of ¥621.4 billion against the backdrop of a stock market recovery, which was more than enough to compensate for the deterioration in bonds from unrealized gains to losses, mainly JGBs, on higher long-term interest rates in Japan.

## 5. Deferred Tax Assets

### Deferred Tax Assets on the Balance Sheet

SMBC has registered deferred tax assets in an amount based on reasonable estimates of the size of tax benefits on collectibility of assets in question in the future in line with Accounting Standards for Tax Effect Accounting (issued by the Business Accounting Deliberation Council dated October 30, 1998) and related practical guidelines. Moreover, SMBC has adopted more conservative estimates for the recognition of deferred tax assets from the viewpoint of maintaining a sound financial position, taking into full consideration the opinions expressed in the "Strict Audit to Major Banks" (issued by the Japanese

Institute of Certified Public Accountants (JICPA); February 24, 2003).

At September 30, 2003, net deferred tax assets amounted to ¥1,711.7 billion on a nonconsolidated basis, a ¥102.9 billion decrease from the previous term-end. This decline was mainly attributable to recognition of deferred tax liabilities in the amount of ¥110.0 billion due to a turnaround from unrealized losses to unrealized gains on "other securities" against the backdrop of rebounds in stock prices in Japan. In addition, the valuation allowance (which was not included in the scope of outstanding deferred tax assets due to conservative estimates) amounted to ¥398.6 billion at September 30, 2003.

		(Billions of yen)			(Reference)
		Sept. 2003	Change from Mar. 2003	Change from Sept. 2002	Temporary differences Sept. 2003
(A) Total deferred tax assets (B) – (C)	1	¥1,852.5	¥ 3.2	¥ (36.5)	
(B) Subtotal of deferred tax assets	2	2,251.1	(53.0)	346.9	¥5,575.0
Reserve for possible loan losses	3	533.6	(286.6)	(181.2)	1,323.2
Write-off of loans	4	487.8	168.2	89.5	1,209.7
Reserve for possible losses on loans sold	5	0.1	(6.8)	(16.1)	0.2
Write-off of securities	6	435.4	(160.9)	220.7	1,079.8
Reserve for employee retirement benefits	7	106.8	4.5	6.9	264.7
Depreciation	8	7.6	(0.7)	(0.8)	19.0
Net unrealized losses on other securities	9	—	(6.9)	(316.5)	—
Net operating loss carryforwards	10	629.3	255.9	533.3	1,537.1
Other	11	50.4	(19.8)	11.1	141.3
(C) Valuation allowance	12	398.6	(56.2)	383.4	
(D) Total deferred tax liabilities	13	¥ 140.8	¥ 106.1	¥ 111.1	¥ 361.2
Gains on securities contributed to employee retirement benefits trust	14	25.6	0.3	2.2	63.5
Net unrealized gains on other securities	15	110.0	110.0	110.0	284.9
Other	16	5.2	(4.1)	(1.1)	12.8
Net deferred tax assets (balance sheet amount) (A) – (D)	17	¥1,711.7	¥(102.9)	¥(147.6)	
Amounts corresponding to the estimated taxable income before adjustments	18	1,731.7	5.6	(75.3)	
Amounts to be realized after more than a certain period (Note 1)	19	90.0	1.5	37.7	
Amount corresponding to the deferred tax liabilities shown in 15 above (Note 2)	20	(110.0)	(110.0)	(110.0)	
Effective income tax rate (Note 3)	21	40.46%	—	1.84%	

- Notes: 1. Deferred tax assets arising from temporary differences that are expected to be reversed after more than five years (such as reserve for employee retirement benefits and depreciation of buildings) may be recognized if there is a high likelihood of such tax benefits being realized. (JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets")
2. Deferred tax assets are recognized on the balance sheet on a net basis after offsetting against deferred tax liabilities arising from net unrealized gains on other securities. But the gross deferred tax assets, before offsetting against deferred tax liabilities, are used to assess collectability. (JICPA Auditing Committee Report No.70 "Auditing Treatment of Application of Accounting for Tax Effects to Differences in Valuation of Other Securities")
3. The effective tax rate shown in "21" is applied to the temporary differences that are expected to be reversed after Fiscal 2004, and reflect the impact of the adoption of enterprise taxes through external standards taxation in Fiscal 2004. The effective tax rate of 38.62% is applied to the temporary differences that are expected to be reversed in Fiscal 2003.

## Reason for Recognition of Deferred Tax Assets on the Balance Sheet

### (a) Recognition Criteria

#### Practical Guideline 5 (1), examples (4) proviso

- (1) SMBC has significant operating loss carryforwards on the tax base. These operating loss carryforwards are due to SMBC taking the below measures in order to quickly strengthen its financial base under the prolonged deflationary pressure, and are accordingly judged to be attributable to extraordinary factors. As a result, SMBC recognized deferred tax assets to the limit of the estimated future taxable income for the period (approximately 5 years) pursuant to the practical guideline on assessing the collectability of deferred tax assets issued by JICPA ("Practical Guideline") (\*).
- (a) Disposal of Non-performing Loans  
SMBC established internal standards for write-offs and reserves based on self-assessment in accordance with the "Prompt Corrective Action" adopted in Fiscal 1998 pursuant to the law concerning the maintenance of sound management of financial institutions (June 1996).  
SMBC has been aggressively disposing non-performing loans and bolstering provisions in order to reduce the risk of asset deterioration under the severe business environment of a prolonged sluggish economy. As a result, taxable disposal of non-performing loans (\*\*\*) amounted to approximately ¥2.5 trillion as of September 30, 2003.  
In addition, pursuant to the "Program for Financial Revival" of October 2002, SMBC is now accelerating disposal of non-performing loans in order to reduce the problem asset ratio to half by Fiscal 2004. In the process, taxable write-off of bad loans implemented in the past is now being realized. (Realized amount for the first half of Fiscal 2003 was approximately ¥900 billion.)
- (b) Disposal of Unrealized Losses on Stocks  
SMBC has been accelerating its effort to reduce stockholdings in order to reduce its exposure to stock price fluctuations and meet the regulation limiting stockholdings that was adopted in Fiscal 2001 and to be implemented in Fiscal 2006.  
During Fiscal 2002, SMBC reduced the balance of stocks by ¥1.1 trillion through stocks sales and also disposed all at once unrealized losses on stocks of ¥1.2 trillion by writing off impaired stocks and using the gains on the merger. As a result, SMBC met the regulation limiting stockholdings before the deadline.  
As a result, balances of taxable write-off on securities (\*\*\*) recently increased substantially (¥1.5 trillion as of March 31, 2003; ¥100 billion as of March 31, 1999). On the other hand, taxable write-off of securities carried out in the past is now being realized through accelerated selling of stocks (result for the first half of Fiscal 2003 was approximately ¥400 billion).
- (2) Consequently, operating loss carryforwards on the tax base amounted to approximately ¥1.5 trillion as of September 30, 2003 and they are certain to be offset by their expiration period by the taxable income that will be generated in the future. No material operating loss carryforwards on the tax base have expired in the past.

(\*) JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets"

(\*\*) Corresponds to "(Reference) Temporary differences" (upper right corner) of the previous page's table.

### (Reference 1) Outline of Practical Guideline 5 (1), examples (4)

When a company has material operating loss carryforwards on the tax base as of term-end, deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the next fiscal year and relating to the temporary differences expected to be reversed in the next fiscal year.

However, when operating loss carryforwards are due to the company's restructuring efforts, changes in laws, and/or other extraordinary factors, the deferred tax assets may be considered to be collectable to the extent of the estimated taxable income for the estimation period (approximately 5 years) and relating to the temporary differences expected to be reversed over the estimation period.

### (b) Term for Future Taxable Income to be Estimated: 5 years

### (c) Accumulated Amount of Estimated Future Taxable Income before Adjustments for the Next 5 Years

Billions of yen		
	Estimates of next 5 years	
Banking profit (excluding transfer to general reserve for possible loan losses)	1	¥5,505.7
A Income before income taxes	2	¥2,958.6
B Adjustments to taxable income (excluding reversal of temporary differences as of Sept. 2003)	3	¥1,332.4
C Taxable income before adjustments (A + B)	4	¥4,291.0
		⇩
Deferred tax assets corresponding to taxable income before adjustments	5	¥1,731.7

(corresponding to 18 of the table on the previous page)

#### Basic Policy

- (1) Estimate when the temporary differences will be reversed
- (2) Conservatively estimate the taxable income for the next 5 years
  - (a) Rationally make earnings projection for up to Fiscal 2008 based on the "Plan for strengthening the financial base (up to Fiscal 2006)"
  - (b) Reduce the projected amount by an amount reflecting the uncertainty of the projected amount
  - (c) Add the adjustments to the above amount
- (3) Apply the effective tax rate to the amount of taxable income and record the calculated amount as "deferred tax assets"

### (Reference 2) Income of final return (before deducting operating loss carryforwards) for the last 5 years

Year ended March 31,	Billions of yen				
	2003	2002	2001	2000	1999
Income of final return (before deducting operating loss carryforwards).....	¥(745.5)	¥241.9	¥(176.0)	¥327.3	¥(554.2)

Notes: 1. Income of final return (before deducting operating loss carryforwards) = Taxable income before adjustments for each fiscal year – Temporary differences to be reversed for each fiscal year

2. The figures above include amounts arising from "extraordinary factors" that are specified in the Practical Guideline. SMBC records taxable income in each year when these amounts are excluded.

# Consolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries  
September 30, 2003 and March 31, 2003

	Millions of yen		Millions of U.S. dollars
	Sept. 30, 2003	Mar. 31, 2003	Sept. 30, 2003
<b>Assets</b>			
Cash and due from banks.....	¥ 2,934,143	¥ 2,900,991	\$ 26,374
Deposits with banks.....	964,363	541,532	8,668
Call loans and bills bought.....	654,263	187,563	5,881
Receivables under resale agreements.....	90,979	109,710	818
Receivables under securities borrowing transactions.....	625,010	1,981,243	5,618
Commercial paper and other debt purchased.....	444,540	363,981	3,996
Trading assets.....	3,485,349	4,495,396	31,329
Money held in trust.....	27,498	24,629	247
Securities.....	22,451,050	24,118,520	201,807
Loans and bills discounted.....	59,666,363	61,082,946	536,327
Foreign exchanges.....	774,597	749,974	6,963
Other assets.....	3,349,993	3,219,009	30,112
Premises and equipment.....	988,386	1,007,905	8,884
Lease assets.....	1,006,315	996,344	9,046
Deferred tax assets.....	1,845,975	1,956,103	16,593
Deferred tax assets for land revaluation.....	723	724	7
Goodwill.....	12,733	30,031	115
Customers' liabilities for acceptances and guarantees.....	3,102,644	3,084,383	27,889
Reserve for possible loan losses.....	(1,699,431)	(2,243,542)	(15,276)
<b>Total assets</b> .....	<b>¥100,725,500</b>	<b>¥104,607,449</b>	<b>\$905,398</b>
<b>Liabilities, minority interests and stockholders' equity</b>			
<b>Liabilities</b>			
Deposits.....	¥ 66,521,873	¥ 67,784,025	\$597,949
Call money and bills sold.....	8,019,874	8,953,084	72,089
Payables under repurchase agreements.....	1,897,172	4,144,735	17,053
Payables under securities lending transactions.....	4,624,779	4,807,245	41,571
Commercial paper.....	247,500	187,800	2,225
Trading liabilities.....	2,046,766	2,851,391	18,398
Borrowed money.....	2,476,833	2,580,135	22,264
Foreign exchanges.....	448,316	397,666	4,030
Bonds.....	3,779,852	3,583,754	33,976
Due to trust account.....	24,944	5,953	224
Other liabilities.....	3,551,051	2,558,956	31,920
Reserve for employee bonuses.....	20,908	22,079	188
Reserve for employee retirement benefits.....	93,220	101,408	838
Reserve for possible losses on loans sold.....	2,628	20,665	24
Reserve for exhibition at World Exposition.....	57	—	0
Other reserves.....	531	649	5
Deferred tax liabilities.....	58,494	43,930	526
Deferred tax liabilities for land revaluation.....	56,685	58,788	509
Acceptances and guarantees.....	3,102,644	3,084,383	27,889
<b>Total liabilities</b> .....	<b>¥ 96,974,137</b>	<b>¥101,186,654</b>	<b>\$871,678</b>
<b>Minority interests</b> .....	<b>¥ 1,005,886</b>	<b>¥ 996,720</b>	<b>\$ 9,042</b>
<b>Stockholders' equity</b>			
Capital stock.....	¥ 1,247,650	¥ 1,247,650	\$ 11,215
Capital surplus.....	854,798	856,237	7,683
Retained earnings.....	423,309	311,664	3,805
Land revaluation excess.....	97,914	101,440	880
Net unrealized gains (losses) on other securities.....	176,225	(24,197)	1,584
Foreign currency translation adjustments.....	(41,189)	(53,515)	(370)
Treasury stock.....	(13,231)	(15,204)	(119)
<b>Total stockholders' equity</b> .....	<b>¥ 2,745,476</b>	<b>¥ 2,424,074</b>	<b>\$ 24,678</b>
<b>Total liabilities, minority interests and stockholders' equity</b> .....	<b>¥100,725,500</b>	<b>¥104,607,449</b>	<b>\$905,398</b>

See accompanying notes to consolidated Interim financial statements.

# Consolidated Statements of Operations (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Six months ended September 30, 2003 and year ended March 31, 2003

	Millions of yen		Millions of U.S. dollars
	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
<b>Income</b>			
Interest income:	¥ 826,407	¥1,816,908	\$ 7,428
Interest on loans and discounts	587,789	1,266,271	5,283
Interest and dividends on securities	138,520	268,261	1,245
Trust fees	84	7	1
Fees and commissions	237,159	424,238	2,132
Trading profits	163,904	206,496	1,473
Other operating income	459,685	946,957	4,132
Other income	115,015	123,683	1,034
<b>Total income</b>	<b>¥1,802,256</b>	<b>¥3,518,293</b>	<b>\$16,200</b>
<b>Expenses</b>			
Interest expenses:	¥ 163,169	¥ 417,404	\$ 1,467
Interest on deposits	58,893	159,950	529
Fees and commissions	41,969	71,338	377
Trading losses	—	725	—
Other operating expenses	432,980	721,134	3,892
General and administrative expenses	448,094	889,237	4,028
Transfer to reserve for possible loan losses	14,529	654,711	130
Other expenses	514,633	1,354,655	4,626
<b>Total expenses</b>	<b>¥1,615,376</b>	<b>¥4,109,207</b>	<b>\$14,520</b>
<b>Income (loss) before income taxes and minority interests</b>	<b>¥ 186,880</b>	<b>¥ (590,914)</b>	<b>\$ 1,680</b>
Income taxes:			
Current	¥ 22,436	¥ 66,068	\$ 202
Deferred	(5,137)	(225,190)	(46)
Minority interests in net income	¥ 26,087	¥ 33,567	\$ 234
<b>Net income (loss)</b>	<b>¥ 143,492</b>	<b>¥ (465,359)</b>	<b>\$ 1,290</b>
<hr/>			
	Yen		U.S. dollars
	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
<b>Per share data:</b>			
Net income (loss)	¥24,993.09	¥(84,324.98)	\$224.66
Net income — diluted	15,608.81	—	140.30

See accompanying notes to consolidated Interim financial statements.

# Consolidated Statements of Stockholders' Equity (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Six months ended September 30, 2003 and year ended March 31, 2003

	Millions of yen							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Treasury stock	Total
<b>Balance at March 31, 2002</b> .....	¥1,326,746	¥1,684,373	¥117,743	¥121,244	¥(304,837)	¥(15,174)	¥(17,475)	¥2,912,619
Establishment of SMFG.....	(326,746)	326,746						—
Issuance of stocks .....	247,650	247,650						495,300
Merger with The Japan Research Institute Holdings, Ltd. ....		3,069	15,813					18,882
Merger of subsidiaries .....		(1,405,507)	658,443		672,810			(74,253)
Change due to increase/decrease of subsidiaries and affiliates .....			5,246					5,246
Losses on disposition of treasury stock .....		(93)						(93)
Transfer of land revaluation excess.....			17,125	(17,125)				—
Change of tax rate and others .....				(2,678)				(2,678)
Cash dividends paid .....			(37,349)					(37,349)
Net loss.....			(465,359)					(465,359)
Change of net unrealized losses on other securities .....					(392,171)			(392,171)
Change of foreign currency translation adjustments .....						(38,340)		(38,340)
Change of treasury stock.....							2,270	2,270
<b>Balance at March 31, 2003</b> .....	1,247,650	856,237	311,664	101,440	(24,197)	(53,515)	(15,204)	2,424,074
Change due to merger of subsidiaries.....			(2,066)					(2,066)
Losses on disposition of treasury stock .....		(1,439)						(1,439)
Transfer of land revaluation excess.....			3,525	(3,525)				—
Cash dividends paid .....			(33,306)					(33,306)
Net income .....			143,492					143,492
Change of net unrealized gains on other securities .....					200,423			200,423
Change of foreign currency translation adjustments .....						12,326		12,326
Change of treasury stock.....							1,973	1,973
<b>Balance at September 30, 2003</b> .....	¥1,247,650	¥ 854,798	¥423,309	¥ 97,914	¥ 176,225	¥(41,189)	¥(13,231)	¥2,745,476

	Millions of U.S. dollars							
	Capital stock	Capital surplus	Retained earnings	Land revaluation excess	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Treasury stock	Total
<b>Balance at March 31, 2003</b> .....	\$11,215	\$7,696	\$2,801	\$912	\$ (217)	\$(481)	\$(137)	\$21,789
Change due to merger of subsidiaries.....			(19)					(19)
Losses on disposition of treasury stock .....		(13)						(13)
Transfer of land revaluation excess.....			32	(32)				—
Cash dividends paid .....			(299)					(299)
Net income .....			1,290					1,290
Change of net unrealized gains on other securities .....					1,801			1,801
Change of foreign currency translation adjustments .....						111		111
Change of treasury stock.....							18	18
<b>Balance at September 30, 2003</b> .....	\$11,215	\$7,683	\$3,805	\$880	\$1,584	\$(370)	\$(119)	\$24,678

See accompanying notes to consolidated Interim financial statements.

# Consolidated Statements of Cash Flows (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Six months ended September 30, 2003 and year ended March 31, 2003

	Millions of yen		Millions of U.S. dollars
	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
<b>1. Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests.....	¥ 186,880	¥ (590,914)	\$ 1,680
Depreciation of premises, equipment and others .....	41,894	89,414	376
Depreciation of lease assets.....	167,285	312,562	1,504
Amortization of goodwill.....	4,191	10,171	38
Equity in earnings of affiliates .....	(8,044)	(5,718)	(72)
Net change in reserve for possible loan losses .....	(550,977)	82,688	(4,953)
Net change in reserve for possible losses on loans sold.....	(18,036)	(65,706)	(162)
Net change in reserve for employee bonuses .....	(1,134)	(140)	(10)
Net change in reserve for employee retirement benefits .....	7,969	(47,563)	72
Net change in reserve for exhibition at World Exposition .....	57	—	0
Interest income .....	(826,407)	(1,816,908)	(7,428)
Interest expenses .....	163,169	417,404	1,467
Net (gains) losses on securities.....	(40,431)	471,528	(364)
Net losses from money held in trust .....	1,007	4,003	9
Net exchange losses .....	221,477	170,155	1,991
Net losses from disposal of premises and equipment .....	7,985	33,301	72
Net losses from disposal of lease assets.....	49	1,505	0
Net change in trading assets .....	1,003,098	(1,253,569)	9,017
Net change in trading liabilities .....	(802,432)	569,881	(7,213)
Net change in loans and bills discounted .....	1,985,803	2,472,161	17,850
Net change in deposits .....	(428,206)	(2,024,876)	(3,849)
Net change in negotiable certificates of deposit .....	(1,479,196)	(1,806,894)	(13,296)
Net change in borrowed money (excluding subordinated debt) .....	(51,542)	(261,965)	(463)
Net change in deposits with banks .....	(432,383)	2,947,705	(3,887)
Net change in call loans, bills bought and receivables under resale agreements ...	(508,664)	1,280,173	(4,572)
Net change in receivables under securities borrowing transactions.....	1,356,233	1,039,276	12,191
Net change in call money, bills sold and payables under repurchase agreements...	(3,181,690)	902,660	(28,600)
Net change in commercial paper.....	59,700	(979,700)	537
Net change in payables under securities lending transactions.....	(182,466)	1,632,445	(1,640)
Net change in foreign exchanges (assets) .....	(24,440)	42,144	(220)
Net change in foreign exchanges (liabilities) .....	50,442	99,013	453
Issuance and redemption of bonds (excluding subordinated bonds) .....	8,655	457,319	78
Net change in due to trust account.....	18,990	5,953	171
Interest received .....	856,081	1,956,975	7,695
Interest paid .....	(174,330)	(464,798)	(1,567)
Other, net.....	809,744	(100,004)	7,278
<b>Subtotal .....</b>	<b>¥ (1,759,666)</b>	<b>¥ 5,579,686</b>	<b>\$ (15,817)</b>
Income taxes paid.....	5,817	(136,485)	52
<b>Net cash provided by (used in) operating activities .....</b>	<b>¥ (1,753,848)</b>	<b>¥ 5,443,200</b>	<b>\$ (15,765)</b>

(Continued)

	Millions of yen		Millions of U.S. dollars
	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
<b>2. Cash flows from investing activities:</b>			
Purchases of securities.....	¥(23,707,428)	¥(49,938,065)	\$ (213,100)
Proceeds from sale of securities.....	15,807,610	37,711,992	142,091
Proceeds from maturity of securities .....	9,806,287	7,907,363	88,146
Purchases of money held in trust .....	(21,111)	(14,622)	(190)
Proceeds from sale of money held in trust .....	17,268	23,624	155
Purchases of premises and equipment .....	(22,248)	(69,884)	(200)
Proceeds from sale of premises and equipment .....	17,330	73,677	156
Purchases of lease assets.....	(192,936)	(336,512)	(1,734)
Proceeds from sale of lease assets.....	15,526	33,900	140
Purchases of stocks of subsidiaries.....	(8,999)	(15,444)	(81)
Proceeds from sale of stocks of subsidiaries.....	—	53	—
<b>Net cash provided by (used in) investing activities .....</b>	<b>¥ 1,711,298</b>	<b>¥ (4,623,917)</b>	<b>\$ 15,383</b>
<b>3. Cash flows from financing activities:</b>			
Proceeds from issuance of subordinated debt .....	¥ 34,500	¥ 165,000	\$ 310
Repayment of subordinated debt.....	(95,500)	(286,500)	(859)
Proceeds from issuance of subordinated bonds and bonds with subscription rights for shares .....	238,362	223,950	2,143
Repayment of subordinated bonds and bonds with subscription rights for shares .....	(42,962)	(565,522)	(386)
Proceeds from issuance of stocks .....	—	495,300	—
Dividends paid .....	(33,330)	(37,348)	(300)
Proceeds from minority stockholders.....	—	220	—
Dividends paid to minority stockholders .....	(24,388)	(39,621)	(219)
Purchases of treasury stock .....	(152)	(7,875)	(1)
Proceeds from sale of treasury stock .....	936	8,479	8
<b>Net cash provided by (used in) financing activities .....</b>	<b>¥ 77,465</b>	<b>¥ (43,919)</b>	<b>\$ 696</b>
<b>4. Effect of exchange rate changes on cash and due from banks.....</b>	<b>¥ (1,763)</b>	<b>¥ (2,629)</b>	<b>\$ (16)</b>
<b>5. Net change in cash and due from banks.....</b>	<b>¥ 33,151</b>	<b>¥ 772,734</b>	<b>\$ 298</b>
<b>6. Cash and due from banks at beginning of period.....</b>	<b>¥ 2,900,991</b>	<b>¥ 2,128,742</b>	<b>\$ 26,076</b>
<b>7. Change in cash and due from banks due to merger of consolidated subsidiaries .....</b>	<b>¥ —</b>	<b>¥ 0</b>	<b>\$ —</b>
<b>8. Change in cash and due from banks due to decrease of consolidated subsidiaries .....</b>	<b>¥ (0)</b>	<b>¥ (486)</b>	<b>\$ (0)</b>
<b>9. Cash and due from banks at end of period.....</b>	<b>¥ 2,934,143</b>	<b>¥ 2,900,991</b>	<b>\$ 26,374</b>

See accompanying notes to consolidated Interim financial statements.



# Notes to Consolidated Interim Financial Statements (Unaudited)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries  
Six months ended September 30, 2003

## I. Significant Accounting Policies

### 1. Scope of consolidation

- (1) Consolidated subsidiaries: 169 companies

Principal companies:

Sumitomo Mitsui Banking Corporation ("SMBC")  
THE MINATO BANK, LTD.  
The Bank of Kansai, Ltd.  
Sumitomo Mitsui Banking Corporation Europe Limited  
Manufacturers Bank  
SMBC Leasing Company, Limited  
Sumitomo Mitsui Card Company, Limited  
SMBC Capital Co., Ltd.  
SMBC Finance Service Co., Ltd.  
SMBC Friend Securities Co., Ltd.  
The Japan Research Institute, Limited  
SMBC Capital Markets, Inc.

From this interim term:

- three companies including The Kansai Sawayaka Bank, Limited were newly consolidated due to acquirement of shares, and five companies including SMBC Leasing Investment L.L.C. were newly consolidated due to establishment.
- five companies including Sakura Friend Securities Co., Ltd., Mitsui Finance Service Co., Ltd. and Sakura Finance Service Co., Ltd. were excluded from the scope of consolidation due to merger, and Sakura Global Capital Asia Limited was excluded from the scope of consolidation due to liquidation.
- three companies including SMBCL CEPHEUS CO., LTD. became silent partnerships for lease transactions, and became nonconsolidated subsidiaries that are not accounted for by the equity method.

- (2) Nonconsolidated subsidiaries

Principal company:

SBCS Co., Ltd.

One hundred and five subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 5 Paragraph 1 Item 2 of Interim Consolidated Financial Statements Regulation, they were excluded from the scope of consolidation.

Total assets, ordinary income, net income and retained earnings of other nonconsolidated subsidiaries have no significant impact on the consolidated interim financial statements.

### 2. Application of the equity method

- (1) Nonconsolidated subsidiaries accounted for by the equity method: 4 companies

Principal company:

SBCS Co., Ltd.

- (2) Affiliates accounted for by the equity method: 44 companies

Principal companies:

Daiwa Securities SMBC Co. Ltd.  
Daiwa SB Investments Ltd.  
Sumitomo Mitsui Asset Management Company,  
Limited  
QUOQ Inc.

From this interim term:

- two companies including Hokkaido Mother Land Capital, Ltd. were newly applied due to establishment
  - Daiwa Europe (Deutschland) GmbH was excluded due to liquidation.
- (3) Nonconsolidated subsidiaries and affiliates that are not accounted for by the equity method:  
One hundred and five subsidiaries including S.B.L. Mercury Co., Ltd. are silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, pursuant to Article 7 Paragraph 1 Item 2 of Interim Consolidated Financial Statements Regulation, they are not treated as affiliated companies accounted for by the equity method.

- (4) Affiliates that are not accounted for by the equity method  
Principal company:

Daiwa SB Investments (USA) Ltd.

Net income and retained earnings of other nonconsolidated subsidiaries and affiliates that are not accounted for by the equity method have no significant impact on the consolidated interim financial statements.

### 3. The interim balance sheet dates of consolidated subsidiaries

- (1) The interim account closing dates of the consolidated subsidiaries are as follows:

March 31:	5 Companies
April 30:	1 Company
June 30:	65 Companies
July 31:	2 Companies
September 30:	96 Companies

- (2) As for the companies whose interim balance sheet dates are March 31 and April 30, the accounts are provisionally closed for the purpose of consolidation as of September 30 and July 31, respectively. The other companies are consolidated on the basis of their respective interim balance sheet dates.

Appropriate adjustments were made for significant transactions during the periods from their respective interim balance sheet dates to the consolidated interim closing date.

### 4. Accounting methods

- (1) Standards for recognition and measurement of trading assets and liabilities

Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheet on a contract date basis. Relevant income or expenses on trading-purpose transactions are recognized as "Trading profits" or "Trading losses" in the consolidated statement of operations.

Securities and monetary claims purchased for trading purposes are stated at the interim term-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated interim balance sheet date.

Adjustments are made to interest income or expenses for recognition of trading profits or losses in the amounts of changes in valuation of securities and monetary claims or gains or losses resulting from any change in the value of derivatives between the previous fiscal year-end and this interim term-end, assuming they were settled at this interim term-end.

A consolidated subsidiary, SMBC formerly accounted for foreign currency translation differences arising from currency swaps for trading purposes as “Other assets” or “Other liabilities” on the balance sheet on a net basis. From this interim term, SMBC accounts for such foreign currency differences as “Trading assets” and “Trading liabilities” on a gross basis, pursuant to the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No.25). Consequently, “Other liabilities” decreased by ¥83,790 million (\$753 million), and “Trading assets” and “Trading liabilities” increased by ¥47,405 million (\$426 million) and ¥131,196 million (\$1,179 million), respectively.

## (2) Standards for recognition and measurement of securities

(a) Held-to-maturity debt securities are debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity, and are carried at amortized cost (straight-line method) using the moving-average method.

Investments in nonconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method.

Securities other than trading purpose securities, held-to-maturity debt securities and investments in nonconsolidated subsidiaries and affiliates are classified as “other securities” (available-for-sale securities). Stocks in other securities that have market value are carried at the average market prices during the final month of the interim term, and bonds and others that have market prices are carried at their interim term-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities with no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in “Stockholders’ equity,” after deducting the amount that is reflected in the interim term’s earnings because of application of fair value hedge accounting.

(b) Securities included in “Money held in trust” are carried in the same way as in Notes I. 4. (1) and (2) (a).

## (3) Standards for recognition and measurement of derivative transactions

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with their local accounting standards.

## (4) Depreciation

(a) Depreciation of premises, equipment and lease assets  
Premises and equipment owned by Sumitomo Mitsui Financial Group, Inc. (“SMFG”) and SMBC are depreciated using the straight-line method for premises and the

declining-balance method for equipment. For the six months ended September 30, 2003, SMBC calculated the depreciation cost by proportionally allocating the estimated annual costs to the interim term. The estimated useful lives of major items are as follows:

Buildings: 7 to 50 years

Equipment: 2 to 20 years

Other consolidated subsidiaries depreciate premises and equipment, and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.

## (b) Depreciation of capitalized software

Capitalized software for internal use owned by SMFG and its consolidated domestic subsidiaries is depreciated using the straight-line method over its estimated useful life (basically five years).

## (5) Reserve for possible loan losses

Reserve for possible loan losses of SMBC and other major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and reserves.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt but are likely to become bankrupt in the future, a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Of the claims on borrowers requiring close monitoring, SMBC applies the Discounted Cash Flows method (“DCF method”) to the claims on borrowers, all or some of whose loans are classified as “Past due loans (3 months or more)” or “Restructured loans” and whose total loans exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in specific countries, an additional reserve is provided for in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.

Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and charged off against the total outstanding amount of the claims. The amount of write-off was ¥1,693,302 million (\$15,221 million).

**(6) Reserve for employee bonuses**

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to this interim term.

**(7) Reserve for employee retirement benefits**

Reserve for employee retirement benefits is provided, in provision for payment of retirement benefits to employees, in the amount deemed accrued at interim term-end, based on the projected retirement benefit obligation and fair value of plan assets at the fiscal year-end.

Prior service cost is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized using the straight-line method, primarily over 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

Unrecognized net transition obligation from the initial application of the new accounting standard for employee retirement benefits is amortized using the straight-line method over five years and is charged 50% of the annual amortized cost to its income for the six months ended September 30, 2003.

**(8) Reserve for possible losses on loans sold**

Reserve for possible losses on loans sold is provided for contingent losses arising from decline of market value of underlying collateral for loans sold to the Cooperative Credit Purchasing Company, Limited. This reserve is provided in accordance with Article 43 of the Ordinance of the Commercial Code.

**(9) Reserve for exhibition at World Exposition**

SMBC accounts for the exhibition expenses related to "The 2005 World Exposition, Aichi, Japan," which will be held in Aichi Prefecture in 2005 as "Reserve for exhibition at World Exposition." This reserve is stipulated in Article 43 of the Ordinance of the Commercial Code and includes the reserve that is stipulated in Article 57-2 of the Specific Taxation Measures Law.

**(10) "Other reserves" required by special laws**

Other reserves required by special laws are reserve for contingent liabilities from financial futures transaction (¥18 million (\$0 million)) in accordance with Article 82 of the Financial Futures Transaction Law, and reserve for contingent liabilities from securities transactions (¥513 million (\$5 million)) in accordance with Article 51 of Securities Exchange Law.

**(11) Translation of foreign currency assets and liabilities**

SMBC's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated interim balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates which are prevailing at the time of acquisition.

As for the accounting method of foreign currency transactions, in the previous fiscal year, domestic consolidated banking subsidiaries applied the temporary treatment stipulated in JICPA Industry Audit Committee Report No.25 to currency swaps and foreign exchange swaps for the purpose of lending or borrowing funds in different currencies. From this interim term, they apply the hedge accounting pursuant to the full treatment of JICPA Industry Audit Committee Report No.25.

Consequently, for the six-month period, the domestic consolidated banking subsidiaries have valued such foreign exchange swaps at fair value and included their fair-valued assets and liabilities in the consolidated balance sheet. Previously, profits or losses on the foreign exchange swaps were charged to income by periodical allocation. As a result, "Other assets" and "Other liabilities" each increased by ¥2,846 million (\$26 million). However, this accounting change had no impact on profit or loss.

Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as "Other assets" or "Other liabilities" on a net basis, but from this interim term they are accounted for as "Other assets" or "Other liabilities" on a gross basis pursuant to JICPA Industry Audit Committee Report No.25. Consequently, "Other assets" and "Other liabilities" increased by ¥737,724 million (\$6,631 million) each.

Other consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective interim balance sheet dates.

**(12) Accounting method for lease transactions**

Financing leases of SMFG and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same manner as operating leases.

Standards for recognizing rental income on lease transactions and income/expenses on installment sales are as follows:

- (a) Recognition of lease-related income on lease transactions  
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the monthly rent revenue.
- (b) Recognition of income and expenses on installment sales  
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full term of the installment sales.

**(13) Hedge accounting**

- (a) Hedging against interest rate changes

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting or fair value hedge accounting.

In the previous fiscal year, SMBC applied the temporary treatment stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No.24) to the “macro hedge,” which is the management of interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets and interest-bearing liabilities as a whole using derivatives. From this interim term, SMBC applies the full treatment of JICPA Industry Audit Committee Report No.24 to hedges on groups of large-volume, small-value monetary claims and debts with similar risk characteristics. SMBC assesses the effectiveness of such hedges in offsetting movement of the fair value by the changes in interest rates, by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As to the cash flow hedges, SMBC assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments. As to the individual hedges, SMBC also assesses the effectiveness of such hedges.

As a result of changing the designation of hedge relationship pursuant to JICPA Industry Audit Committee Report No.24, SMBC applies fair value hedge accounting to hedging transactions for reducing the exposure to market volatility of bonds classified as other securities that are held for the purpose of Asset and Liability Management in order to more properly reflect the effectiveness of hedging transactions in the financial statements. Consequently, “Other assets” and “Net unrealized gains on other securities” decreased by ¥21,462 million (\$193 million) and ¥13,521 million (\$122 million), respectively and “Deferred tax assets” increased by ¥8,507 million (\$76 million).

A portion of deferred hedge losses and gains, which was previously under the macro hedge, is no longer subject to hedge accounting. The deferred hedge losses and gains related to hedging instruments to which SMBC discontinued the application of hedge accounting or applied fair value hedge accounting as a result of the change mentioned above are charged to “Interest income” or “Interest expenses” over a 12-year period (maximum) from this interim term according to their maturity. At September 30, 2003 gross amounts of deferred hedge losses and gains on “macro hedge” were ¥422,999 million (\$3,802 million) and ¥410,931 million (\$3,694 million), respectively.

- (b) Hedging against currency fluctuations  
SMBC applies deferred hedge accounting stipulated in the full treatment of JICPA Industry Audit Committee Report No.25 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No.25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the

purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.

- (c) Transactions between consolidated subsidiaries  
As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No.24 and No.25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

Certain other consolidated subsidiaries use the deferred hedge accounting or the special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the accounting method that is permitted by the Industry Audit Committee Report No.19 “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry,” issued by JICPA.

#### (14) Consumption tax

National and local consumption taxes of SMFG and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.

#### (15) Tax effect accounting

On the premise that transfer to and from the reserve for losses on overseas investments will be conducted through appropriation of retained earnings (deficit) at the end of this fiscal year of SMFG and its consolidated domestic subsidiaries, current and deferred income taxes are recorded in the amount corresponding to the consolidated interim term.

#### 5. Scope of “cash and cash equivalents” on consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represents cash and due from banks.

## II. Notes to Consolidated Balance Sheet

- Securities include ¥200,137 million (\$1,799 million) of stocks of nonconsolidated subsidiaries and affiliates and ¥1,614 million (\$15 million) of investments.
- “Japanese government bonds” as a sub-account of “Securities” include ¥6,002 million (\$54 million) of unsecured loaned

securities for which borrowers have the right to sell or pledge and ¥119 million (\$1 million) of loaned securities for which borrowers only have the right to pledge and not to sell.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to be sold or pledged without restrictions, ¥654,394 million (\$5,882 million) in securities are pledged, and ¥136,090 million (\$1,223 million) in securities are held in hand as of the consolidated interim balance sheet date.

3. “Bankrupt loans” and “Non-accrual loans” were ¥179,497 million (\$1,613 million) and ¥2,287,238 million (\$20,559 million), respectively. These amounts include trusts with The Resolution and Collection Corporation, a measure regarded as off-balancing, in the amount of ¥38,941 million (\$350 million).

“Bankrupt loans” are loans on which consolidated subsidiaries do not currently accrue interest income, as substantial doubt is judged to exist as to the ultimate collectability of either principal or interest as they are past due for a considerable period of time or for other reasons, and meet conditions defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law, issued in 1965. “Non-accrual loans” are loans on which consolidated subsidiaries do not currently accrue interest income, excluding Bankrupt loans and loans for which consolidated subsidiaries are forbearing interest payments to support the borrowers’ recovery from financial difficulties.

4. “Past due loans (3 months or more)” totaled ¥101,630 million (\$914 million).

“Past due loans (3 months or more)” are loans other than “Bankrupt loans” and “Non-accrual loans” on which the principal or interest is past due for three months or more.

5. “Restructured loans” totaled ¥1,853,890 million (\$16,664 million).

“Restructured loans” are loans other than “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more)” for which consolidated subsidiaries have relaxed lending terms, such as reduction of the original interest rate, forbearance of interest payments or principal repayments or have made agreements in favor of borrowers such as debt forgiveness, to support the borrowers’ recovery from financial difficulties.

6. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥4,422,255 million (\$39,751 million). This amount includes trusts with The Resolution and Collection Corporation, a measure regarded as off-balancing, in the amount of ¥38,941 million (\$350 million).

The amounts of loans presented in 3. to 6. above are the amounts before deduction of reserve for possible loan losses.

7. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG’s banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥966,761 million (\$8,690 million).

8. Assets pledged as collateral were as follows:

September 30, 2003	Millions of yen	Millions of U.S. dollars
Assets pledged		
Cash and due from banks and		
Deposits with banks.....	¥ 124,638	\$ 1,120
Trading assets .....	570,857	5,131
Securities .....	9,794,664	88,042
Loans and bills discounted .....	3,760,959	33,806
Other assets (installment account		
receivable, etc.) .....	1,180	11
Premises and equipment .....	529	5
Liabilities corresponding to		
assets pledged		
Deposits.....	¥ 14,910	\$ 134
Call money and bills sold.....	7,054,900	63,415
Payables under repurchase		
agreements.....	1,857,026	16,692
Payables under securities		
lending transactions .....	4,355,513	39,151
Trading liabilities .....	144,062	1,295
Borrowed money.....	4,216	38
Other liabilities .....	10,979	99
Acceptances and guarantees .....	149,297	1,342

In addition, Cash and due from banks and Deposits with banks of ¥44,798 million (\$403 million), Trading assets of ¥4,204 million (\$38 million), Securities of ¥3,966,901 million (\$35,658 million), Loans and bills discounted of ¥968,383 million (\$8,705 million) were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Premises and equipment include surety deposits and intangible of ¥118,028 million (\$1,061 million), and Other assets include initial margins of futures markets of ¥7,036 million (\$63 million).

9. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥29,801,082 million (\$267,875 million), and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥27,261,498 million (\$245,047 million). Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers’ financial positions, revising contracts when need arises and securing claims after contracts are made.

10. Net amount of deferred unrealized gains (losses) on hedging instruments to which deferred hedge accounting is applied is reported as deferred loss on hedge and are included in "Other assets." Gross deferred unrealized losses and gains on hedging instruments were ¥1,735,996 million (\$15,604 million) and ¥1,609,388 million (\$14,466 million), respectively.
11. SMBC revaluated its own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."
- Certain consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponding to the net unrealized gains (losses) are deferred and reported in "Liabilities" or "Assets" as "Deferred tax liabilities for land revaluation" or "Deferred tax assets for land revaluation," and the net unrealized gains (losses), net of deferred taxes, are reported as "Land revaluation excess" in "Stockholders' equity."

Date of the revaluation:

SMBC: March 31, 1998 and March 31, 2002  
 Certain consolidated subsidiaries: March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Law):

SMBC: Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law Concerning Land Revaluation (the Enforcement Ordinance No.119) effective March 31, 1998.  
 Certain consolidated subsidiaries: Fair values were determined based on the values specified in Article 2-3 and 2-5 of the Enforcement Ordinance No.119.

12. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets amounted to ¥604,089 million (\$5,430 million) and ¥1,508,565 million (\$13,560 million), respectively.
13. The balance of subordinated debt included in "Borrowed money" was ¥811,510 million (\$7,294 million).
14. The balance of subordinated bonds included in "Bonds" was ¥1,583,839 million (\$14,237 million).

### III. Notes to Consolidated Statement of Operations

- "Other income" includes gains on sales of stocks and other securities of ¥56,039 million (\$504 million), the tax refund from the Tokyo Metropolitan Government of ¥38,236 million (\$344 million) and the interest on the tax refund of ¥2,097 million (\$19 million).
- "Other expenses" includes write-off of loans in the amount of ¥388,924 million (\$3,496 million), amortized cost of unrecognized net obligation from initial application of the new accounting standard for employee retirement benefits of ¥11,021 million (\$99 million) and losses on disposal of premises and equipment of ¥8,408 million (\$76 million).

### IV. Notes to Consolidated Statement of Cash Flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represents cash and due from banks.

Reconciliation of the opening balance and the cash payment (net) for acquisition of three companies including The Kansai Sawayaka Bank, Limited is as follows:

	Millions of yen	Millions of U.S. dollars
Assets .....	¥ 800,118	\$ 7,192
Loans and bills discounted.....	593,042	5,331
Liabilities.....	¥(724,759)	\$(6,514)
Deposits.....	(682,774)	(6,137)
Minority interests .....	(23,450)	(211)
Goodwill.....	(13,136)	(118)
Acquisition costs for the three companies' stocks (a).....	¥ 38,773	\$ 349
The three companies' cash and cash equivalents (b).....	(29,773)	(268)
(a) - (b) Net cash payment for acquisition of the three companies...	¥ 8,999	\$ 81

### V. Lease Transactions

#### 1. Financing leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at September 30, 2003 was as follows:

##### (1) Lessee side

September 30, 2003	Millions of yen		
	Equipment	Other	Total
Acquisition cost .....	¥10,937	¥213	¥11,150
Accumulated depreciation .....	5,977	116	6,094
Net book value .....	¥ 4,959	¥ 97	¥ 5,056

September 30, 2003	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost .....	\$98	\$2	\$100
Accumulated depreciation .....	54	1	55
Net book value .....	\$44	\$1	\$ 45

Future minimum lease payments excluding interests at September 30, 2003 were as follows:

September 30, 2003	Millions of yen		Millions of U.S. dollars
Due within one year.....	¥1,876		\$17
Due after one year .....	3,316		30
Total.....	¥5,193		\$47

Total lease expenses for this interim term were ¥1,152 million (\$10 million).

Assumed depreciation expenses for this interim term amounted to ¥1,082 million (\$10 million).

Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets.

The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expense. The allocation of such interest expense over the lease term is computed using the effective interest method. Interest expense for this interim term amounted to ¥76 million (\$1 million).

## (2) Lessor side

September 30, 2003	Millions of yen		
	Equipment	Other	Total
Acquisition cost .....	¥1,942,876	¥548,854	¥2,491,730
Accumulated depreciation .....	1,203,109	299,931	1,503,041
Net book value .....	¥ 739,766	¥248,922	¥ 988,689

September 30, 2003	Millions of U.S. dollars		
	Equipment	Other	Total
Acquisition cost .....	\$17,464	\$4,934	\$22,398
Accumulated depreciation .....	10,814	2,696	13,510
Net book value .....	\$ 6,650	\$2,238	\$ 8,888

Future lease payment receivables excluding interests for this interim term-end were as follows:

September 30, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 322,445	\$2,898
Due after one year .....	709,410	6,377
Total .....	¥1,031,856	\$9,275

Lease income for this interim term was ¥205,211 million (\$1,845 million).

Depreciation expense for this interim term was ¥165,475 million (\$1,487 million).

Assumed interest income was calculated on the basis of the allocation of excess amount of total lease income and estimated residual value over the acquisition cost of leased assets.

The allocation of such assumed interest income over the lease term is computed using the effective interest method. Assumed interest income for this interim term was ¥34,173 million (\$307 million).

## 2. Operating leases

Operating leases at September 30, 2003 consisted of the following:

### (1) Lessee side

Future minimum lease payments at September 30, 2003 were as follows:

September 30, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 18,679	\$ 168
Due after one year .....	98,100	882
Total .....	¥116,780	\$1,050

### (2) Lessor side

Future lease payment receivables at September 30, 2003 were as follows:

September 30, 2003	Millions of	
	Millions of yen	U.S. dollars
Due within one year .....	¥ 630	\$ 6
Due after one year .....	1,497	13
Total .....	¥2,128	\$19

Future lease payment receivables of ¥94,692 million (\$851 million) included in the amounts above 1. and 2. were pledged as collateral for borrowing transactions.

## VI. Others

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts. For the convenience of the readers, all items have been translated from Japanese yen to U.S. dollars at the rate of ¥111.25 to US\$1, the exchange rate prevailing on September 30, 2003.

## VII. Per Share Data

September 30, 2003	Yen	U.S. dollars
Stockholders' equity per share .....	¥165,291.87	\$1,485.77
Net income per share .....	24,993.09	224.66
Net income per share — diluted .....	15,608.81	140.30

1. Consolidated stockholders' equity per share is calculated by deducting from stockholders' equity the number of preferred stocks issued as of the end of the interim term multiplied by the issue price, divided by the number of common stocks issued at the interim term-end (excluding "treasury stock").
2. Consolidated net income per share is calculated by deducting total preferred stock dividends from net income, divided by the average number of common stocks outstanding during the interim term (excluding "treasury stock").

## VIII. Subsequent Events (up to December 16, 2003)

There have been no subsequent events of material importance after September 30, 2003.

## IX. Market Value Information

### 1. Market value of marketable securities

Note: In addition to "Securities" stated in the consolidated balance sheet, the amounts below include trading securities, commercial paper and short-term corporate bonds classified as "Trading assets," negotiable certificates of deposit bought classified as "Cash and due from banks" and commercial paper and beneficiary claims on loan trusts classified as "Commercial paper and other debt purchased."

#### (1) Securities classified as trading purposes

September 30, 2003	Millions of yen	Millions of U.S. dollars
Consolidated balance sheet amount .....	¥1,205,895	\$10,840
Valuation gains (losses) included in profit/loss during the term .....	(1,705)	(15)

#### (2) Bonds classified as held-to-maturity with market value

September 30, 2003	Millions of yen				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds .....	¥510,142	¥498,990	¥(11,152)	¥ 884	¥12,037
Japanese local government bonds .....	—	—	—	—	—
Japanese corporate bonds .....	—	—	—	—	—
Other .....	21,329	22,379	1,049	1,166	117
Total .....	¥531,472	¥521,369	¥(10,103)	¥2,051	¥12,155

September 30, 2003	Millions of U.S. dollars				
	Consolidated balance sheet amount	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds .....	\$4,585	\$4,485	\$(100)	\$ 8	\$108
Japanese local government bonds .....	—	—	—	—	—
Japanese corporate bonds .....	—	—	—	—	—
Other .....	192	201	9	10	1
Total .....	\$4,777	\$4,686	\$ (91)	\$18	\$109

Note: Market value is calculated using the market prices at the interim term-end.

#### (3) Other securities with market value

September 30, 2003	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks .....	¥ 2,606,121	¥ 3,077,101	¥ 470,979	¥578,166	¥107,187
Bonds .....	¥12,436,715	¥12,281,842	¥(154,872)	¥ 6,597	¥161,470
Japanese government bonds .....	11,240,557	11,103,803	(136,754)	2,865	139,619
Japanese local government bonds .....	413,692	403,548	(10,143)	924	11,067
Japanese corporate bonds .....	782,465	774,489	(7,975)	2,808	10,783
Other .....	¥ 4,187,030	¥ 4,174,553	¥ (12,477)	¥ 20,171	¥ 32,649
Total .....	¥19,229,867	¥19,533,496	¥ 303,629	¥604,936	¥301,307

September 30, 2003	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks .....	\$ 23,426	\$ 27,659	\$ 4,233	\$5,197	\$ 964
Bonds .....	\$111,791	\$110,399	\$(1,392)	\$ 59	\$1,451
Japanese government bonds .....	101,039	99,810	(1,229)	26	1,255
Japanese local government bonds .....	3,719	3,627	(92)	8	100
Japanese corporate bonds .....	7,033	6,962	(71)	25	96
Other .....	\$ 37,636	\$ 37,524	\$ (112)	\$ 182	\$ 294
Total .....	\$172,853	\$175,582	\$ 2,729	\$5,438	\$2,709

Notes: 1. Of the total net unrealized gains shown above, ¥22,029 million (\$198 million) is included in this term's profit because of the application of fair value hedge accounting.

2. Market value is calculated as follows:

Stocks	Average market price during one month before the interim term-end
Bonds and others	Market prices at the interim term-end



3. Other securities with market value are considered as impaired if the market value decreases significantly below the acquisition cost and such decline is not considered as recoverable. The market value is used for the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for the current interim term. Valuation loss (impaired) for the current interim term was ¥530 million (\$5 million). The rule for determining "significant decline" is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers:	Market value is lower than acquisition cost.
Issuers requiring caution:	Market value is 30% or more lower than acquisition cost.
Normal issuers:	Market value is 50% or more lower than acquisition cost.
Bankrupt issuers:	Issuers that are legally bankrupt or formally declared bankrupt.
Effectively bankrupt issuers:	Issuers that are not legally bankrupt but regarded as substantially bankrupt.
Potentially bankrupt issuers:	Issuers that are perceived to have a high risk of falling into bankruptcy.
Issuers requiring caution:	Issuers that are identified for close monitoring.
Normal issuers:	Issuers other than the above four categories of issuers.

(4) Held-to-maturity bonds sold during the interim term

Six months ended September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Acquisition cost	Sales amount	Gains on sales	Acquisition cost	Sales amount	Gains on sales
Japanese government bonds .....	¥21,063	¥21,709	¥ 645	\$189	\$195	\$ 6
Japanese local government bonds .....	23,060	23,796	736	207	214	7
Total .....	¥44,123	¥45,506	¥1,382	\$396	\$409	\$13

Note: Reason for sales: A consolidated subsidiary, THE MINATO BANK, LTD. ("Minato") changed its investment policy.

(5) Other securities sold during the interim term

Six months ended September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Other securities .....	¥15,761,524	¥145,995	¥95,693	\$141,677	\$1,312	\$860

(6) Securities with no available market value

September 30, 2003	Millions of yen	Millions of U.S. dollars
	Consolidated balance sheet amount	Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Unlisted foreign securities .....	¥ 5,411	\$ 49
Other .....	10,112	91
Other securities		
Unlisted stocks (except OTC trading stocks) .....	¥ 338,389	\$ 3,042
Unlisted bonds .....	1,457,321	13,100
Unlisted foreign securities .....	325,123	2,922
Other .....	109,236	982

(7) Change of classification of securities

Minato changed its investment policy and sold some of the held-to-maturity bonds during this interim term. As a result, Minato changed the classification of the remaining bonds that Minato holds, ¥28,281 million (\$254 million), from "held-to-maturity" to "other securities" pursuant to Article 83 of the "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No.14). According to this change of classification, "Securities" increased by ¥66 million (\$1 million) and "Deferred tax assets" decreased by ¥26 million (\$0 million), and "Minority interests" and "Net unrealized gains on other securities" increased by ¥36 million (\$0 million) and ¥2 million (\$0 million), respectively, compared with the former classification of bonds.

(8) Redemption schedule of other securities with maturities and bonds classified as held-to-maturity

September 30, 2003	Millions of yen			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds .....	¥2,916,076	¥6,936,933	¥3,780,495	¥ 615,803
Japanese government bonds .....	2,717,215	5,160,392	3,125,480	610,858
Japanese local government bonds .....	6,726	197,435	198,853	533
Japanese corporate bonds .....	192,133	1,579,106	456,162	4,411
Other .....	¥ 471,659	¥2,977,811	¥ 434,399	¥ 606,081
Total .....	¥3,387,735	¥9,914,745	¥4,214,895	¥1,221,884

September 30, 2003	Millions of U.S. dollars			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds .....	\$26,212	\$62,354	\$33,982	\$ 5,535
Japanese government bonds .....	24,424	46,385	28,094	5,491
Japanese local government bonds .....	61	1,775	1,788	5
Japanese corporate bonds .....	1,727	14,194	4,100	39
Other .....	\$ 4,240	\$26,767	\$ 3,905	\$ 5,448
Total .....	\$30,452	\$89,121	\$37,887	\$10,983

## 2. Money held in trust

### (1) Money held in trust classified as trading purposes

September 30, 2003	Millions of yen	Millions of U.S. dollars
Consolidated balance sheet amount .....	¥7,443	\$67
Valuation gains included in profit/loss during the term.....	—	—

### (2) Money held in trust classified as held-to-maturity

There are no corresponding transactions.

### (3) Other money held in trust

September 30, 2003	Millions of yen				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust .....	¥20,070	¥20,054	¥(16)	¥249	¥265

September 30, 2003	Millions of U.S. dollars				
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust .....	\$180	\$180	\$(0)	\$2	\$2

Note: Consolidated interim balance sheet amount is calculated using the market prices at the interim term-end.

## 3. Net unrealized gains (losses) on other securities

September 30, 2003	Millions of yen	Millions of U.S. dollars
Net unrealized gains .....	¥281,549	\$2,531
Other securities.....	281,565	2,531
Other money held in trust.....	(16)	(0)
(+) Deferred tax assets .....	(110,389)	(992)
Net unrealized gains on other securities (before following adjustment).....	¥171,159	\$1,539
(-) Minority interests .....	¥ (4,343)	\$ (39)
(+) SMFG's interest in net unrealized gains on valuation of other securities held by affiliates accounted for by the equity method .....	722	6
Net unrealized gains on other securities .....	¥176,225	\$1,584

Notes: 1. Of the total net unrealized gains shown above, ¥22,029 million (\$198 million) is included in this term's profit because of the application of fair value hedge accounting.

2. Net unrealized gains included foreign currency translation adjustments on non-marketable securities denominated in foreign currency.

## 4. Derivative transactions

### (1) Interest rate derivatives

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Interest rate futures .....	¥213,646,304	¥ 7,059	¥ 7,059	\$1,920,416	\$ 63	\$ 63
Interest rate options.....	2,815,783	(314)	(314)	25,310	(3)	(3)
Over-the-counter transactions:						
Forward rate agreements.....	¥ 19,588,774	¥ 764	¥ 764	\$ 176,079	\$ 7	\$ 7
Interest rate swaps .....	378,671,001	286,193	286,193	3,403,784	2,573	2,573
Interest rate swaptions.....	6,857,851	(30,654)	(30,654)	61,644	(276)	(276)
Caps .....	8,861,038	1,313	1,313	79,650	12	12
Floors .....	506,180	(888)	(888)	4,550	(8)	(8)
Other .....	249,262	2,642	2,642	2,241	24	24
Total .....	/	¥266,116	¥266,116	/	\$2,392	\$2,392

Note: The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

Interest-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized gains amount to ¥78 million (\$1 million).

## (2) Currency derivatives

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Currency swaps.....	¥16,370,428	¥ 65,930	¥149,520	\$147,150	\$ 593	\$1,344
Currency swaptions .....	1,563,973	20,038	20,038	14,058	180	180
Forward foreign exchange .....	33,529,491	(125,004)	(125,004)	301,389	(1,124)	(1,124)
Currency options .....	6,553,725	(7,407)	(7,407)	58,910	(66)	(66)
Other .....	18,119	46	46	163	0	0
Total .....	/	¥ (46,397)	¥ 37,193	/	\$ (417)	\$ 334

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

The following types of forward foreign exchange and currency options are not included in the above amounts.

(a) Derivative transactions to which deferred hedge accounting is applied

(b) Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market value are already reflected in the amount of the financial assets/liabilities on the consolidated balance sheet.

(c) Those that are allotted to financial assets/liabilities denominated in foreign currency and the financial assets/liabilities are eliminated in the process of consolidation.

Currency-related transactions that some consolidated overseas subsidiaries account for in accordance with their local accounting standards are excluded from the amounts above. Their net unrealized losses amount to ¥178 million (\$2 million).

2. The forward foreign exchange and currency options that were formerly revaluated are included in the amounts from this interim term.

## (3) Equity derivatives

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Equity price index futures .....	¥ 30	¥ 0	¥ 0	\$ 0	\$ 0	\$ 0
Equity price index options .....	5	(1)	(1)	0	(0)	(0)
Over-the-counter transactions:						
Equity options.....	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Equity price index swaps .....	—	—	—	—	—	—
Other .....	10,481	0	0	94	0	0
Total .....	/	¥ (0)	¥ (0)	/	\$ (0)	\$ (0)

Note: The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

## (4) Bond derivatives

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Transactions listed on exchange:						
Bond futures.....	¥ 868,606	¥ (848)	¥ (848)	\$ 7,808	\$ (8)	\$ (8)
Bond futures options .....	65,081	(104)	(104)	585	(1)	(1)
Over-the-counter transactions:						
Bond options .....	¥2,364,407	¥(6,965)	¥(6,965)	\$21,253	\$(62)	\$(62)
Total .....	/	¥(7,919)	¥(7,919)	/	\$(71)	\$(71)

Note: The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

## (5) Commodity derivatives

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Commodity swaps .....	¥134,986	¥2,680	¥2,680	\$1,213	\$24	\$24
Commodity options.....	10,426	23	23	94	0	0
Total .....	/	¥2,704	¥2,704	/	\$24	\$24

Notes: 1. The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

2. Commodity derivatives are transactions on fuel and metal.

(6) Credit derivative transactions

September 30, 2003	Millions of yen			Millions of U.S. dollars		
	Contract amount	Market value	Valuation gains (losses)	Contract amount	Market value	Valuation gains (losses)
Over-the-counter transactions:						
Credit default options.....	¥63,884	¥1,096	¥1,096	\$574	\$10	\$10
Other .....	79,260	176	176	712	1	1
Total .....	/	¥1,272	¥1,272	/	\$11	\$11

Note: The above transactions are valued at market value and the valuation gains (losses) are accounted for in the consolidated statement of operations.

Derivative transactions to which deferred hedge accounting is applied are excluded from the amounts above.

X. Segment Information

1. Business segment information

Six months ended September 30, 2003	Millions of yen				Elimination and unallocated corporate assets	Consolidated
	Banking business	Leasing	Other	Total		
Ordinary income						
(1) External customers .....	¥1,276,476	¥317,650	¥166,708	¥1,760,835	¥ —	¥1,760,835
(2) Intersegment .....	14,913	9,527	90,622	115,063	(115,063)	—
Total.....	¥1,291,389	¥327,177	¥257,331	¥1,875,898	¥(115,063)	¥1,760,835
Ordinary expenses.....	1,168,804	313,395	220,912	1,703,112	(107,786)	1,595,326
Ordinary profit .....	¥ 122,584	¥ 13,782	¥ 36,418	¥ 172,785	¥ (7,277)	¥ 165,508

Six months ended September 30, 2003	Millions of U.S. dollars				Elimination and unallocated corporate assets	Consolidated
	Banking business	Leasing	Other	Total		
Ordinary income						
(1) External customers .....	\$11,474	\$2,855	\$1,499	\$15,828	\$ —	\$15,828
(2) Intersegment .....	134	86	814	1,034	(1,034)	—
Total.....	\$11,608	\$2,941	\$2,313	\$16,862	\$(1,034)	\$15,828
Ordinary expenses.....	10,506	2,817	1,986	15,309	(969)	14,340
Ordinary profit .....	\$ 1,102	\$ 124	\$ 327	\$ 1,553	\$ (65)	\$ 1,488

Notes: 1. The business segmentation is classified based on SMFG's internal administrative purpose.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. "Other" includes securities, credit card, investment banking, loans, venture capital, system development and information processing.

3. Ordinary income represents total income excluding gains on disposition of premises and equipment, collection of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposition of premises and equipment, amortized cost of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

## 2. Geographic segment information

Six months ended September 30, 2003	Millions of yen						Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total			
Ordinary income								
(1) External customers .....	¥1,606,056	¥71,757	¥43,371	¥39,649	¥1,760,835	¥ —	¥1,760,835	
(2) Intersegment .....	21,629	19,230	2,464	6,062	49,386	(49,386)	—	
Total.....	¥1,627,685	¥90,988	¥45,836	¥45,712	¥1,810,221	¥(49,386)	¥1,760,835	
Ordinary expenses.....	1,521,296	56,531	37,252	25,388	1,640,469	(45,143)	1,595,326	
Ordinary profit .....	¥ 106,388	¥34,456	¥ 8,583	¥20,323	¥ 169,752	¥ (4,243)	¥ 165,508	

Six months ended September 30, 2003	Millions of U.S. dollars						Elimination and unallocated corporate assets	Consolidated
	Japan	The Americas	Europe	Asia and Oceania	Total			
Ordinary income								
(1) External customers .....	\$14,436	\$645	\$390	\$356	\$15,827	\$ —	\$15,827	
(2) Intersegment .....	194	173	22	55	444	(444)	—	
Total.....	\$14,630	\$818	\$412	\$411	\$16,271	\$(444)	\$15,827	
Ordinary expenses.....	13,674	508	335	228	14,745	(406)	14,339	
Ordinary profit .....	\$ 956	\$310	\$ 77	\$183	\$ 1,526	\$ (38)	\$ 1,488	

Notes: 1. The geographic segmentation is classified based on the degrees of following factors:

geographic proximity, similarity of economic activities and relationship of business activities among regions.

Ordinary income and ordinary profit are presented as counterparts of sales and operating profit of companies in other industries.

2. The Americas includes the United States, Brazil, Canada and others; Europe includes the United Kingdom, Germany, France and others; Asia and Oceania includes Hong Kong, Singapore, Australia and others except Japan.

3. Ordinary income represents total income excluding gains on disposition of premises and equipment, recoveries of written-off claims and reversals of other reserves.

Ordinary expenses represent total expenses excluding losses on disposition of premises and equipment, amortized cost of unrecognized net transition obligation for employee retirement benefits and other extraordinary expenses.

## 3. Ordinary income from overseas operations

Six months ended September 30, 2003	Millions of yen	Millions of U.S. dollars
Consolidated ordinary income from overseas operations (A).....	¥ 154,778	\$ 1,391
Consolidated ordinary income (B) .....	1,760,835	15,828
(A) / (B) .....	8.8%	8.8%

Note: The above table shows ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries, excluding internal income. These extensive transactions are not categorized by transaction party and the geographic segment information is not presented because such information is not available.

## XI. Parent Company

### 1. Nonconsolidated balance sheets (unaudited)

Sumitomo Mitsui Financial Group, Inc.  
September 30, 2003 and March 31, 2003

	Millions of yen		Millions of U.S. dollars
	Sept. 30, 2003	Mar. 31, 2003	Sept. 30, 2003
<b>Assets</b>			
Current assets .....	¥ 65,455	¥ 106,108	\$ 588
Cash and due from banks .....	61,841	64,725	556
Other current assets .....	3,613	41,383	32
Fixed assets .....	¥3,291,210	¥3,306,213	\$29,584
Premises and equipment .....	0	0	0
Intangible assets .....	34	26	0
Investments and other assets .....	3,291,175	3,306,185	29,584
Investments in subsidiaries and affiliates .....	3,246,072	3,260,957	29,178
Long-term loans to subsidiaries and affiliates .....	40,000	40,000	360
Deferred tax assets .....	5,102	5,227	46
Deferred charges .....	¥ 1,056	¥ 1,207	\$ 10
<b>Total assets .....</b>	<b>¥3,357,722</b>	<b>¥3,413,529</b>	<b>\$30,182</b>
<b>Liabilities</b>			
Current liabilities .....	¥ 230,228	¥ 257,442	\$ 2,070
Short-term borrowings .....	230,000	256,501	2,068
Reserve for employees bonuses .....	76	83	1
Other current liabilities .....	151	857	1
<b>Total liabilities .....</b>	<b>¥ 230,228</b>	<b>¥ 257,442</b>	<b>\$ 2,070</b>
<b>Stockholders' equity</b>			
Capital stock .....	¥1,247,650	¥1,247,650	\$11,215
Capital surplus .....	¥1,747,263	¥1,747,266	\$15,705
Capital reserve .....	1,247,762	1,747,266	11,215
Other capital surplus .....	499,501	—	4,490
Retained earnings .....	¥ 133,044	¥ 161,521	\$ 1,196
Earned surplus reserve .....	—	496	—
Voluntary reserve .....	30,420	30,420	273
Unappropriated retained earnings .....	102,624	130,605	923
Treasury stock .....	¥ (463)	¥ (351)	\$ (4)
<b>Total stockholders' equity .....</b>	<b>¥3,127,494</b>	<b>¥3,156,086</b>	<b>\$28,112</b>
<b>Total liabilities and stockholders' equity .....</b>	<b>¥3,357,722</b>	<b>¥3,413,529</b>	<b>\$30,182</b>

### 2. Nonconsolidated statements of income (unaudited)

Sumitomo Mitsui Financial Group, Inc.  
Six months ended September 30, 2003 and year ended March 31, 2003

	Millions of yen		Millions of U.S. dollars
	Six months ended Sept. 30, 2003	Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
<b>Operating income .....</b>	<b>¥ 7,146</b>	<b>¥131,519</b>	<b>\$ 64</b>
Dividends on investments in subsidiaries and affiliates .....	3,020	128,265	27
Fees and commissions received from subsidiaries .....	3,707	3,124	33
Interest income on loans to subsidiaries and affiliates .....	419	128	4
<b>Operating expenses .....</b>	<b>¥ 1,508</b>	<b>¥ 971</b>	<b>\$ 14</b>
General and administrative expenses .....	1,508	971	14
Other operating expenses .....	—	0	—
<b>Operating profit .....</b>	<b>¥ 5,637</b>	<b>¥130,547</b>	<b>\$ 50</b>
<b>Nonoperating income .....</b>	<b>¥ 109</b>	<b>¥ 13</b>	<b>\$ 1</b>
<b>Nonoperating expenses .....</b>	<b>¥ 712</b>	<b>¥ 10,926</b>	<b>\$ 6</b>
<b>Ordinary profit .....</b>	<b>¥ 5,035</b>	<b>¥119,634</b>	<b>\$ 45</b>
<b>Income before income taxes .....</b>	<b>¥ 5,035</b>	<b>¥119,634</b>	<b>\$ 45</b>
Income taxes:			
Current .....	1	156	0
Deferred .....	204	(5,259)	2
<b>Net income .....</b>	<b>¥ 4,829</b>	<b>¥124,738</b>	<b>\$ 43</b>

# Supplemental Information

## Nonconsolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation  
September 30, 2003 and 2002, and March 31, 2003

	Millions of yen				Millions of U.S. dollars
	Sept. 30, 2003	Sept. 30, 2002		Mar. 31, 2003	
		Former SMBC	Former Wakashio Bank		
<b>Assets</b>					
Cash and due from banks.....	¥ 2,749,623	¥ 1,526,004	¥ 45,274	¥ 2,775,176	\$ 24,716
Deposits with banks.....	673,756	1,198,244	2,742	513,417	6,056
Call loans and bills bought.....	559,636	373,917	—	99,774	5,030
Receivables under resale agreements.....	61,204	54,023	—	78,679	550
Receivables under securities borrowing transactions.....	625,010	2,186,491	—	1,981,243	5,618
Commercial paper and other debt purchased.....	103,627	111,146	—	92,436	932
Trading assets.....	2,984,076	3,025,923	—	3,950,372	26,823
Trading securities.....	—	—	1,241	—	—
Money held in trust.....	27,493	44,104	—	24,628	247
Securities.....	21,847,113	22,377,416	49,607	23,656,385	196,379
Loans and bills discounted.....	55,153,522	58,902,641	381,192	57,282,365	495,762
Foreign exchanges.....	755,924	908,194	858	724,771	6,795
Other assets.....	1,865,874	2,077,687	1,298	1,848,486	16,772
Premises and equipment.....	681,442	855,921	10,246	707,303	6,125
Deferred tax assets.....	1,711,738	1,859,314	—	1,814,625	15,386
Customers' liabilities for acceptances and guarantees.....	4,498,916	5,272,481	1,033	4,416,292	40,440
Reserve for possible loan losses.....	(1,518,988)	(1,872,641)	(4,553)	(2,074,797)	(13,654)
<b>Total assets</b> .....	<b>¥92,779,975</b>	<b>¥98,900,873</b>	<b>¥488,941</b>	<b>¥97,891,161</b>	<b>\$833,977</b>
<b>Liabilities and stockholders' equity</b>					
<b>Liabilities</b>					
Deposits.....	¥61,201,211	¥62,167,751	¥459,893	¥63,524,258	\$550,123
Call money and bills sold.....	7,918,579	12,708,178	—	8,889,756	71,178
Payables under repurchase agreements.....	1,868,451	1,914,605	—	4,124,094	16,795
Payables under securities lending transactions.....	4,624,779	3,820,124	—	4,777,187	41,571
Commercial paper.....	—	500	—	50,500	—
Trading liabilities.....	1,608,728	2,186,161	—	2,425,632	14,461
Borrowed money.....	2,648,173	3,006,739	—	2,795,160	23,804
Foreign exchanges.....	449,941	439,707	—	392,727	4,044
Bonds.....	2,884,076	2,472,142	—	2,624,099	25,924
Due to trust account.....	24,944	—	—	5,953	224
Other liabilities.....	2,309,751	1,684,911	2,020	1,428,432	20,762
Reserve for employee bonuses.....	8,569	11,119	163	9,898	77
Reserve for employee retirement benefits.....	66,096	114,308	4,139	72,816	594
Reserve for possible losses on loans sold.....	222	41,360	574	17,169	2
Reserve for exhibition at World Exposition.....	57	—	—	—	1
Other reserves.....	18	18	—	18	0
Deferred tax liabilities for land revaluation.....	55,835	61,815	—	57,937	502
Acceptances and guarantees.....	4,498,916	5,272,481	1,033	4,416,292	40,440
<b>Total liabilities</b> .....	<b>¥90,168,353</b>	<b>¥95,901,925</b>	<b>¥467,825</b>	<b>¥95,611,937</b>	<b>\$810,502</b>
<b>Stockholders' equity</b>					
Capital stock.....	¥ 559,985	¥ 1,326,746	¥ 20,831	¥ 559,985	\$ 5,034
Capital surplus.....	1,237,307	1,684,373	0	1,237,307	11,122
Retained earnings.....	557,289	392,874	676	414,536	5,009
Land revaluation excess.....	82,165	98,245	—	85,259	738
Net unrealized gains (losses) on other securities.....	174,873	(502,705)	(391)	(17,864)	1,572
Treasury stock.....	—	(586)	—	—	—
<b>Total stockholders' equity</b> .....	<b>¥ 2,611,621</b>	<b>¥ 2,998,947</b>	<b>¥ 21,116</b>	<b>¥ 2,279,223</b>	<b>\$ 23,475</b>
<b>Total liabilities and stockholders' equity</b> .....	<b>¥92,779,975</b>	<b>¥98,900,873</b>	<b>¥488,941</b>	<b>¥97,891,161</b>	<b>\$833,977</b>

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥111.25 to US\$1, the exchange rate prevailing at September 30, 2003.

## Nonconsolidated Statements of Operations (Unaudited)

Sumitomo Mitsui Banking Corporation

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

	Millions of yen				Millions of U.S. dollars
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002		Year ended Mar. 31, 2003	Six months ended Sept. 30, 2003
		Former SMBC	Former Wakashio Bank		
<b>Income</b>					
Interest income .....	¥ 729,620	¥ 860,493	¥5,467	¥1,647,092	\$ 6,558
Trust fees .....	84	—	—	7	1
Fees and commissions .....	150,162	130,980	437	278,790	1,350
Trading profits .....	152,104	104,126	—	196,726	1,367
Other operating income .....	88,276	102,559	272	194,653	794
Other income .....	111,822	44,531	613	106,753	1,005
<b>Total income</b> .....	<b>¥1,232,071</b>	<b>¥1,242,691</b>	<b>¥6,791</b>	<b>¥2,424,023</b>	<b>\$11,075</b>
<b>Expenses</b>					
Interest expenses.....	¥ 161,039	¥ 224,401	¥ 370	¥ 423,804	\$ 1,448
Fees and commissions .....	50,831	45,196	308	84,124	457
Trading losses.....	2,279	718	—	725	20
Other operating expenses.....	110,774	30,017	11	47,980	996
General and administrative expenses.....	315,168	332,302	4,213	671,639	2,833
Transfer to reserve for possible loan losses .....	—	161,398	—	614,628	—
Other expenses.....	448,988	387,698	1,202	1,252,108	4,036
<b>Total expenses</b> .....	<b>¥1,089,082</b>	<b>¥1,181,733</b>	<b>¥6,106</b>	<b>¥3,095,011</b>	<b>\$ 9,790</b>
Income (loss) before income taxes .....	¥ 142,988	¥ 60,958	¥ 684	¥ (670,988)	\$ 1,285
Income taxes:					
Current.....	12,573	6,787	8	40,299	113
Deferred.....	(9,244)	9,308	—	(232,983)	(83)
<b>Net income (loss)</b> .....	<b>¥ 139,659</b>	<b>¥ 44,862</b>	<b>¥ 676</b>	<b>¥ (478,304)</b>	<b>\$ 1,255</b>

Notes: 1. Amounts less than one million yen have been omitted.

2. For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥111.25 to US\$1, the exchange rate prevailing at September 30, 2003.

3. Figures for the year ended March 31, 2003 include the operating results of the former SMBC for the period from April 1, 2002 to March 16, 2003.



# Income Analysis (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Figures for the six-month period ended September 30, 2002; SMBC's consolidated figures include those for the former Wakashio Bank, which was a subsidiary of SMBC at that time.

## Operating Income, Classified by Domestic and Overseas Operations

Six months ended September 30, 2003 and 2002

Millions of yen

	Sept. 30, 2003				Sept. 30, 2002			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination	Total
Interest income .....	¥711,326	¥134,190	¥(19,110)	¥826,407	¥759,681	¥207,905	¥(12,730)	¥954,856
Interest expenses .....	125,002	54,615	(16,465)	163,152	124,957	113,942	(18,012)	220,887
Net interest income .....	586,324	79,574	(2,644)	663,254	634,723	93,963	5,281	733,969
Trust fees .....	¥ 84	¥ —	¥ —	¥ 84	¥ /	¥ /	¥ /	¥ /
Fees and commissions (income) .....	¥222,815	¥ 14,595	¥ (251)	¥237,159	¥189,344	¥ 15,337	¥ (63)	¥204,619
Fees and commissions (expenses) .....	39,882	2,365	(278)	41,969	40,388	1,882	(75)	42,195
Net fees and commissions .....	182,933	12,229	26	195,190	148,956	13,455	11	162,423
Trading profits .....	¥153,718	¥ 13,100	¥ (2,915)	¥163,904	¥ 99,544	¥ 15,274	¥ (4,285)	¥110,534
Trading losses .....	2,193	721	(2,915)	—	3,660	1,342	(4,285)	718
Net trading income .....	151,525	12,379	—	163,904	95,883	13,932	—	109,816
Other operating income .....	¥446,111	¥ 13,830	¥ (256)	¥459,685	¥426,221	¥ 18,200	¥ (326)	¥444,096
Other operating expenses .....	420,639	12,406	(65)	432,980	324,732	9,205	(50)	333,888
Net other operating income .....	25,471	1,424	(191)	26,704	101,489	8,995	(275)	110,208

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest expenses" are shown after deduction of expenses (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥24 million) related to the management of money held in trust.
3. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column or "Elimination" column.

## Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Six months ended September 30, 2003 and 2002

### Domestic Operations

Millions of yen

	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets .....	¥80,904,257	¥711,326	1.76%	¥86,073,041	¥759,681	1.77%
Loans and bills discounted .....	54,619,544	521,345	1.91	57,928,839	550,815	1.90
Securities .....	23,738,285	118,891	1.00	22,558,111	118,723	1.05
Call loans and bills bought .....	388,832	716	0.37	744,673	1,295	0.35
Receivables under resale agreements .....	29,137	2	0.02	203,451	2	0.00
Receivables under securities borrowing transactions .....	659,019	71	0.02	1,251,579	92	0.01
Deposits with banks .....	668,518	2,533	0.76	1,190,038	11,074	1.86
Interest-bearing liabilities .....	¥85,135,275	¥125,002	0.29%	¥88,812,347	¥124,957	0.28%
Deposits .....	59,740,859	27,716	0.09	58,582,876	36,447	0.12
Negotiable certificates of deposit .....	4,244,403	434	0.02	5,973,833	1,335	0.04
Call money and bills sold .....	7,489,079	536	0.01	11,390,362	773	0.01
Payables under repurchase agreements .....	2,103,516	66	0.01	444,662	14	0.01
Payables under securities lending transactions .....	4,867,352	24,556	1.01	4,551,555	13,239	0.58
Commercial paper .....	160,083	105	0.13	354,590	229	0.13
Borrowed money .....	3,309,960	36,489	2.20	3,604,263	41,622	2.31
Bonds .....	2,779,101	20,824	1.50	2,423,510	18,644	1.54

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.
2. In principle, average balances are computed by using daily balances. However, some domestic consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥1,043,589 million; first half of fiscal 2002, ¥769,304 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (first half of fiscal 2003, ¥33,861 million; first half of fiscal 2002, ¥41,752 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥33,861 million; first half of fiscal 2002, ¥41,752 million) and corresponding interest (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥23 million).

## Overseas Operations

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	<b>¥7,868,913</b>	<b>¥134,190</b>	<b>3.41%</b>	¥10,067,312	¥207,905	4.13%
Loans and bills discounted.....	<b>5,279,586</b>	<b>80,147</b>	<b>3.04</b>	6,423,396	107,110	3.34
Securities .....	<b>1,205,801</b>	<b>22,273</b>	<b>3.69</b>	1,576,626	16,085	2.04
Call loans and bills bought .....	<b>106,562</b>	<b>1,259</b>	<b>2.36</b>	125,557	1,210	1.93
Receivables under resale agreements .....	<b>129,285</b>	<b>1,482</b>	<b>2.29</b>	132,242	659	1.00
Receivables under securities borrowing transactions .....	—	—	—	—	—	—
Deposits with banks .....	<b>748,807</b>	<b>3,454</b>	<b>0.92</b>	1,325,772	17,570	2.65
Interest-bearing liabilities .....	<b>¥5,184,006</b>	<b>¥54,615</b>	<b>2.11%</b>	¥ 6,928,454	¥113,942	3.29%
Deposits .....	<b>3,432,379</b>	<b>29,787</b>	<b>1.74</b>	4,149,786	47,487	2.29
Negotiable certificates of deposit .....	<b>138,530</b>	<b>1,741</b>	<b>2.51</b>	240,670	3,345	2.78
Call money and bills sold .....	<b>122,188</b>	<b>770</b>	<b>1.26</b>	187,853	1,548	1.65
Payables under repurchase agreements ...	<b>471,962</b>	<b>2,953</b>	<b>1.25</b>	964,061	8,918	1.85
Payables under securities lending transactions .....	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money .....	<b>116,137</b>	<b>1,697</b>	<b>2.92</b>	216,658	2,977	2.75
Bonds .....	<b>881,456</b>	<b>16,621</b>	<b>3.77</b>	1,161,175	20,280	3.49

- Notes: 1. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. In principle, average balances are computed by using daily balances. However, some overseas consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥27,755 million; first half of fiscal 2002, ¥20,265 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (first half of fiscal 2003, ¥— million; first half of fiscal 2002, ¥137 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥— million; first half of fiscal 2002, ¥137 million) and corresponding interest (first half of fiscal 2003, ¥— million; first half of fiscal 2002, ¥1 million).

## Total of Domestic and Overseas Operations

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	<b>¥87,606,658</b>	<b>¥826,407</b>	<b>1.89%</b>	¥95,057,193	¥954,856	2.01%
Loans and bills discounted.....	<b>58,998,690</b>	<b>585,813</b>	<b>1.99</b>	63,291,297	639,943	2.02
Securities .....	<b>24,944,087</b>	<b>138,520</b>	<b>1.11</b>	24,134,339	140,090	1.16
Call loans and bills bought .....	<b>495,395</b>	<b>1,975</b>	<b>0.80</b>	870,231	2,505	0.58
Receivables under resale agreements .....	<b>158,423</b>	<b>1,484</b>	<b>1.87</b>	335,694	662	0.39
Receivables under securities borrowing transactions .....	<b>659,019</b>	<b>71</b>	<b>0.02</b>	1,251,579	92	0.01
Deposits with banks .....	<b>1,151,314</b>	<b>5,201</b>	<b>0.90</b>	2,494,241	28,616	2.29
Interest-bearing liabilities .....	<b>¥89,152,422</b>	<b>¥163,152</b>	<b>0.37%</b>	¥94,657,154	¥220,887	0.47%
Deposits .....	<b>62,906,880</b>	<b>56,717</b>	<b>0.18</b>	62,710,606	83,905	0.27
Negotiable certificates of deposit .....	<b>4,382,933</b>	<b>2,176</b>	<b>0.10</b>	6,214,504	4,680	0.15
Call money and bills sold .....	<b>7,611,268</b>	<b>1,306</b>	<b>0.03</b>	11,578,216	2,322	0.04
Payables under repurchase agreements ...	<b>2,575,479</b>	<b>3,019</b>	<b>0.23</b>	1,408,724	8,932	1.27
Payables under securities lending transactions .....	<b>4,867,352</b>	<b>24,556</b>	<b>1.01</b>	4,551,555	13,239	0.58
Commercial paper.....	<b>160,083</b>	<b>105</b>	<b>0.13</b>	354,590	229	0.13
Borrowed money .....	<b>2,525,657</b>	<b>22,508</b>	<b>1.78</b>	2,759,983	26,628	1.93
Bonds .....	<b>3,660,558</b>	<b>37,446</b>	<b>2.05</b>	3,584,287	38,912	2.17

- Notes: 1. The figures above comprise totals for domestic and overseas operations after intersegment eliminations.
2. In principle, average balances are computed by using daily balances. However, some consolidated subsidiaries use weekly, monthly or semiannual balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥1,070,997 million; first half of fiscal 2002, ¥789,083 million).
4. Income and expenses resulting from money held in trust are included in "Other income" and "Other expenses." Therefore, "Interest-earning assets" are shown after deduction of the average balance of money held in trust (first half of fiscal 2003, ¥33,861 million; first half of fiscal 2002, ¥41,889 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥33,861 million; first half of fiscal 2002, ¥41,889 million) and corresponding interest (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥24 million).

## Fees and Commissions

Six months ended September 30, 2003 and 2002

	Millions of yen							
	Sept. 30, 2003				Sept. 30, 2002			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination	Total
Fees and commissions (income) .....	¥222,815	¥14,595	¥(251)	¥237,159	¥189,344	¥15,337	¥(63)	¥204,619
Deposits and loans .....	8,561	7,898	(8)	16,452	7,406	8,916	—	16,323
Remittances and transfers .....	55,181	2,843	(0)	58,025	52,657	2,958	(0)	55,614
Securities-related business .....	22,505	0	—	22,505	13,321	1	—	13,323
Agency .....	7,782	—	—	7,782	7,652	—	—	7,652
Safe deposits .....	3,119	2	—	3,121	2,226	3	—	2,229
Guarantees .....	13,565	1,529	(241)	14,853	13,982	1,021	(62)	14,940
Credit card .....	44,268	—	—	44,268	42,509	—	—	42,509
Fees and commissions (expenses).....	¥ 39,882	¥ 2,365	¥(278)	¥ 41,969	¥ 40,388	¥ 1,882	¥(75)	¥ 42,195
Remittances and transfers .....	10,539	1,081	(0)	11,621	10,231	595	—	10,827

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.  
2. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column or "Elimination" column.

## Trading Income

Six months ended September 30, 2003 and 2002

	Millions of yen							
	Sept. 30, 2003				Sept. 30, 2002			
	Domestic operations	Overseas operations	Elimination and unallocated corporate assets	Total	Domestic operations	Overseas operations	Elimination	Total
Trading profits.....	¥153,718	¥13,100	¥(2,915)	¥163,904	¥99,544	¥15,274	¥(4,285)	¥110,534
Gains on trading securities .....	1,359	1,950	—	3,309	1,686	1,786	—	3,473
Gains on securities related to trading transactions...	286	—	—	286	—	—	—	—
Gains on trading-related financial derivatives.....	152,045	11,149	(2,915)	160,279	97,783	13,488	(4,285)	106,986
Others .....	28	—	—	28	74	—	—	74
Trading losses .....	¥ 2,193	¥ 721	¥(2,915)	¥ —	¥ 3,660	¥ 1,342	¥(4,285)	¥ 718
Losses on trading securities .....	—	—	—	—	—	—	—	—
Losses on securities related to trading transactions...	—	—	—	—	718	—	—	718
Losses on trading-related financial derivatives....	2,193	721	(2,915)	—	2,942	1,342	(4,285)	—
Others .....	—	—	—	—	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.  
2. Intersegment transactions are reported in "Elimination and unallocated corporate assets" column or "Elimination" column.

# Loans (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Figures for the six-month period ended September 30, 2002; SMBC's consolidated figures include those for the former Wakashio Bank, which was a subsidiary of SMBC at that time.

## Loan Portfolio, Classified by Industry

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen	
	Sept. 30, 2003	Mar. 31, 2003
Domestic operations:		
Manufacturing .....	¥ 6,267,027	¥ 6,326,227
Agriculture, forestry, fisheries and mining .....	175,030	207,518
Construction .....	2,280,614	2,631,272
Transportation, communications and public enterprises .....	3,340,128	3,082,989
Wholesale and retail .....	6,053,439	6,251,344
Finance and insurance .....	4,013,422	4,214,205
Real estate .....	8,338,920	9,038,117
Services .....	6,194,727	6,150,192
Municipalities .....	460,983	577,184
Others .....	18,324,319	17,968,160
Subtotal .....	¥55,448,613	¥56,447,214
Overseas operations:		
Public sector .....	¥ 108,783	¥ 141,741
Financial institutions .....	349,711	312,632
Commerce and industry .....	3,517,803	3,898,656
Others .....	241,451	282,701
Subtotal .....	¥ 4,217,749	¥ 4,635,732
Total .....	¥59,666,363	¥61,082,946

- Notes: 1. Domestic operations comprise the operations of SMFG, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.  
2. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.  
3. Japan offshore banking accounts are included in overseas operations' accounts.  
4. The "Japan Standard Industrial Classifications" was revised by the Ministry of Public Management, Home Affairs, Posts and Telecommunications by Official Notification No. 139 of March 7, 2002 and became effective on October 1, 2002. The domestic loan balances by industry and the composition of loan balances by industry for 2003, are based on the new industrial classifications.

	Millions of yen
	Sept. 30, 2002
Domestic operations:	
Manufacturing .....	¥ 7,039,120
Agriculture, forestry, fisheries and mining .....	181,574
Construction .....	3,066,373
Transportation, communications and other public enterprises .....	2,801,158
Wholesale and retail .....	7,015,624
Finance and insurance .....	4,135,129
Real estate .....	9,216,236
Services .....	6,581,068
Municipalities .....	541,783
Others .....	16,857,927
Subtotal .....	¥57,435,996
Overseas operations:	
Public sector .....	¥ 222,066
Financial institutions .....	279,391
Commerce and industry .....	4,478,915
Others .....	136,907
Subtotal .....	¥ 5,117,281
Total .....	¥62,553,278

- Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries.  
2. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.  
3. Japan offshore banking accounts are included in overseas operations' accounts.

## Risk-Monitored Loans

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Bankrupt loans.....	¥ 179,497	¥ 249,899	¥ 201,392
Non-accrual loans.....	2,287,238	3,116,433	2,710,164
Past due loans (3 months or more) .....	101,630	109,388	130,353
Restructured loans .....	1,853,890	2,759,599	2,728,791
<b>Total .....</b>	<b>¥4,422,255</b>	<b>¥6,235,319</b>	<b>¥5,770,700</b>

Notes: **Definition of risk-monitored loan categories**

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

# Income Analysis (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Figures for the six-month period ended September 30, 2002, are combined figures for the former SMBC and the former Wakashio Bank.

## Gross Banking Profit, Classified by Domestic and International Operations

Six months ended September 30, 2003 and 2002

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest income .....	¥516,611	¥213,167	¥729,620	¥564,309	¥301,761	¥ 865,961
			[159]			[109]
Interest expenses.....	34,922	126,259	161,023	41,721	183,135	224,746
			[159]			[109]
Net interest income .....	481,688	86,908	568,597	522,587	118,625	641,214
Trust fees .....	¥ 84	¥ —	¥ 84	¥ /	¥ /	¥ /
Fees and commissions (income) .....	¥123,037	¥ 27,124	¥150,162	¥103,135	¥ 28,283	¥ 131,418
Fees and commissions (expenses) .....	44,860	5,971	50,831	39,689	5,815	45,505
Net fees and commissions .....	78,177	21,152	99,330	63,444	22,467	85,913
Trading profits .....	¥ 416	¥151,688	¥152,104	¥ 751	¥103,374	¥ 104,126
Trading losses.....	2,279	—	2,279	—	718	718
Net trading income.....	(1,863)	151,688	149,824	751	102,656	103,408
Other operating income .....	¥ 51,222	¥ 37,054	¥ 88,276	¥ 51,373	¥ 51,459	¥ 102,832
Other operating expenses.....	50,342	60,431	110,774	12,409	17,619	30,029
Net other operating income.....	880	(23,377)	(22,497)	38,963	33,838	72,803
Gross banking profit.....	¥558,967	¥236,371	¥795,339	¥625,748	¥277,590	¥ 903,339

- Notes: 1. Domestic operations include yen-denominated transactions by domestic branches, while international operations include foreign-currency-denominated transactions by domestic branches and operations by overseas branches.  
Yen-denominated nonresident transactions and Japan offshore banking accounts are included in international operations.
2. Interest expenses are shown after deduction of amounts equivalent to interest expenses on money held in trust (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥24 million).
3. Figures in brackets [ ] indicate interest payments between domestic and international operations.  
As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.

## Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Six months ended September 30, 2003 and 2002

### Domestic Operations

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	¥70,975,585	¥516,611	1.45%	¥76,541,368	¥564,309	1.47%
				[326,080]	[109]	
Loans and bills discounted.....	50,802,673	442,373	1.73	54,046,968	470,464	1.73
Securities .....	19,207,937	56,730	0.58	20,028,308	70,468	0.70
Call loans .....	60,803	18	0.06	442,730	259	0.11
Receivables under resale agreements .....	—	—	—	169,595	1	0.00
Receivables under securities borrowing transactions.....	659,019	71	0.02	1,251,579	92	0.01
Bills bought .....	188,115	2	0.00	161,017	4	0.00
Deposits with banks .....	53,750	51	0.19	110,038	124	0.22
Interest-bearing liabilities .....	¥72,139,125	¥34,922	0.09%	¥75,803,062	¥41,721	0.10%
	[630,897]	[159]				
Deposits .....	52,589,296	7,981	0.03	51,517,181	12,246	0.04
Negotiable certificates of deposit .....	4,337,991	428	0.01	5,978,686	1,326	0.04
Call money .....	2,484,386	37	0.00	3,408,414	285	0.01
Payables under repurchase agreements .....	2,126,632	66	0.00	484,189	15	0.00
Payables under securities lending transactions .....	1,958,464	111	0.01	3,317,396	196	0.01
Bills sold .....	4,935,178	319	0.01	7,955,842	95	0.00
Commercial paper.....	4,385	0	0.01	186,459	81	0.08
Borrowed money .....	945,358	13,511	2.85	1,045,032	15,313	2.92
Bonds .....	2,105,112	12,059	1.14	1,902,836	11,841	1.24

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥981,818 million; first half of fiscal 2002, ¥718,583 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥33,859 million; first half of fiscal 2002, ¥41,728 million) and corresponding interest (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥22 million).
2. Figures in brackets [ ] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.  
As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.
3. Bond interest includes amortization of discount on bonds.

## International Operations

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	<b>¥11,994,973</b> [630,897]	<b>¥213,167</b> [159]	<b>3.54%</b>	¥14,759,399	¥301,761	4.07%
Loans and bills discounted.....	3,989,480	49,492	2.47	5,801,435	90,532	3.11
Securities .....	5,269,491	75,474	2.85	3,881,440	57,448	2.95
Call loans .....	139,012	960	1.37	168,556	1,611	1.90
Receivables under resale agreements .....	90,939	359	0.78	58,027	269	0.92
Receivables under securities borrowing transactions .....	—	—	—	—	—	—
Bills bought .....	—	—	—	—	—	—
Deposits with banks .....	978,761	4,674	0.95	2,432,384	28,394	2.32
<b>Interest-bearing liabilities .....</b>	<b>¥12,107,792</b>	<b>¥126,259</b>	<b>2.07%</b>	¥14,481,014 [326,080]	¥183,135 [109]	2.52%
Deposits .....	5,763,505	39,101	1.35	7,615,867	69,123	1.81
Negotiable certificates of deposit .....	66,829	1,207	3.60	155,930	2,672	3.41
Call money .....	152,108	949	1.24	229,642	1,944	1.68
Payables under repurchase agreements ...	425,659	2,295	1.07	880,102	7,838	1.77
Payables under securities lending transactions .....	2,898,594	24,444	1.68	1,226,778	13,042	2.12
Bills sold .....	—	—	—	—	—	—
Commercial paper.....	—	—	—	—	—	—
Borrowed money .....	1,738,176	33,618	3.85	2,151,872	40,636	3.76
Bonds .....	622,821	11,425	3.65	408,847	7,909	3.85

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥27,917 million; first half of fiscal 2002, ¥25,412 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥— million; first half of fiscal 2002, ¥160 million) and corresponding interest (first half of fiscal 2003, ¥— million; first half of fiscal 2002, ¥2 million).

2. Figures in brackets [ ] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

As net interest figures are shown for interest rate swaps and similar instruments, some figures for domestic and international operations do not add up to their sums.

3. Bond interest includes amortization of discount on bonds.

4. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method, under which the TT middle rate at the end of the previous month is applied to nonexchange transactions of the month concerned.

## Total of Domestic and International Operations

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets.....	<b>¥82,339,662</b>	<b>¥729,620</b>	<b>1.76%</b>	¥90,974,686	¥865,961	1.89%
Loans and bills discounted.....	54,792,153	491,865	1.79	59,848,404	560,997	1.86
Securities .....	24,477,428	132,204	1.07	23,909,748	127,917	1.06
Call loans .....	199,815	978	0.97	611,286	1,870	0.61
Receivables under resale agreements .....	90,939	359	0.78	227,623	271	0.23
Receivables under securities borrowing transactions .....	659,019	71	0.02	1,251,579	92	0.01
Bills bought .....	188,115	2	0.00	161,017	4	0.00
Deposits with banks .....	1,032,512	4,726	0.91	2,542,422	28,518	2.23
<b>Interest-bearing liabilities .....</b>	<b>¥83,616,020</b>	<b>¥161,023</b>	<b>0.38%</b>	¥89,957,996	¥224,746	0.49%
Deposits .....	58,352,802	47,083	0.16	59,133,049	81,369	0.27
Negotiable certificates of deposit .....	4,404,820	1,635	0.07	6,134,616	3,998	0.13
Call money .....	2,636,495	986	0.07	3,638,056	2,229	0.12
Payables under repurchase agreements ...	2,552,292	2,361	0.18	1,364,291	7,854	1.14
Payables under securities lending transactions .....	4,857,059	24,555	1.00	4,544,175	13,239	0.58
Bills sold .....	4,935,178	319	0.01	7,955,842	95	0.00
Commercial paper.....	4,385	0	0.01	186,459	81	0.08
Borrowed money .....	2,683,535	47,130	3.50	3,196,905	55,949	3.49
Bonds .....	2,727,933	23,485	1.71	2,311,683	19,751	1.70

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest earning deposits (first half of fiscal 2003, ¥1,009,736 million; first half of fiscal 2002, ¥743,996 million). "Interest-bearing liabilities" are shown after deduction of amounts equivalent to the average balance of interest expenses on money held in trust (first half of fiscal 2003, ¥33,859 million; first half of fiscal 2002, ¥41,888 million) and corresponding interest (first half of fiscal 2003, ¥16 million; first half of fiscal 2002, ¥24 million).

2. Figures in the table above indicate the net average balances of amounts adjusted for interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

3. Bond interest includes amortization of discount on bonds.

## Fees and Commissions

Six months ended September 30, 2003 and 2002

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Fees and commissions (income) .....	¥123,037	¥27,124	¥150,162	¥103,135	¥28,283	¥131,418
Deposits and loans .....	5,406	7,177	12,584	5,458	10,208	15,666
Remittances and transfers .....	44,766	10,264	55,030	42,825	10,523	53,348
Securities-related business .....	11,610	384	11,995	8,558	523	9,081
Agency .....	6,529	—	6,529	6,467	—	6,467
Safe deposits .....	2,740	—	2,740	1,865	—	1,865
Guarantees .....	3,035	2,621	5,656	2,967	2,042	5,009
Fees and commissions (expenses).....	¥ 44,860	¥ 5,971	¥ 50,831	¥ 39,689	¥ 5,815	¥ 45,505
Remittances and transfers .....	8,314	2,280	10,595	8,093	2,465	10,558

## Trading Income

Six months ended September 30, 2003 and 2002

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Trading profits .....	¥ 416	¥151,688	¥152,104	¥751	¥103,374	¥104,126
Gains on trading securities .....	—	—	—	430	—	430
Gains on securities related to trading transactions.....	—	286	286	—	—	—
Gains on trading-related financial derivatives.....	—	151,402	151,402	—	103,374	103,374
Others .....	416	—	416	320	—	320
Trading losses.....	¥2,279	¥ —	¥ 2,279	¥ —	¥ 718	¥ 718
Losses on trading securities .....	2,279	—	2,279	—	—	—
Losses on securities related to trading transactions.....	—	—	—	—	718	718
Losses on trading-related financial derivatives.....	—	—	—	—	—	—
Others .....	—	—	—	—	—	—

Note: Figures represent net gains (losses) after offsetting income against expenses.

## Net Other Operating Income

Six months ended September 30, 2003 and 2002

	Millions of yen					
	Sept. 30, 2003			Sept. 30, 2002		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Net other operating income .....	¥ 880	¥(23,377)	¥(22,497)	¥38,963	¥33,838	¥72,803
Gains (losses) on bonds .....	2,386	16,385	18,771	39,068	37,560	76,628
Gains on trading-related financial derivatives.....	(1,828)	(670)	(2,499)	—	4,387	4,387
Gains (losses) on foreign exchange transactions .....	—	(39,042)	(39,042)	—	(8,058)	(8,058)



# Loans (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

Figures for the six-month period ended September 30, 2002, are combined figures for the former SMBC and the former Wakashio Bank.

## Loan Portfolio, Classified by Industry

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen	
	Sept. 30, 2003	Mar. 31, 2003
<b>Domestic offices:</b>		
Manufacturing .....	¥ 5,918,501	¥ 6,031,262
Agriculture, forestry, fisheries and mining .....	159,085	192,795
Construction .....	2,011,721	2,385,278
Transportation, communications and public enterprises .....	3,200,039	2,968,971
Wholesale and retail .....	5,659,243	5,812,485
Finance and insurance .....	5,058,907	5,419,634
Real estate .....	7,422,864	8,240,327
Services .....	5,581,639	5,622,703
Municipalities .....	394,584	508,144
Others .....	16,673,375	16,614,280
Subtotal .....	¥52,079,963	¥53,795,885
<b>Overseas offices:</b>		
Public sector .....	¥ 88,481	¥ 119,468
Financial institutions .....	240,181	236,116
Commerce and industry .....	2,576,498	2,945,122
Others .....	168,398	185,772
Subtotal .....	¥ 3,073,559	¥ 3,486,479
<b>Total .....</b>	<b>¥55,153,522</b>	<b>¥57,282,365</b>

Notes: 1. Japan offshore banking accounts are included in overseas offices' accounts.

2. The "Japan Standard Industrial Classifications" was revised by the Ministry of Public Management, Home Affairs, Posts and Telecommunications by Official Notification No. 139 of March 7, 2002 and became effective on October 1, 2002. The domestic loan balances by industry and the composition of loan balances by industry for 2003, are based on the new industrial classifications.

	Millions of yen	
	Sept. 30, 2002	
<b>Domestic offices:</b>		
Manufacturing .....	¥ 6,738,042	
Agriculture, forestry, fisheries and mining .....	165,332	
Construction .....	2,800,438	
Transportation, communications and other public enterprises .....	2,698,280	
Wholesale and retail .....	6,570,238	
Finance and insurance .....	5,097,287	
Real estate .....	8,413,128	
Services .....	6,028,094	
Municipalities .....	475,194	
Others .....	15,576,418	
Subtotal .....	¥54,562,464	
<b>Overseas offices:</b>		
Public sector .....	¥ 221,313	
Financial institutions .....	292,175	
Commerce and industry .....	4,086,566	
Others .....	121,313	
Subtotal .....	¥ 4,721,368	
<b>Total .....</b>	<b>¥59,283,833</b>	

Note: Japan offshore banking accounts are included in overseas offices' accounts.

## Loans to Individuals/Small and Medium-Sized Corporations

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Loans to individuals, and small and medium-sized corporations .....	¥35,937,060	¥36,791,883	¥36,733,241
Ratio to total loans .....	69.0%	67.4%	68.3%

Notes: 1. The figures above exclude outstanding balance of loans at overseas branches and of Japan offshore banking accounts.

2. Small and medium-sized corporations are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees. (Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million, 100 employees; retailers: ¥50 million, 50 employees; and service industry companies: ¥50 million, 100 employees.)

## Consumer Loans Outstanding

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Consumer loans .....	<b>¥13,956,671</b>	¥13,462,319	¥13,665,876
Housing loans .....	<b>12,717,977</b>	12,037,048	12,339,291
Residential purpose .....	<b>8,757,092</b>	7,993,394	8,346,632
Others .....	<b>1,238,693</b>	1,425,271	1,326,585

Note: Housing loans include general-purpose loans used for housing purposes, such as housing loans and apartment house acquisition loans.

## Risk-Monitored Loans

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Bankrupt loans .....	<b>¥ 145,947</b>	¥ 219,241	¥ 172,403
Non-accrual loans .....	<b>1,957,746</b>	2,780,046	2,390,173
Past due loans (3 months or more) .....	<b>94,513</b>	95,871	114,756
Restructured loans .....	<b>1,634,826</b>	2,554,225	2,492,199
Total .....	<b>¥3,833,032</b>	¥5,649,384	¥5,169,531

### Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Credits for which accrued interest is not accounted in revenue; credits extended to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or debtors receiving orders of disposition by suspension of business at bill clearinghouses
2. Non-accrual loans: Credits for which accrued interest is not accounted in revenue; credits, excluding loans to bankrupt borrowers and loans with grace for interest payment to assist in corporate reorganization or to support business
3. Past due loans (3 months or more): Loans with payment of principal or interest in arrears for more than 3 months, calculated from the day following the contractual due date, excluding borrowers in categories 1. and 2.
4. Restructured loans: Loans to borrowers in severe financial condition given certain favorable terms and conditions to assist in corporate rehabilitation or to support business, excluding borrowers in categories 1. through 3.

## Problem Assets Based on the Financial Reconstruction Law

September 30, 2003 and 2002, and March 31, 2003

	Billions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Bankrupt and quasi-bankrupt assets .....	<b>¥ 506.1</b>	¥ 519.3	¥ 524.9
Doubtful assets .....	<b>1,631.2</b>	2,552.3	2,129.5
Substandard loans .....	<b>1,729.3</b>	2,650.1	2,606.9
Total of problem assets .....	<b>3,866.6</b>	5,721.7	5,261.3
Normal assets .....	<b>56,623.8</b>	59,898.6	57,313.4
Total .....	<b>¥60,490.4</b>	¥65,620.3	¥62,574.7

### Notes: Definition of problem asset categories

These assets are disclosed based on the provisions of Article 7 of the Financial Reconstruction Law (Law No. 132 of 1998) and classified into the 4 categories based on financial position and business performance of obligors in accordance with Article 6 of the Law. Assets in question include loans and bills discounted, foreign exchanges, accrued interest, and advance payment in "other assets," customers' liabilities for acceptance and guarantees, and securities lent under the loan for consumption or leasing agreements.

1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature
2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower
3. Substandard loans: Past due loans (3 months or more) and restructured loans, excluding 1. and 2.
4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the three categories above

# SMFG Website

The SMFG website contains the latest information regarding Group businesses and investor relations, as well as news releases and important financial data

● <http://www.smfg.co.jp/english/>

## ● Links to SMFG Subsidiaries

- SMBC ► <http://www.smbc.co.jp/global/>
- Sumitomo Mitsui Card\* ► <http://www.smbc-card.com>
- SMBC Leasing\* ► <http://www.smbcleasing.co.jp>
- JRI ► <http://www.jri.co.jp/english/>

\*Currently available in Japanese only

## ● News Release Subscription Service

Register here to automatically receive the latest SMFG news releases via email

## ● About SMFG

## ● Financial Information

	2003.1	2003.2	2003.3	2003.4
Operating Income	4,442	5,757	5,524	4,704
Ordinary Profit (Loss)	496	(800)	813	952
Net Income (Loss)	324	(863)	865	763
Total Shareholders' Equity	1,077	1,147	1,243	1,283
Total Assets	134,327	139,282	142,827	132,724
Loans and Bills Outstanding	99,927	103,644	110,829	109,682
Deposits	27,913	28,894	31,155	31,481
Equity	6,945	10,983	12,028	11,242

## ● IR Library

## ● Stock Information



SMFG SUMITOMO MITSUI  
FINANCIAL GROUP