

Middle Market Banking Unit

The Middle Market Banking Unit has actively promoted a novel approach in the way the Bank provides small and medium-sized companies with the reliable supply of funds and intermediary services they need. Amid the present dramatic changes in the economic environment, it is now more important than ever that we successfully fulfill this vital banking role.

SMBC will continue to focus its collective resources on firmly reinforcing the SMBC brand through solutions-driven marketing, providing customers with timely, high-quality services suited to their wide-ranging needs.

■ Novel Approach to Banking Relationships

To meet a complex array of needs and create ever-stronger bonds of trust in pursuit of building a fresh and more enriched banking relationship with customers, we have placed special emphasis on the following points:

1. Development of a flexible system that enables us to respond more effectively to customer requirements
2. The need to set interest rates adequately for each loan—taking into account the customer's financial condition and the repayment period—and to explain these matters clearly to customers at the start, as well as to provide advice to customers on improving their financial soundness and business performance
3. Prompt response to loan applications

Under this approach, SMBC operates a nationwide network of Corporate Business Offices and Business Support Offices, providing services for small and medium-sized companies as well as sole proprietorships. While doing so, the Bank continues to focus efforts on the development of a new banking framework, one that allows for a more enterprising, flexible stance with regard to risks. The staff at these offices are proactively marketing our *Business Select Loan*, an unsecured loan product allowing qualified customers to borrow up to ¥50 million with no need for a third-party guarantor, and an extensive lineup of other loan products specially designed for small and medium-sized businesses.

A total of 16,500 of these new loan products, with a value of ¥550 billion, were recorded for the first half of fiscal 2002, the six months ended September 30, 2002.

While the positive effects of a strong advertising campaign were apparent in all of our loan products, *Business Select Loan* clearly benefited most, resulting in 9,600 such loans during the first half of fiscal 2002, for a total loan value of ¥200 billion.

During the first half, loans of various kinds were made to 3,500 companies who were first-time customers of the Bank, with a total loan amount of ¥390 billion. These figures represented year-on-year increases of 1,600 companies and ¥110 billion, respectively.

As we move forward in the second half of fiscal 2002 sharing with customers the details of our novel approach to banking relationships, we will continue to make active efforts to satisfy their funding needs.

■ Promotion of Solutions Business

With the goal of becoming our customers' "first bank of choice," experts at each of our Corporate Business Offices and specialists at Head Office collaborate as a unified team to offer customers timely and sophisticated financial services.

As a result, we were able to meet customer needs in the first half of fiscal 2002 in the fields of domestic exchange transactions and foreign exchange transactions, as well as hedges against fluctuations in interest rates and foreign exchange rates, fund procurement such as loan syndication, and support for business reorganization.

We have had considerable success in communicating to customers the advantages of loan syndication as a means of fund procurement. Consequently, the number of syndicated loans in the first half of fiscal 2002 approached the full-term figure for the previous business year.

In the second half of the current term, we will continue our promotion of loan syndication, while meeting customers' diverse securitization needs through the assignment of specialists at our Corporate Business Offices. We will also push ahead with building an organizational system capable of effectively responding to the M&A needs of our customers.

We intend to further enhance our capabilities in value-added services for companies establishing a presence in overseas markets, notably China. This is one more way in which we are confident of firmly reinforcing the SMBC brand among customers through solutions-driven marketing.

Major Accomplishments

- Promoted loan products specifically tailored to suit the requirements of small and medium-sized corporate customers; among these products, *Business Select Loan* was especially well received
- Marketed various syndicated loans, which proved popular with customers, as part of the strategy to offer a wider variety of reliable funding methods

Key Goals

- Effect an improvement in customers' financial condition—particularly as reflected in their balance sheets—with focus on promoting an array of securitization instruments
- Further strengthen our organizational ability to offer M&A solutions to customers' corporate reorganization needs
- Provide specialist information and know-how services to corporate customers establishing a presence in China and other overseas markets