

November 2002

- SMBC launches “One’s plus,” a new ordinary deposit with point-based benefits

December 2002

- Establishment of Sumitomo Mitsui Financial Group, Inc.

January 2003

- Agreements with Goldman Sachs that include investment by Goldman Sachs in SMFG convertible preferred stock

February 2003

- Sumitomo Mitsui Card, SMBC Leasing Company and the Japan Research Institute become wholly owned subsidiaries of SMFG

March 2003

- Strengthening of capital base through issuance of preferred stock
- Merger of former SMBC and Wakashio Bank
- Establishment of Sumitomo Mitsui Banking Corporation Europe in London
- Promotion of *Business Select Loan*

April 2003

- Further integration of the Group’s IT-related functions and resources

① SMBC launches a new ordinary deposit with points-based benefits

In November 2002, SMBC unveiled its new “One’s plus” ordinary deposit with point-based benefits. This is a completely new type of ordinary deposit that offers features unavailable in any other product.

The One’s plus deposit features a two-tiered system in which the interest rate depends on whether the balance is above or below ¥300,000. A passbook is optional.

One’s plus customers can use SMBC’s *One’s Direct* online service for 24-hour banking by telephone, or over the Internet.

Points can be earned according to the type of transaction, and accumulated One’s plus points can be converted into the *World Present* points of Sumitomo Mitsui Card Company, Limited, which can be exchanged for gifts or a VISA Gift Card.

One’s plus customers can apply for *One’s Quick* (Sumitomo Mitsui Card Loan) and use their cash card at ATMs outside of business hours free of charge (normally a ¥105 charge applies).

One’s plus customers can also use the *Life Event Service*: information and discounts on real estate transactions and ceremonial occasions offered in collaboration with Senyu Co., Ltd., a close affiliate of SMBC.

Through these services, SMBC promotes cross-selling of the Group’s mainstay offerings—*One’s Direct*, Sumitomo Mitsui VISA Card, and *One’s Quick* (Sumitomo Mitsui Card Loan)—thus expanding transactions. At the same time, SMBC is working to reduce costs by promoting the discontinued use of passbooks, and expanding remote operations.

In the future, the point system will be expanded to offer advantageous deposit and loan interest rates, and favorable bank transfer fees.



SMBC branch poster advertising “One’s plus”

② Agreements with Goldman Sachs that include investment by Goldman Sachs in SMFG convertible preferred stock

SMFG and The Goldman Sachs Group, Inc., have reached an agreement covering three areas: (1) investment by Goldman Sachs in convertible preferred stock issued by SMFG; (2) the provision by SMFG of credit loss protection to support Goldman Sachs' lending activities to U.S. and European customers; and (3) a broadening of business cooperation between the two institutions in Japan.

1. Capital raising through preferred stock

SMFG issued ¥150.3 billion in preferred stock subscribed solely by Goldman Sachs (issued on February 8, 2003).

(Certain Details of Preferred Stock)

- Preferred dividend rate: 4.5% per annum
- Conversion period: 25 years
- Mandatory conversion: 25 years after issuance
- Other conditions: Conversion restriction for the first two years and hedge restriction at least for the first two years

2. Provision of credit loss protection to support Goldman Sachs' lending activities

SMFG provides Goldman Sachs with an aggregate of up to \$1 billion in first loss protection to mitigate risks associated with extending credit to Goldman Sachs' U.S. and European investment-grade customers (rating of BBB or higher). SMFG also provides additional second loss protection up to an aggregate of \$1.25 billion to Goldman Sachs' medium-risk mezzanine customers (equivalent rating of BBB or higher). Fees charged for extending credit are based on the level of risk.

3. Business cooperation

SMFG and Goldman Sachs have agreed to expand their cooperative activities in Japan. The two institutions are working together on the disposition of SMBC's nonperforming assets and in other areas where Goldman Sachs' expertise can be of use.

③ Strengthening of capital base through preferred stock

SMFG has issued ¥345.0 billion of convertible preferred stock to an overseas special-purpose vehicle (SPV), which sold the mandatorily exchangeable preferred stock units (the "Units") to overseas investors.

Through this issuance, and the aforementioned issuance to Goldman Sachs, SMFG has raised a total of ¥495.3 billion in Tier I capital for SMFG, greatly reducing its exposure to potential risk.

(Certain Details of Preferred Stock)

- Preferred dividend rate: 2.25% per annum
- Issuance date: March 12, 2003
- Conversion period: April 14, 2003–July 12, 2005
- Other conditions:
 - Initial conversion price applicable to all conversions made before July 11, 2005
 - One-time downward reset of the conversion price (with floor) on July 11, 2005
- Mandatory exchange of the Units: The Units outstanding as of July 11, 2005 shall be mandatorily exchanged for SMFG's common stock

④ Merger between the former Sumitomo Mitsui Banking Corporation and Wakashio Bank

On March 17, 2003, Sumitomo Mitsui Banking Corporation (the former SMBC) merged with THE WAKASHIO BANK, LTD., with the latter as the surviving entity.

(Purposes of Merger)

1. Enhance financing for small businesses and individuals

Wakashio Bank offered an original business model based on highly professional services and know-how for low-cost operation, while the old SMBC's strengths were in its established brand power, ability to develop sophisticated financial services, nationwide network, and management infrastructure, including back office operations and systems. SMBC combines these attributes to provide higher value-added, convenient financial services to small businesses and individuals, especially in the Tokyo Metropolitan Area.

2. Strengthen financial base by reducing unrealized losses on stocks

Using the surplus created by the merger, the two banks greatly reduced unrealized losses on their securities portfolios. After writing off approximately ¥670 billion in unrealized losses in this way, SMBC will further reduce its stock price fluctuation risk. SMBC will not only meet equity-holding restrictions well before the effective date (September 2004), but also achieve a drastic reduction in risk from stock price fluctuations, which had been a major risk factor in banking operations.



⑤ Promotion of the *Business Select Loan*

SMBC's Middle Market Banking Unit focuses most of its efforts on providing loans to small and medium-sized companies.

March 2002 saw the full-scale launch of the *Business Select Loan*, a product designed specifically for small and medium-sized companies that allows qualified customers to borrow up to ¥50 million. Loan applications are processed rapidly and no collateral is required. To promote the *Business Select Loan*, SMBC engaged in a large-scale media campaign using television, radio, and newspapers. As a result, SMBC attracted more than 17,000 *Business Select Loan* customers by the end of March 2003, with a total loan balance in excess of ¥470 billion. About half of *Business Select Loan* users are first-time customers.

In addition to actively extending loans to small and medium-sized companies, SMBC is working to build a sound credit portfolio in other ways. These include developing a scoring system specifically for small and medium-sized companies, as well as monitoring the status of outstanding loans on a monthly basis.

The *Business Select Loan* is available via SMBC's Business Support Offices set up especially for small and medium-sized companies. (In areas without such offices, the product is handled by the Corporate Business Office.) SMBC has 47 Business Support Offices (as of March 31, 2003), staffed by 400 specialists to meet the diversified needs of customers. In addition, detailed information about the product and the nearest SMBC branch is available by telephone from our Business Promotion Office.

SMBC is building on its first-year success by further enhancing the attractiveness of the product. It will also strengthen the support network, covering Business Support Offices, the Corporate Business Office, and the Business Promotion Office to further improve services and contribute to the growth of small and medium-sized companies.

⑥ Further integration of the Group's IT-related functions and resources

Seeking to further raise efficiency among its Group companies, the SMFG has entrusted The Japan Research Institute, Limited (JRI), as its "Group IT Company" with core responsibility for information systems of the Group as a whole. In April 2003, SMFG centralized its IT systems as follows.

1. The systems planning, development, and data processing functions of SMBC were completely outsourced to JRI.
2. JRI accepted around 500 employees from the IT systems departments of SMBC, thus unifying the systems development function of the Group as a whole.
3. Management of Group IT-related orders was centralized, and systems-related resources within the Group are being incrementally transferred to JRI.

The new arrangement will facilitate a closer interaction among Group companies and reinforce the systems aspects of financial services provided by the Group, thus fostering a better response to customers' diversifying needs.



TV commercial aired in February and March 2003: "Try SMBC."