

Progress Report on the Plan for Strengthening the Financial Base of the Bank



Please check the SMFG website for the latest information.

Sumitomo Mitsui Banking Corporation (SMBC) has been raising its competitiveness and profitability through restructuring and rationalization based on the Plan for Strengthening the Financial Base of the Bank. The Plan was initially formulated in March 1999, when SMBC's two founding banks accepted an infusion of public funds through subscription to preferred stock. The preferred stock in SMBC held by the Japanese government was exchanged for the preferred stock of Sumitomo Mitsui Financial Group, Inc. upon its establishment through a stock transfer as the holding company for SMBC. The following is a summary of SMBC's progress in fiscal 2002 toward achieving the targets laid out in the Plan.

Earnings Plan

On a nonconsolidated basis, gross banking profit was ¥1,760.6 billion, ¥260.6 billion higher than the target of ¥1,500 billion. A major factor behind this increase was the strong profits from treasuries, achieved through successful asset liability management (ALM) operations made possible by the accurate forecasting of trends in Japanese and US interest rates.

Expenses, including ¥8.1 billion in expenses recorded by THE WAKASHIO BANK, LTD., totaled ¥647.0 billion, a reduction of ¥3 billion over the target. This was largely the effect of the continued streamlining of the workforce and a further reduction in bonuses, as well as domestic branch integration ahead of schedule and progress in the rationalization of operations. As a result, banking profit, excluding transfer to the general reserve for possible loan losses, was ¥1,113.6 billion, surpassing the original target by ¥263.6 billion.

Despite the above, however, SMBC posted a net loss of ¥478.3 billion, compared with the original net income target of ¥80 billion. This was due to two main factors: (1) a provision to the general reserve for possible loan losses of ¥1,074.5 billion, ¥574.5 billion in excess of the ¥500 billion estimated at the beginning of the term, owing to aggressive measures taken to dispose of problem assets; and (2) evaluation losses on equities of ¥635.7 billion, an increase of ¥565.7 billion over the initial estimate of ¥70 billion, due to a greater-than-expected decline in stock prices.

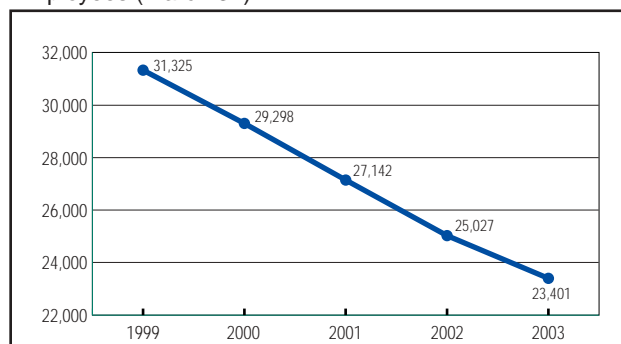
SMBC will continue to strive to increase the surplus available for repaying public funds by further strengthening its financial base through the cleaning-up of the balance sheet and by raising profitability through business reforms and operational restructuring.

Rationalization Plan

SMBC employees numbered 24,024 at the end of fiscal 2002. The number excluding the increase resulting from the merger with Wakashio Bank, however, was 23,401, which is below the original target of 23,500.

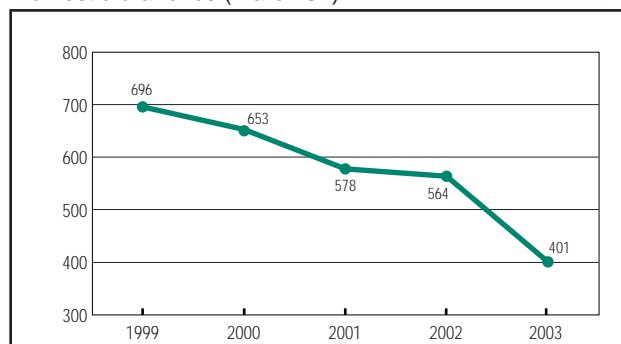
The number of domestic branches at the end of fiscal 2002 was 437, a year-over-year decrease of 127 branches, achieved through the consolidation of 161 branches. The figure, however, includes 34 branches of the former Wakashio Bank and four branches which were consolidated into two branches in April 2003. Thus, excluding these branches, the actual number of branches was 401, the original target.

Employees (March 31)



Note: The figure for 2003 excludes the increase in employees resulting from the merger with Wakashio Bank.

Domestic branches (March 31)



Note: The total for 2003 excludes Wakashio Bank's 34 branches and takes into account the two joint branches.