

In consumer banking, SMFG offers high-value-added financial services, leveraging the advantageous industry position that SMBC has commanded since its establishment in April 2001. We endeavor to maximize our capabilities to develop outstanding products, services and distribution channels, as well as our consulting abilities, provided by personnel with high levels of expertise.

SMFG will continue to give priority to the consumer banking business. We aim to maintain our position as a leading financial services complex, creating new *de facto* standards with our business models and our earnings structure.

To this end, we have been propelling our business dynamically and efficiently by: (1) establishing a consulting-focused business model; (2) reshaping the earnings structure of the settlement financing business; and (3) reinforcing low-cost operations with a view to maximizing core business results.

The central theme of consumer banking operations at SMBC, our banking subsidiary, is “One’s *Next*,” which refers to our goal of helping customers determine the next step of their financial plans according to their stage of life. Under this initiative, we offer our customers new value: a sense of security and greater convenience.



SMBC's new branch model emphasizes personalized customer service. (Sannomiya Branch)

Establishing a Consulting-Focused Business Model

At SMFG, centering on SMBC's Consumer Banking Unit, we provide a comprehensive range of financial products and services addressing both the asset management and financial requirements of the individual. To respond to each customer's needs and promote our business effectively, we have specified consulting services as our core task, especially in private banking and asset management (focusing on business owners and other high net worth individuals seeking highly professional and objective consulting for specific asset-management needs), as well as asset-building (focusing on wage earners and pensioners). To these customer segments, services are provided by experienced private bankers and professional financial consultants operating in our Block Consumer Business Offices and Asset Management Plazas, and the “Money-Life” consultants assigned to our branches.

To support this initiative, we continuously expand our lineup of products such as investment trusts and pension funds, and strengthen human resource development to enable our staff to provide an even higher level of consulting service. At the same time, we have been expanding our proposal tools and upgrading our customer databases including our customer relationship management (CRM) system. Such data enable us to provide individuals with solutions that address their specific financial needs at particular life stages. We are also taking steps to improve our marketing and promotion efforts. Such measures include modifying branches and counters into sales promotion sites, with dedicated staff available for consultation.

Regarding home mortgages, our objects are two-fold: obtaining returns commensurate with credit risk, and increasing our market share. To reach our goals, we are introducing risk-adjusted strategic pricing and automatic credit screening systems to accelerate processing speed and to obtain accurate risk assessments. Additionally, through the life-plan consulting services provided by Money-Lifestyle Consulting Desks, available in 293 branches, we offer highly focused solutions to customers' specific borrowing needs, which include mortgage refinancing, home renovations, and education.

Reshaping the Earnings Structure of the Settlement Finance Business

Regarding the settlement business, we are developing a business model which incorporates a unified Groupwide settlement infrastructure, with a view to further integrating and improving the quality of our financial services. Through this approach, we will be able to further enhance customer convenience, while also promptly responding to settlement-related financing needs, thus accelerating the speed of bringing our settlement service to the profit-generation stage.

For example, by undertaking cross-selling of our new card loan (One's Quick) and credit cards, among other key products, using the new ordinary account with the point system initiated in November 2002 (One's plus) as our platform, we were able to integrate the services of SMBC and Sumitomo Mitsui Card Company, Limited, leading to the unified provision of cash settlement, credit card settlement, and payment and settlement services for individuals.

In addition, to further improve customer convenience we are upgrading the features of the popular online service "One's Direct." We are also working on enhancements in other areas, such as the expansion of ATM arrangements with non-banks and the provision of Internet-based financial services through The Japan Net Bank, Ltd.

In the consumer finance business, cooperation is being strengthened among SMBC, At-Loan Co., Ltd., and Sumitomo Mitsui Card, as well as other Group companies. This aims at aggressive expansion of operations across a wide market, taking into account individual business models and the strengths of each company's customer base, infrastructure, and other strategic attributes.

SMBC is taking steps to meet the need for a stable supply of settlement funds created by the new card loan. At-Loan is a dedicated provider that responds promptly to a variety of customers, drawing on its credit screening know-how for individuals. Sumitomo Mitsui Card offers financing solutions for the settlement of consumer purchases.

We will continue to forge mutual cooperative arrangements leveraging individual strengths, while expanding and enhancing our consumer finance business, so as to provide all types of support for consumers' diversifying modes of consumption.

Reinforcing Low-Cost Operations

Each Group company has worked continuously to raise operational efficiency, on the basis that improving our expense ratio is the principal source of competitive strength. This is particularly true of the consumer finance business. Consequently, to optimize the performance of our core business of consumer finance, we are making every effort to reduce our costs.

In July 2002 we completed systems integration of our manned branch network. After taking into consideration branch proximity, customer convenience, location, market and other factors, we consolidated 178 branches, which reduced the total to 401 branches (including the SMBC head office). Consequently, we decreased operating expenses and raised efficiency within the branch network.

We are further reducing costs, enhancing customer convenience, and meeting customers' diverse needs by improving the features of One's Direct and actively working to expand ATM service availability at convenience stores. Other efforts include the radical streamlining of business processing-routines at branches and an improved cost performance for manpower through outsourcing. Thus we will continue to raise efficiency while simultaneously enhancing the quality of our customer service.

