

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 finance 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