

Financial Section

The following is a summary of SMFG's consolidated and SMBC's nonconsolidated financial results for the first half of fiscal 2003, the six-month period ended September 30, 2003.

Financial Review (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for the first half of fiscal 2003. For the first half of fiscal 2002, the figures for SMBC on a consolidated basis are used. The figures include the financial results of the former Wakashio Bank, former SMBC's consolidated subsidiary that merged with SMBC on March 17, 2003.

1. Operating Results

Consolidated financial results for the first half of fiscal 2003 include the results of 169 consolidated subsidiaries (123 in Japan and 46 overseas) and 48 subsidiaries and affiliates accounted for by the equity method (21 in Japan and 27 overseas).

Consolidated gross profit showed a year-on-year decrease of ¥67.3 billion, to ¥1,049.1 billion, primarily attributable to the weaker performance of SMBC's Treasury Unit which had reported large profits in the first half of fiscal 2002. After factoring in general and administrative expenses, credit cost and gains/losses on stocks, ordinary profit showed a year-on-year increase of ¥15.7 billion, to ¥165.5 billion. Extraordinary gains (losses), income taxes, and minority interests resulted in a net income of ¥143.5 billion, a year-on-year increase of ¥88.3 billion.

Deposits as of September 30, 2003, stood at ¥63,142.3 billion, a ¥211.3 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥3,379.6 billion, a decrease of ¥1,473.4 billion from the previous fiscal year-end.

Loans and bills discounted declined ¥1,416.6 billion from the previous fiscal year-end to ¥59,666.4 billion, while securities decreased ¥1,667.5 billion to ¥22,451.1 billion.

Stockholders' equity increased ¥321.4 billion over the previous fiscal year-end to ¥2,745.5 billion due to the posting of net income for the first-half period as well as an improvement in the net unrealized gains (losses) on "other securities" (available-for-sale securities).

Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

September 30, 2003 and 2002, and March 31, 2003

	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Consolidated subsidiaries.....	169	147	170
Subsidiaries and affiliates accounted for by the equity method.....	48	38	47

Income Summary

Six months ended September 30, 2003 and 2002, and year ended March 31, 2003

	Millions of yen		
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Year ended Mar. 31, 2003
Consolidated gross profit	¥1,049,121	¥1,116,392	¥2,184,006
Net interest income	663,237	733,944	1,399,504
Trust fees	84	/	7
Net fees and commissions	195,190	162,423	352,900
Net trading income	163,904	109,816	205,770
Net other operating income	26,704	110,208	225,823
General and administrative expenses	¥ (448,094)	¥ (446,103)	¥ (889,237)
Total credit cost	(441,522)	(318,583)	(1,200,904)
Write-off of loans	(388,924)	(122,826)	(364,605)
Transfer to specific reserve	(244,860)	(154,913)	(407,963)
Transfer to general reserve for possible loan losses	228,302	(22,660)	(250,636)
Others	(36,041)	(18,182)	(177,698)
Gains (losses) on stocks	¥ 20,604	¥ (197,926)	¥ (621,526)
Equity in earnings of affiliates	8,044	2,807	5,718
Other income (expenses)	(22,644)	(6,730)	6,193
Ordinary profit (loss)	¥ 165,508	¥ 149,856	¥ (515,749)
Extraordinary gains (losses)	21,371	(39,506)	(75,164)
Income (loss) before income taxes and minority interests	186,880	110,349	(590,914)
Income taxes, current	(22,436)	(26,700)	(66,068)
deferred	5,137	(10,333)	225,190
Minority interests in net income	(26,087)	(18,170)	(33,567)
Net income (loss)	¥ 143,492	¥ 55,145	¥ (465,359)
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 532.7	¥ 608.6	¥ 1,131.0

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)
2. Consolidated banking profit = SMBC's nonconsolidated banking profit (excluding transfer to general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.)

Assets, Liabilities and Stockholders' Equity

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Assets	¥100,725,500	¥104,396,997	¥104,607,449
Loans and bills discounted	59,666,363	62,553,278	61,082,946
Securities	22,451,050	22,650,667	24,118,520
Liabilities	96,974,137	100,754,733	101,186,654
Deposits	63,142,263	61,438,332	62,931,007
Negotiable certificates of deposit	3,379,610	4,846,529	4,853,017
Minority interests	1,005,886	952,253	996,720
Stockholders' equity	2,745,476	2,690,010	2,424,074

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities at September 30, 2003 amounted to ¥293.5 billion, which was an improvement of ¥318.3 billion from the previous fiscal year-end. Net unrealized gains on other securities (including “other money held in trust”) amounted to ¥303.6 billion, which was an improvement of ¥334.3 billion.

The substantial increase in unrealized gains on other securities was attributable to a turnaround from unrealized losses to gains on stocks, an improvement of ¥636.4 billion against the backdrop of a stock market recovery, which was more than enough to compensate for the deterioration in bonds from unrealized gains to losses, mainly JGBs, on higher long-term interest rates in Japan.

Unrealized Gains (Losses) on Securities

September 30, 2003 and March 31, 2003

	Sept. 30, 2003				Mar. 31, 2003		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ (10,103)	¥ (15,985)	¥ 2,051	¥ 12,155	¥ 5,882	¥ 5,988	¥ 105
Other securities	303,629	334,272	604,936	301,307	(30,643)	272,943	303,587
Stocks.....	470,979	636,421	578,166	107,187	(165,442)	112,952	278,395
Bonds	(154,872)	(266,036)	6,597	161,470	111,164	117,093	5,928
Others.....	(12,477)	(36,111)	20,171	32,649	23,634	42,897	19,263
Other money held in trust	(16)	28	249	265	(44)	510	555
Total.....	293,509	318,314	607,237	313,727	(24,805)	279,443	304,248
Stocks.....	470,979	636,421	578,166	107,187	(165,442)	112,952	278,395
Bonds	(166,025)	(282,041)	7,482	173,508	116,016	121,945	5,928
Others.....	(11,444)	(36,064)	21,587	33,032	24,620	44,545	19,925

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Deposits with banks” and commercial papers as well as beneficiary claims on loan trusts in “Commercial paper and other debt purchased.”
2. Unrealized gains (losses) on stocks are mostly calculated with the average market price during the final month of the interim period. Rest of the securities are valued at the market price as of the balance sheet date.
3. “Other securities” and “Other money held in trust” are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the difference between the acquisition costs (or amortized costs) and the balance sheet amounts.
Of “Unrealized gains (losses) on other securities” shown above, ¥22,029 million is included in this interim term’s profit because of the application of fair value hedge accounting. Consequently, the base amount used in the calculation of the amount to be charged to stockholders’ equity has been decreased by ¥22,029 million.

3. Consolidated Capital Ratio (BIS Guidelines)

SMFG’s consolidated capital ratio (BIS guidelines) at September 30, 2003 was 10.94%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,460.4 billion, representing a ¥481.5 billion increase from the previous fiscal year-end.

On the other hand, risk-adjusted assets, the denominator in the equation, decreased slightly to ¥59,017.0 billion from the previous fiscal year-end. This was the mixed result of the accelerated disposal of non-performing loans and the sale of stockholdings on the one hand, and the active marketing of housing loans and higher-interest-bearing loan products dedicated to small and medium-sized companies on the other.

Consolidated Capital Ratio (BIS Guidelines)

September 30, 2003 and 2002, and March 31, 2003

	Millions of yen		
	Sept. 30, 2003	Sept. 30, 2002	Mar. 31, 2003
Tier I capital (A).....	¥ 3,468,838	¥ 3,381,338	¥ 3,255,936
Tier II capital (B).....	3,235,658	3,316,197	2,961,619
Deductions (C)	(244,075)	(164,081)	(238,633)
Total capital (D) = (A) + (B) – (C).....	¥ 6,460,421	¥ 6,533,454	¥ 5,978,922
Risk-adjusted assets (E)	¥59,016,967	¥62,981,231	¥59,166,864
Capital ratio (BIS guidelines) = (D) / (E) × 100	10.94%	10.37%	10.10%