

**Financial Results in 1<sup>st</sup> Half, FY2003**  
**&**  
**Management Policy and Strategies**

December 2, 2003



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

✓ [Non-consolidated] :

indicates the non-consolidated figures for  
Sumitomo Mitsui Banking Corporation(“SMBC”).

Figures for the six-month period ended September 30, '02:  
combined figures for the former SMBC and the former  
Wakashio Bank\*

Figures for FY02 : figures include the former SMBC’s figures before merger,  
between April 1, '02 and March 16, '03

✓ [Consolidated] :

indicates consolidated figures for  
Sumitomo Mitsui Financial Group, Inc.(“SMFG”).

Figures for the six-month period ended September 30, '03:  
SMFG’s consolidated figures

Figures for the six-month period ended September 30, '02:  
SMBC’s consolidated figures which include those for the former  
Wakashio Bank

\*The former SMBC and the former Wakashio Bank merged on March 17, '03.

## Part I

P3-18

1. Summary of financial results 1<sup>st</sup> half, FY03
2. Performance by business unit
3. Improvement of loan spreads
4. Non-interest income business
5. Disposal of problem assets
  - (1) Credit cost
  - (2) Reduction of problem assets
6. Gains (losses) on stocks
7. Securities portfolio and derivatives
8. Financial effects by the interest rate rise
9. B/S as of the end of 1<sup>st</sup> half, FY03
10. Deferred tax assets
  - (1) Basic concept and the mechanism of recognition
  - (2) Recognition as of Sep. 30, '03
11. BIS capital ratio
12. Financial highlights of consolidated results
13. Earnings forecast for FY03

## Part II

P19-33

1. Overview of 1<sup>st</sup> Half, FY03 :  
Progress in “Management Commitment”
2. Management Policy in 2<sup>nd</sup> Half, FY03
3. Strategies
  - (1) Continue to drastically reduce non-performing loans
  - (2) Reduce stock holdings further
  - (3) Enhance profitability further
    - a) Strengthen the best business portfolio among the Japanese banks
    - b) Reinforce financial consulting business
    - c) Reinforce SME loan business
    - d) Improve cost competitiveness further
4. Closing: Path for the sustainable growth

## Appendix

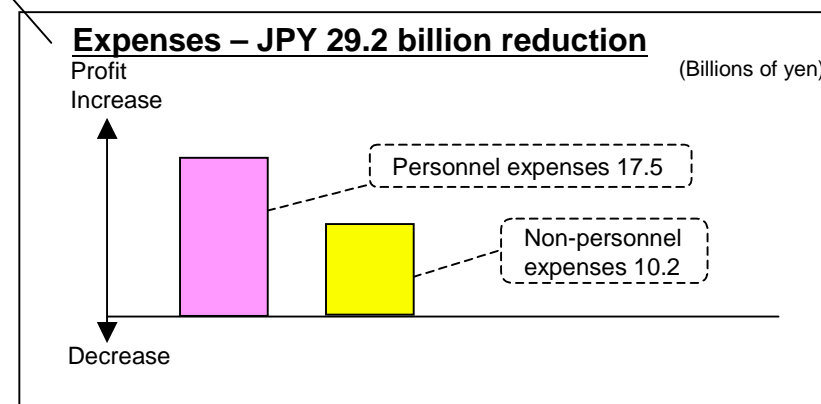
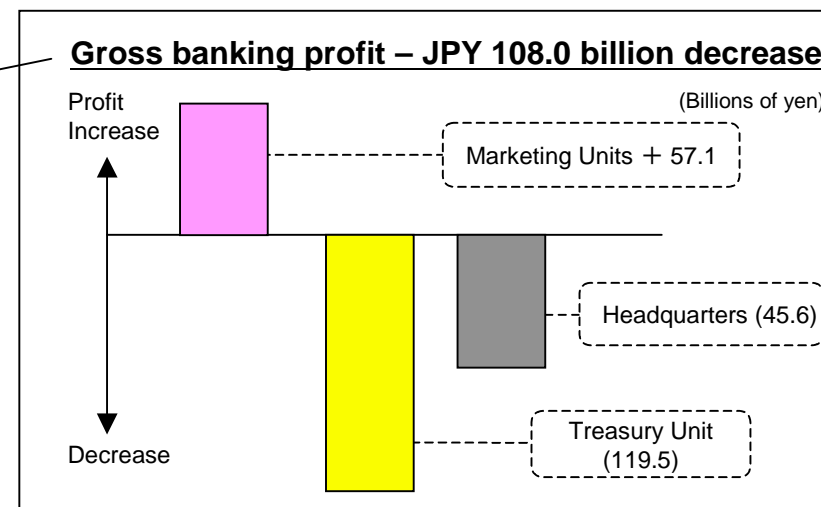
P34-60

1. **Summary of financial results 1<sup>st</sup> half, FY03**
2. **Performance by business unit**
3. **Improvement of loan spreads**
4. **Non-interest income business**
5. **Disposal of problem assets**
  - (1) **Credit cost**
  - (2) **Reduction of problem assets**
6. **Gains (losses) on stocks**
7. **Securities portfolio and derivatives**
8. **Financial effects by the interest rate rise**
9. **B/S as of the end of 1<sup>st</sup> half, FY03**
10. **Deferred tax assets**
  - (1) **Basic concept and the mechanism of recognition**
  - (2) **Recognition as of Sep. 30, '03**
11. **BIS capital ratio**
12. **Financial highlights of consolidated results**
13. **Earnings forecast for FY03**

# 1. Summary of financial results 1<sup>st</sup> half, FY03

- (1) Achieved 1<sup>st</sup> half Banking profit target, towards the annual target of JPY 1 trillion for 3 consecutive years
- (2) Reduced Problem assets to JPY 3.9 trillion, half a year ahead of the original schedule
- (3) Sold approx. JPY 560 billion of stocks toward further reduction of cross-shareholdings

	1st half, FY03	Year change	(Billions of yen) Change from the original plan*
Gross banking profit	795.3	(108.0)	10.3
Expenses	(296.0)	29.2	9.0
Banking profit**	499.3	(78.8)	19.3
Total credit cost	(359.4)	(92.4)	(59.4)
Gains (losses) on stocks	18.8	211.0	---
Ordinary profit	105.2	5.3	5.2
Net income	139.6	94.1	89.6



## <BIS capital ratio>

	Sep. 30, '03	Change from Mar. 31, '03
SMBC Non-consolidated	11.52%	+1.03%
SMFG Consolidated	10.95%	+0.85%

\* announced in May 2003

\*\* excluding transfer to general reserve for possible loan losses

## 2. Performance by business unit

(Billions of yen)

		1st Half, FY03	Year change*	
Consumer Banking Unit	Gross banking profit	155.3	9.4	(1)
	Expenses	(120.7)	12.7	
	Banking profit	34.6	22.1	
Middle Market Banking Unit	Gross banking profit	298.2	39.1	(2)
	Expenses	(87.5)	8.2	
	Banking profit	210.7	47.3	
Corporate Banking Unit	Gross banking profit	82.0	4.4	(3)
	Expenses	(13.9)	0.6	
	Banking profit	68.1	5.0	
International Banking Unit	Gross banking profit	45.2	3.8	(4)
	Expenses	(22.5)	0.5	
	Banking profit	22.7	4.3	
Community Banking Unit	Gross banking profit	5.2	0.4	
	Expenses	(3.8)	0.3	
	Banking profit	1.4	0.7	
Marketing Units	Gross banking profit	585.9	57.1	
	Expenses	(248.4)	22.3	
	Banking profit	337.5	79.4	
Treasury Unit	Gross banking profit	216.0	(119.5)	(5)
	Expenses	(9.6)	2.5	
	Banking profit	206.4	(117.0)	
Headquarters**	Gross banking profit	(6.6)	(45.6)	(6)
	Expenses	(38.0)	4.4	
	Banking profit	(44.6)	(41.2)	
Total	Gross banking profit	795.3	(108.0)	
	Expenses	(296.0)	29.2	
	Banking profit	499.3	(78.8)	

### Major factors of increase / decrease of Gross banking profit

(Billions of yen)

(1) Consumer	+ 9.4	: Investment trust related fees	+ 4.0
		Pension-type insurance related fees	+ 5.9
(2) Middle Market	+ 39.1	: Fees related to	
		derivatives products sales	+ 20.7
		Corporate bond related fees	+ 5.5
		Money remittance & EB related fees	+ 3.5
		Loan syndications related fees	+ 2.1
(3) Corporate	+ 4.4	: Non-interest income	+ 3.6
		incl. fees related to	
		derivatives products sales	+ 1.6
(4) International	+ 3.8	: Non-interest income	+ 1.6
(5) Treasury	(119.5)	: Banking account (ALM operations)	(128.8)
		Trading	+ 9.5
(6) Headquarters	(45.6)	: The establishment of the U.K. subsidiary,	
		The decrease of interest income of	
		loans to problematic borrowers,	
		The effect of fluctuations in	
		interest rate and foreign exchange, etc.	

\* Excluding changes in Marketing units due to fluctuation of interest rates and foreign exchange rate, etc. Excluded figures are adjusted in the account of Headquarters.

\*\*Headquarters include Asset Restructuring Unit.

### 3. Improvement of loan spreads

#### ✓ Term-end loan balance and interest spread

(managerial accounting basis)

(Trillions of yen)

	As of Sep. 30, '03		
	Balance	Change from Mar. 31, '03	
		Balance	Loan spread
Small-and medium-sized enterprises (Middle Market Banking)	19.7	(0.5)	+ 0.01
Loans targeted for spread improvement	12.3	+0.6	+ 0.01
Large corporations (Corporate Banking Unit)	8.7	+0.2	± 0.00

↔ <Loans not targeted for>

- Loans via governmental / public institutions
- Long-term fixed rate loans of which interest rate were not changed during the current period.

#### ✓ Average loan balance and interest spread

(managerial accounting basis)

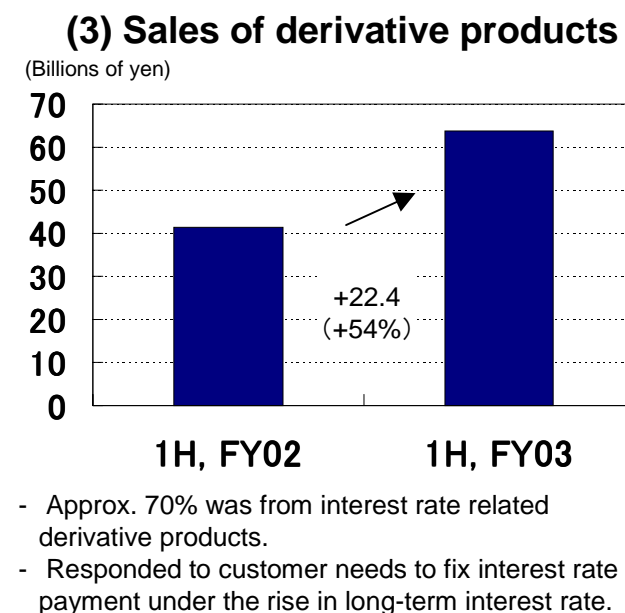
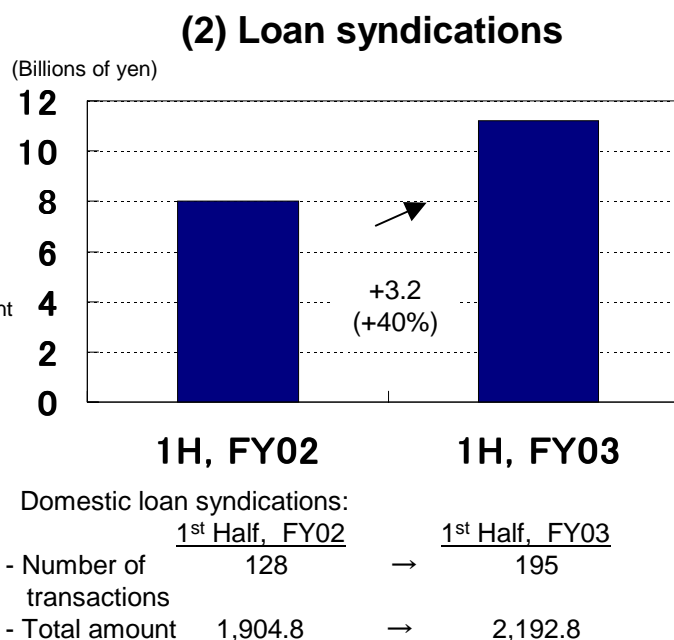
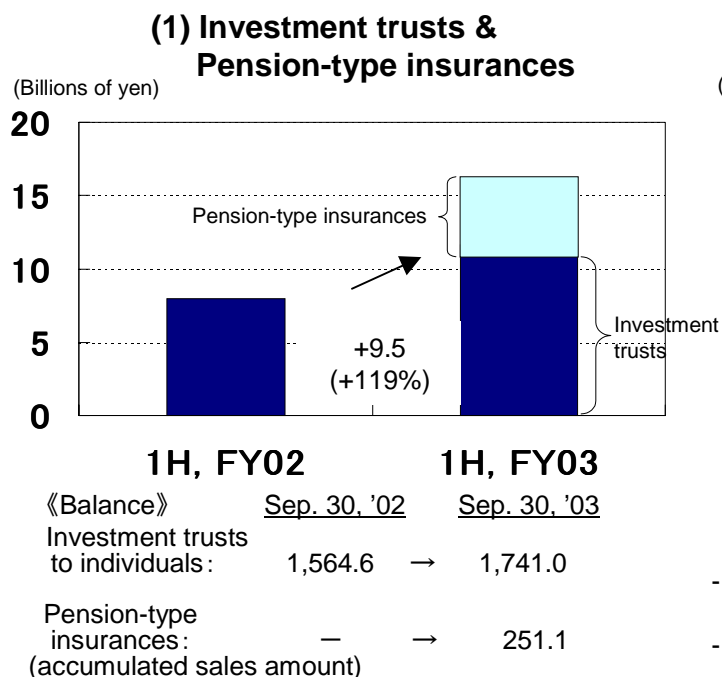
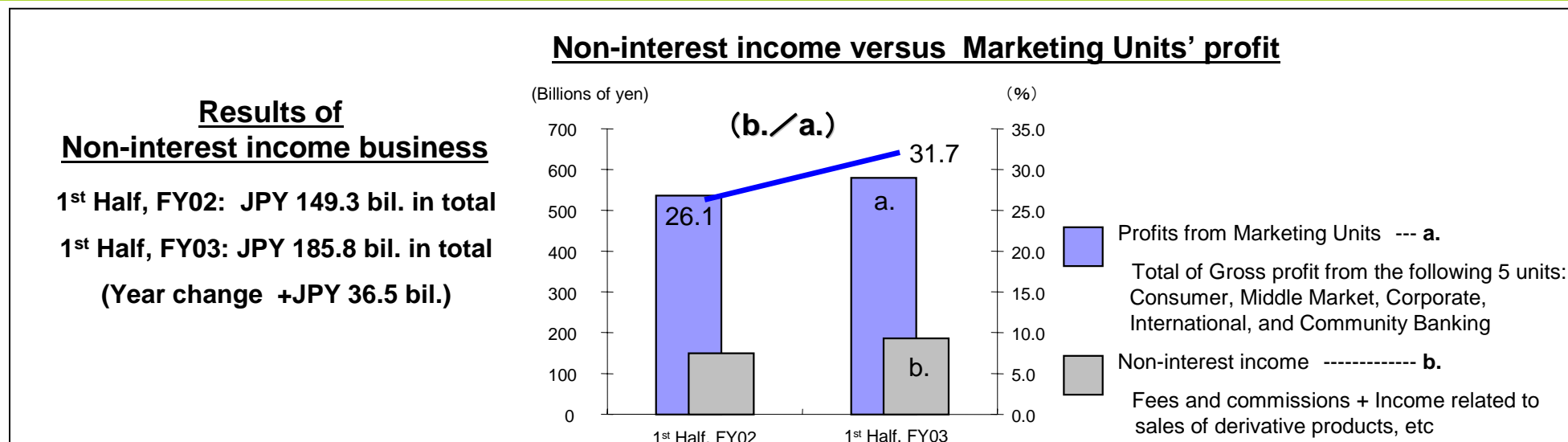
(Trillions of yen)

	1st Half, FY03			
	Average balance	Year change	Loan spread	
			Year change	
Small-and medium-sized enterprises (Middle Market Banking Unit)	19.5	▲ 1.3	1.58	+ 0.14
Large corporations (Corporate Banking Unit)	8.8	▲ 1.1	0.95	+ 0.10

\* After adjustment of business transfer among units exercised during 1<sup>st</sup> half, FY03.

\* Excluding loans to Japanese government, etc.

# 4. Non-interest income business





## 5. Disposal of problem assets - (1) Credit cost

(Billions of yen)

	1st Half, FY02	1st Half, FY03	Change
Total credit cost	(267.0)	(359.4)	(92.4)
Transfer to general reserve for possible loan losses	(20.5)	-	20.5
Non-recurring gains (losses)	(246.5)	(373.6)	(127.1)
Write-off of loans	(89.7)	(337.9)	(248.2)
Transfer to specific reserve	(140.6)	-	140.6
Transfer to reserve for losses on loans sold	(7.1)	-	7.1
Losses on loans sold to CCPC	(3.0)	(0.7)	2.3
Losses on sale of delinquent loans	(10.0)	(35.0)	(25.0)
Transfer to loan loss reserve for specific overseas countries	4.0	-	(4.0)
Extraordinary gains (losses)	-	14.2	14.2
Write-back of loan loss reserves	-	13.8	13.8
Transfer to specific reserve for possible loan losses	-	(217.3)	(217.3)
Write-back of general reserve for possible loan losses	-	229.1	229.1
Write-back of loan loss reserve for specific overseas countries	-	2.0	2.0
Write-back of reserve for losses on loans sold	-	0.4	0.4

### ✓ Breakdown of credit cost:

#### Change from the original annual target announced in May, '03

(Billions of yen)

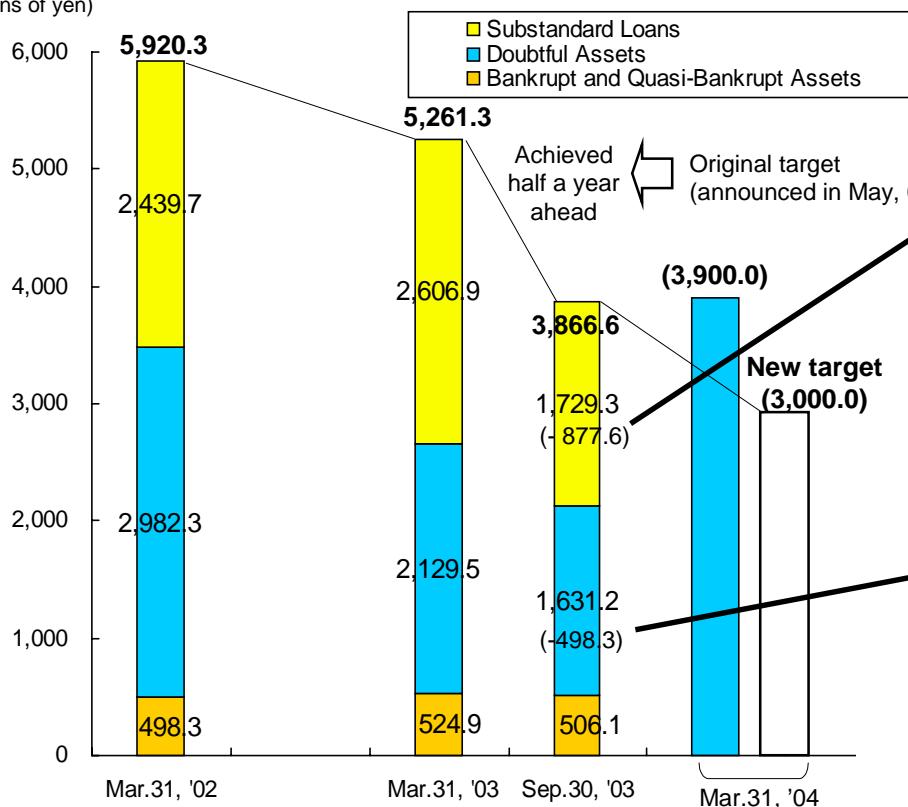
	FY03 Original target Announced in May, '03	1 <sup>st</sup> Half, FY2003	FY03 Revised target Newly announced
Cost related to "off-balancing"	250	110	250
Cost related to deterioration of borrowers' financial condition	400	250	450
<b>Total</b>	<b>650</b>	<b>360</b>	<b>700</b>
		Change from the original target (+60)	

# 5. Disposal of problem assets - (2) Reduction of problem assets



## Balance of problem assets

(Billions of yen)



Factors for the decrease of the balance (compared with Mar.31, '03)

- ✓ Substandard loans (decrease by JPY 877.6 billion)
  - Positively supported clients' corporate recovery through measures such as substantial restructuring of borrowers' assets.
  - Collected loans to borrowers whose recovery has difficulty, or requires a long period.
  - Improved in refining lending terms & conditions, and in risk-return profile.
- ✓ Doubtful assets (decrease by JPY 498.3 billion)
  - Improved in work-outs with sell-out of loans, etc.
  - Migration of borrowers' category through restructuring and reorganization

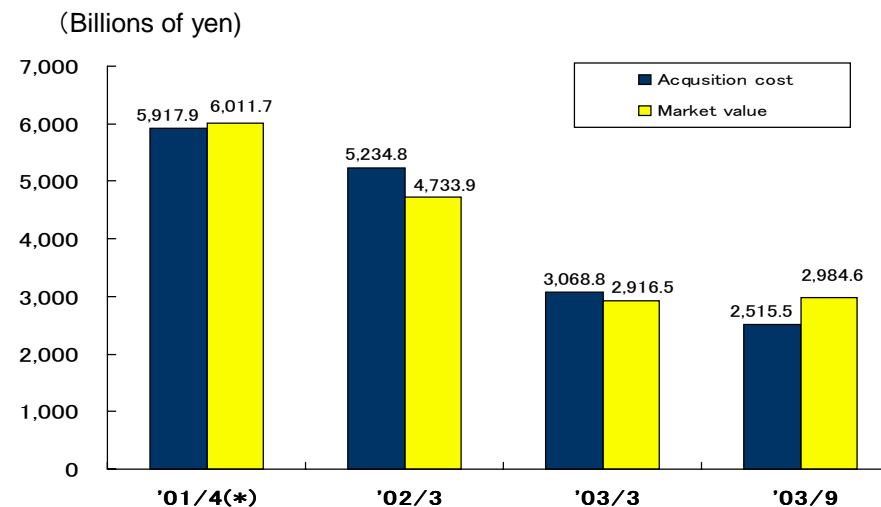
Problem asset ratio	8.9%	8.4%	6.4%	approx. 6%	under 5%
---------------------	------	------	------	------------	----------

## 6.Gains (losses) on stocks

( Billions of yen )

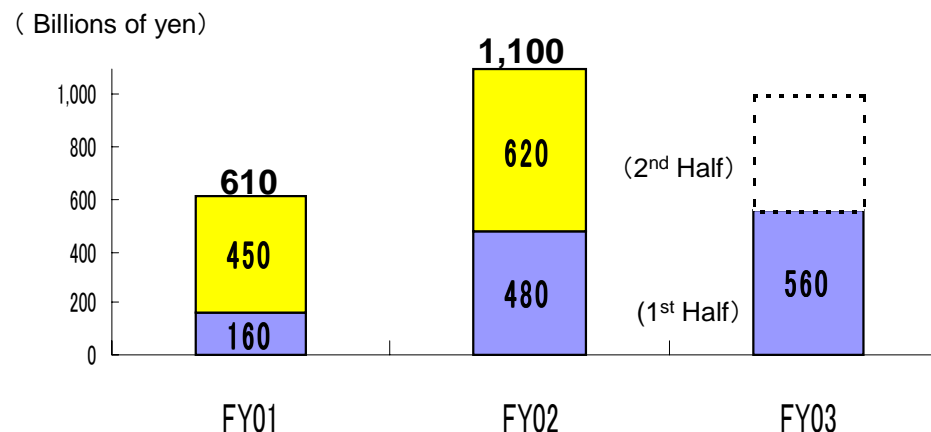
	1st Half, FY02	1st Half, FY03	Change
Gain (losses) on stocks	(192.2)	18.8	+211.0
Gains on sales of stocks	35.2	50.9	+15.7
Losses on sales of stocks	(51.6)	(24.7)	+26.9
Losses on devaluation of stocks	(175.8)	(7.4)	+168.4

### Balance of listed and over-the-counter stocks classified as “other securities”



\* Figures on April 2, 2001, after the merger  
between Sakura Bank and Sumitomo Bank

### Sales of holding stocks



#### < Measures of sales >

- Sales to the market
- Sales to Bank of Japan
- Sales to issuing companies as their treasury stocks, etc.

## 7. Securities portfolio and derivatives



### Unrealized gains (losses) on “other securities”

(As of September 30, '03)

(Billions of yen)

	Net unrealized gains (losses)			
		Change from Mar. 31, '03	Gains	Losses
Total	306.9	324.8	585.1	(278.2)
Stocks	469.1	621.4	562.8	(93.8)
Bonds	(148.9)	(257.6)	5.0	(153.8)
Others	(13.3)	(39.1)	17.3	(30.6)

### Derivative transactions on deferred hedge accounting basis

(As of September 30, '03)

(Billions of yen)

	Assets	Liabilities	Net assets	Net deferred
	(1)	(2)	(1) - (2)	gains (losses)
Interest rate swaps	112.3	176.0	(63.7)	(109.3)
Currency swaps	139.3	143.4	(4.1)	6.1
Others	2.8	3.1	(0.3)	10.1
Total	254.4	322.5	(68.1)	(93.1)

### Balance of securities held, classified by maturity

(As of September 30, '03)

(Billions of yen)

	One year or less	One to five years	Five to ten years	More than ten years	Total	Change from Mar. 31, '03
Bonds	2,626.8	6,412.4	3,701.8	486.6	13,227.7	(1,496.8)
JGBs	2,499.4	4,889.2	3,084.0	483.1	10,955.7	(1,393.3)
Japanese local government bonds	1.3	151.7	180.4	0.5	333.9	39.7
Japanese corporate bonds	126.1	1,371.4	437.5	3.0	1,938.0	(143.1)
Others	299.5	2,889.4	398.8	444.3	4,032.0	(429.5)
Total	2,926.4	9,301.7	4,100.6	931.0	17,259.6	(1,926.3)

## 8. Financial effects by the interest rate rise



### Unrealized gains (losses) on “other securities”

(Billions of yen)

	Mar. 31, '03	Sep. 30, '03	Change	
Stocks <TOPIX>	(152.4) *	469.1 *	621.4	} Total 324.8  Improved substantially compared with Mar.31, '03
	<802 points> *	<1,038 points> *		
Bonds <10Y-JGB yield>	108.7	(148.9)	(257.6)	
	<0.700%>	<1.380%>		
Others	25.8	(13.3)	(39.1)	

\* One month average

## 9. B/S as of the end of 1<sup>st</sup> half, FY03



(Billions of yen)

	Mar. 31, '03	Sep. 30, '03	Change
<b>Assets</b>	<b>97,891.2</b>	<b>92,780.0</b>	<b>▲ 5,111.2</b>
Loans and bills discounted	57,282.4	55,153.5	▲ 2,128.9
Securities	23,656.4	21,847.1	▲ 1,809.3
Deferred tax assets	1,814.6	1,711.7	▲ 102.9
<b>Liabilities</b>	<b>95,611.9</b>	<b>90,168.4</b>	<b>▲ 5,443.6</b>
Deposits	58,610.7	57,746.3	▲ 864.5
NCDs	4,913.5	3,455.0	▲ 1,458.6
Bonds	2,624.1	2,884.1	+ 260.0
<b>Stcokholders' equity</b>	<b>2,279.2</b>	<b>2,611.6</b>	<b>+ 332.4</b>
Capital stock	560.0	560.0	-
Capital surplus	1,237.3	1,237.3	-
Retained earnings	414.5	557.3	+ 142.7
Land revaluation excess	85.3	82.2	▲ 3.1
Net unrealized gains (losses) on "other securities"	▲ 17.9	174.9	+ 192.8

### Major factors of increase / decrease

Loans: Overseas = decrease JPY 0.4 tril.:

- yen appreciation (JPY 0.2 tril.)
- reduction in low-profitably assets, etc.

Domestic = decrease JPY 1.7 tril.:

- decrease in loans to corporations,
- collection of problem assets, etc.

(Loans to government): decrease JPY 0.4 tril.

(Loans to others) : decrease JPY 1.3 tril.

Securities: decrease JPY 1.8 tril.:

- decrease in JGB by JPY 1.4 tril.

Deferred tax assets: <please refer to page 14, 15>

Deposit:

International and domestic off-shore account =

decrease JPY 0.6 tril.

(decrease in market funding)

Domestic market = decrease JPY 0.3 tril.

(Individual client's deposits) : increase JPY 0.2 tril.

(Corporate client's deposits): decrease JPY 0.5 tril.

Retained earnings: - Net income JPY 139.6 bil.

Net unrealized gains (losses) on "other securities":

- increase in unrealized gains on stocks

[non-consolidated] 13

# 10. Deferred tax assets - (1) Basic concept and the mechanism of recognition



## Basic concept

- FSA “Program for Financial Revival”
- Policy Guideline issued by the Chairman of JICPA

Conservatively  
Recognized the certainly  
collectible amount

- ✓ Estimated term for future taxable income: 5 years
- ✓ Taking the necessary stress scenario of future plan into account

## Mechanism of recognition

### 《Recognition of Deferred tax assets》

#### Temporary differences

**5,213.8**

( = 5,575.0 - 361.2)

Operating loss carry-forwards on tax base  
**1,537.1**

Amount of exclusion from expenses  
(= taxable write-off and allowance)

X Effective tax rate  
(approx.40%)

#### B/S

Assets	Liabilities
<b>DTA</b> 1,711.7	Stockholders' equity
398.6	

#### Valuation allowance

<Decrease 56.2 from Mar. 31, '03>

### 《Estimated future taxable income》

(Billions of yen)

	Estimates of next 5 years
Banking profit*	5,505.7
A. Income before income taxes	2,958.6
B. Adjustments to taxable income**	1,332.4
Taxable income before adjustments (A.+B.)	4,291.0

Deferred tax assets (change from Mar.31, 2003)	1,711.7 (102.9)
--	--------------------

- \* Excluding transfer to general reserve for possible loan losses.
- \*\* Excluding reversal of temporary differences as of Sep. 30, '03

# 10. Deferred tax assets - (2) Recognition as of Sep. 30, 2003



		(Billions of yen)		
		Temporary differences Sep. 30, '03	Sep. 30, '03	Change from Mar. 31, '03
(a) Total deferred tax assets (b) - (c)			1,852.5	3.2
(b) Subtotal of deferred tax assets		5,575.0	2,251.1	(53.0)
Reserve for possible loan losses		1,323.2	533.6	(286.6)
Write-off of loans		1,209.7	487.8	168.2
Write-off of securities		1,079.8	435.4	(160.9)
Reserve for employee retirement benefits		264.7	106.8	4.5
Net unrealized losses on other securities		-	-	(6.9)
Net operating loss carryforwards		1,537.1	629.3	255.9
(c) Valuation allowance			<b>398.6</b>	(56.2)
(d) Total deferred tax liabilities		361.2	140.8	106.1
Net unrealized gains on other securities		284.9	110.0	110.0
Net deferred tax assets (Balance sheet amount) (a) - (d)		5,213.8	<b>1,711.7</b>	<b>(102.9)</b>
Amounts correspondent to the estimated taxable income before adjustments			1,731.7	5.6
Amounts to be realized after more than a certain period			90.0	1.5
Net unrealized gains on other securities (Deferred tax liabilities)			(110.0)	(110.0)
Effective income tax rate			<b>40.46%</b>	

- Decrease in taxable reserve by work-outs of problem assets
- Increase in direct write-offs by work-outs of problem assets
- Decrease in taxable write-off by sales of stocks
- Increase in operating loss carryforwards due to the above
- Net unrealized gains on "other securities" due to rise in stock market



# 11. BIS capital ratio

[SMFG-Consolidated]	(Billions of yen)		
	Mar.31, '03	Sep.30, '03	Change
<b>Tier 1</b>	3,255.9	3,468.8	212.9
Net unrealized losses on "other securities"	(24.2)	-	24.2
Preferred stock	1,796.3	1,796.3	0.0
Preferred securities issued by SPCs	840.1	824.0	(16.1)
<b>Tier 2*</b>	2,961.6	3,235.3	273.7
45% of unrealized gains on securities	-	127.2	127.2
45% of land revaluation excess	71.7	69.2	(2.5)
General reserve	739.6	737.4	(2.2)
Perpetual subordinated debt	569.1	684.3	115.2
Dated subordinated debt	1,581.3	1,617.2	35.9
Substruction items	238.6	244.1	5.5
<b>BIS capital</b>	5,978.9	6,460.1	481.2
<b>Risk-adjusted assets</b>	59,166.8	58,992.0	(174.8)
<b>BIS capital ratio</b>	10.10%	10.95%	+ 0.85%
Tier 1 ratio	5.50%	5.88%	+ 0.38%

\* Tier 2 included as qualifying capital.

## <Tier 1>

• Net income: JPY 143.5 bil.

## <Tier 2>

- Subordinated bonds on public offering
  - Overseas' perpetual subordinated bonds ('03/8): USD 850 mil.  
Japanese bank's 1<sup>st</sup> issue mainly targeted Asia retail market ( =JPY 94.6 bil. ) (non step-up )
  - Domestic: dated subordinated bonds ('03/8): JPY 50 bil.

## <Risk-adjusted assets >

• Disposition of problem assets, reduction of book value of stocks	approx. (JPY 1.2 tril.)
• Yen appreciation	approx. (JPY 0.5 tril.)
• Increase of mortgages and risk-taking loan, etc.	approx. JPY 0.85 tril.
• Effect of the rise in stock price	approx. JPY 0.6 tril.

# 12. Financial highlights of consolidated results



( Billions of yen )

	1st half, FY02	1st half, FY03	Change	Deference from non-consolidated results
Consolidated gross profit	1,116.4	1,049.1	(67.3)	253.8
Net interest income	741.9	664.2	(77.7)	94.6
Trust fees	-	0.0	0.0	-
Net fees and commissions	162.4	195.2	32.8	95.9
Net trading profit	62.4	81.7	19.3	14.1
Net other operating income	149.6	107.9	(41.7)	49.2
General and administrative expenses	(446.1)	(448.1)	(2.0)	(132.9)
Total credit cost	(318.6)	(441.5)	(122.9)	(82.1)
Gains (losses) on stocks	(197.9)	20.6	218.5	1.8
Equity in earnings of affiliates	2.8	8.0	5.2	8.0
Ordinary profit (loss)	149.9	165.5	157.0	60.3
Extraordinary gains (losses)	(39.5)	21.4	60.9	(16.4)
Net income (loss)	55.1	143.5	88.3	3.9
Consolidated net business profit	608.6	532.7	(75.9)	

Two subsidiary banks – Minato Bank and Bank of Kansai (41% of the difference)  
Sumitomo Mitsui Card (16% of the difference), etc.

Sumitomo Mitsui Card (46% of the difference), etc.

SMBC Leasing (68%), Japan Research Institute, etc.

SMBC Guarantee, Minato Bank, SMBC Finance, etc.

### Financial results of SMFG's three subsidiaries

(Billions of yen)

	Sumitomo Mitsui Card	SMBC Leasing	Japan Research Institute
Ordinary profit	6.4	4.9	1.5
Net income	3.8	2.7	0.8

(Notes):

- Consolidated net business profit = non-consolidated banking profit  
(excluding transfer to general reserve for possible loan losses)  
+ subsidiaries' ordinary profit (adjusted for temporary factors)
- International transactions within the accounts on international gross profit are adjusted (Reference: P.36).

# 13. Earnings forecast for FY03



## OSMBC

[Non-consolidated]

	FY02 Result	FY03	
		Forecast	Change
Gross banking profit	1,760.6	1,595.0	(165.6)
Expenses	(647.0)	(595.0)	52.0
Banking profit*	1,113.6	1,000.0	(113.6)
Ordinary profit	(597.2)	200.0	797.2
Net income	(478.3)	200.0	678.3

(Billions of yen)

Change from earning forecast at May, '03
(5.0)
5.0
0.0
30.0
100.0

Total credit cost**	(1,074.5)	(700.0)	374.5
---------------------	-----------	---------	-------

(50.0)
--------

\*Excluding transfer to general reserve for possible loan losses

\*\* (Transfer to general reserve for possible loan losses) + (Credit cost included in non-recurring losses)

## OSMFG

[Consolidated]

	FY02 Result	FY03	
		Forecast	Change
Operating income	3506.4	3500.0	(6.4)
Ordinary profit	(515.7)	320.0	835.7
Net income	(465.4)	230.0	695.4

(Billions of yen)

Change from earning forecast at May, '03
200.0
0.0
80.0

[Non-consolidated]

Operating income
Ordinary profit
Net income

FY03 Forecast
55.0
50.0
50.0

(Billions of yen)

Change from earnig forecast at May, '03
0.0
0.0
0.0

## 1. Overview of 1<sup>st</sup> Half, FY03: Progress in “Management Commitment”

## 2. Management Policy in 2<sup>nd</sup> Half, FY03

## 3. Strategies

- (1) Continue to drastically reduce non-performing loans
- (2) Reduce stock holdings further
- (3) Enhance profitability further
  - a) Strengthen the best business portfolio among the Japanese banks
  - b) Reinforce financial consulting business
  - c) Reinforce SME loan business
  - d) Improve cost competitiveness further

## 4. Closing: Path for the sustainable growth

# Overview of 1<sup>st</sup> Half, FY03: Progress in “Management Commitment”



## Problem assets

- Halve Problem asset ratio in two years (FY03- 04)
- Reduce credit costs

### Target:

	' 03/3A	'04/3P	'05/3P
Balance of Problem assets (tril.)	5.3	3.9	approx. 2.5
Credit cost (bil.)	1,074.5	650	450

### Result in 1<sup>st</sup> half, FY03

Problem assets JPY 3,866.6 bil.  
 →achieved the annual target half a year ahead of the original schedule

Credit cost JPY 359.4 bil.  
 →Accelerate NPL disposition  
 →Prepare for credit deterioration

## Stock holdings

- Decrease stock holdings further to reduce stock price fluctuation risk

### Target:

FY03 Amount of client's consent to sell approx. JPY 700 bil.  
 Mid-term About 50% of Tier I

### Result in 1<sup>st</sup> half, FY03

Amount Sold in 1<sup>st</sup> half approx. JPY 560 bil.  
 Balance \* as of '03/9 JPY2,515.5 bil.  
 (Decrease by JPY 553.3 bil. from '03/3)  
\* acquisition of listed securities in "Other securities", non-consolidated

## Banking profit

- Establish earnings structure to ensure JPY 1 tril. Banking profit
- Boost Marking Units' Banking profit in the next two years

### Target:

FY03 Banking profit JPY 1 trillion  
 Mid-term Significant change of earnings structure (To ensure JPY 1 trillion)

### Result in 1<sup>st</sup> half, FY03

Banking profit JPY 499.3 bil. (JPY 19.3 bil. Larger than the original plan)  
 →Outperformed the plan in strategic business lines

- Investment trusts, pension-type insurances
- Mortgage loans
- New unsecured loans to SMEs

### **Accelerate the pace further to improve the balance sheet**

- ✓ Accelerate the pace further to reduce NPLs ...  
Achieve the reduction target ahead of the original schedule
- ✓ Reduce stock holdings further...  
Revised the annual sale target upwards

### **Profitability: strengthen the best business portfolio further among Japanese banks**

- ✓ Expand business volume through reinforcing strategic business lines



### **Secure bottom line profit**

Establish the structure to further increase bottom line profit in FY04 and after

# Policy in and after 2<sup>nd</sup> half, FY03: Continue to drastically reduce NPLs



## Results in 1<sup>st</sup> half, FY03

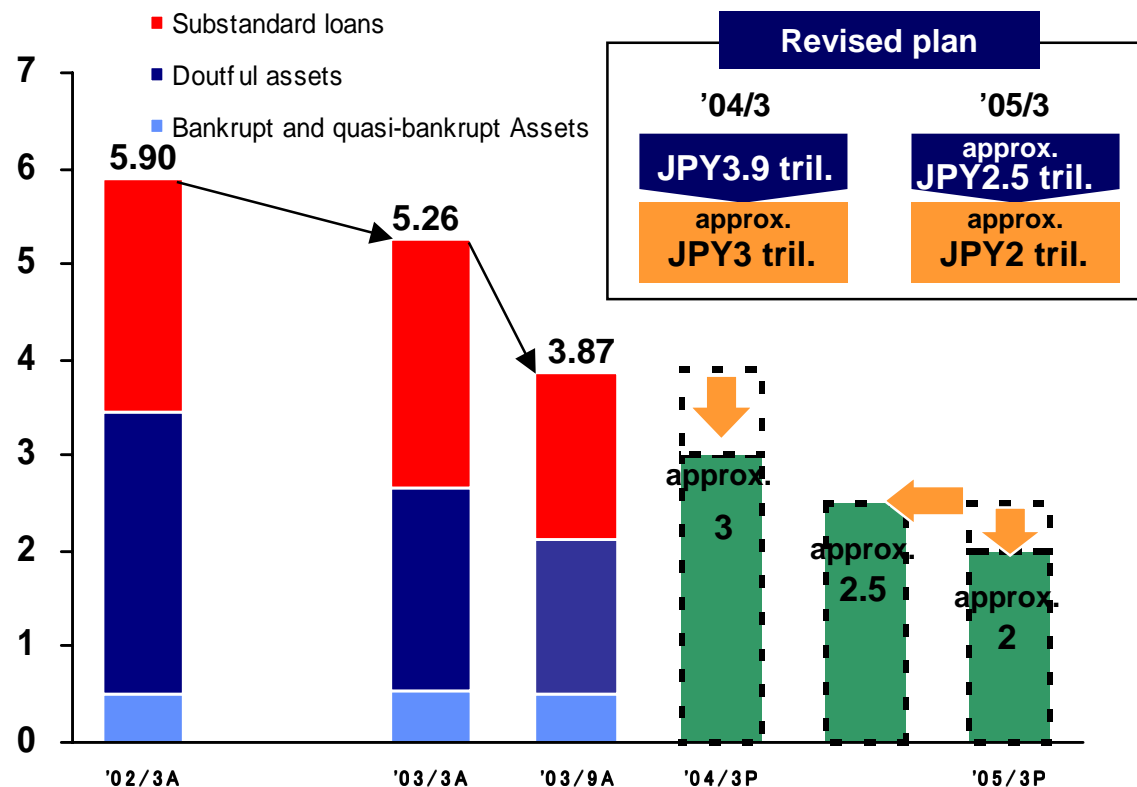
- Accelerated work-outs of NPLs  
→ Selling out loans
- Focused on support for borrowers' restructuring and reorganization
- Progressed in collection, and reinforcement in collaterals  
→ collection by selling out real estate collaterals, etc.

## From 2<sup>nd</sup> half, FY03

- Accelerate work-outs further
- Progress in collection, reinforcement in collaterals
- Reinforce advisory function of clients' corporate recovery

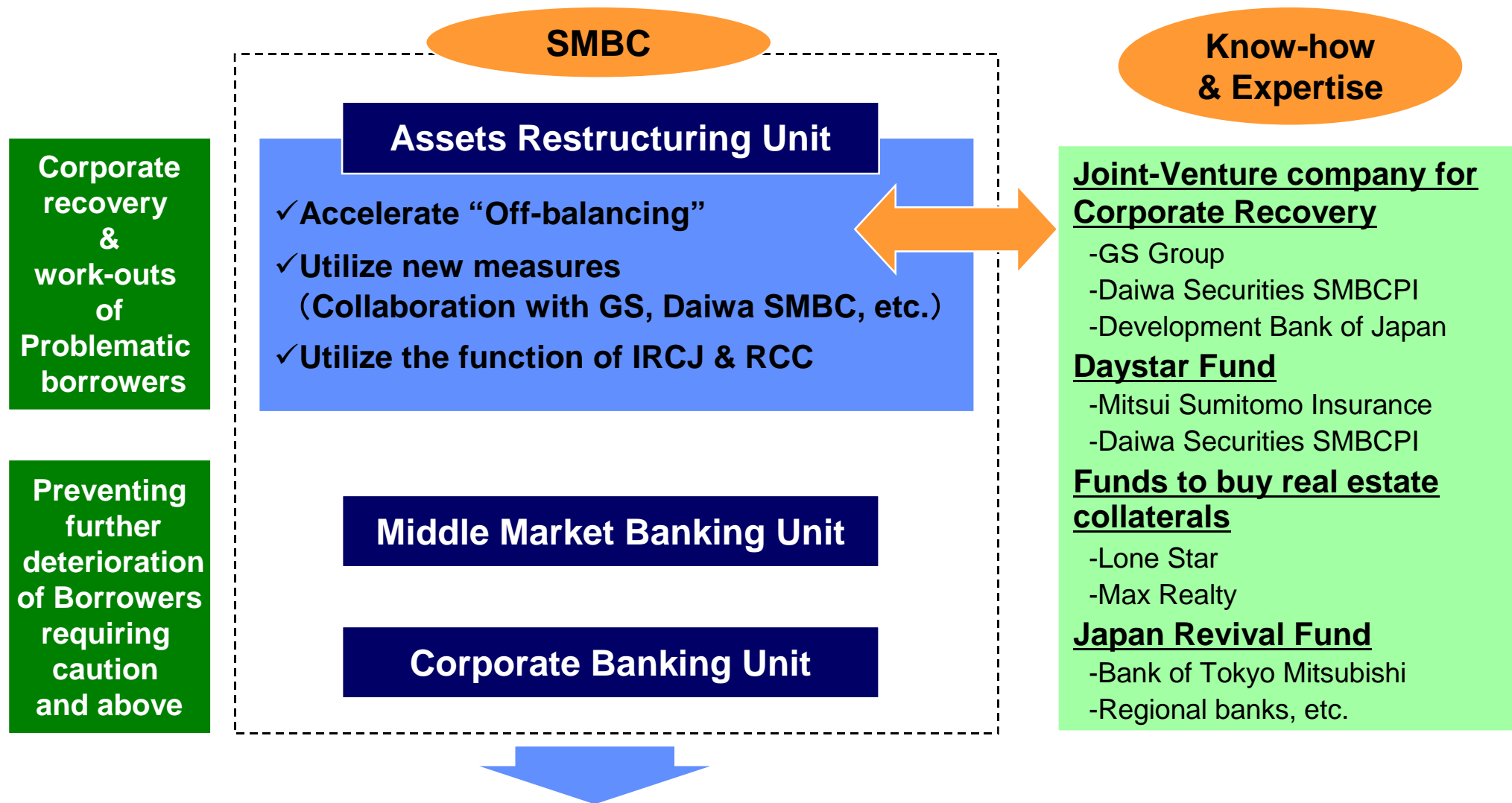
## Reduction plan of NPLs

(Trillions of yen)



	'02/3A	'03/3A	'03/9A	'04/3P	'05/3P
<b>Problem asset ratio</b>	8.9%	8.4%	6.4%	<b>5% - α</b>	<b>3% level</b>
<b>Credit cost (billion)</b>	1,543.1	1,074.5	359.4	700	450

# Initiatives to improve loan portfolio

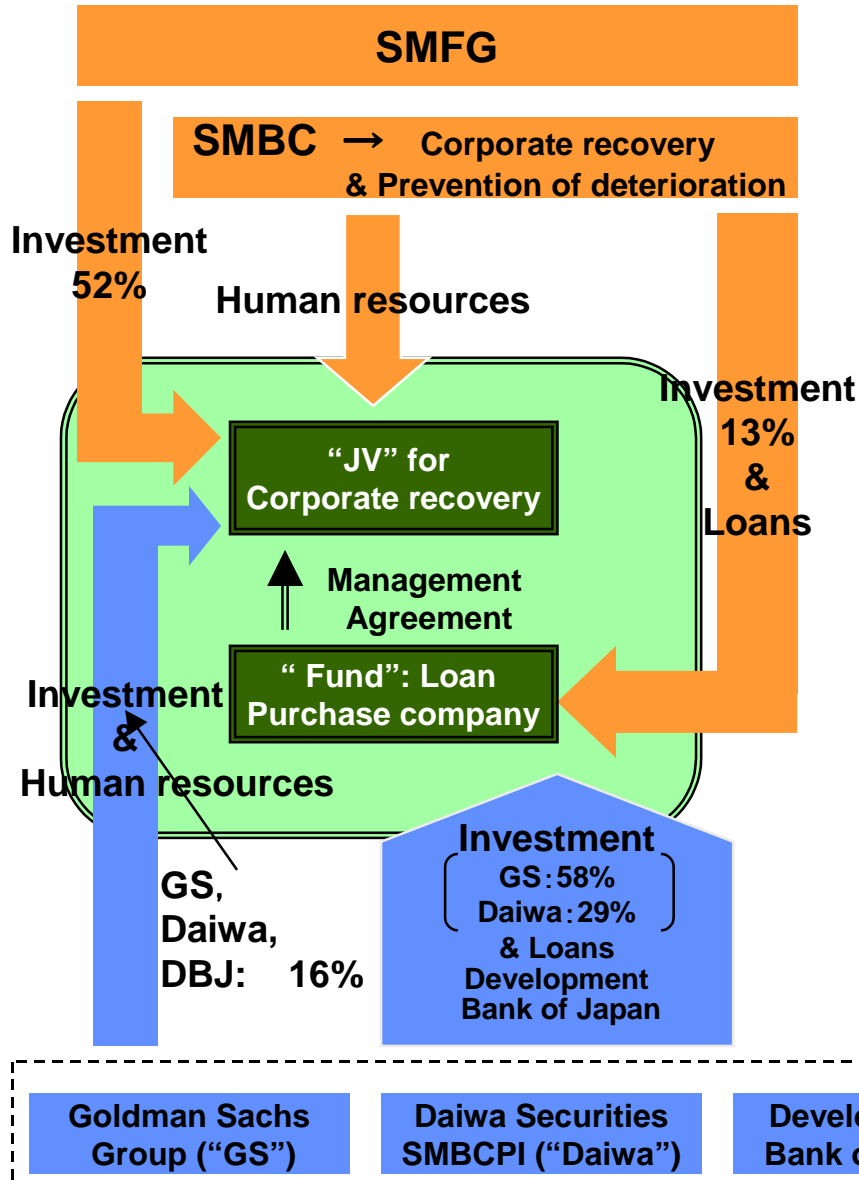


**1<sup>st</sup> half, FY03 : Steady improvement**



# Characteristics and effectiveness of SMFG's corporate recovery business

<Joint-Venture company for corporate recovery >



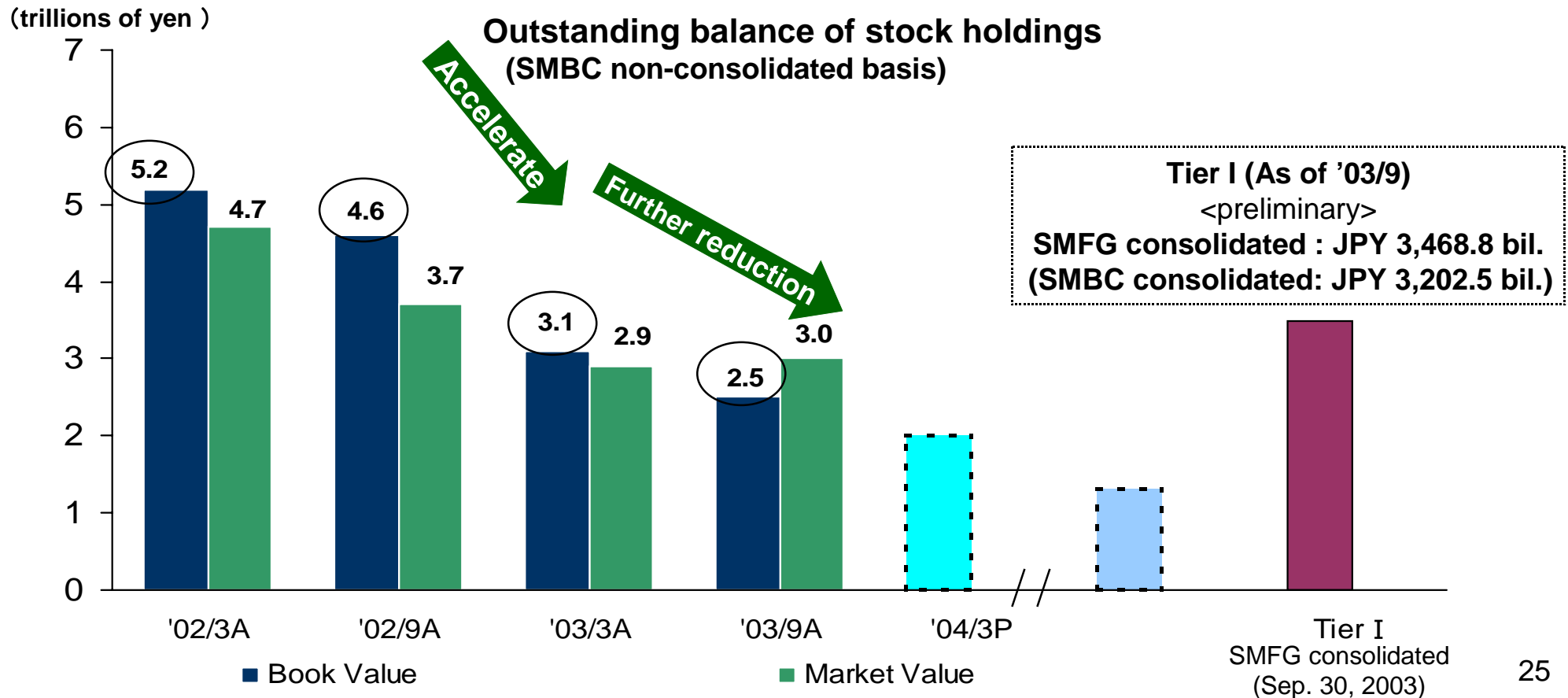
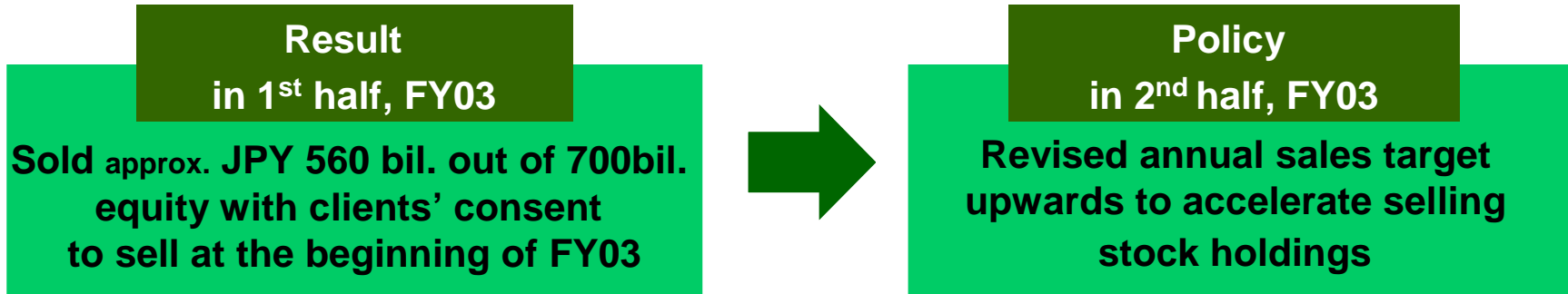
## ■Target:

- Accelerate corporate recovery
- Make corporate recovery business profitable
  - Fund investment related to corporate recovery business

## ■Characteristics

- (1) Sell out loans (mainly Substandard loans) at fair market price to the “Fund” through which the third party takes major credit risk.
  - Reduce SMBC’s NPLs both in non-consolidated and in consolidated basis
- (2) The subsidiary of SMFG operates corporate recovery fully utilizing experts in SMBC and top-class expertise & know-how of participants.

# Policy in and after 2<sup>nd</sup> half, FY03: Reduce stock holdings further



# Enhance profitability further: Strengthen the best business portfolio among the Japanese banks

**Establish business models  
with real competitive edge**

**Establish leading  
businesses in many fields**

**The best business portfolio  
+  
Cost competitiveness**

**Sales of investment trusts  
& pension type insurances**

**Mortgage loans**

**Unsecured Loans  
to SMEs**

**Loan  
syndication**

**Investment banking  
business**

**New measures: Reinforce strategic business lines  
“Sales channel expansion” → “Business volume increase”**

**Establish  
“SMBC Consulting  
Plaza”**

**Expand  
“Loan Plaza”**

**Expand  
Corporate business  
office network**

**Enforce further**

**Focus on  
Medium-size  
corporation  
further**

**Collaborate with  
Daiwa securities  
SMBC  
further**

# Reinforce financial consulting business to individual clients

## <Sales of investment trust & pension type insurance>



**Financial consulting business**  
(Establish the best business model among the Japanese banks)



**Investment trusts & pension-type insurances**

- ✓ Established leading position among Japanese banks
- ✓ Increasing market shares and profits

[current network]

“MC Desk”: approx. 300 offices

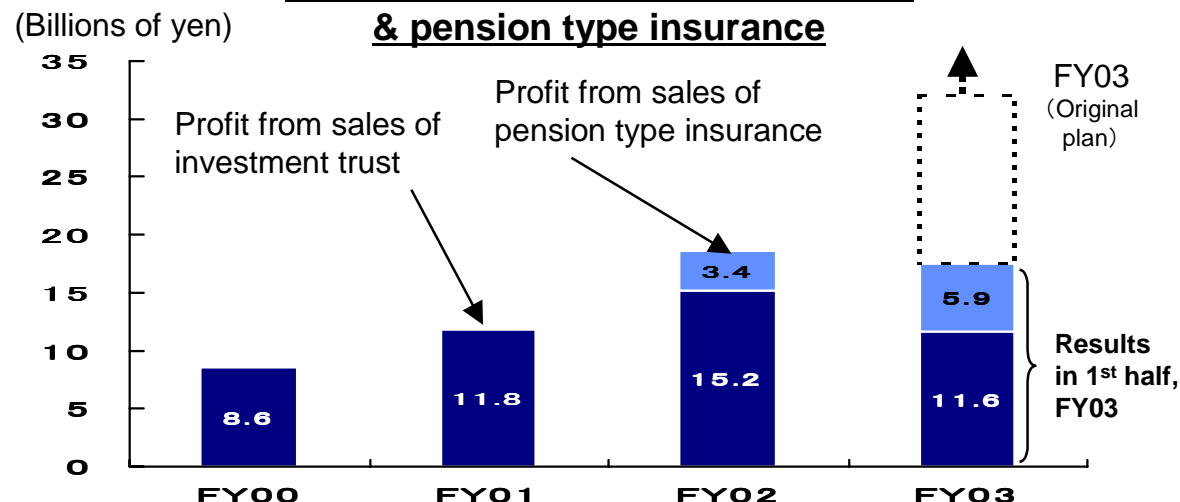
Financial consultant: approx. 850 staffs



**Drastic expansion of business through improving financial consulting skills and expanding network**



**Results of sales of investment trust & pension type insurance**



Balance of investment trusts (Billions)	1,192.2	1,485.3	1,598.6	<b>1,741.0</b>
				No.1 among the Japanese banks
Sales of pension type insurance (Billions)	-	-	99.4	<b>255.1</b>
				No.1 among the Japanese banks

### Newly develop “SMBC Consulting Plaza”

- Flagship offices specialized in financial consulting
- Extended business hours:
 

Weekday	9:00 - 21:00
Holiday	10:00 - 17:00
- Establishing 6 offices in Tokyo and Osaka area

# Reinforce financial consulting business to individual clients:

## <Mortgage loans>



**FY02**

**Implemented credit approval standard based on credit grade  
Launched new product, etc**

**Achievement: No.1 in origination of mortgage among the Japanese banks**



**1<sup>st</sup> half, FY03**

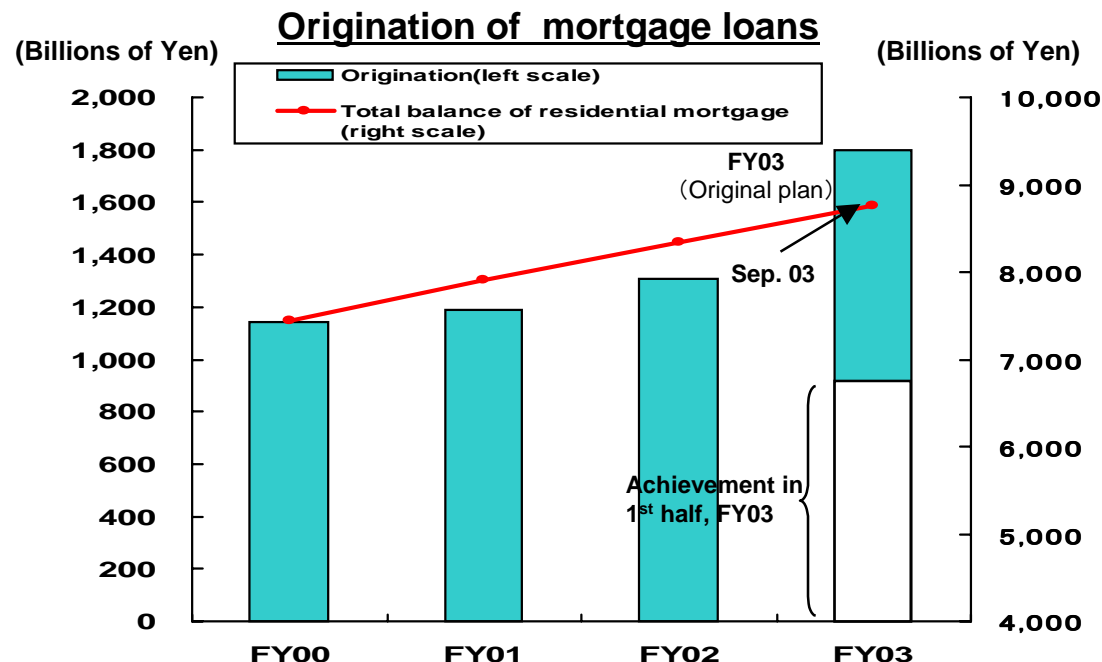
**New credit assessment model  
New product launched, etc.**

**Achievement: - Origination of mortgage more than the original plan  
- No.1 in origination of mortgage among Japanese banks**



**2<sup>nd</sup> half, FY03**

**Expand the consulting office  
Specialized in mortgage loans**



**Origination of mortgage in 1st half, FY03:  
No.1 among the Japanese bank  
(Our research)**

**Expand "Loan Plaza", the specialized office network**  
 '03/3: 75 offices → '04/3: 109 offices  
 (Completed to expand by 108 offices so far)

- Expand the office network to local areas
- Establish competitive operation by allocating human resources

# Reinforce SME loan business: <New unsecured loans>

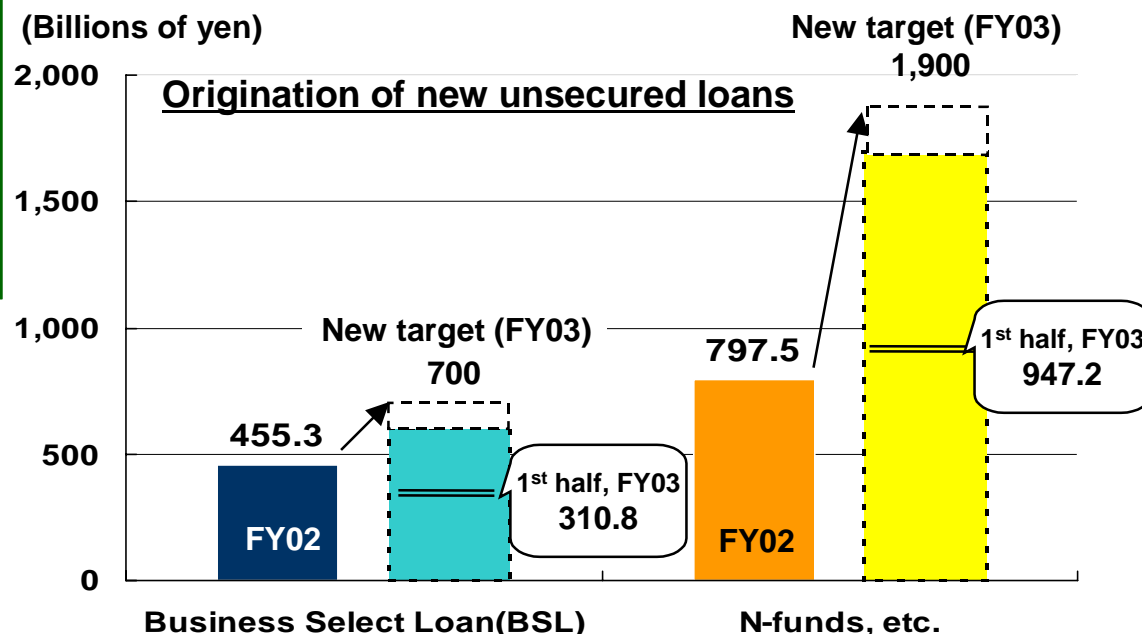
**FY02**  
**Expanded “New unsecured loans”**  
 - market with huge potential  
 - diversified portfolio + credit risk control  
 - unique credit scoring model

Originated JPY 1,252.8 bil. annually  
 Originated JPY 980 bil. to the new clients including new unsecured loan clients

**1<sup>st</sup> half, FY03**  
**Reformed credit approval system**  
**Introduced new product: “N-funds”**  
 (Check-list type & Standard judgment type)

Originated JPY 1,258 bil. New unsecured loans  
 →achieved the original target for the 1<sup>st</sup> half, FY03  
 Originated JPY 670 bil. to the new clients

**2<sup>nd</sup> half, FY03**  
 Expand area coverage  
 Revision of the target for FY2003 upward



(Note) N-funds, etc.: Refer to Appendix 18.

Figures for FY02 are the sum of old products, Middle II Fund and SMBC-CLO.

**FY03 Target (origination)**  
**Original target: JPY 2,300 billion**  
 (including BSL: JPY 600 billion)  
 ↓  
**Revised target: JPY 2,600 billion**  
 (including BSL: JPY 700 billion)

## Reinforce SME loan business :

### Drastic expansion of distribution channel



#### Strategy on office network for SME Business

##### → Drastic change from streamlining to expansion

#### ■ Establish “Corporate Business Offices” (5 offices):

- Established at areas where there are many SMEs with no SMBC account, and where the inflow of a sufficient number of companies is expected.
- The mission is to acquire new SME clients.
- Number of staffs: approx. 10 per office (including 5 to 6 general staffs)

#### ■ Establish “Corporate Sales Offices” (35 offices):

- Small and specialized channel in the area with sufficient SME-market size.
- Number of staffs: approx. 5 per an office (including approx. 2 general officers)
- Assumed sub-offices of existing channels such as Business Support Offices, etc.

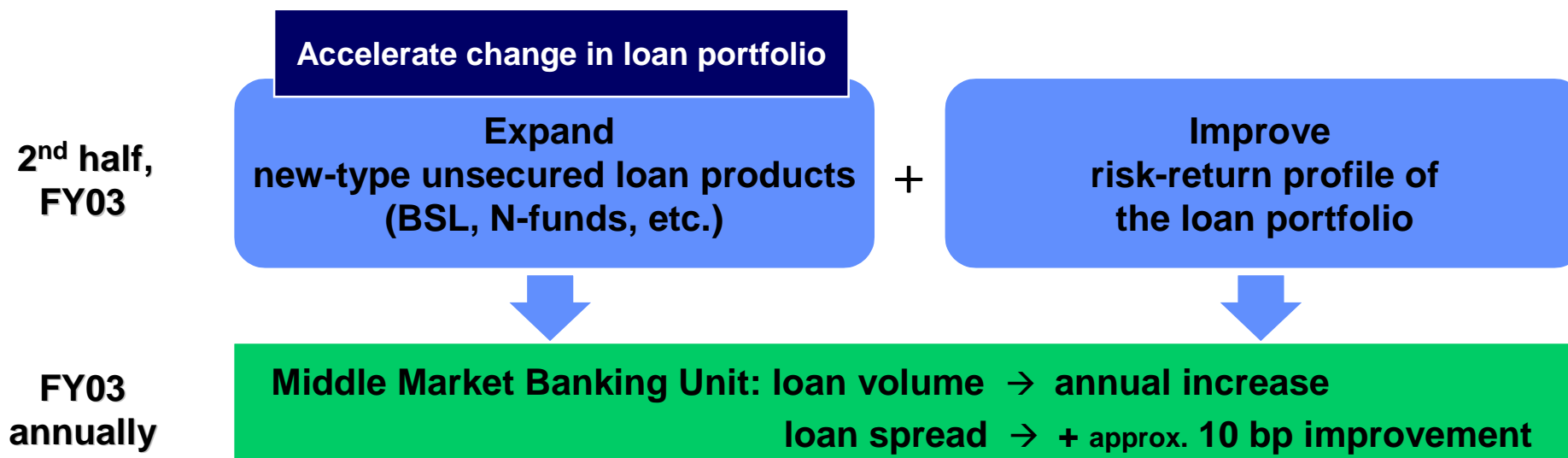
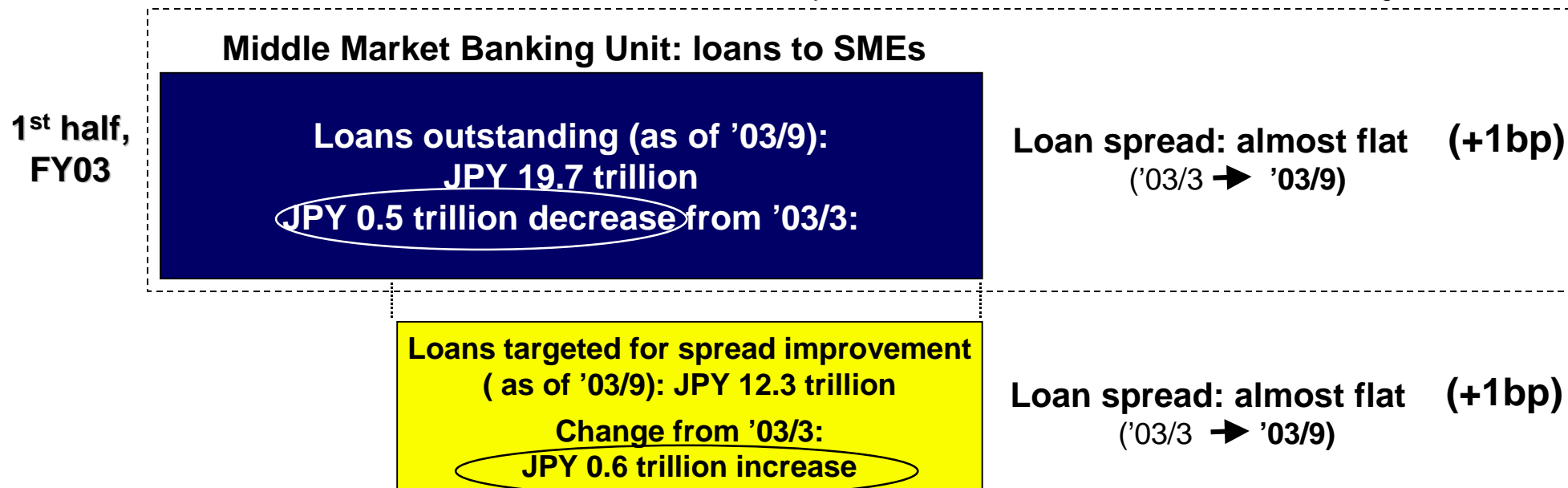
**Number of  
SME channels = 174 offices  
(including 52 small & specialized channels)**

**Plan to increase 30 more offices hereafter**

# Increase loan volume & continue to improve loan spreads



\*After adjustment of transfer between units exercised during 1<sup>st</sup> half, FY03.





# Improve cost competitiveness further



## Merger → FY02

### Early realization of merger benefit

- Completed systems integration
- Completed integration of duplicated branches

Achievement: annual cost JPY 647 billion  
(Expense ratio: in 30% level)

Extensive integration of branch network  
(578→403\*)

\*excluding branches of the former Wakashio Bank

## FY03

Achieve “JPY 600 bil.  
annual cost structure” earlier

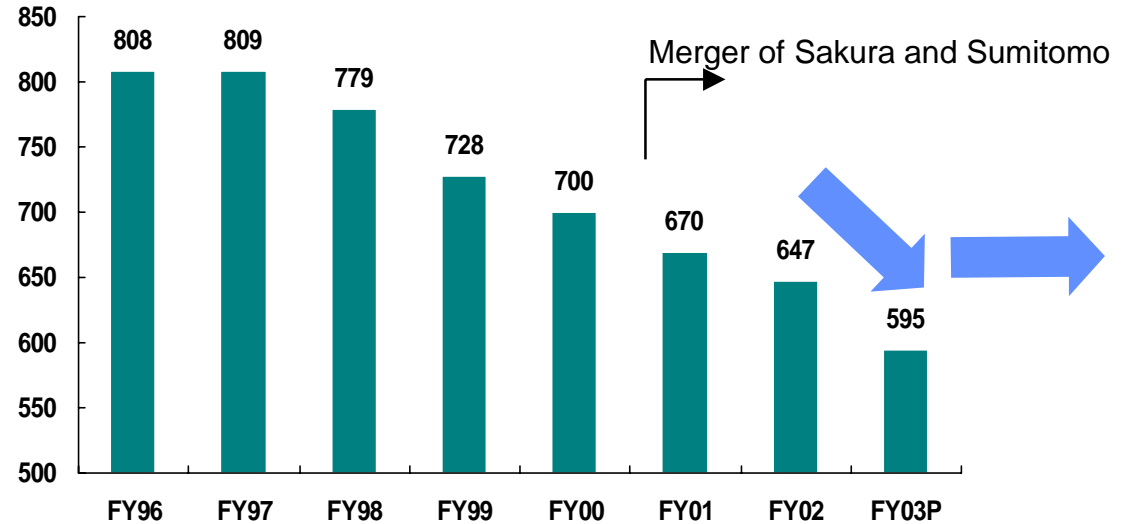
Achievement of JPY 600 billion annual cost structure in sight (1<sup>st</sup> half, FY03: JPY 296 billion)

## FY04 and after

Reduce cost additionally &  
Invest into strategic business lines

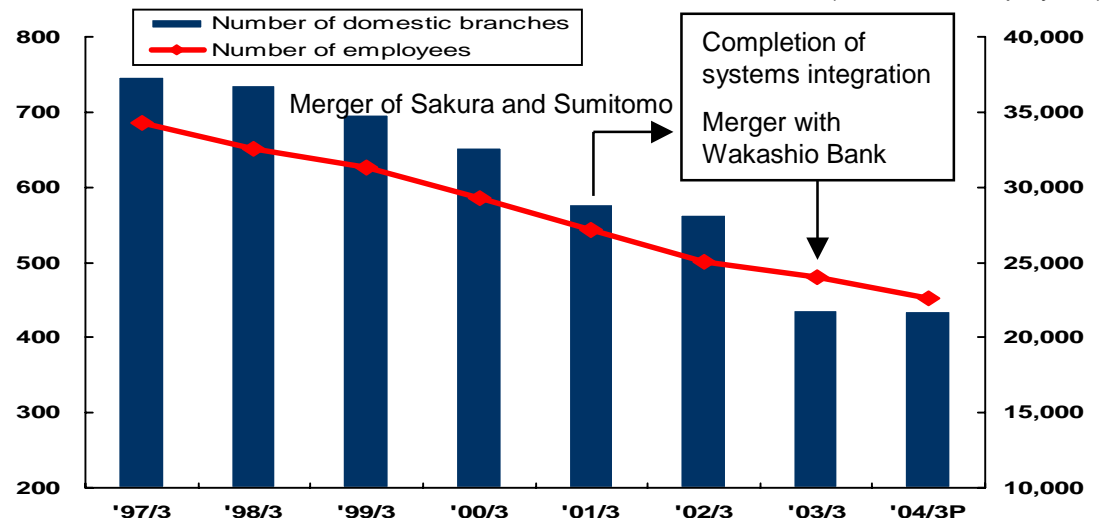
Improve “Real cost competitiveness”

(Billions of yen)



(Number of branches)

(Number of employees)



# Closing: Pass for the sustainable growth



## Balance sheet:

Realize better and earlier results than “Management commitment”

## Profitability:

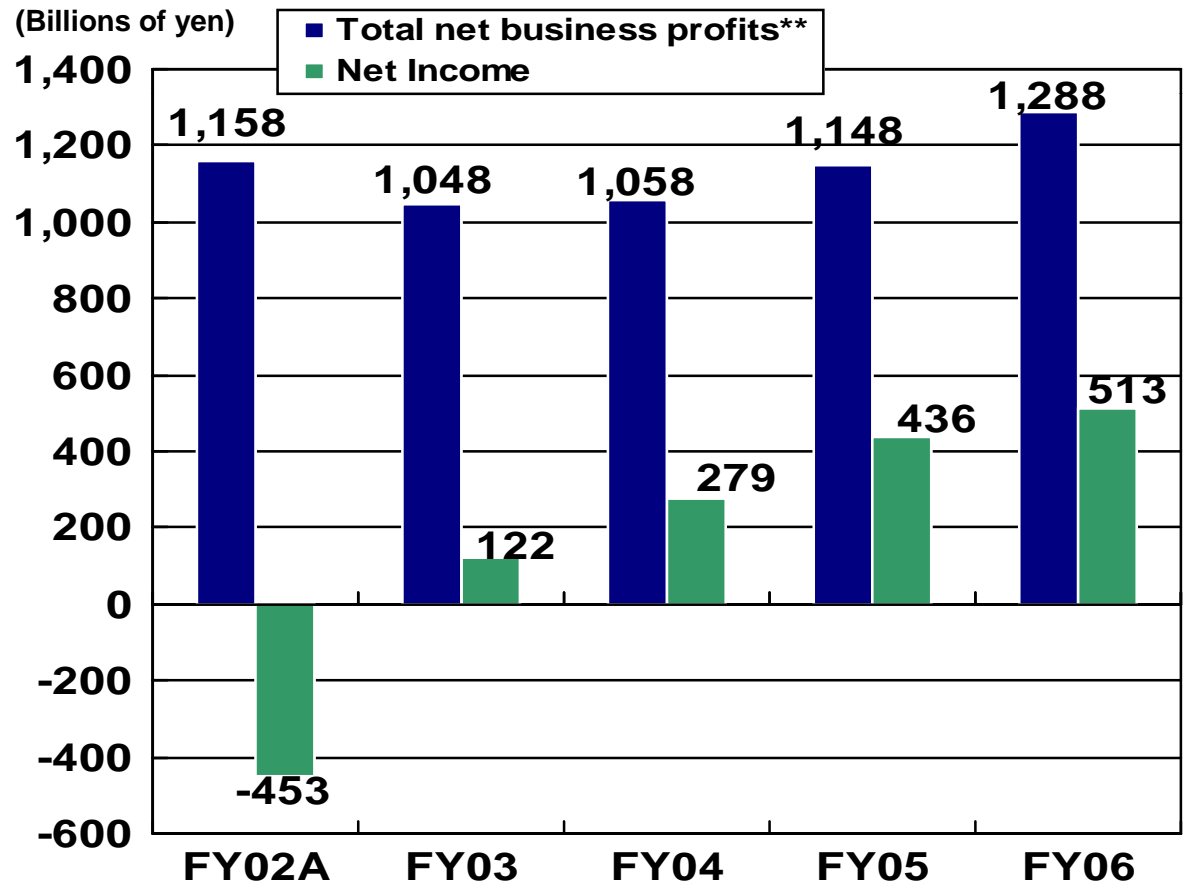
Reinforce strategic business lines

→ Outperform the target by significant reform in earnings structure.



**Towards the Sustainable growth**

## Plan for Strengthening the Financial Base \*



(\*) Combined basis of 4 subsidiaries (SMBC, Sumitomo Mitsui Card, SMBC Leasing, and Japan Research Institute)

(\*\*) Banking profit of SMBC + Operating profit of other 3 companies

1. **Financial highlights in recent years**
2. **Gross banking profit**
3. **Average balance and yield of major items (domestic)**
4. **Expense reduction (1)**
5. **Expense reduction (2)**
6. **Non-recurring gains (losses) / extraordinary gains (losses)**
7. **Disclosure of problem assets**
8. **Disclosed Problem assets based on the Financial Reconstruction Law & coverage ratios**
9. **Changes in Disclosed problem assets and “off-balancing”**
10. **Progress of “off-balancing”**
11. **Loan portfolio and Disclosed problem assets, classified by industry**
12. **Corporate Recovery Joint-Venture Company (SMFG Corporate Recovery Servicer Co., Ltd.)**
13. **Initiatives for Corporate Restructuring Funds**
14. **Unrealized gains (losses) on securities**
15. **Equity portfolio - composition by industry**
16. **Business Select Loan – Recent developments**
17. **Business Select Loan – Business model**
18. **“N Funds”**
19. **Consumer banking**
20. **Sales of investment trusts and pension-type insurances**
21. **Remote banking (“One’s Direct”)**
22. **Domestic channels – ATMs, etc.**
23. **Sumitomo Mitsui Card**
24. **SMBC Leasing**
25. **Japan Research Institute**
26. **Daiwa Securities SMBC**

# (Appendix 1) Financial highlights in recent years



(Billions of yen)

	FY98	FY99	FY00	FY01	FY02	1st half, FY03
Gross banking profit	1,449.5	1,434.5	1,503.2	1,864.9	1,760.6	795.3
Expenses	(778.9)	(727.6)	(700.1)	(678.4)	(647.0)	(296.0)
Banking profit *1	670.6	702.9	803.1	1,186.5	1,113.6	499.3
Total credit cost	(2,095.9)	(1,130.6)	(819.1)	*2 (1,546.2)	(1,074.5)	*3 (359.4)
Ordinary profit	(1,495.2)	336.4	359.2	(521.6)	(597.2)	105.2
Net income	(749.4)	105.9	137.8	(322.9)	(478.3)	139.6

\*1 Excluding transfers to general reserve for possible loan losses.

\*2 Including credit cost of JPY 0.8 bil. for the former Wakashio Bank, booked in extraordinary items.

\*3 Including write-backs of loan loss reserves of JPY 14.2 billion, booked in extraordinary items.

(Note)

Figures for FY00 and before are combined totals for the former Sakura Bank and Sumitomo Bank, not including the former Wakashio Bank.

## (Appendix 2) Gross banking profit

(Billions of yen)

	1st half, FY02	1st half, FY03	Change
Gross domestic profit	625.8	559.0	(66.8)
<i>Excluding gains (losses) on bonds</i>	586.7	556.6	(30.1)
Net interest income	522.6	481.7	(40.9)
<i>Gains on interest rate swaps</i>	22.7	17.2	(5.5)
Trust fees	-	0.1	0.1
Net fees and commissions	63.4	78.2	14.7
Net trading income	0.8	(1.8)	(2.6)
Net other operating income	39.0	0.9	(38.1)
<i>Gains (losses) on bonds</i>	39.1	2.4	(36.7)
Gross international profit	277.6	236.4	(41.2)
<i>Excluding gains (losses) on bonds</i>	240.0	220.0	(20.0)
Net interest income	126.6	87.9	(38.7)
<i>Gains on interest rate swaps</i>	99.7	41.5	(58.2)
Net fees and commissions	22.5	21.2	(1.3)
Net trading income	55.3	69.5	14.2
Net other operating income	73.2	57.8	(15.4)
<i>Gains (losses) on bonds</i>	37.6	16.4	(21.2)

(Reference)

Adjustments related to the items consisting of gross international profit (Billions of yen)

	1st half, FY02	1st half, FY03	Change
Net interest income	8.0	1.0	(7.0)
Net trading income	(47.4)	(82.2)	(34.8)
Net other operating income	39.4	81.2	41.8

### Major factors in increase / decrease

- Domestic net interest income: (40.9)  
-Decrease in loan volume
- Domestic net fees & commissions: +14.7  
-Increase in fees related to investment trusts and pension-type insurances  
-Increase in fees related to loan syndication, securities business, etc.
- International net interest income: (38.7)  
-Decrease in profits of the Treasury Unit
- International net trading income: +14.2  
-Increase due to good performance of sales of derivatives products to clients

# (Appendix 3) Average balance and yield of major items (domestic)



	1st half, FY02		1st half, FY03		Change	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Interest earning assets	76,541.4	1.47%	70,975.6	1.45%	(5,565.8)	(0.02%)
Loans and bills	54,047.0	1.72%	50,802.7	1.73%	(3,244.3)	0.01%
Securities	20,028.3	0.70%	19,207.9	0.58%	(820.4)	(0.12%)

(Billions of yen)

	1st half, FY02		1st half, FY03		Change	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Interest bearing liabilities	75,803.1	0.10%	72,139.1	0.09%	(3,664.0)	(0.01%)
Deposits, etc.	57,495.9	0.04%	56,927.3	0.02%	(568.6)	(0.02%)
Expense ratio		0.77%		0.74%		(0.03%)
Total cost of funding (including expenses)		0.87%		0.83%		(0.04%)

	1st half, FY02	1st half, FY03	Change
Overall interest spread	0.60%	0.62%	0.02%
Interest spread	1.68%	1.71%	0.03%

## (Appendix 4) Expense reduction (1)

(Billions of yen)

	1st half, FY02	1st half, FY03	Change
Expenses (excluding non-recurring losses)	(325.2)	(296.0)	29.2
Personnel expenses	(131.5)	(114.0)	17.5
Non-personnel expenses	(176.9)	(166.7)	10.2
Taxes	(16.8)	(15.3)	1.6
Overhead ratio	36.0%	37.2%	(1.2%)

### Major factors of increase / decrease

#### •Personnel expenses: (17.5)

Decreased by the reduction of headcount by 1,453

Number of employees:

Sep. 30, '02 25,291

Sep. 30, '03 23,838

Decreased by 16.5% reduction of bonus fund compared with 1<sup>st</sup> half, FY02

#### •Non-personnel expenses: (10.2)

Decreased by completion of the integration in duplicated branches and IT systems

Number of domestic branches:

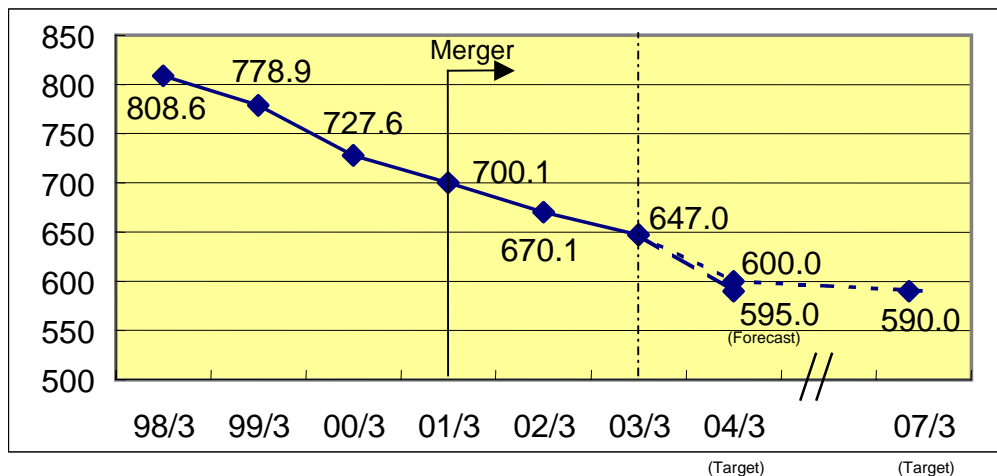
Sep. 30, '02 545

Sep. 30, '03 435\*

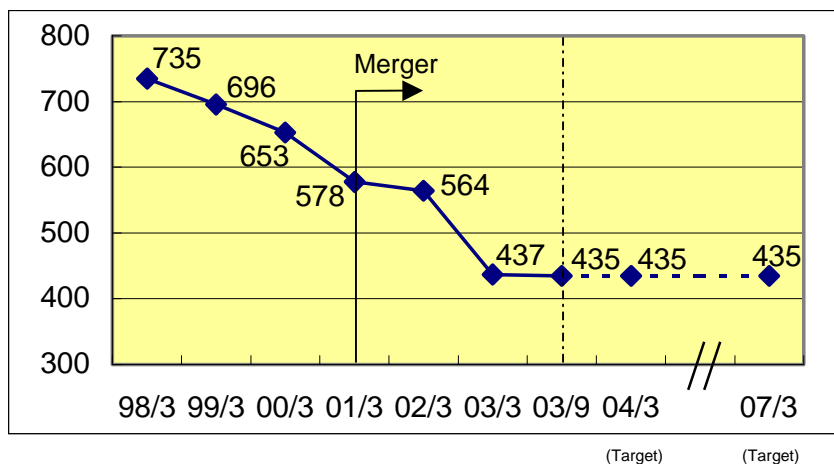
\*Number of domestic branches excluding former Wakashio Bank's: 401

# (Appendix 5) Expense reduction (2)

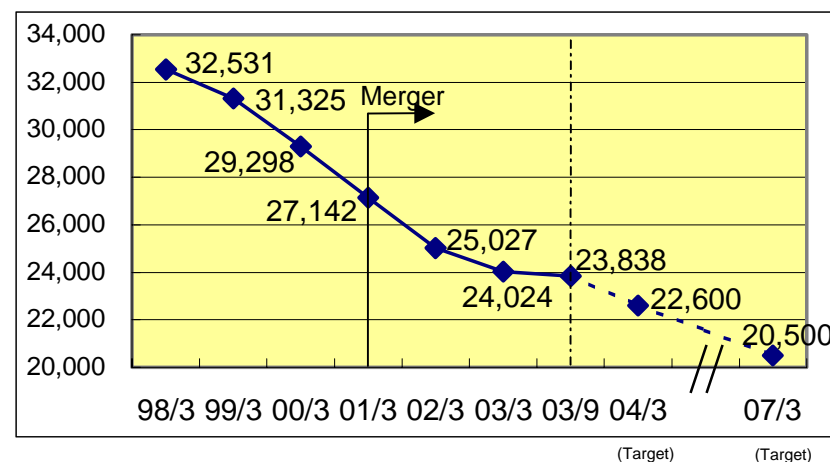
**Annual Expense (Billions of yen)**



**Number of domestic branches**



**Number of employees**



(Note) - Figures for Mar. 31, '04 and after are target figures submitted to the government.

- Branches with customers' deposit accounts. Sub-branches, agencies, branches specialized in receiving money transfers, branches specialized in controlling ATMs in convenience stores, and International Business Operations Dept. excluded.



# (Appendix 6) Non-recurring gains (losses) / extraordinary gains (losses)



(Billions of yen)

	1st half, FY02	1st half, FY03	Change
Non-recurring gains (losses)	(457.6)	(394.1)	63.5
Credit related costs	(246.5)	(373.6)	(127.1)
Gains (losses) on stocks	(192.2)	18.8	211.0
Enterprise taxes by Local Governments	(3.5)	(7.7)	(4.2)
Other non-recurring gains (losses)	(15.4)	(31.6)	(16.2)
Ordinary profit (loss)	99.9	105.2	5.3
Extraordinary gains (losses)	(38.2)	37.8	76.0
Gains (losses) on disposition of premises and equipment	(9.6)	(6.4)	3.2
Gains on disposition of premises and equipment	1.6	0.4	(1.2)
Losses on disposition of premises and equipment	(11.2)	(6.8)	4.4
Amortization of net transition obligation from initial application of the new accounting standard for employee retirement benefits	(10.1)	(10.1)	-
Write-back of loan loss reserves	-	13.8	13.8
Write-back of reserve for losses on loans sold	-	0.4	0.4
Refund of enterprise tax from Tokyo metropolitan government and interest on refund	-	40.3	40.3
Income (loss) before income taxes	61.6	143.0	81.4
Income taxes, current	(6.8)	(12.6)	(5.8)
Income taxes, deferred	(9.3)	9.2	18.5
Net income (loss)	45.5	139.6	94.1

Tokyo Metropolitan Government tax rate: 0.9% (after amendment of the act) (JPY 2.9 billion)

Osaka Prefecture Government tax rate: 3.0% (JPY 4.8 billion)

Amortization of unrecognized obligation of employee retirement benefits: (JPY 15.1 billion)

Losses on disposition of branches concurrent with branch integration and closure, etc.

Straight-line amortization over five years from FY00

Refund of enterprise tax (for FY00-FY02): JPY 38.2 billion

Interest on refund: JPY 2.1 billion

Change in deferred tax assets: JPY 7.1 billion (excluding change related to net unrealized losses on securities)

Decrease in deferred tax liabilities related to land revaluation JPY 2.1 billion

# (Appendix 7) Disclosure of problem assets

<As of Sep. 30, 2003>		(Billions of yen)						
Category of Borrowers under Self-Assessment	Problem Assets based on the Financial Reconstruction Law	Classification under Self-Assessment				Reserve for Possible Loan Losses	Reserve Ratio	
		Classification I	Classification II	Classification III	Classification IV			
Bankrupt Borrowers	Bankrupt and Quasi-Bankrupt Assets 506.1 (Change from Mar. 31, 2003: (18.8))	Portion of claims secured by collateral or guarantees, etc. 491.6	Fully reserved 14.5	Direct Write-offs (*1)	Specific Reserve	20.3 (*2)	100% (*3)	
Effectively Bankrupt Borrowers								
Potentially Bankrupt Borrowers	Doubtful Assets 1,631.2 (Change from Mar. 31, 2003: (498.3))	Portion of claims secured by collateral or guarantees, etc. 755.6	Necessary amount reserved 875.6		Specific Reserve	608.9 (*2)	69.5% (*3)	
Borrowers Requiring Caution	Substandard Loans 1,729.3 [Change from Mar. 31, 2003: (877.8)] (Claims to Substandard Borrowers)	Portion of Substandard Loans secured by collateral or guarantees, etc. 669.8					General Reserve	335.3 (*)
	Normal Assets 56,623.8	Claims to Borrowers Requiring Caution, excluding claims to Substandard Borrowers			880.3 (*)	5.5% [12.2%] (*4)		
Normal Borrowers		Claims to Normal Borrowers					0.2% (*4)	

(\*1) Includes direct reduction amounts to JPY 1,320.8 billion.

(\*2) Includes reserves for assets which are not subject to disclosure based on the Financial Reconstruction Law disclosure standards.  
(Bankrupt/Effectively Bankrupt Borrowers: JPY 5.8 billion, Potentially Bankrupt Borrowers: JPY 9.9 billion)

(\*3) Reserve ratios to Bankrupt Borrowers, Effectively Bankrupt Borrowers, Potentially Bankrupt Borrowers, Substandard Borrowers and Borrowers Requiring Caution including Substandard Borrowers are the proportion of each category's total unsecured claims covered by reserve for possible loan losses.

(\*4) Reserve ratios to Normal Borrowers and Borrowers Requiring Caution excluding Substandard Borrowers are the proportion of the reserve to the respective claims of each category.

The reserve ratio of unsecured claims on Borrowers Requiring Caution (excluding claims to Substandard Borrowers) is shown in brackets.

(\*5) The proportion of the reserve to the claims, excluding the portion secured by collateral or guarantees, etc.

# (Appendix 8) Disclosed problem assets based on the Financial Reconstruction Law & coverage ratios



## Disclosed problem assets based on the Financial Reconstruction Law & coverage ratios

(Billions of yen)

	Disclosed problem assets based on the Financial Reconstruction Law (A)			Total coverage (B)			Coverate ratio (B/A)		
	Mar. 31, '03	Sep. 30, '03	Change	Mar. 31, '03	Sep. 30, '03	Change	Mar. 31, '03	Sep. 30, '03	Change
	Bankrupt and quasi-bankrupt assets	524.9	506.1	(18.8)	531.6	511.9	(19.7)	100.0%	100.0%
Doubtful assets	2,129.5	1,631.2	(498.3)	1,885.6	1,364.5	(521.1)	88.5%	83.7%	(4.8%)
Substandard loans	2,606.9	1,729.3	(877.6)	1,619.3	1,005.1	(614.2)	62.1%	58.1%	(4.0%)
Total	5,261.3	3,866.6	(1,394.7)	4,036.5	2,881.4	(1,155.1)	76.7%	74.5%	(2.2%)

## Reserve ratios

	Sep. 30, '02	Mar. 31, '03	Sep. 30, '03
Doubtful assets	72.6	79.2	69.5
Substandard loans	21.8	33.7	30.5
Claims on Borrowers requiring caution excluding claims to Substandard borrowers	10.1	12.8	12.2

(Note) Reserve ratio: Reserve ratio for the unsecured portion.

# (Appendix 9) Changes in Disclosed problem assets and “off-balancing”



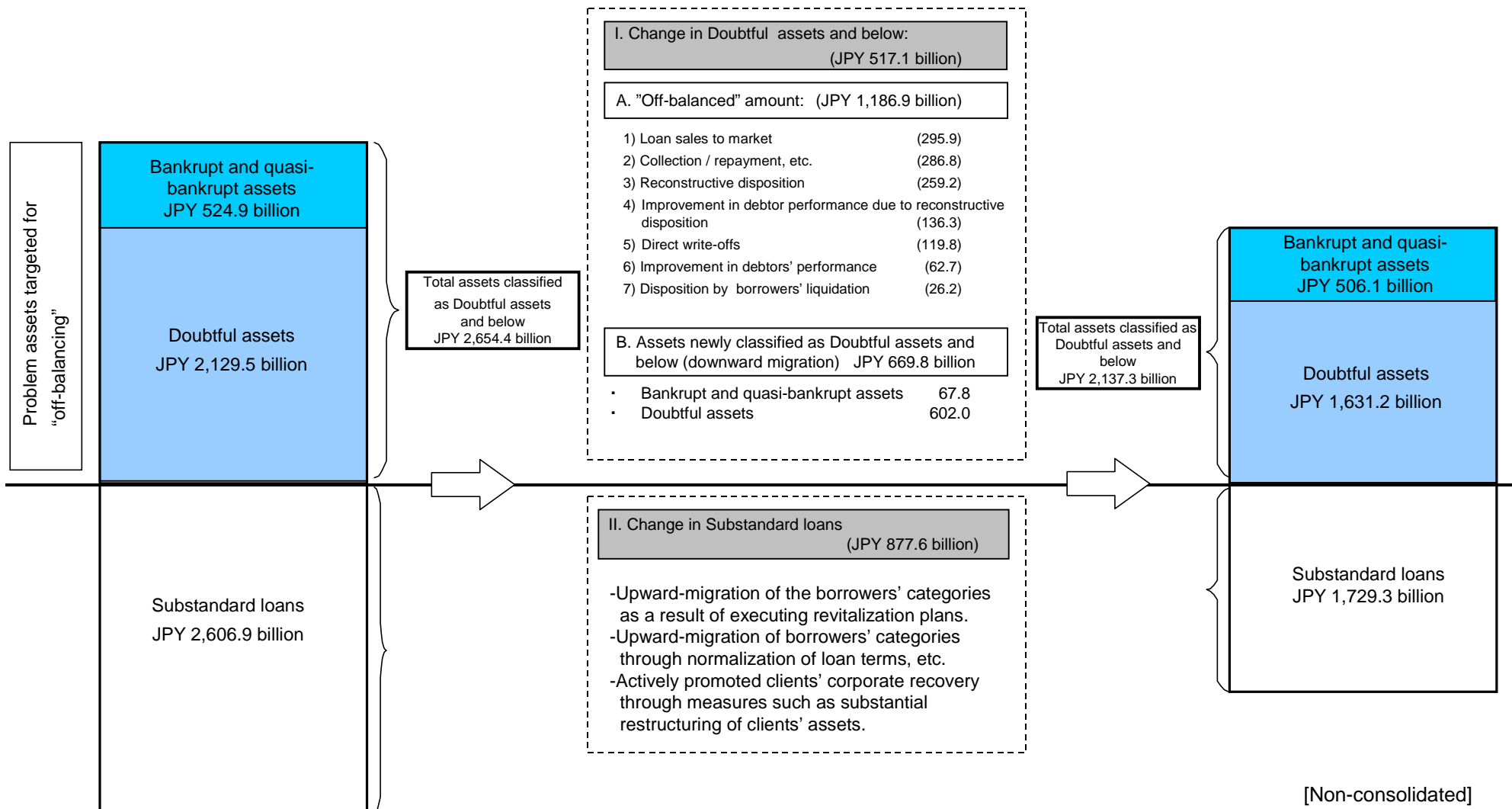
Mar. 31, '03

Disclosed problem assets: JPY 5,261.3 billion

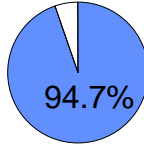
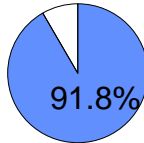
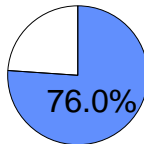
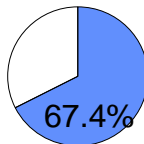
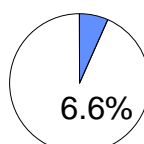
**I + II. Net change in disclosed problem assets (JPY 1,394.7 billion)**

Sep. 30, '03

Disclosed problem assets: JPY 3,866.6 billion



# (Appendix 10) Progress of “off-balancing”

Term-end balance of problem assets* (Billions of yen)	“Off-balancing” results**	(Progress ratio as of Sep. 30, ‘03)
Existing borrowers as of Sep. 30, ‘00 <b>3,247.8</b>	<b>(3,075.9)</b>	
Newly deteriorated borrowers in 2nd half, FY00 <b>711.4</b>	<b>(653.3)</b>	
Newly deteriorated borrowers in FY01 <b>2,146.0</b>	<b>(1,630.4)</b>	
Newly deteriorated borrowers in FY02 <b>1,212.2</b>	<b>(817.1)</b>	
Newly deteriorated borrowers in 1st half, FY03 <b>669.8</b>	<b>(44.1)</b>	

\* Total balance of problem assets classified as Doubtful Assets or lower under the Financial Reconstruction Law

\*\* Off-balanced amount includes: (1) Disposition by borrowers’ liquidation; (2) Re-constructive disposition; (3) Improvement in debtors’ performance as a result of re-constructive disposition; (4) loan sales to market; (5) write-offs; and (6) others (including collection/repayment and improvement in debtor performance). The amount includes the result of measures regarded as “off-balancing”.

# (Appendix 11) Loan portfolio and Disclosed problem assets, classified by industry



(Billions of yen)

	Loans and bills discounted			Problem Assets Based on the Financial Reconstruction Law			
	Sep. 30, '03		Mar. 31, '03	Sep. 30, '03			Mar. 31, '03
	(a)	(a) - (b)	(b)	(c)	Reserve ratio (%)	(c) - (d)	(d)
Domestic offices (excluding offshore banking account)	52,080.0	(1,715.9)	53,795.9	3,741.3	49.1	(1,370.7)	5,112.0
Manufacturing	5,918.5	(112.8)	6,031.3	171.6	49.5	(50.5)	222.1
Agriculture, forestry, fisheries, and mining	159.1	(33.7)	192.8	3.6	47.5	(1.0)	4.6
Construction	2,011.7	(373.6)	2,385.3	318.1	26.6	(403.6)	721.7
Transportation, communications and public enterprises	3,200.0	231.1	2,969.0	111.9	42.0	(23.8)	135.7
Wholesale and retail	5,659.2	(153.2)	5,812.5	536.6	59.0	(3.3)	540.0
Finance and insurance	5,058.9	(360.7)	5,419.6	91.7	62.9	(76.3)	168.0
Real estate	7,422.9	(817.5)	8,240.3	1,396.2	52.5	(661.4)	2,057.6
Various services	5,581.6	(41.1)	5,622.7	836.9	45.6	(124.8)	961.7
Municipalities	394.6	(113.6)	508.1	-	-	-	-
Others	16,673.4	59.1	16,614.3	274.6	83.9	(25.9)	300.5
Overseas offices and offshore banking accounts	3,073.6	(412.9)	3,486.5	125.3	56.7	(24.0)	149.3
Public sector	88.5	(31.0)	119.5	11.4	22.7	(0.2)	11.6
Financial institutions	240.2	4.1	236.1	0.8	-	(0.7)	1.4
Commerce and industry	2,576.5	(368.6)	2,945.1	113.2	61.8	(23.1)	136.3
Others	168.4	(17.4)	185.8	-	-	-	-
<b>Total</b>	<b>55,153.5</b>	<b>(2,128.8)</b>	<b>57,282.4</b>	<b>3,866.6</b>	<b>49.5</b>	<b>(1,394.7)</b>	<b>5,261.3</b>

(Notes)

1. "Disclosed Problem Assets Based on the Financial Reconstruction Law" includes loans and bills discounted, acceptances and guarantees, suspense payments, and other credit-type assets.
2. Reserve Ratio = (Reserve for possible loan losses) / (Problem assets excluding amounts recoverable due to collaterals and guarantees)  
Reserve for possible loan losses is sum of general reserve for Substandard loans and specific reserve.

# (Appendix 12) Corporate Recovery Joint-Venture Company (SMFG Corporate Recovery Servicer Co., Ltd.)



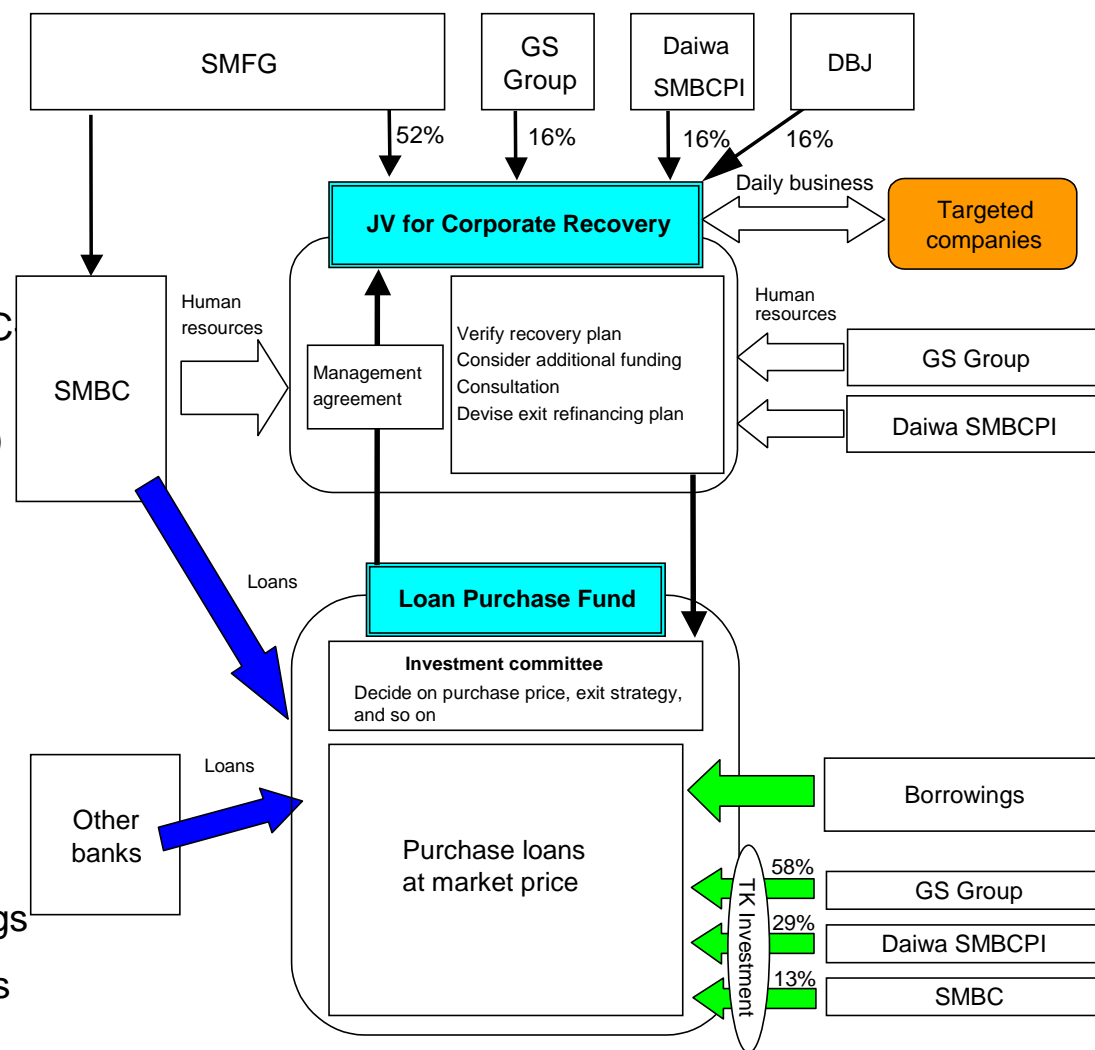
## <Scheme>

### <Profile of the JV>

- (1) Name: SMFG Corporate Recovery Servicer Co., Ltd
- (2) Foundation: November 5, '03
- (3) Capital stock: JPY 500 million
- (4) Investment ratio: SMFG 52%;  
Goldman Sachs Group 16%; Daiwa Securities SMBC  
PI 16%; Development Bank of Japan 16%
- (5) Number of employees: Approx. 20 (upon inauguration)

### <Profile of the Loan Purchase Fund>

- (1) Name: Japan Endeavor Fund
- (2) Target loans: loans of SMBC and other financial institutions to borrowers reasonably expected to recover
- (3) Funding raising: Tokumei Kumiai Shusshi(similar to limited partnership, "TK" investment) and borrowings
- (4) TK Investment ratio: GS Group 58%; Daiwa Securities SMBC-PI 29%; SMBC 13%



# (Appendix 13) Initiatives for Corporate Restructuring Funds

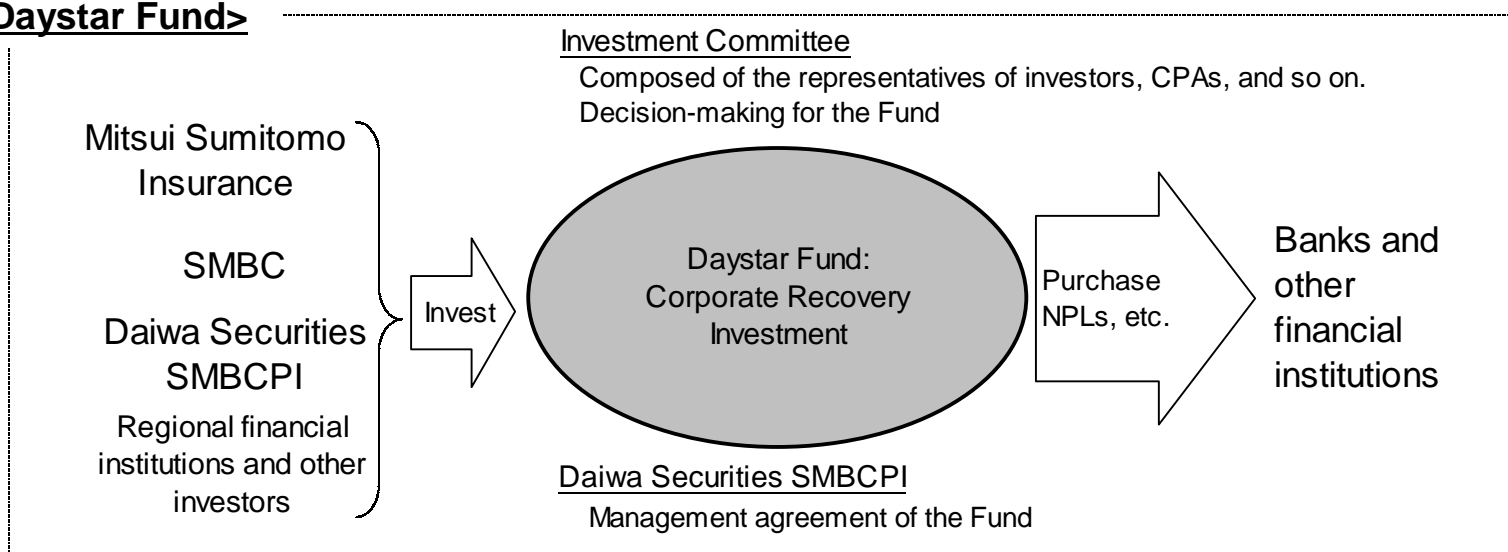
## Japan Revival Fund

- (1) Launch date: Oct., '02
- (2) Fund size: approx. JPY 20 billion initially  
(JPY 47.1 billion as of Nov., '03)
- (3) Investment target: Companies with certain profitability in their main businesses and can be recovered through financial and business restructuring.
- (4) Features:
  - Participated by more than 15 Japanese banks,
  - Alliance with RCC,
  - Collaboration with Development Bank of Japan

## Daystar Fund

- (1) Launch date: Sep., '03
- (2) Initial investment amount: JPY 10 billion
- (3) Investment target: NPLs of which the Fund consider the borrowers have a good chance of rehabilitation
- (4) Features:
  - take advantage of Daiwa Securities SMBC-PI's expertise in the corporate recovery and investment in the NPLs.
  - utilize the financial expertise and the broad customer base of Mitsui Sumitomo Insurance, SMBC and Daiwa Securities SMBC-PI.

### < Outline of Daystar Fund >





# (Appendix 14) Unrealized gains (losses) on securities

<SMBC Non-consolidated>

(Billions of yen)

	Sep. 30, 2003				Mar. 31, 2003		
	Unrealized gains (losses)				Unrealized gains (losses)		
	(a)	(a) - (b)	Gains	Losses	(b)	Gains	Losses
Held-to-maturity purpose	(10.3)	(14.1)	1.8	(12.2)	3.8	3.9	(0.1)
Stocks of subsidiaries and affiliates	11.7	32.2	11.7	-	(20.4)	0.6	(21.1)
Other securities	306.9	324.8	585.1	(278.2)	(17.9)	257.7	(275.5)
Stocks	469.1	621.4	562.8	(93.8)	(152.4)	105.3	(257.6)
Bonds	(148.9)	(257.6)	5.0	(153.8)	108.7	112.4	(3.7)
Others	(13.3)	(39.1)	17.3	(30.6)	25.8	40.0	(14.2)
Other money held in trust	(0.0)	0.0	0.2	(0.3)	(0.0)	0.5	(0.6)
Total	308.3	342.8	598.9	(290.6)	(34.5)	262.7	(297.3)
Stocks	480.8	653.6	574.6	(93.8)	(172.8)	105.9	(278.7)
Bonds	(160.0)	(271.5)	5.9	(165.9)	111.5	115.2	(3.7)
Others	(12.5)	(39.2)	18.5	(31.0)	26.7	41.6	(14.9)

- (Notes) 1. The figures in the table include unrealized gains (losses) on negotiable certificates of deposit in 'Deposits with banks' and commercial papers as well as claims on loan trust in 'Commercial paper and other debt purchased'.
2. Unrealized gains (losses) of stocks (excluding stocks of subsidiaries and affiliates) are calculated with the average market price during the final month of the interim period. Rest of the securities are evaluated at the market price as of the balance sheet date.
3. 'Other securities' and 'Other money held in trust' are evaluated and recorded on the balance sheet at market prices. The figures in the table indicate the difference between the acquisition cost (or amortized costs) and the balance sheet amounts.
- 'Unrealized gains (losses) for other securities' includes JPY 22,029 million recognized in income statement by application of fair value hedge accounting, which is excluded from the amount for 'Stockholders' equity'.

<Consolidated>

(Billions of yen)

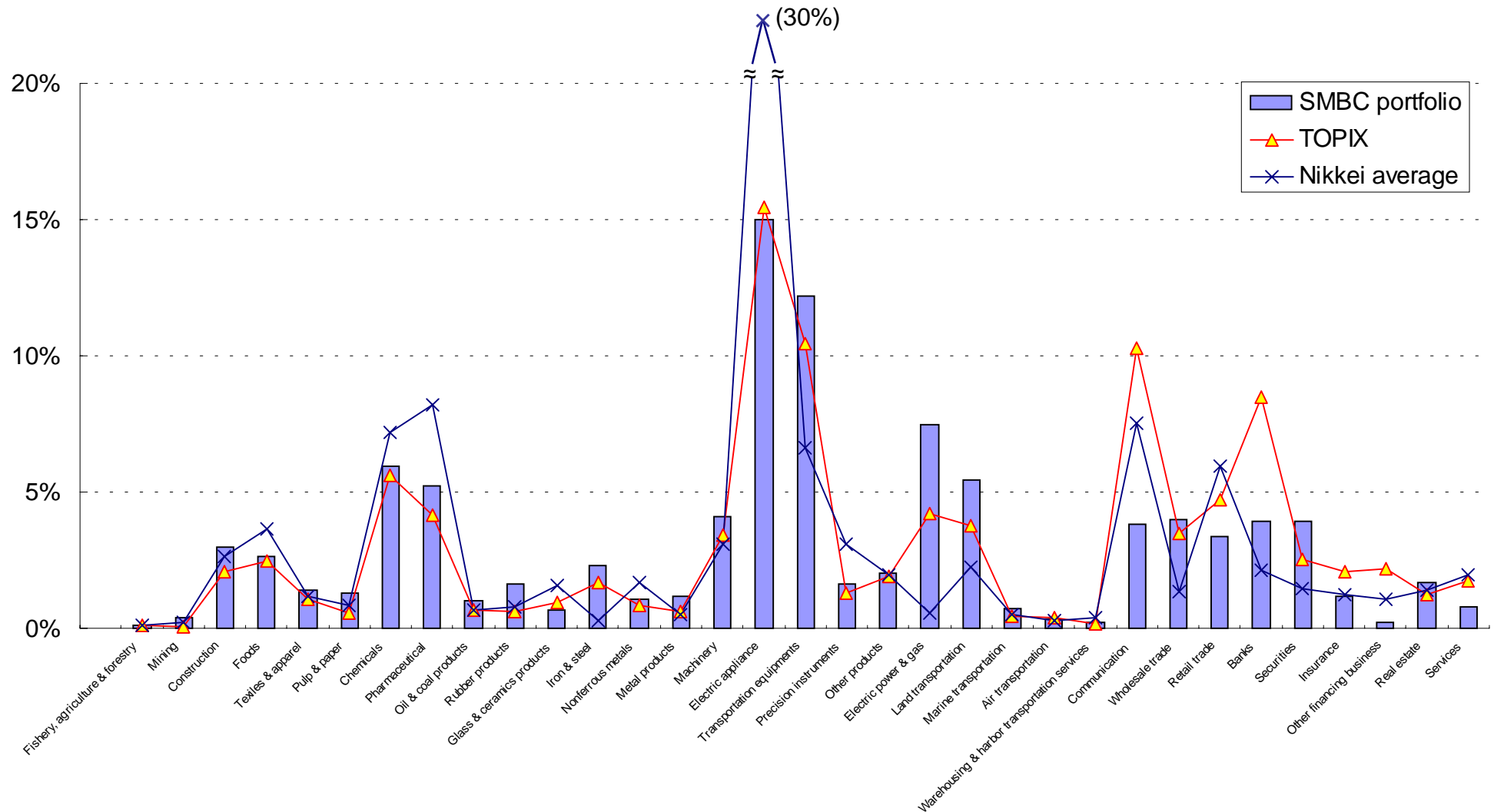
	Sep. 30, 2003				Mar. 31, 2003		
	Unrealized gains (losses)				Unrealized gains (losses)		
	(a)	(a) - (b)	Gains	Losses	(b)	Gains	Losses
Held-to-maturity purpose	(10.1)	(16.0)	2.1	(12.2)	5.9	6.0	(0.1)
Other securities	303.6	334.3	604.9	(301.3)	(30.6)	272.9	(303.6)
Stocks	471.0	636.4	578.2	(107.2)	(165.4)	113.0	(278.4)
Bonds	(154.9)	(266.0)	6.6	(161.5)	111.2	117.1	(5.9)
Others	(12.5)	(36.1)	20.2	(32.6)	23.6	42.9	(19.3)
Other money held in trust	(0.0)	0.0	0.2	(0.3)	(0.0)	0.5	(0.6)
Total	293.5	318.3	607.2	(313.7)	(24.8)	279.4	(304.2)
Stocks	471.0	636.4	578.2	(107.2)	(165.4)	113.0	(278.4)
Bonds	(166.0)	(282.0)	7.5	(173.5)	116.0	121.9	(5.9)
Others	(11.4)	(36.1)	21.6	(33.0)	24.6	44.5	(19.9)

- (Notes) 1. The figures in the table include unrealized gains (losses) on negotiable certificates of deposit in 'Deposits with banks' and commercial papers as well as claims on loan trust in 'Commercial paper and other debt purchased'.
2. Unrealized gains (losses) of stocks are mostly calculated with the average market price during the final month of the interim period. Rest of the securities are evaluated at the market price as of the balance sheet date.
3. 'Other securities' and 'Other money held in trust' are evaluated and recorded on the consolidated balance sheet at market prices. The figures in the table indicate the difference between the acquisition cost (or amortized costs) and the balance sheet amounts.
- 'Unrealized gains (losses) for other securities' includes JPY 22,029 million recognized in income statement by application of fair value hedge accounting, which is excluded from the amount for 'Stockholders' equity'.

# (Appendix 15) Equity portfolio - composition by industry



As of September 30, '03 Composition by industry (Market value basis)



# (Appendix 16) Business Select Loan – Recent developments



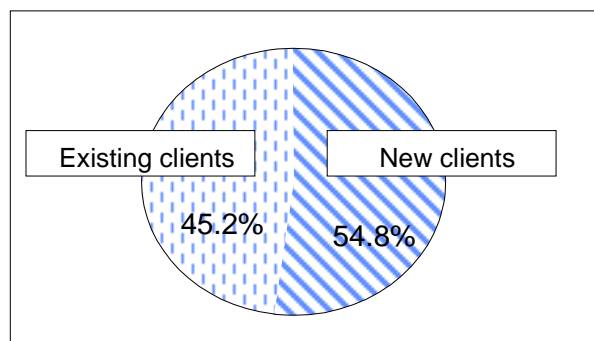
Figures are as of Sep. 30, '03

## <Product outline>

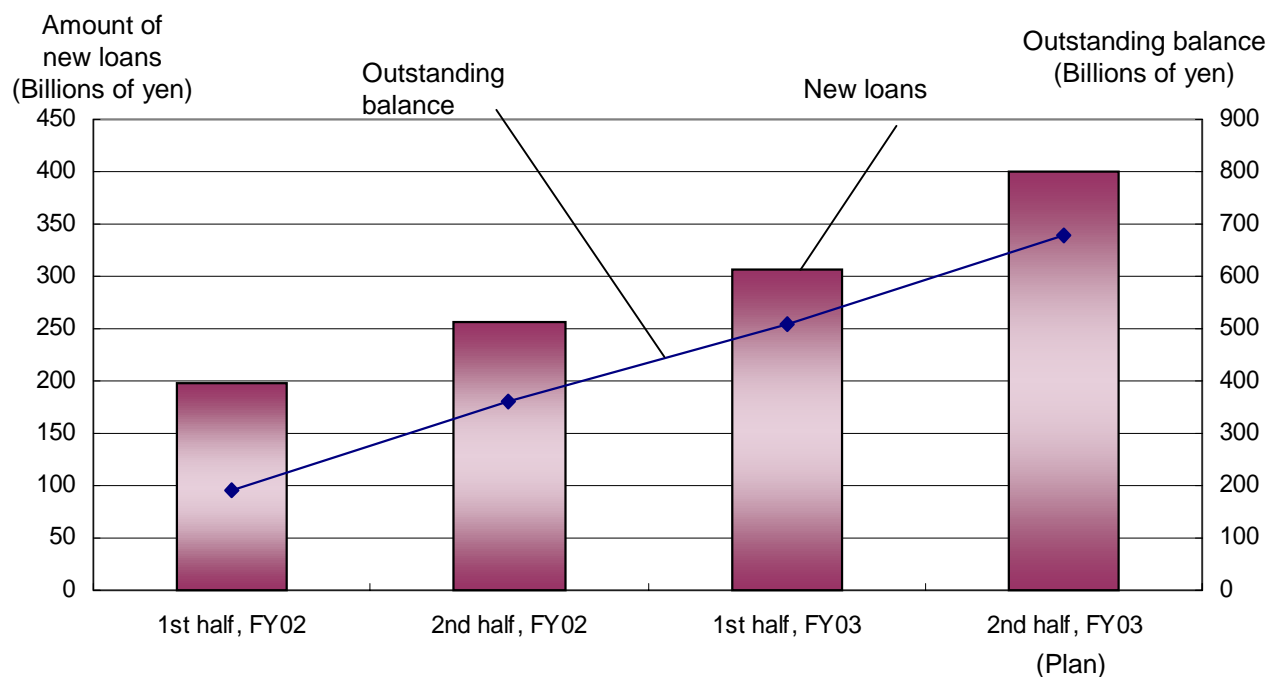
	Outline
Product launch	Mar. '02
Risk evaluation	SMBC's new credit scoring model
Loan amount	Max. JPY 50 million (with monthly repayment)
Interest rate	2.75% ~ • Determined according to the credit risk of the customer • Discounted reflecting the customer's overall transaction volume with SMBC
Loan term	Up to 5 years
Collateral	Not required (loans less than 3-years)
Guarantee	Third party guarantee is not required (guarantee by representative director required)
Fee	New clients: JPY 50,000 Existing clients: JPY 10,000
Available at	Approx. 130 domestic offices • "Business Support Offices": approx. 50 • "Corporate Business Offices": approx. 80

- Cumulative number of new loans: Approx. 40 thousand  
Cumulative amount of new loans: Approx. JPY 780 billion
- New customer ratio: Over 50%, approx. 14 thousand customers
- Average amount per new loan: Approx. JPY 20 million (diversified loan portfolio)

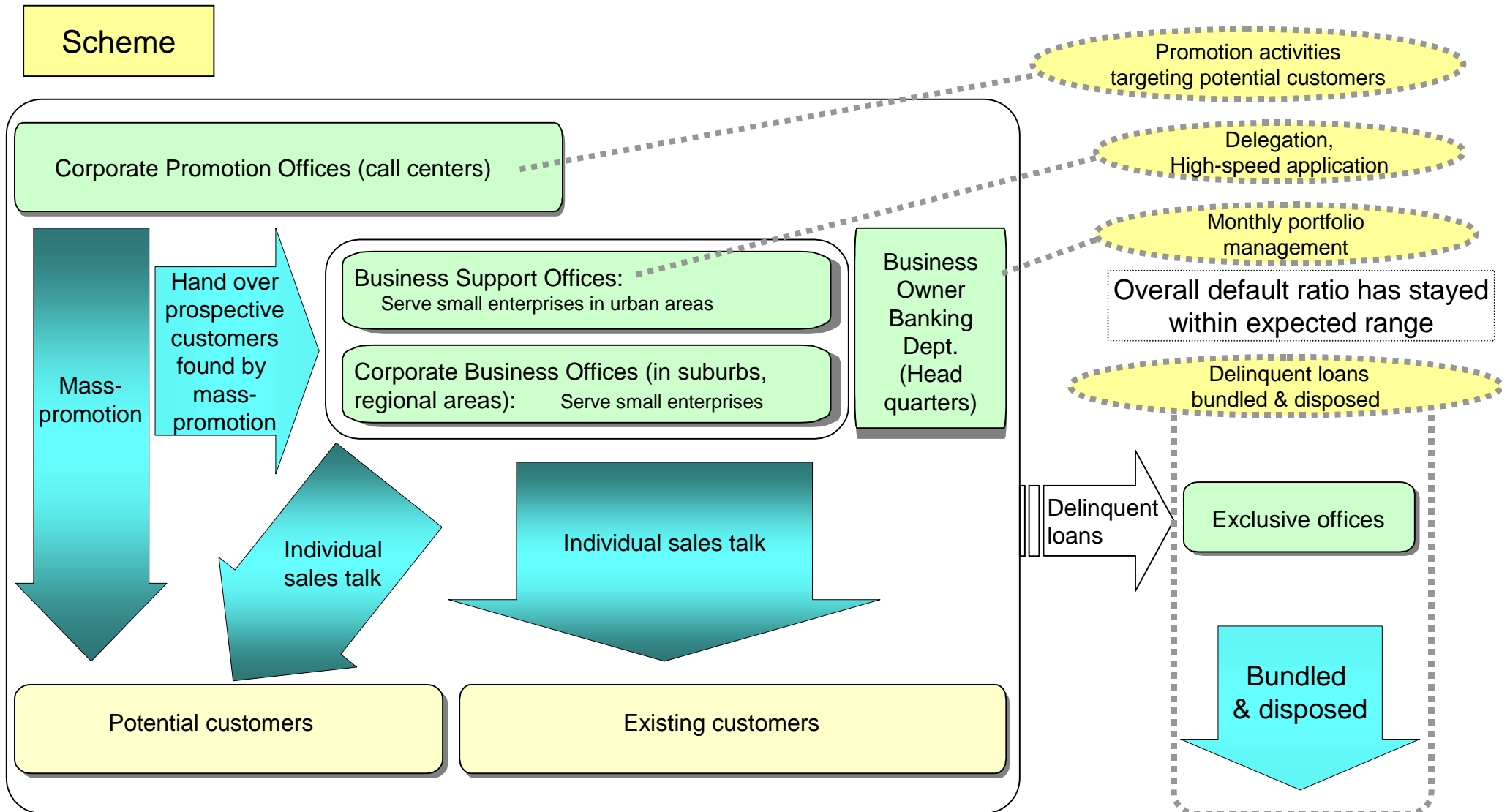
## <New clients ratio>



## <Business Select Loan>



# (Appendix 17) Business Select Loan – Business model



# (Appendix 18) “N Funds”



Apr. '03 – (Current product):

	Middle II Funds		N Funds	
Credit limit	JPY 0.5 billion in total exposure (Also limited according to credit grade)	Upgrade of credit approval system + Expansion of scope	JPY 2 billion in total exposure (Also limited according to credit grade)	JPY 1 billion in total exposure (Also limited according to credit grade)
Credit approval system	Standardized credit approval process using check-list		<b>"Check-list type approval system"</b> Standardized credit approval process using check-list	<b>"Standard judgment type approval system"</b> Simple credit approval process with judgment based on cashflow and interest-bearing liabilities
Criteria for application	All corporate clients (annual sales of JPY 3 billion or less)		Corporate clients with total credit exposure up to JPY 2 billion, and who accept standard interest rate (no restriction regarding annual sales)	Corporate clients with total exposure up to JPY 1 billion, and who accept standard interest rate (no restriction regarding annual sales)
Credit responsibility of Corporate Business Offices	None, in case standard interest rate applied		None, in case standard interest rate applied	
Items to be checked*	Limited items		Limited, but more than standard judgment type	Limited items
Collateral	Unsecured accepted	Unsecured accepted		
Guarantee	Guarantee by third party unnecessary (guarantee by representative required)	Guarantee by third party unnecessary (guarantee by representative may be required)		
Interest rate	Standard interest rate	Standard interest rate (in principal)		

\* Screening, credit monitoring, and checking for unusual events are executed in both "Check-list type approval system" and "Standard judgment type approval system".

# (Appendix 19) Consumer banking

Asset under SMBC account		(Billions of yen)	
	Mar. 31, '03	Sep. 30, '03	Change
Individual deposits	31,210.2	31,424.6	214.4
Liquid deposits	16,904.3	17,352.4	448.1
Time deposits	13,796.3	13,547.0	(249.3)
Foreign currency dominated deposits	509.6	525.2	15.6
Investment trust	1,598.6	1,741.0	142.4
	FY02	1st half, FY03	
Sales of pension-type insurances (accumulated)	99.4	251.1	

Loans		(Billions of yen)	
	Mar. 31, '03	Sep. 30, '03	Change
Housing loans	12,339.3	12,718.0	378.7
Residential purpose	8,346.6	8,757.1	410.5
Other consumer loans	1,326.6	1,238.7	(87.9)
	FY02	1st half, FY03	
Originated amount of residential housing loans *	1,309.7	963.4	

\* Excluding bridge loans for loans by Housing Loan Corporation.

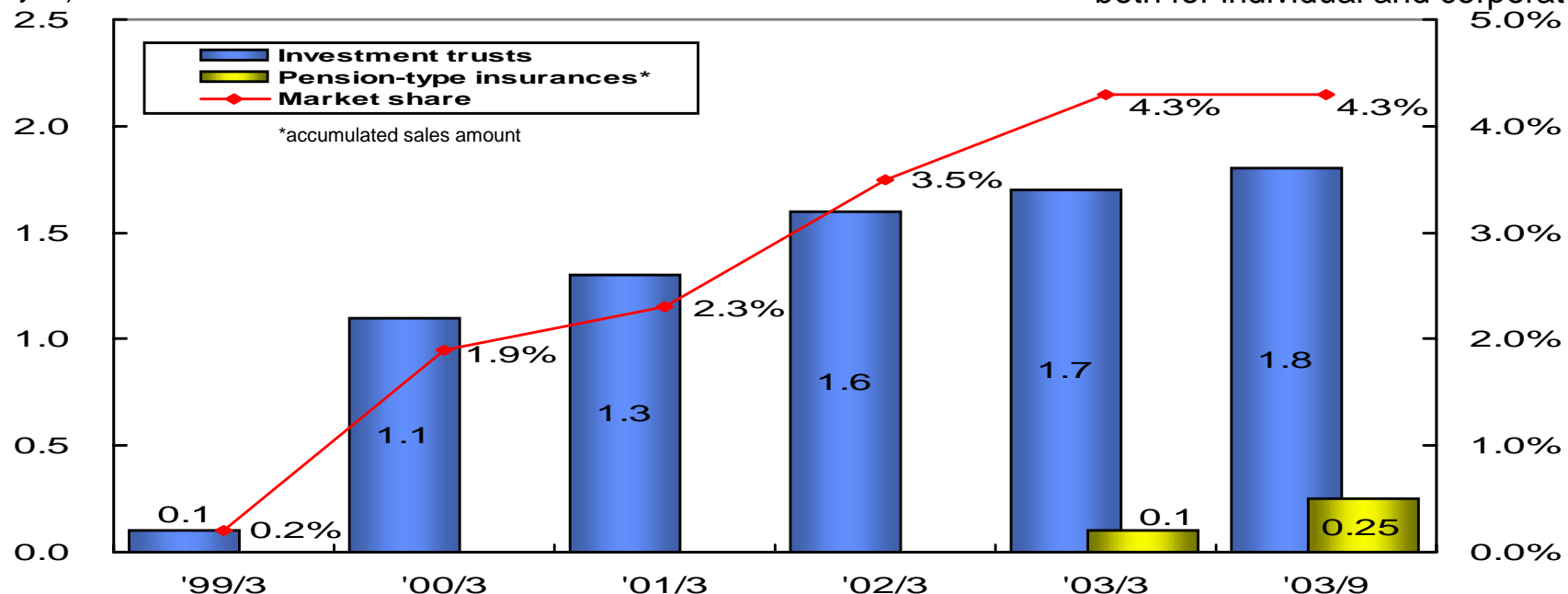
# (Appendix 20) Sales of investment trusts and pension-type insurances



## Total sales and market share

(Note) Investment trusts: Domestic publicly-offered investment trusts and foreign investment trusts both for individual and corporate clients

(Trillions of yen)



## Related profits

(Billions of yen)

	FY00	FY01	FY02	1st half, FY03	Change from 1st half, FY02
Investment trusts	10.3	12.4	15.4	11.6	+ 4.0
Pension-type insurances	-	-	*3.4	5.9	+ 5.9

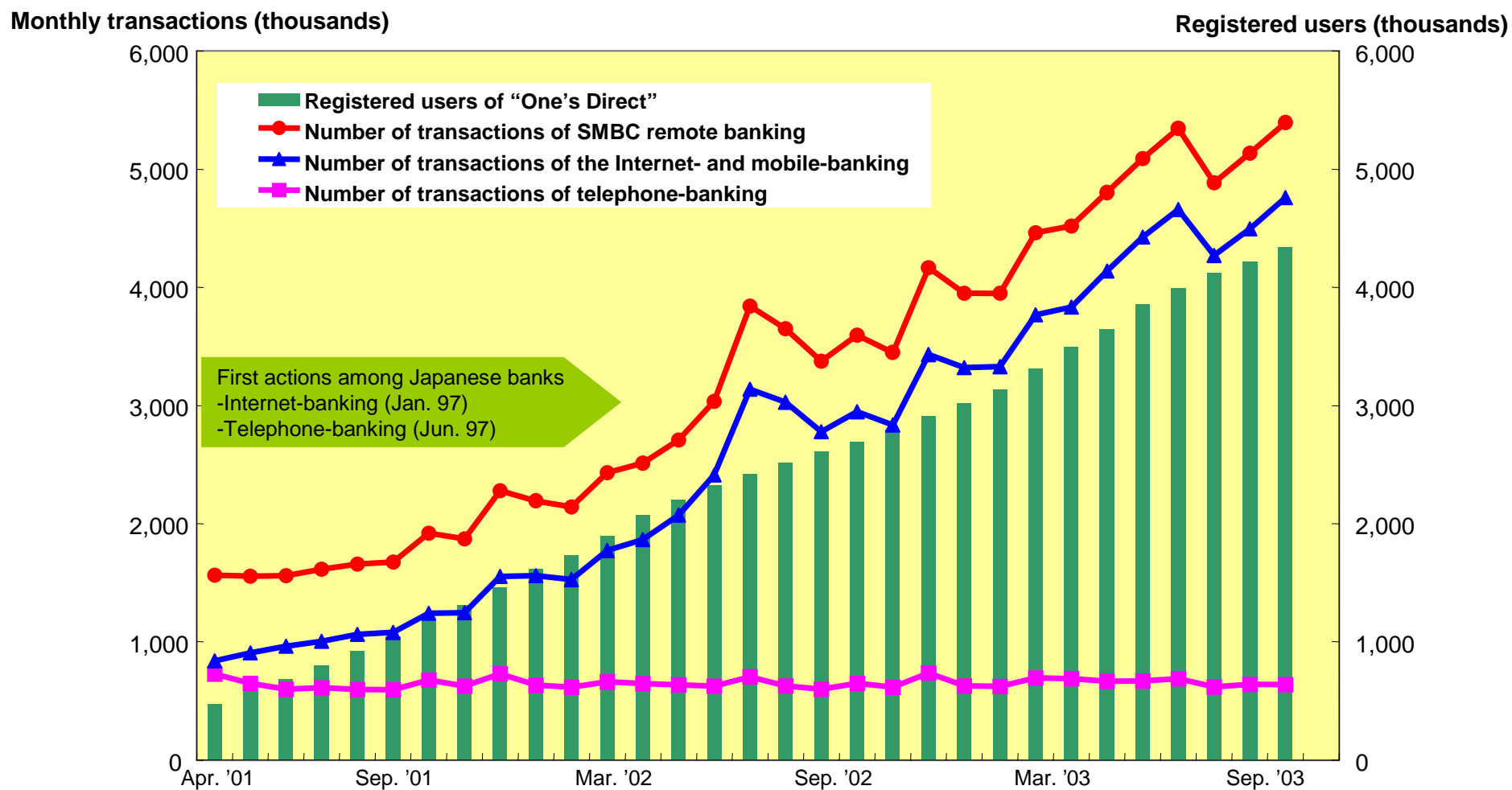
\*Sales of pension-type insurance started in 2<sup>nd</sup> half, FY02.

[Non-consolidated]

# (Appendix 21) Remote banking (“One’s Direct”)



## Registered users and number of transactions of SMBC’s remote banking

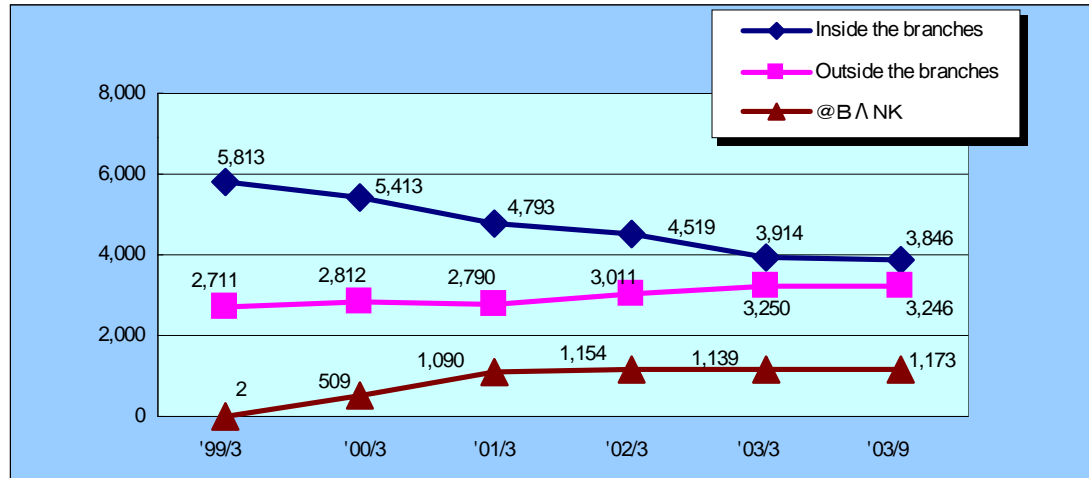




# (Appendix 22) Domestic channels – ATMs, etc.



<Number of ATMs>



	'99/3	'00/3	'01/3	'02/3	'03/3	'03/9
Manned domestic branches	696	653	578	564	435	435
Unmanned domestic branches	1,017	1,509	1,831	1,907	1,952	1,985
Number of ATMs	8,524	8,225	7,583	7,530	7,164	7,092
Inside the branches	5,813	5,413	4,793	4,519	3,914	3,846
Outside the branches	2,711	2,812	2,790	3,011	3,250	3,246
@BANK	2	509	1,090	1,154	1,139	1,173

<@BANK>

	FY98	FY99	FY00	FY01	FY02	(Millions) 1st half, FY03
Number of transactions through @BANK	—	1	17	29	32	16

# (Appendix 23) Sumitomo Mitsui Card



	Unit	FY01	FY02	1st half, FY03	Change from
					1st half, FY02
Operating revenue	Billions of yen	116.4	122.1	61.6	2.0
Operating profit	Billions of yen	9.6	16.0	6.3	1.5
Ordinary profit	Billions of yen	9.6	16.0	6.4	1.6
Net income	Billions of yen	4.4	14.0	3.8	1.1
Card sales handled	Billions of yen	2,813.1	3,035.5	1,581.6	88.2
Number of cardholders	Tens of thousands	1,171	1,212	1,234	37

<b>As of Sep. 30, '03</b>	Total assets	JPY 629.8 billion
	Capital stock	JPY 10 billion
	Number of employees	1,741

## Highlights

- 1<sup>st</sup> half operating revenue and net income increased due to the increase in the number of cardholders and card sales handled.
- Strengthened promotion of installment products.
- Reinforced sales promotion to customers by setting up a new call center in Jun. '03.

## Strategy in 2<sup>nd</sup> half, FY03

- Strengthen collaboration with SMBC. (launching a new service, 'One's Style', to capture young cardholders).
- Promote consumer finance products (review of approval system and products, etc.)
- Attract and increase the number of high-end cardholders through implementation of Loyalty Program.

# (Appendix 24) SMBC Leasing



	Unit	FY01	FY02
Operating revenue	Billions of yen	479.0	515.0
Operating profit	Billions of yen	16.9	20.4
Ordinary profit	Billions of yen	3.2	7.4
Net income	Billions of yen	2.1	3.0
Lease amount	Billions of yen	443.6	466.4

1st half, FY03	Change from 1st half, FY02
247.5	4.6
10.0	0.2
4.9	(0.2)
2.7	-
267.5	50.4

## Highlights

- Record-high lease amount on half-year basis.
- Expanded spreads by application of new spread guideline.
- Strengthened collaboration with SMBC:
  - a. Assigned officers to SMBC's local main offices.
  - b. Full-scale launch of 'Select Lease', a collaborative product with SMBC for small enterprises.

## Strategy in 2<sup>nd</sup> half, FY03

- Develop small and middle markets, and manufacturer-wholesaler channels by further strengthening collaboration with SMBC.
- Record-high annual lease amount expected (over JPY500 billion for the first time).
- Expect to increase both revenue and income by expanding spreads through application of new guideline.

<b>As of Sep. 30, '03</b>		
	Total assets	JPY 1,717.4 billion
	Lease assets	JPY 1,318.9 billion
	Capital stock	JPY 82.6 billion
	Number of employees	1,070

# (Appendix 25) Japan Research Institute



	Unit	FY01	FY02 *
Operating revenue	Billions of yen	67.4	70.2
Operating profit	Billions of yen	7.5	7.6
Ordinary profit	Billions of yen	9.6	10.1
Net income	Billions of yen	12.9	7.8

1st half, FY03	Change from 1st half, FY02
45.6	16.8
1.5	(0.2)
1.5	(2.8)
0.8	(2.7)

\*Includes figures before the corporate split in Nov. 2002

<b>As of Sep. 30, '03</b>		
	Total assets	JPY 67.4 billion
	Capital stock	JPY 10 billion
	Number of employees	3,177

## Highlights

- Reorganized as 'Group's IT company' through integration with SMBC's IT systems departments in April '03.
- Ordinary profit and net income decreased due to the previous 1<sup>st</sup> half's one-off factors (dividends from subsidiaries, etc.).

## Strategy in 2<sup>nd</sup> half, FY03

- Streamline further to realize the synergy effect of the integration with SMBC's systems departments (integration of host systems and centers).
- Reinforce business with the regional financial institutions through the JV with NEC and SMBC.

# (Appendix 26) Daiwa Securities SMBC



## Financial performance

			(Billions of yen)	
	FY01	FY02	1st half, FY03	Change from 1st half, FY02
Operating revenue	109.5	118.3	77.5	20.9
Commissions	54.7	52.1	24.7	(0.3)
Net gains on trading securities	26.1	44.3	35.9	13.7
Interest and dividend income	28.7	21.9	16.9	7.5
Interest and dividend income	6.8	7.4	4.5	1.1
Net operating revenue	102.7	110.9	73.0	19.8
Selling, general and administrative expenses	90.3	95.4	53.3	7.0
Ordinary profit	13.2	16.6	20.4	12.4
Net Income	5.4	6.4	12.2	7.9

## Alliance with SMBC

- **IPO-lead manager nomination:**

40% of all Daiwa Securities SMBC's mandates was acquired via SMBC's network.

Acquired the first place in the IPO book runner in 1<sup>st</sup> half of FY03 (Thomson Deal Watch Survey) partly as a result of the collaboration with SMBC.

- **M&A:**

Significant deal: Integration of cosmetics businesses of Kanebo and Kao. (Daiwa Securities SMBC participated as the advisor for Kanebo.)

SMBC is promoting introduction of potential deals to Daiwa SMBC based on clients' funding and investment needs.

## IPO book runner (Apr. – Sep. '03)

	Underwritten amount	Share
1. Daiwa Securities SMBC	JPY 160.0 billion	(50.4%)
2. Nikko Citi Group Securities	JPY 82.9 billion	(26.2%)
3. Nomura Securities	JPY 24.0 billion	(7.6%)
4. Morgan Stanley Securities	JPY 19.0 billion	(6.0%)
5. Mizuho Securities	JPY 10.7 billion	(3.4%)

## Domestic bond general book runner (Apr. – Sep. '03)

	Total portion as lead manager	Share
1. Nomura Securities	JPY 1,643.0 billion	(19.8%)
2. Daiwa Securities SMBC	JPY 1,378.3 billion	(16.6%)
3. Mizuho Securities	JPY 1,128.6 billion	(13.6%)
4. Nikko Citi Group Securities	JPY 916.6 billion	(11.1%)
5. Mitsubishi Securities	JPY 691.5 billion	(8.4%)

(Thomson Deal Watch Survey) 60



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.