



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

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**Financial Results in FY2003  
&  
Management Policies and Strategies**

**June 2, 2004**

**Sumitomo Mitsui Financial Group**

## Part I (P1-16)

1. Summary of FY03 financial results
2. Performance by business unit
3. Loans (1)
4. Loans (2)
5. Non-interest income
6. Expenses
7. Reduction of Non-performing loans
8. Credit cost
9. Gains (losses) on stocks
10. Non-recurring gains (losses) / Extraordinary gains (losses)
11. Securities portfolio and Derivatives
12. B/S as of 04/3
13. Deferred tax assets
14. BIS capital ratio
15. Highlights of consolidated financial results
16. Earnings forecast for FY04

## Part II (P17-32)

1. Summary of FY03:
  - (1) Progress in "Management Commitment"
  - (2) Progress in strategic actions
2. Management policy in FY04:
  - (1) Complete "Intensive Resolution Period"
  - (2) Take the offensive in strategic businesses further
3. Plan and actions in FY04:
  - (1) Increase loans –the top priority issue in FY04
  - (2) SME loans
  - (3) Financial consulting to individuals
  - (4) Investment banking business
  - (5) Reinforce consumer finance drastically
4. Path for the sustainable growth

## Appendix (P33-55)

[Non-consolidated]: indicates non-consolidated figures of Sumitomo Mitsui Banking Corporation ("SMBC"). Figures for FY2002 include the former SMBC's figure before merger\*, between Apr. 1, 2002 to Mar.16, 2003

[Consolidated]: consolidated figures of Sumitomo Mitsui Financial Group ("SMFG")

\*The former SMBC and the former Wakashio Bank merged on Mar. 17, 2003 to form the current SMBC

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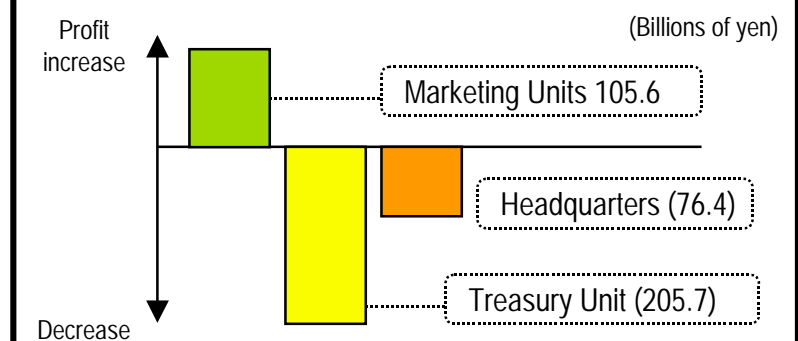
# 1. Summary of FY03 financial results

- (1) Achieved Banking profit of more than JPY 1 trillion for 3 consecutive years
- (2) Substantially reduced Non-performing loans and Stockholdings
  - NPLs: reduced JPY 2,450.1 billion
  - Stockholdings: sold approximately JPY 930 billion
- (3) Recorded JPY 301.1 billion in Net income

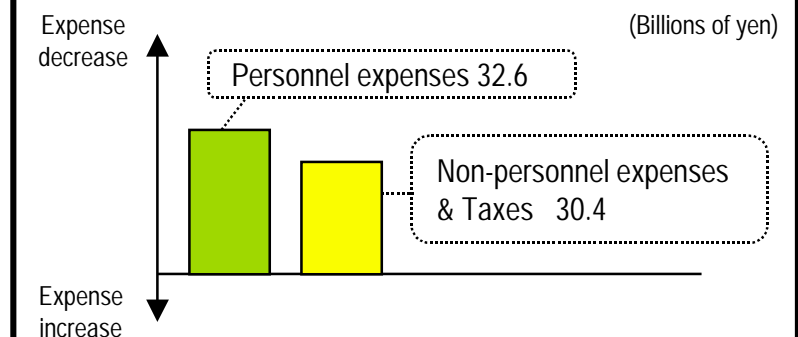
(Billions of yen)

	FY03	Year change	Change from the plan**
Gross banking profit	1,584.1	(176.5)	(10.9)
Expenses	(584.0)	63.0	11.0
Banking profit*	1,000.1	(113.5)	0.1
Total credit cost	(803.4)	271.1	(103.4)
Gains on stocks	103.9	739.6	-
Ordinary profit	185.1	782.3	(14.9)
Net income	301.1	779.4	101.1

## Gross banking profit – JPY 176.5 billion decrease



## Expenses – JPY 63.0 billion decrease



### <BIS capital ratio>

	04/3	Year change
SMBC Non-consolidated	11.36%	0.87%
SMFG Consolidated	11.37%	1.27%

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

\*\*announced in November 2003

## 2. Performance by business unit



(Billions of yen)

		FY03	Year change*
Consumer Banking Unit	Gross Banking profit	333.7	31.7 (1)
	Expenses	(241.3)	22.0
	Banking profit	92.4	53.7
Middle Market Banking Unit	Gross Banking profit	604.2	49.1 (2)
	Expenses	(174.1)	14.5
	Banking profit	430.1	63.6
Corporate Banking Unit	Gross Banking profit	175.2	11.0 (3)
	Expenses	(27.7)	1.0
	Banking profit	147.5	12.0
International Banking Unit	Gross Banking profit	92.7	12.5 (4)
	Expenses	(44.3)	0.8
	Banking profit	48.4	13.3
Community Banking Unit	Gross Banking profit	10.8	1.3
	Expenses	(7.3)	0.9
	Banking profit	3.5	2.2
Marketing Units	Gross Banking profit	1,216.6	105.6
	Expenses	(494.7)	39.2
	Banking profit	721.9	144.8
Treasury Unit	Gross Banking profit	375.8	(205.7) (5)
	Expenses	(19.3)	4.6
	Banking profit	356.5	(201.1)
Headquarters**	Gross Banking profit	(8.3)	(76.4) (6)
	Expenses	(70.0)	19.2
	Banking profit	(78.3)	(57.2)
Total	Gross Banking profit	1,584.1	(176.5)
	Expenses	(584.0)	63.0
	Banking profit	1,000.1	(113.5)

### Major factors for year-over-year change in Gross banking profit

(Billions of yen)

(1) Consumer:	Investment trust related fees	+ 8.4
+ 31.7	Pension-type insurance related fees	+ 13.7
(2) Middle Market:	Income related to derivatives products sales	+ 21.9
+ 49.1	Money remittance & EB related fees	+ 4.9
	Loan syndication related fees	+ 5.1
(3) Corporate:	Income related to derivatives products sales	+ 5.1
+ 11.0		
(4) International:	Arrangement fees	+ 6.2
+ 12.5		
(5) Treasury:	ALM operations	(213.2)
(205.7)	Trading	+ 8.3
(6) Headquarters:	Establishment of the U.K. subsidiary	
(76.4)	Decrease in interest income of loans to problematic borrowers	
	Decrease in dividend income	
	Adjustment related to fluctuations in interest rates and foreign exchange rates, etc.	

\* Excluding changes in Marketing Units' profits caused by fluctuations of interest rates and foreign exchange rates, etc. Those changes are adjusted in the account of Headquarters.

\*\*Headquarters include Asset Restructuring Unit.

[Non-consolidated] 2

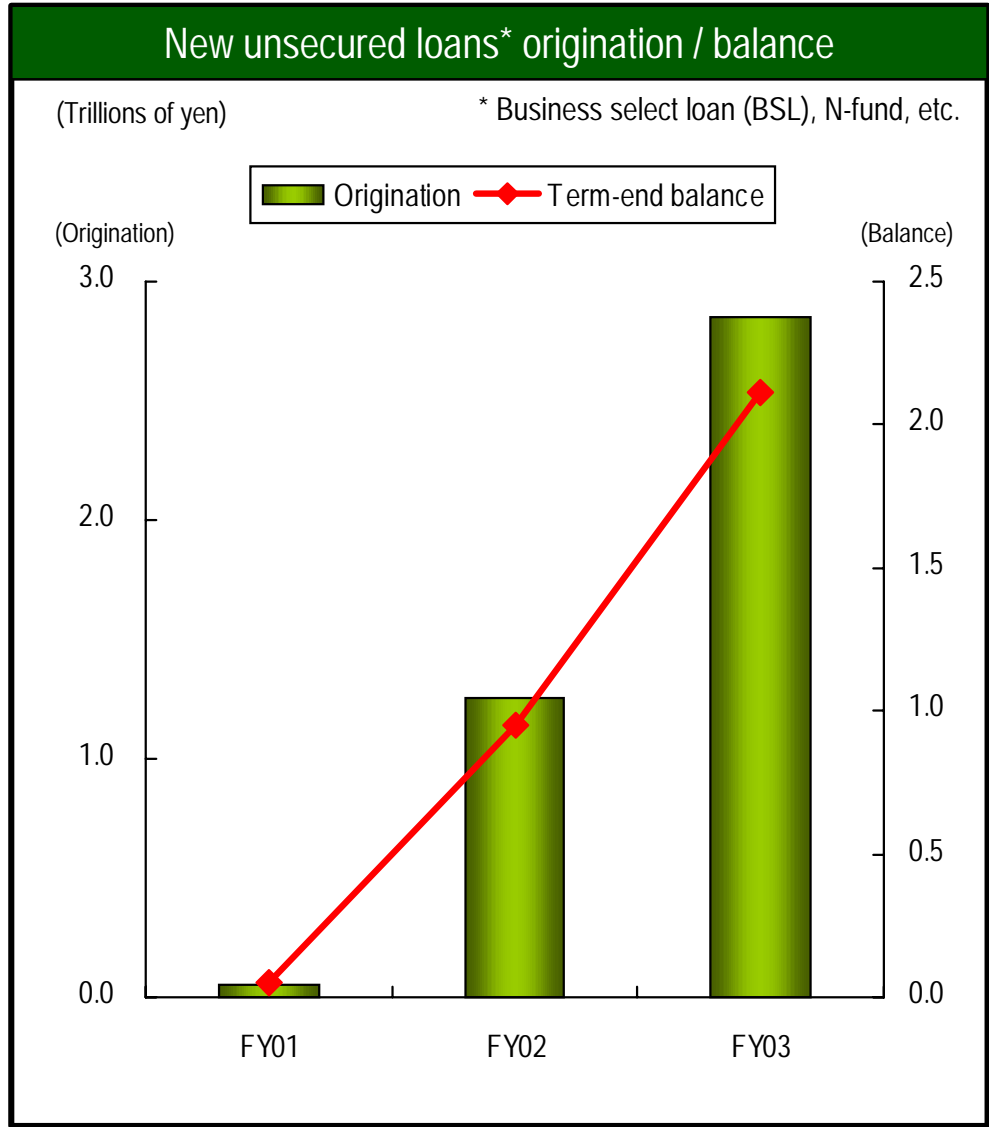
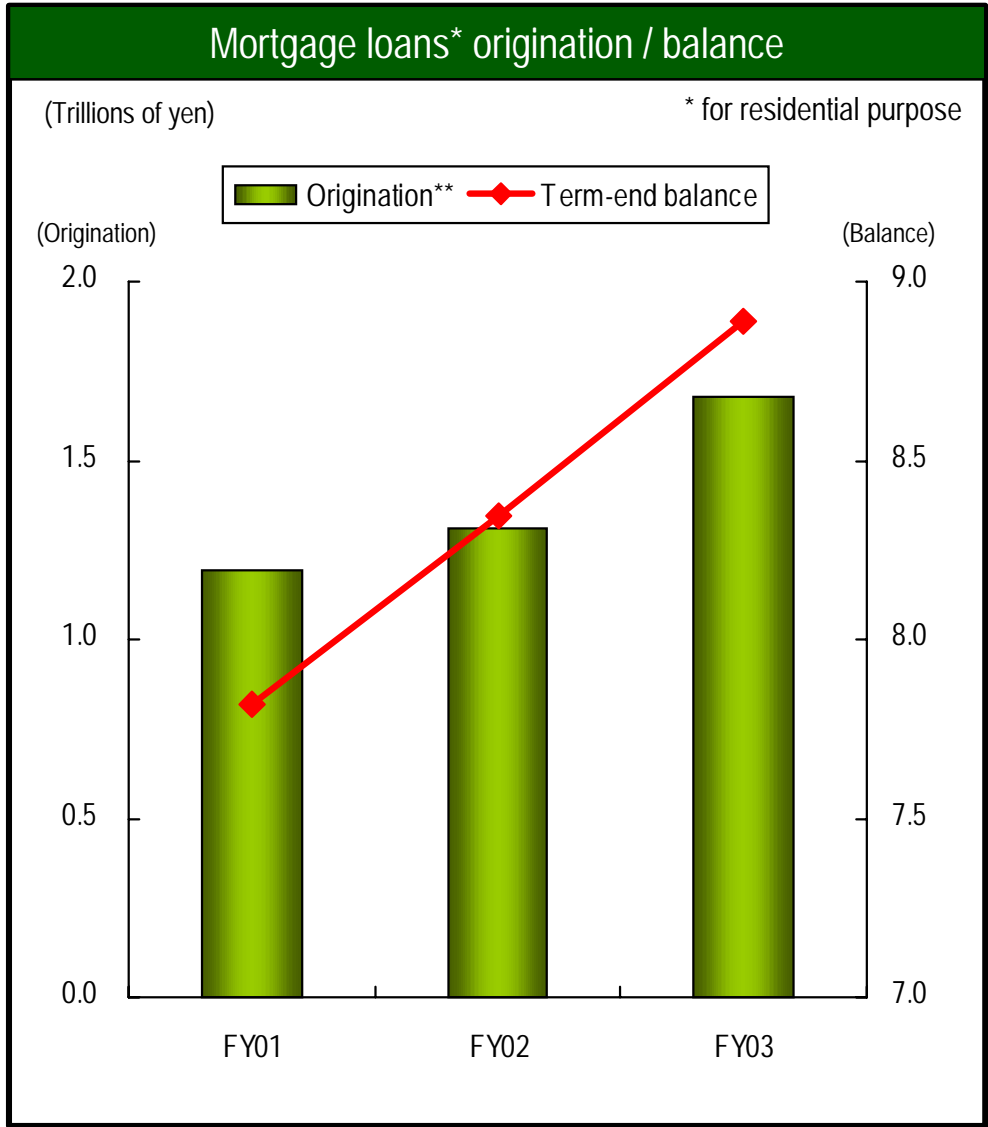
### 3. Loans (1)



Loan volume					
(Trillions of yen)	Term-end balance			Average balance	
	04/3	Year change	Change from 03/9	FY03	Year change
Domestic lendings	48.0	(5.8)	(4.1)	50.5	(3.4)
Excluding loans to the Government and Risk-monitored loans (Managerial accounting basis)	45.2	(0.1)	(0.1)		
Small-and medium sized enterprises (Middle Market Banking Unit)	20.3	0.1	0.6	19.5	(1.0)
Large corporations (Corporate Banking Unit)	8.2	(0.3)	(0.5)	8.7	(0.9)
Mortgage loans for residential purpose (Consumer Banking Unit)	8.9	0.5	0.1		

Loan spread				
	FY03	FY02	FY03	
	Change of term-end loan spread	Change of term-end loan spread	Average loan spread	Year change
Small-and medium sized enterprises (Middle Market Banking Unit)	(2bp)	24bp	158bp	10bp
Large corporations (Corporate Banking Unit)	(5bp)	13bp	94bp	6bp

# 4. Loans (2)



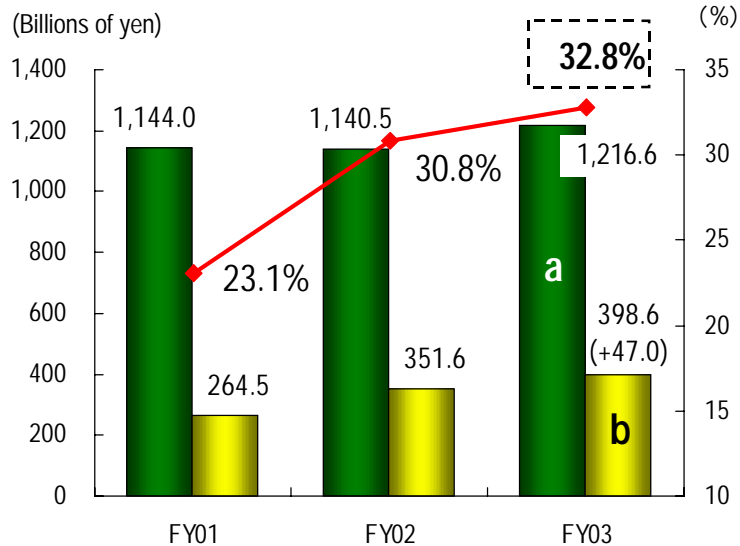
\*\*Excluding bridge loans to HLC's loans

# 5. Non-interest income



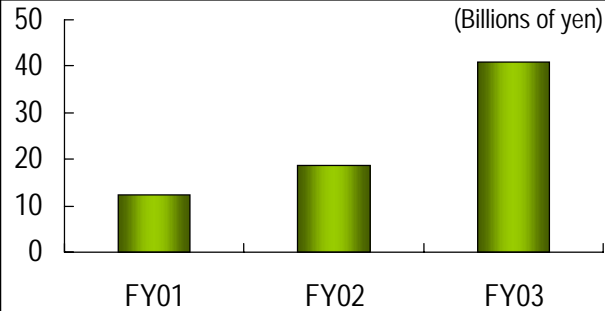
## Trend of non-interest income

Proportion of Non-interest income in Marketing Units' profits  
(b/a)



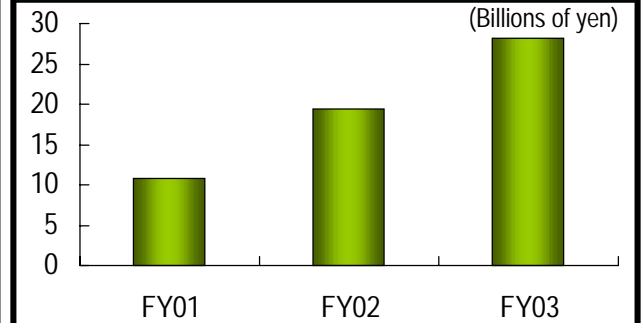
- Profits from Marketing Units---a  
Total of Gross banking profits from Consumer, Middle market, Corporate, International, and Community Banking Unit
- Non-interest income---b  
Fees and commissions, Income related to sales of derivative products, etc.

## (1) Investment trusts & Pension-type insurances



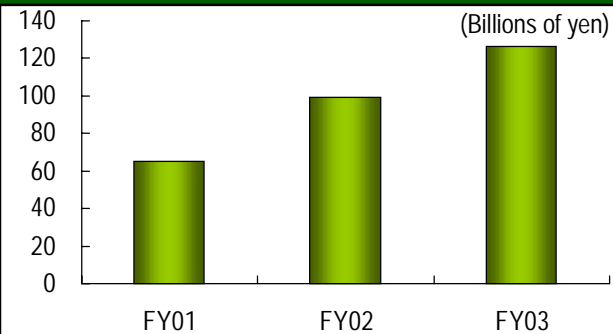
<Balance> 03/3 04/3  
 Investment trusts\*: 1.6 1.9  
 Pension-type insurances\*\*: 99.4 479.6  
 \* For individuals (trillions of yen)  
 \*\* Accumulated amount of sales at branches (billions of yen)

## (2) Loan syndication



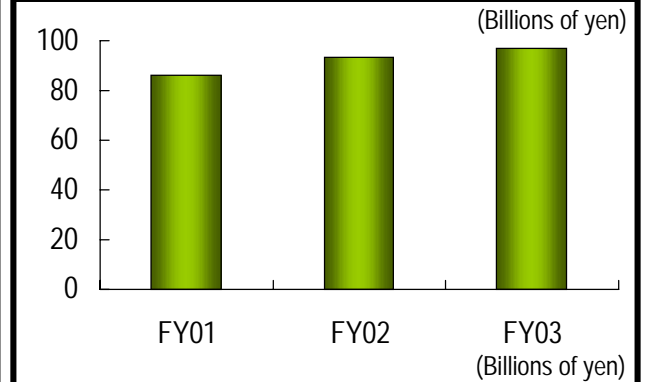
<Domestic loan syndication> (Billions of yen)  
 # of transaction FY02 349 FY03 490  
 Amount arranged FY02 4,555.9 FY03 5,473.5

## (3) Sales of derivative products



-Actively responded to clients' needs to make interest rate payments fixed under the rise of long-term interest rate.  
 -75% of increase in FY03 is interest rate derivatives.

## (4) Remittance, Electric Banking, etc.



Remittance fees: FY02 65.8 FY03 69.1  
 EB fees: FY02 13.3 FY03 13.7

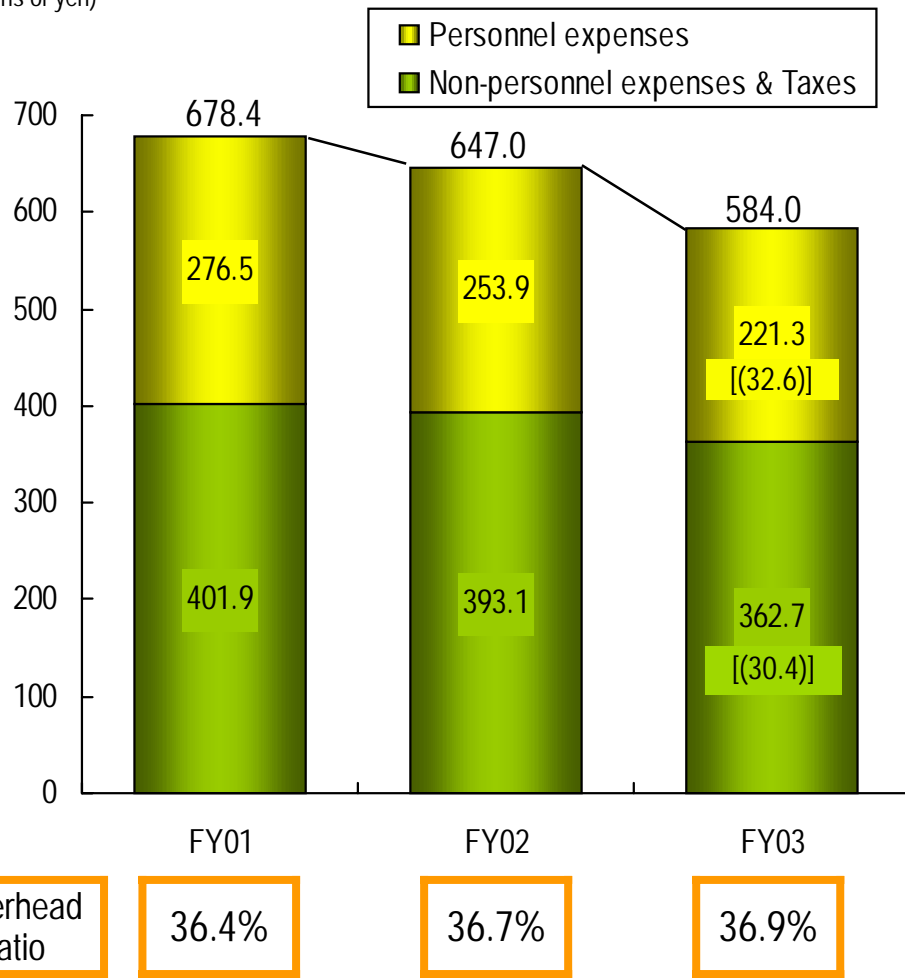


# 6. Expenses



## Expense reduction

(Billions of yen)



## Major factors for year-over-year change

### Personnel expenses: JPY 32.6 billion decrease

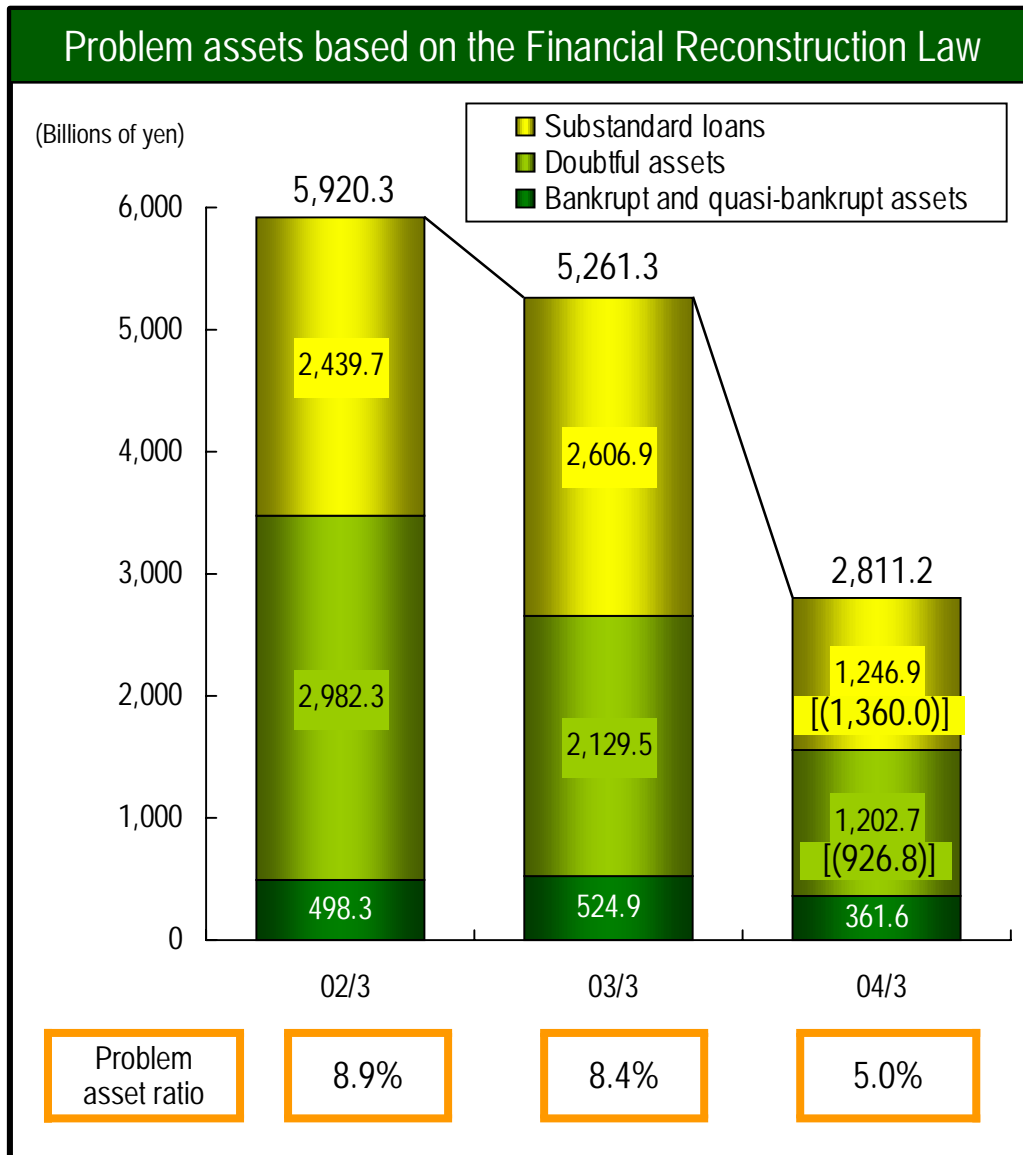
- Reduction of headcount (1,676)  
 Number of employees- 03/3: 24,024  
 04/3: 22,348
- Reduction of bonus fund (13.4%)

### Non-personnel expenses & Taxes: JPY 30.4 billion decrease

Realization of the following effects

- Completion of branch integration  
 Number of domestic branches at 04/3: 435
- Completion of systems integration

# 7. Reduction of Non-performing loans



### Major factors for year-over-year change

(Billions of yen)

<b>Substandard loans: (1,360.0)</b>	
(1) Decrease	(1,560.0)
-Corporate recovery, etc.	(610.0)
-Sell-outs, Collection, etc.	(210.0)
-Migration to lower categories	(740.0)
(2) Increase	+200.0
-Migration from Doubtful assets or lower	+20.0
-Migration from Special mention* or upper	+180.0
<b>Doubtful assets: (926.8)</b>	
(1) Decrease	(1,550.0)
-Migration to upper categories, etc.	(440.0)
-Sell-outs, Collection, etc.	(620.0)
-Migration to lower categories	(490.0)
(2) Increase	+620.0
-Migration from Substandard Loans or upper	+620.0
<b>Bankrupt and quasi-bankrupt assets: (163.3)</b>	

\*Claims to Borrowers Requiring Caution excluding claims to Substandard Borrowers.

## 8. Credit cost

(Billions of yen)

	FY02	FY03	Change
Total credit cost	(1,074.5)	<b>(803.4)</b>	271.1
Transfer to general reserve for possible loan losses	(238.1)	-	238.1
Non-recurring gains (losses)	(836.4)	<b>(869.2)</b>	(32.8)
Write-off of loans	(284.4)	<b>(566.3)</b>	(281.9)
Transfer to specific reserve	(375.4)	-	375.4
Transfer to reserve for losses on loans sold	(15.2)	-	15.2
Losses on loans sold to CCPC	(16.4)	<b>(0.8)</b>	15.6
Losses on sale of delinquent loans	(148.9)	<b>(302.1)</b>	(153.2)
Transfer to loan loss reserve for specific overseas countries	3.9	-	(3.9)
Extraordinary gains (losses)	-	<b>65.8</b>	65.8
Write-back of loan loss reserves	-	<b>65.3</b>	65.3
Transfer to specific reserve for possible loan losses	-	<b>(276.4)</b>	(276.4)
Write-back of general reserve for possible loan losses	-	<b>337.9</b>	337.9
Write-back of loan loss reserve for specific overseas countries	-	<b>3.8</b>	3.8
Write-back of reserve for losses on loans sold	-	<b>0.5</b>	0.5

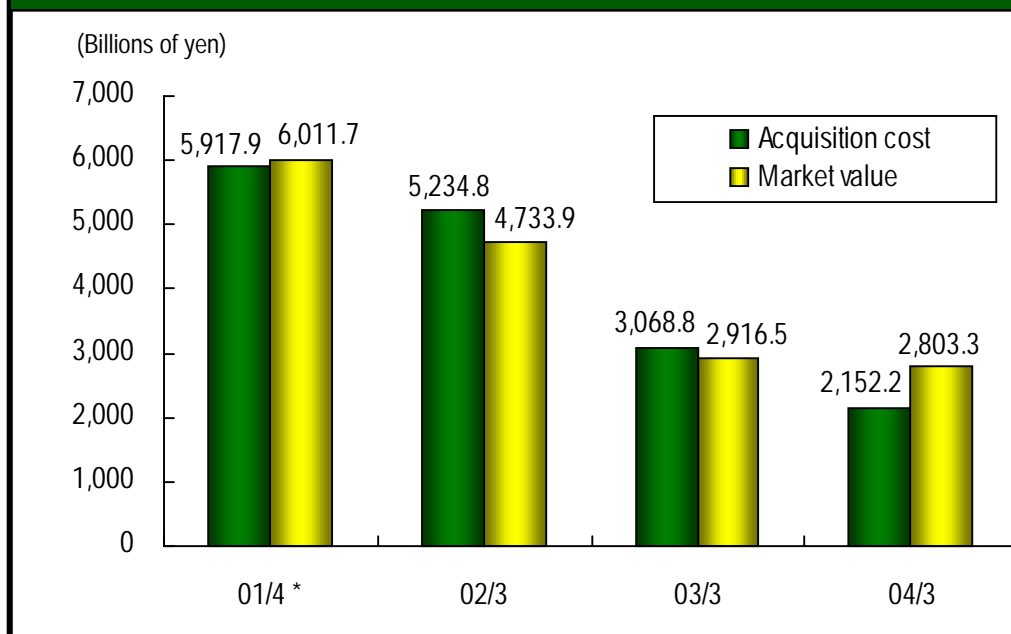
	Breakdown of credit cost: Change from the forecast announced in 03/11		
	FY02	FY03	
	Result	Forecast	Result
Cost for "off-balancing"	300	250	<b>250</b>
Cost related to deterioration of borrowers' financial condition	770	450	<b>550</b>
<b>Total</b>	<b>1,074.5</b>	<b>700</b>	<b>803.4</b>

## 9. Gains (losses) on stocks

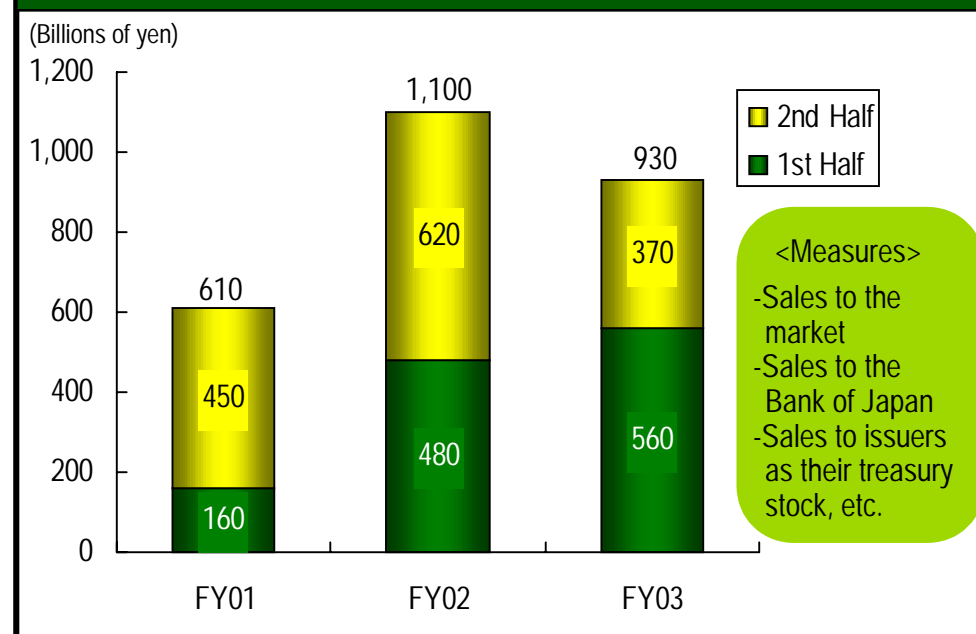
(Billions of yen)

	FY02	FY03	Change
Gains (losses) on stocks	(635.7)	103.9	739.6
Gains on sales of stocks	51.2	151.2	100.0
Losses on sales of stocks	(159.4)	(36.6)	122.8
Losses on devaluation of stocks	(527.5)	(10.7)	516.8

### Balance of listed and OTC stocks classified as Other securities



### Sales of stockholdings



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

# 10. Non-recurring gains (losses) / Extraordinary gains (losses)



(Billions of yen)

	FY02	FY03	Change
Non-recurring gains (losses)	(1,472.7)	<b>(815.0)</b>	657.7
Credit related costs	(836.4)	<b>(869.2)</b>	(32.8)
Gains (losses) on stocks	(635.7)	<b>103.9</b>	739.6
Enterprise tax by Local Governments	(7.8)	<b>(8.5)</b>	(1) (0.7)
Other non-recurring gains (losses)	7.2	<b>(41.2)</b>	(2) (48.4)
Ordinary profit (loss)	(597.2)	<b>185.1</b>	782.3
Change from the forecast announced in 03/11		<b>(14.9)</b>	
Extraordinary gains (losses)	(73.8)	<b>(133.7)</b>	207.5
Gains (losses) on disposition of premises and equipment	(26.2)	<b>(11.9)</b>	(3) 14.3
Amortization of net transition obligation from initial application of the new accounting standard for employee retirement benefits	(20.2)	<b>(19.5)</b>	(4) 0.7
Write-back of loan loss reserves	-	<b>65.3</b>	65.3
Write-back of reserve for losses on loans sold	-	<b>0.5</b>	0.5
Refund of enterprise tax from the Tokyo Government and interest on refund	-	<b>40.4</b>	(5) 40.4
Gains on return of the entrusted portion of employee pension fund	-	<b>59.1</b>	59.1
Income (loss) before income taxes	(671.0)	<b>318.8</b>	989.8
Income taxes, current	(40.3)	<b>(12.7)</b>	27.6
Income taxes, deferred	233.0	<b>(5.0)</b>	(6) (238.0)
Net income	(478.3)	<b>301.1</b>	779.4
Change from the forecast announced in 03/11		<b>101.1</b>	

Details	
(1) Tokyo Government tax rate* 0.9% :	(5.5)
Osaka Government tax rate* 0.9% :	(3.0)
* after the revision of the ordinances	
(2) Amortization of unrecognized obligation of employee retirement benefits:	(28.5)
(3) Losses on disposition of branches by branch integration and closure, etc.	
(4) Straight-line amortization over five years from FY00	
(5) Refund of enterprise tax (for FY00 – 02):	38.2
Interest on refund:	2.2
(6) Change in Deferred tax assets:	(7.6)
Decrease in Deferred tax liabilities related to land revaluation excess:	2.6

# 11. Securities portfolio and Derivatives



## Unrealized gains (losses) on "Other securities"

As of 04/3		(Billions of yen)		
	Net unrealized gains(losses)	Gains		Change from 03/3
		Gains	Losses	
Stocks	651.1	711.5	(60.4)	803.4
Bonds	(101.9)	16.2	(118.1)	(210.6)
Others	6.9	29.3	(22.4)	(18.9)
<b>Total</b>	<b>556.1</b>	<b>757.0</b>	<b>(200.9)</b>	<b>573.9</b>

## Derivative transactions on Deferred hedge accounting basis

As of 04/3		( Billions of yen)		
	Net assets	Assets		Net deferred Gains (losses)
		Assets	Liabilities	
Interest rate swaps	(7.5)	99.0	106.5	(59.1)
Currency swaps	(2.4)	1.5	3.9	4.7
Others	(5.0)	2.3	7.3	1.6
<b>Total</b>	<b>(14.9)</b>	<b>102.8</b>	<b>117.7</b>	<b>(52.8)</b>

## Balance of securities held, classified by maturity

As of 04/3		(Billions of yen)								
	One year or less		One to five years		Five to ten years		More than ten years		Total	
		Change from 03/3		Change from 03/3		Change from 03/3		Change from 03/3		Change from 03/3
Bonds	2,710.0	(649.4)	8,966.4	1,431.0	3,905.0	232.1	1,105.3	948.4	16,686.6	1,962.2
JGBs	2,586.7	(637.6)	7,007.2	1,028.8	3,201.3	209.3	1,101.8	947.4	13,897.0	1,548.0
Japanese local government bonds	1.2	(4.9)	194.3	91.6	221.9	36.9	0.5	(0.1)	417.8	123.6
Japanese corporate bonds	122.1	(6.9)	1,764.9	310.6	481.8	(14.1)	3.0	1.1	2,371.8	290.7
Others	301.4	87.3	4,119.6	1,319.6	426.4	(313.2)	386.1	(321.7)	5,233.5	772.0
<b>Total</b>	<b>3,011.4</b>	<b>(562.1)</b>	<b>13,085.9</b>	<b>2,750.6</b>	<b>4,331.4</b>	<b>(81.1)</b>	<b>1,491.4</b>	<b>626.7</b>	<b>21,920.1</b>	<b>2,734.2</b>

## 12. B/S as of 04/3



(Billions of yen)

	03/3	04/3	Change
<b>Assets</b>	<b>97,891.2</b>	<b>94,109.1</b>	<b>(3,782.1)</b>
Loans and bills discounted	57,282.4	<b>50,810.1</b>	(6,472.3)
Securities	23,656.4	<b>26,592.6</b>	2,936.2
Deferred tax assets	1,814.6	<b>1,590.5</b>	(224.1)
<b>Liabilities</b>	<b>95,611.9</b>	<b>91,238.2</b>	<b>(4,373.7)</b>
Deposits	58,610.7	<b>60,067.4</b>	1,456.7
NCDs	4,913.5	<b>3,589.4</b>	(1,324.1)
Bonds	2,624.1	<b>3,177.7</b>	553.6
<b>Stockholders' equity</b>	<b>2,279.2</b>	<b>2,870.9</b>	<b>591.7</b>
Capital stock	560.0	<b>560.0</b>	-
Capital surplus	1,237.3	<b>1,237.3</b>	-
Retained earnings	414.5	<b>676.1</b>	261.6
Land revaluation excess	85.3	<b>81.1</b>	(4.2)
Net unrealized gains (losses) on Other securities	(17.9)	<b>316.4</b>	334.3

### Major factors for year-over-year change

Loans: Overseas = decrease JPY 0.6 trillion:  
 -yen appreciation (JPY 0.3 trillion)  
 -reduction in low-profitable assets, etc.

Domestic = decrease JPY 5.8 trillion:  
 -decrease in loans to the Government,  
 -reduction of Risk-monitored loans, etc.

[Excluding loans to the Government and Risk-monitored loans]  
 decrease JPY 0.1 trillion

Securities: JGBs = increase JPY 1.5 trillion  
 Foreign currency denominated bonds  
 =increase JPY 0.8 trillion

Deferred tax assets: <please refer to the next page>

Deposit: Liquid deposits = increase JPY 1.7 trillion  
 Individual clients' deposits: increase JPY 0.9 trillion  
 Corporate clients' deposits: increase JPY 0.8 trillion

Retained earnings: Net income JPY 301.1 billion

Net unrealized gains (losses) on Other securities:  
 Increase in unrealized gains on stocks

# 13. Deferred tax assets



### Recognition of DTA

(Billions of yen)

**Temporary differences**  
4,792.5

- Not tax deductible amounts, etc.  
(=Taxable reserves, Write-offs)  
2,467.0
- Net operating loss carryforwards  
2,325.5

B/S

Assets	Liabilities
DTA 1,590.5	Stockholders' equity
Valuation allowance 357.3	

X Effective tax rate (40.63%)

	04/3	Year change
Temporary differences	4,792.5	(850.7)
Deferred tax assets	5,405.5	(324.2)
Reserve for possible loan losses	1,056.6	(989.1)
Write-off of loans	695.9	(101.1)
Write-off of securities	931.9	(555.4)
Net operating loss carryforwards	2,325.5	1,432.5
Deferred tax liabilities	613.0	526.5
Net unrealized gains on Other securities	532.8	532.8

### Estimation based on future taxable income

(Billions of yen)

	Estimation of next 5 years
Banking profit*	5,450.0
A Income before income taxes	3,090.0
B Adjustments to taxable income**	1,166.9
<b>Taxable income before adjustments (A+B)</b>	<b>4,256.9</b>
↓	
<b>Amounts corresponding to the estimated taxable income before adjustments</b>	<b>1,729.6</b>
↓	
<b>After deducting Deferred tax liabilities</b>	<b>1,590.5</b>

\* Excluding Transfer to general reserve for possible loan losses  
\*\* Excluding Reversal of temporary differences as of Mar.31,04

Change from 03/3: (224.1)  
-Main factor: increase of Deferred tax liabilities by 216.5

Change from 03/3: (97.5)  
-Main factor: decrease of temporary differences due to record of Net income



# 14. BIS capital ratio



(Billions of yen)

	03/3	04/3 <Preliminary>	Change
<b>Tier I</b>	<b>3,255.9</b>	<b>3,571.6</b>	<b>315.7</b>
Retained earnings	278.4	564.8	286.4
Net unrealized losses on Other securities	(24.2)	-	24.2
Preferred stock	1,796.3	1,796.3	-
Preferred securities issued by SPCs	840.1	814.0	(26.1)
<b>Tier II*</b>	<b>2,961.6</b>	<b>3,416.5</b>	<b>454.9</b>
45% of unrealized gains on other securities	-	249.4	249.4
45% of land revaluation excess	71.7	68.5	(3.2)
General reserve for possible loan losses	739.6	740.1	0.5
Perpetual subordinated debt	569.1	755.6	186.5
Dated subordinated debt	1,581.3	1,603.0	21.7
Subtraction items	238.6	250.8	12.2
BIS capital	5,978.9	6,737.4	758.5
<b>Risk-adjusted assets</b>	<b>59,166.8</b>	<b>59,204.0</b>	<b>37.2</b>
BIS capital ratio	10.10%	11.37%	1.27%
Tier I ratio	5.50%	6.03%	0.53%

Tier I	
Consolidated net income:	330.4
Tier II	
Subordinated bonds on public offering	
-Overseas perpetual subordinated bonds (03/8):	USD 850 million
< Mainly targeted Asian retail market >	
-Domestic dated subordinated bonds (03/8, 04/2):	JPY 110 billion
Risk-adjusted assets	
Disposition of NPLs	Approx. (1,700)
Increase of Mortgages and New unsecured loans to SMEs	Approx. 800
Consolidation of Kansai Sawayaka Bank	Approx. 500

\* Amounts counted as the BIS capital.

# 15. Highlights of consolidated financial results



	(Billions of yen)			
	FY02	FY03	Change	Difference from SMBC Non-consolidated results
Consolidated gross profit	2,184.0	<b>2,069.5</b>	(114.5)	485.4
Net interest income	1,399.5	<b>1,281.1</b>	(118.4)	(1) 194.0
Trust fees	0.0	<b>0.3</b>	0.3	-
Net fees and commissions	352.9	<b>424.2</b>	71.3	(2) 197.6
Net trading profit	205.8	<b>304.1</b>	98.3	23.4
Net other operating profit	225.8	<b>59.8</b>	(166.0)	(3) 70.4
General and administrative expenses	(889.2)	<b>(866.5)</b>	22.7	(282.5)
Total credit cost	(1,200.9)	<b>(956.6)</b>	244.3	(4) 153.2
Gains (losses) on stocks	(621.5)	<b>101.5</b>	723.0	(2.4)
Equity in earnings of affiliates	5.7	<b>15.7</b>	10.0	(5) 15.7
Ordinary profit (loss)	(515.7)	<b>342.8</b>	858.5	157.7
Extraordinary gains (losses)	(75.2)	<b>62.0</b>	137.2	(71.7)
Net income (loss)	(465.4)	<b>330.4</b>	795.8	29.3
Consolidated net business profit	1,131.0	<b>1,090.6</b>	(40.4)	90.5

## Difference from SMBC Non-consolidated results

- (1) 2 subsidiary banks: 44% of the difference (Minato Bank, Kansai Urban Banking Corporation)  
Sumitomo Mitsui Card: 15% of the difference
- (2) Sumitomo Mitsui Card: 46% of the difference
- (3) SMBC Leasing: 97% of the difference
- (4) Guarantee companies, Minato Bank, SMBC Finance Service, etc.
- (5) Daiwa Securities SMBC, etc.

## Financial results of SMFG's subsidiaries and Daiwa Securities SMBC

	(Billions of yen)			
	Sumitomo Mitsui Card	SMBC Leasing	Japan Research Institute	Daiwa Securities SMBC
Ordinary profit	18.6	14.5	7.5	41.9
Net income	12.6	6.3	4.0	23.2

(Note) Consolidate net business profit = (SMBC non-consolidated banking profit) + (other consolidated subsidiaries' Ordinary profit) + (Affiliates' Ordinary profit) X (Ownership ratio) - (Internal transactions (dividends, etc.))  
International transactions within the accounts on international Gross profit are adjusted (Please refer to P34 (Appendix 2))

## 16. Earnings forecast for FY04

### SMBC

(Billions of yen)

[Non-consolidated]	FY03 Result	FY04 Forecast		
		04/9		Year change
Banking profit*	1,000.1	460.0	980.0	(20.1)
Gross banking profit	1,584.1	755.0	1,565.0	(19.1)
Expenses	(584.0)	(295.0)	(585.0)	(1.0)
Ordinary profit	185.1	200.0	500.0	314.9
Net income	301.1	130.0	280.0	(21.1)
Total credit cost	(803.4)	(250.0)	(450.0)	353.4

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

### SMFG

(Billions of yen)

[Consolidated]		FY03 Result	FY04 Forecast		
			04/9		Year change
	Ordinary income	3,552.5	1,700.0	3,400.0	(152.5)
	Ordinary profit	342.8	270.0	650.0	307.2
	Net income	330.4	150.0	330.0	(0.4)
[Non-consolidated]	Operating profit	55.5	205.0	260.0	204.5
	Ordinary profit	51.2	200.0	255.0	203.8
	Net income	50.5	200.0	255.0	204.5

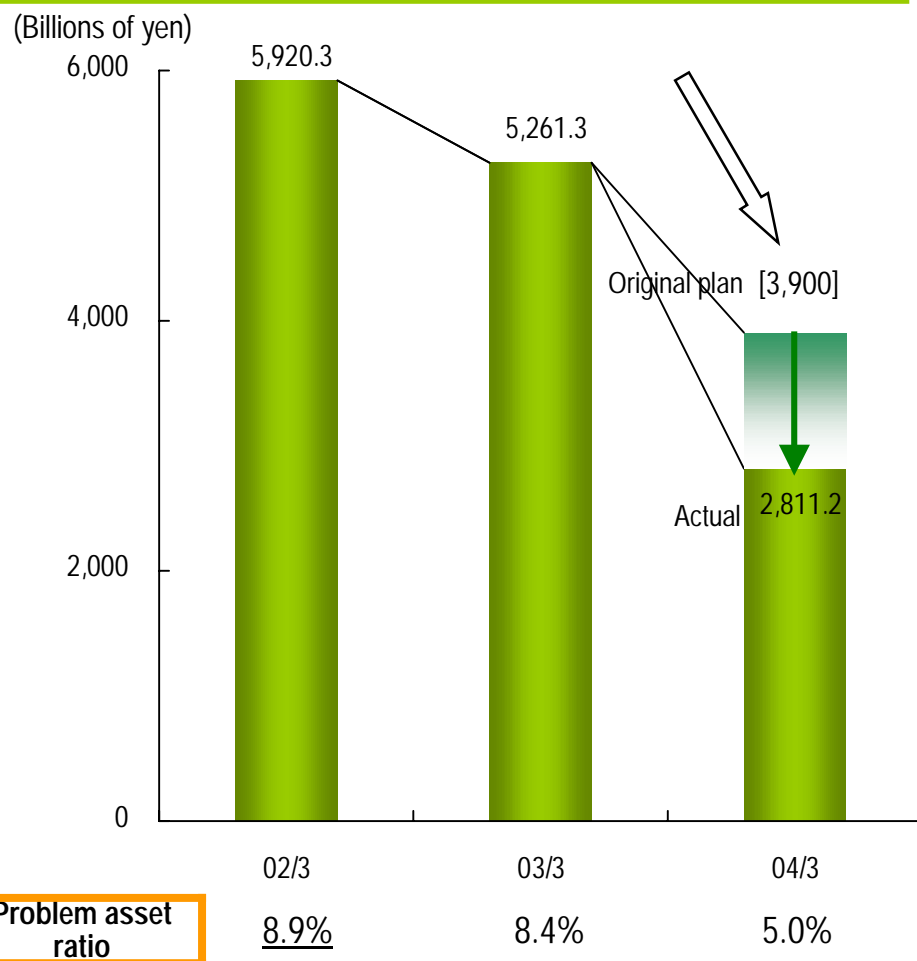
1. **Summary of FY03:**
  - (1) Progress in “Management Commitment”
  - (2) Progress in strategic actions
2. **Management policy in FY04:**
  - (1) Complete “Intensive Resolution Period”
  - (2) Take the offensive in strategic businesses further
3. **Plan and actions in FY04:**
  - (1) Increase loan volume –the top priority issue in FY04
  - (2) SME loans
  - (3) Financial consulting to individuals
  - (4) Investment banking business
  - (5) Reinforce consumer finance drastically
4. **Path for the sustainable growth**

# 1. Summary of FY03: (1) Progress in "Management Commitment"



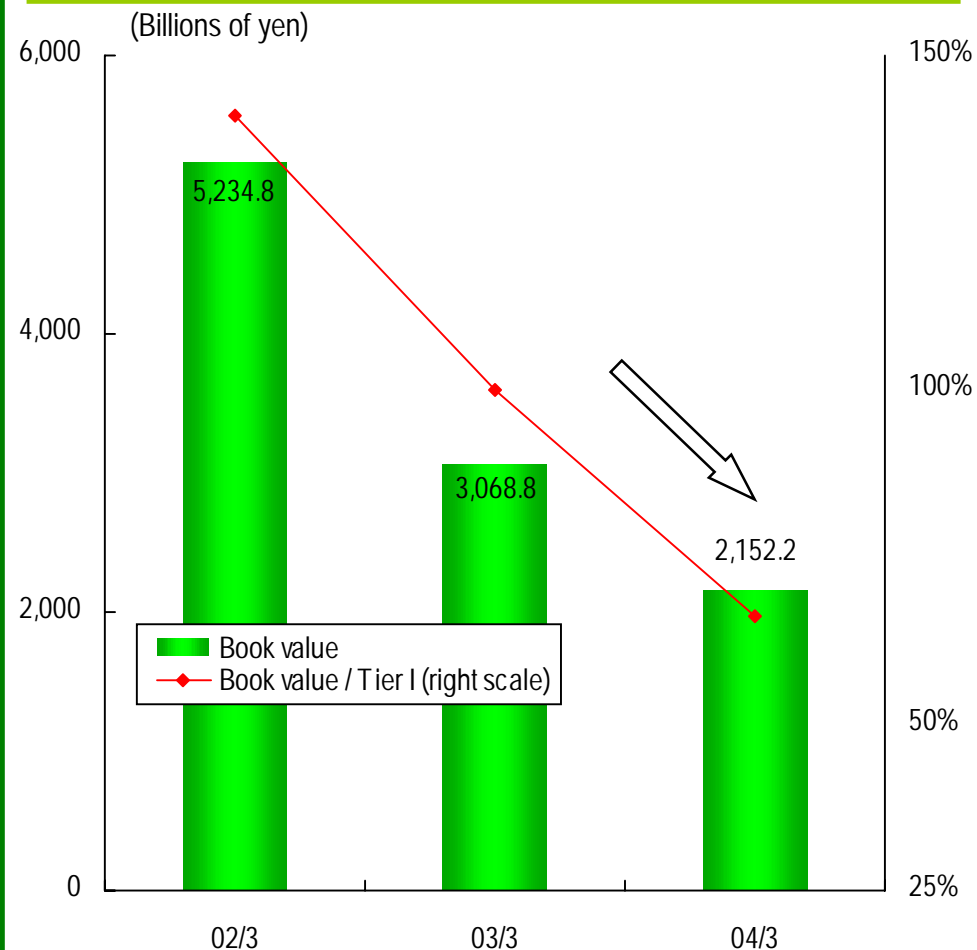
## Commitment 1: Halve Problem asset ratio

Reduced Problem asset ratio drastically from 8.4% to 5.0%



## Commitment 2: Decrease Stockholdings further

Sold for over JPY 930 billion



\*Problem assets: Based on the Financial Reconstruction Law. Stocks: Other securities with market value. Tier I capital: SMBC -Consolidated basis.

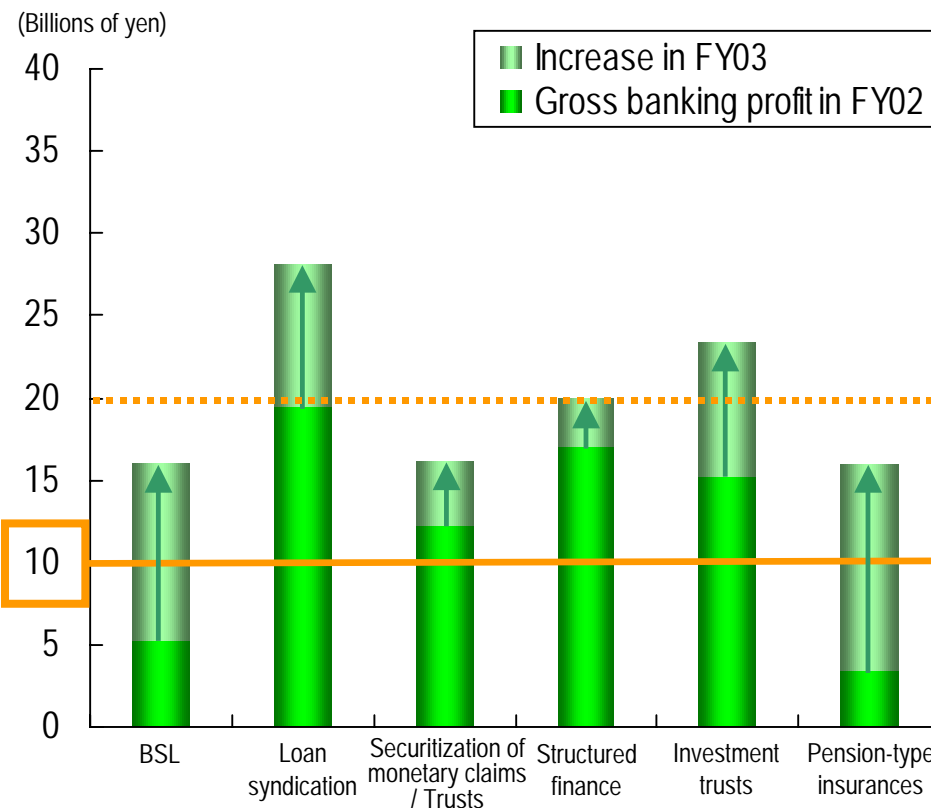
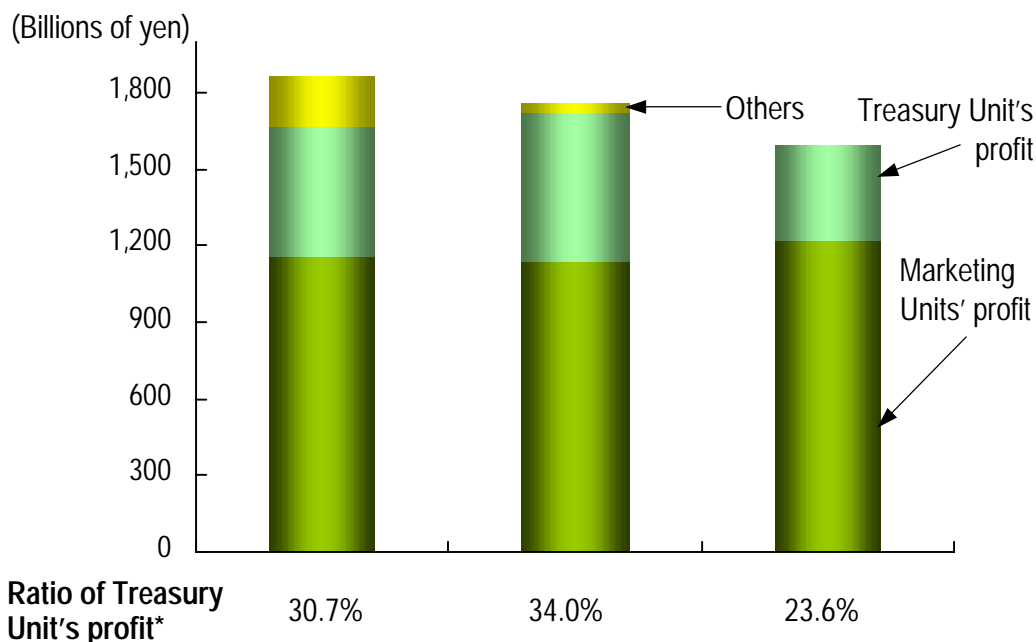
# 1. Summary of FY03: (1) Progress in "Management Commitment" (Establish strong business portfolio)



**Commitment 3: Establish earnings structure to ensure Banking profit of JPY 1 trillion  
Boost Marketing Units' profits**

Banking profit:  
Exceeded JPY 1 trillion for 3 consecutive years

	FY01	FY02	FY03
Banking profit	1,186.5	1,113.6	1,000.1
Gross banking profit	1,864.9	1,760.6	1,584.1



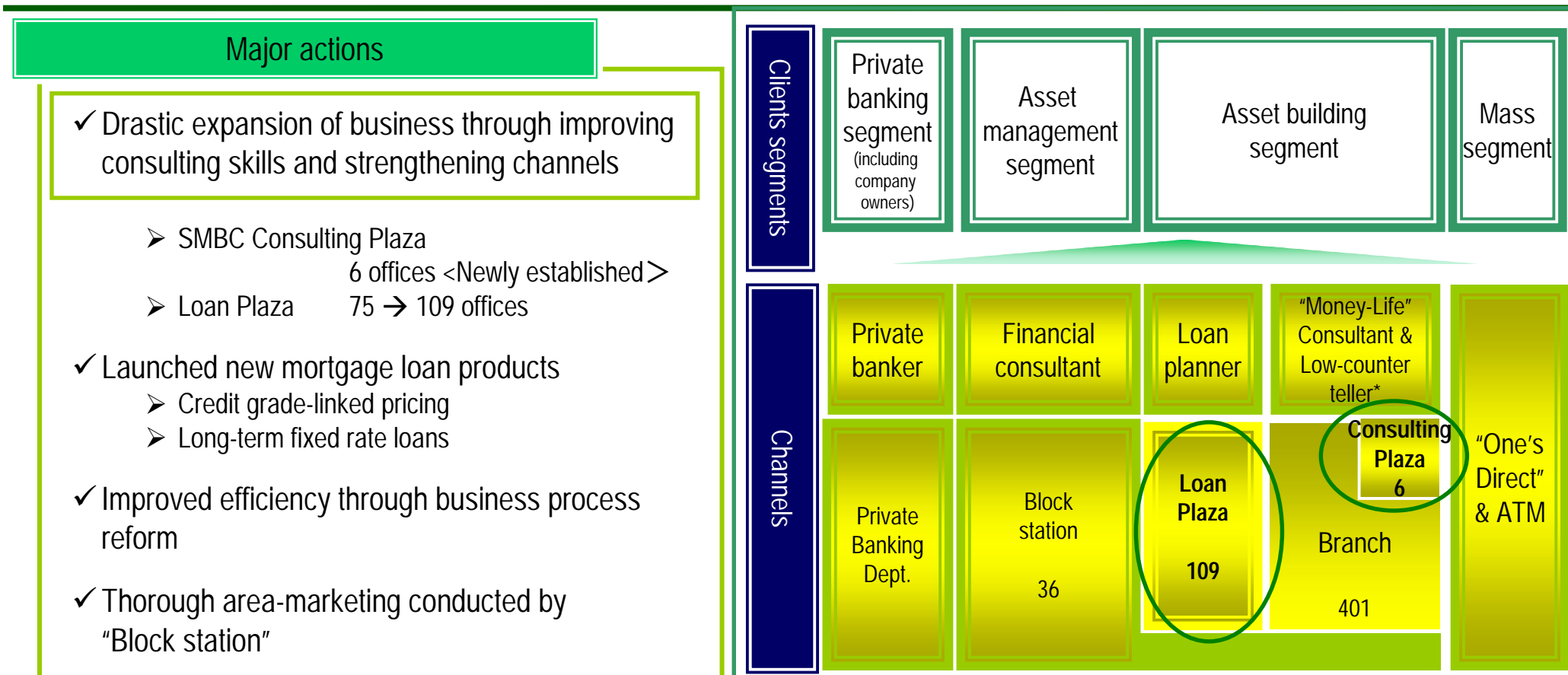
SME loans

Investment banking business

Financial consulting to individual clients

\*Treasury Unit's profit / (Marketing Units' profit + Treasury Unit's profit).  
 Figures of FY01 are the sum of the former SMBC and the former Wakashio Bank.

# 1. Summary of FY03: (2) Progress in strategic actions – Consumer Banking Unit



Investment trusts	▶ Exceeded <b>JPY 2 trillion</b> in balance
Pension-type insurances	▶ Reached nearly <b>JPY 500 billion</b> in accumulated sales amount
	→ exceeded the original plan
Mortgage loans	▶ large increase in origination ( <b>approx. 30%</b> year-over-year increase)

Achievement in FY03:  
**JPY 92.4 billion** in Banking profit  
 (JPY 53.7 billion year-over-year increase)

\* "Low-counter teller" is a teller who serves customers at low counters to provide more personal services.

# 1. Summary of FY03: (2) Progress in strategic actions

## - Middle Market Banking Unit

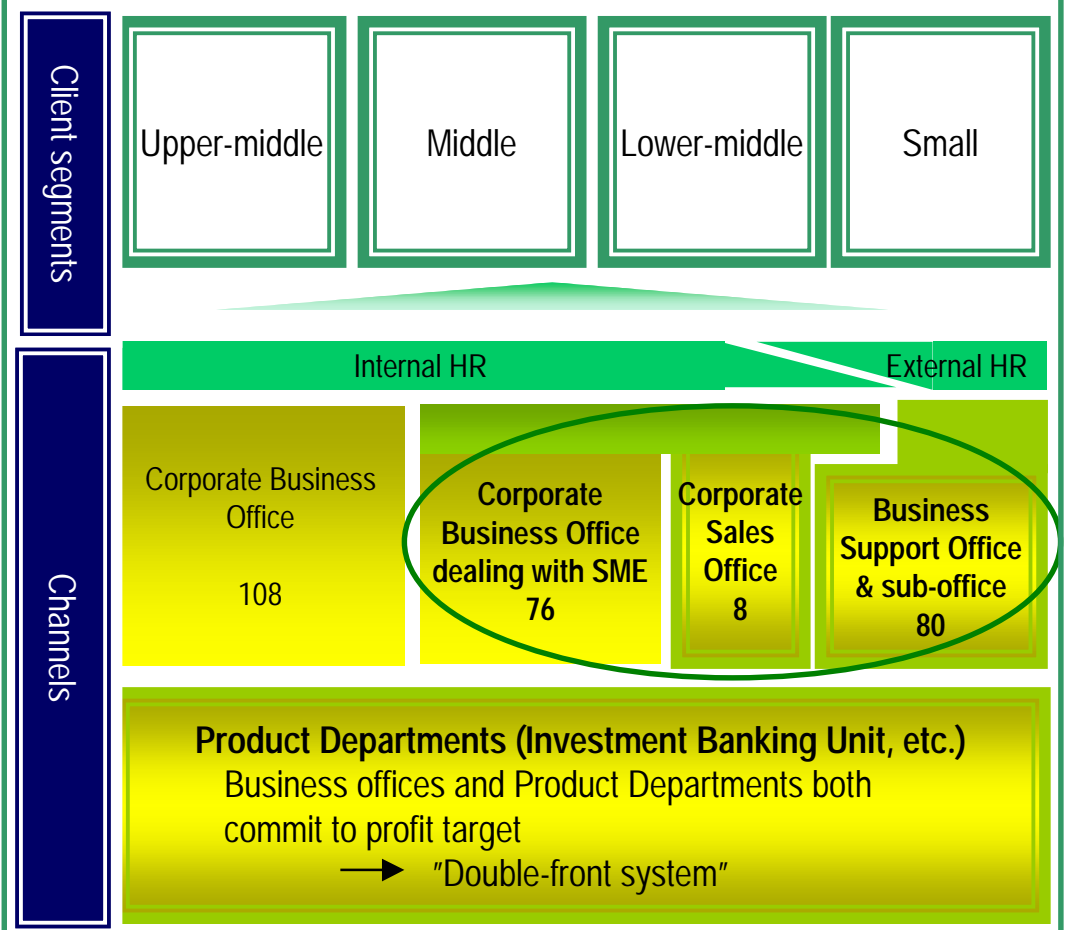


### Major actions

- ✓ Reformed credit approval system
  - Introduced new product: "N fund"
  - Wider authority given to General Managers of sales offices
- ✓ Further strengthened origination through substantially expanded sales channels

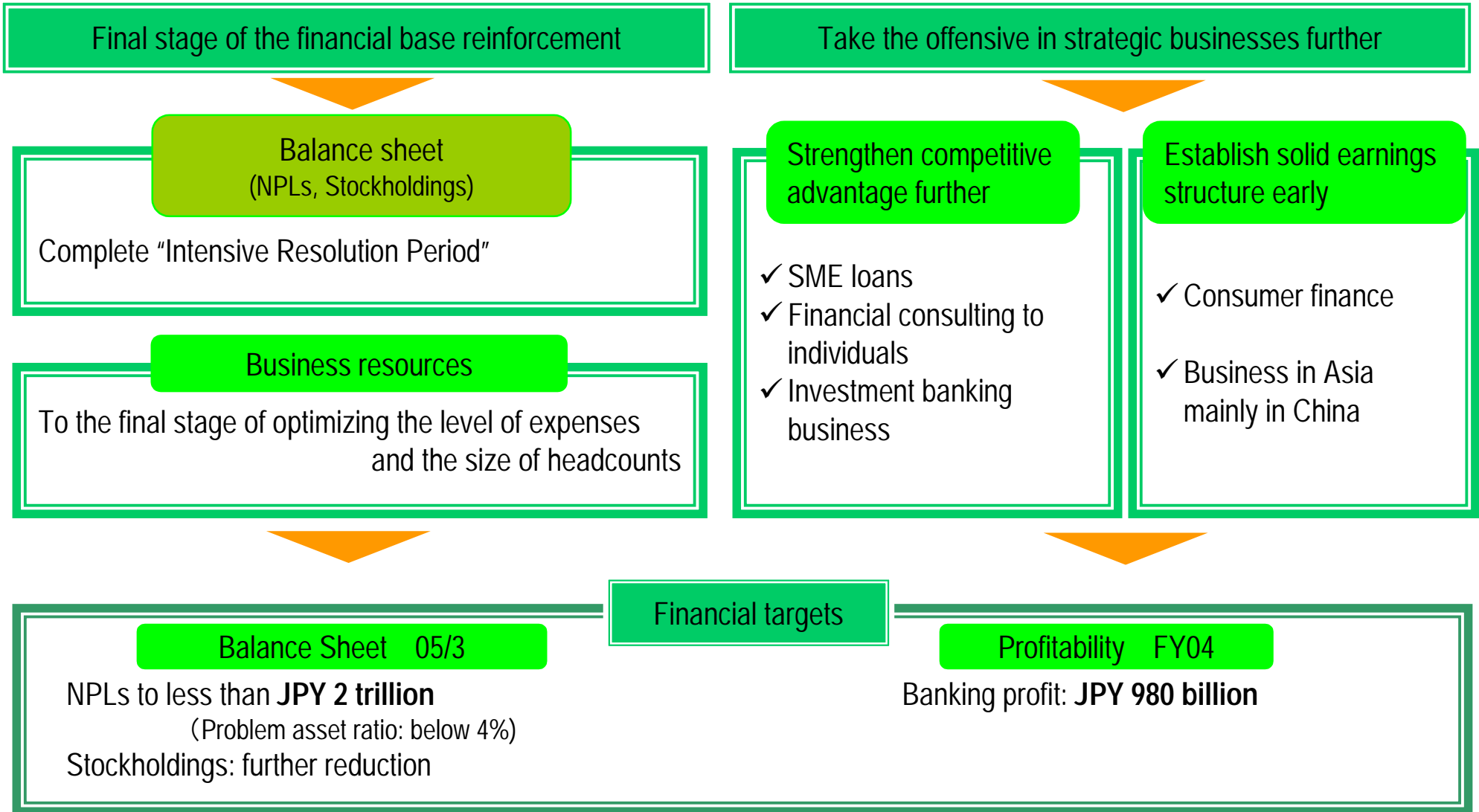
-Effectively introduced small and specialized channels, external human resources (HR), etc.

SME channels	FY03 Newly established		Number of channels (Mar. 31, 04)	Mission
Corporate Business Offices	5	➔	76	Acquire new SME clients in untapped urban and suburban markets
Corporate Sales Offices	8	➔	8	Acquire new SME clients in untapped regional markets
BSO & sub-offices	31	➔	80	Acquire small enterprises
<b>Total SME channels</b>			<b>164</b>	





## 2. Management policy in FY04



## 2. Management policy in FY04: (1) Complete "Intensive Resolution Period"

### Halve Problem asset ratio

To achieve the target half a year ahead of the original plan

(Billions of yen)	FY03	FY04	
		1H/04	2H/04
NPLs* (term-end)	2,811.2	less than 2,500	less than 2,000
Problem asset ratio	5.0%	below 4.5%	below 4%
Credit cost	803.4	450	
Cost for "off-balancing"	approx. 250	approx. 150	
Cost related to deterioration of borrowers' financial conditions	approx. 550	approx. 300	

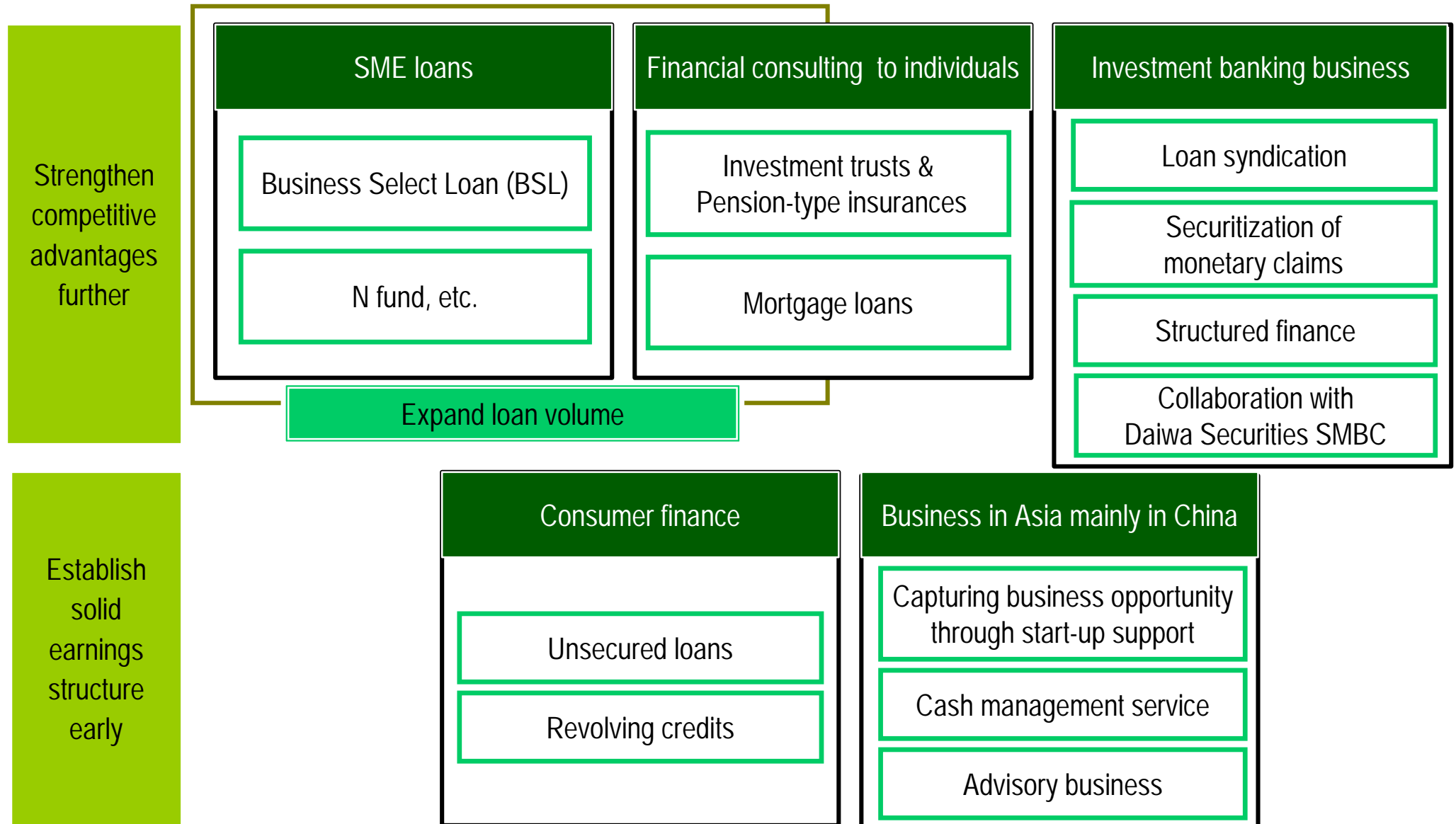
### Actions in FY04

- ✓ Corporate recovery and prevention of deterioration of borrowers' financial conditions  
ex. Initiative for "corporate-value improvement business" (establishment of Corporate Advisory Dept.)
- ✓ Accelerate "Off-balancing"

### Further reduce Stockholdings

Continue to reduce toward the mid-term target of around 50% of Tier 1 capital

## 2. Management policy in FY04: (2) Take the offensive in strategic businesses further



### 3. Plan and actions in FY04 –Boost Marketing Units' profits

#### FY04 Plan for boosting Marketing Units' profits

Main drivers

SME loans

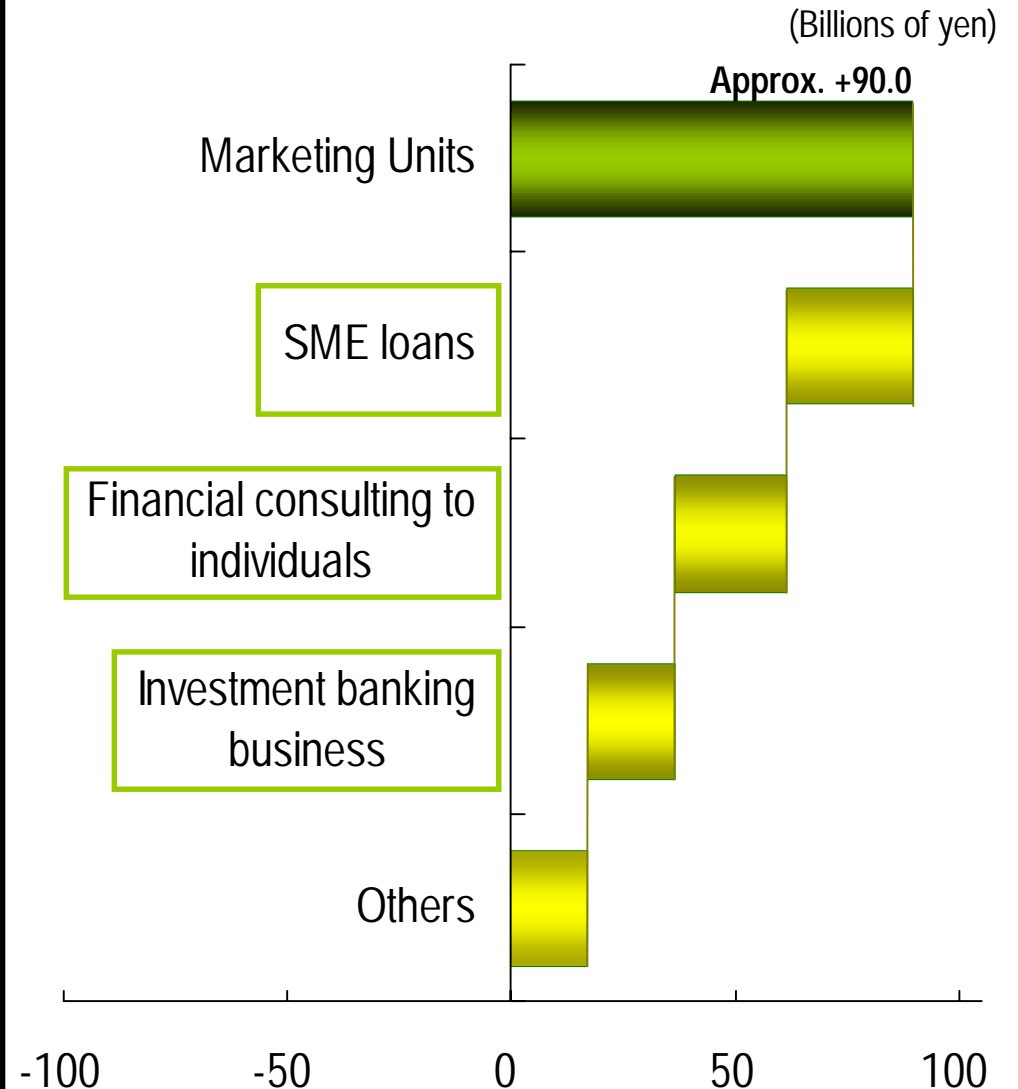
Financial consulting to individuals

Investment banking business

#### Earnings forecast for FY04 <SMBC Non-consolidated>

(Billions of yen)

	FY04	Change
Gross banking profit	1,565	(19.1)
Marketing Units	Approx. 1,270	Approx. +90.0
Treasury Unit	Approx. 280	Approx. (100.0)
Expenses	(585)	(1.0)
Banking profit	980	(20.1)



\*Excluding changes due to fluctuation of interest rates and foreign exchange rate.

### 3. Plan and actions in FY04: (1) Increase loan volume –the top priority issue in FY04



FY03 2<sup>nd</sup> half: “loan balance bottomed out” → FY04: “toward the steady increase trend”

FY03

New unsecured loans (origination)	▶	JPY 2,854.9 billion
SME loans to new corporate clients (origination)	▶	Approx. JPY 1,400 billion (Number of origination: approx. 17,000)
Mortgage loans (origination)	▶	Approx. JPY 1.7 trillion

Loan balance bottomed out in FY03 2<sup>nd</sup> half

FY04

New unsecured loans (origination)	▶	JPY 3,600 billion
SME loans to new corporate clients (origination)	▶	JPY 1,840 billion (Number of origination: 20,000)
Mortgage loans (origination)	▶	Approx. JPY 2 trillion

Toward the steady increase trend

Change in loan balance

(Trillions of yen)

		04/3	
		Change from 03/3	Change from 03/9
Domestic lending <term-end balance>	48.0	(5.8)	(4.1)
Excluding loans to the Government and Risk-monitored loans	45.2	(0.1)	(0.1)
(Managerial accounting basis, term-end balance)			
SMEs (Middle Market Banking Unit)	20.3	+ 0.1	+ 0.6
Large corporations (Corporate Banking Unit)	8.2	(0.3)	(0.5)
Residential purpose mortgage loans (Consumer Banking Unit)	8.9	+ 0.5	+ 0.1

### 3. Plan and actions in FY04: (2) SME loans

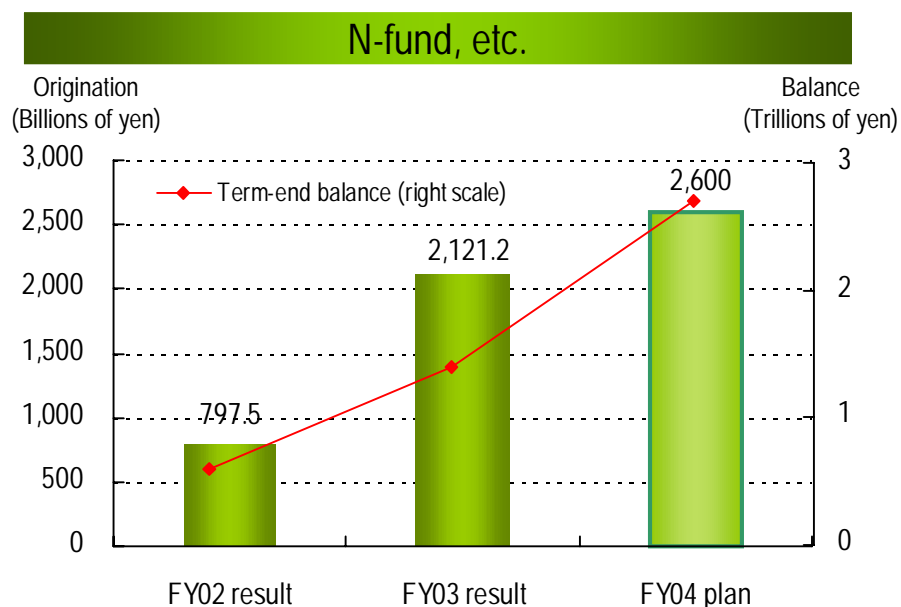
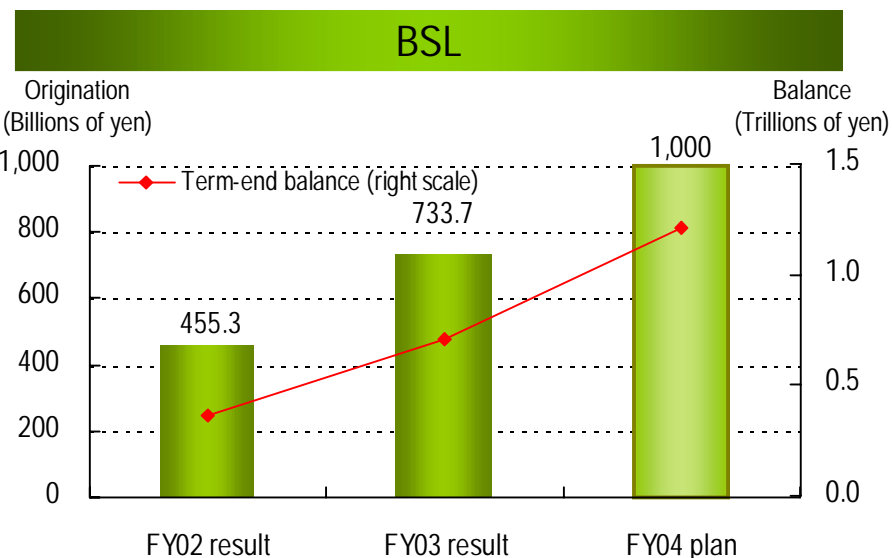
#### Plan for FY04

Improve risk-taking capability through further reform and extending product line

- Widen target client segments for N fund
- Launch new-type unsecured loans
  - "Turnaround Loan"
  - "Receivable-based Loan"
  - "V-fund" (loans to high-growth companies)
- Strengthen promotion systems
  - Expand channel network (urban, suburban and regional)
  - Additionally adopt contract employees, ex-employees, etc.
  - Strengthen promotions to Middle and Lower-middle segments

Origination of New unsecured loans **▶ JPY 3,600 billion**  
 (JPY 2,854.9 billion in FY03)

BSL	<b>JPY 1,000 billion</b>
N fund, etc.	<b>JPY 2,600 billion</b>



# 3. Plan and actions in FY04: (3) Financial consulting to individuals -mortgage loans



## Plan for FY04

Strengthen marketing ability by effectively allocating business resources

SMBC Consulting Plazas for consumer clients  
 Loan Plazas for house dealers

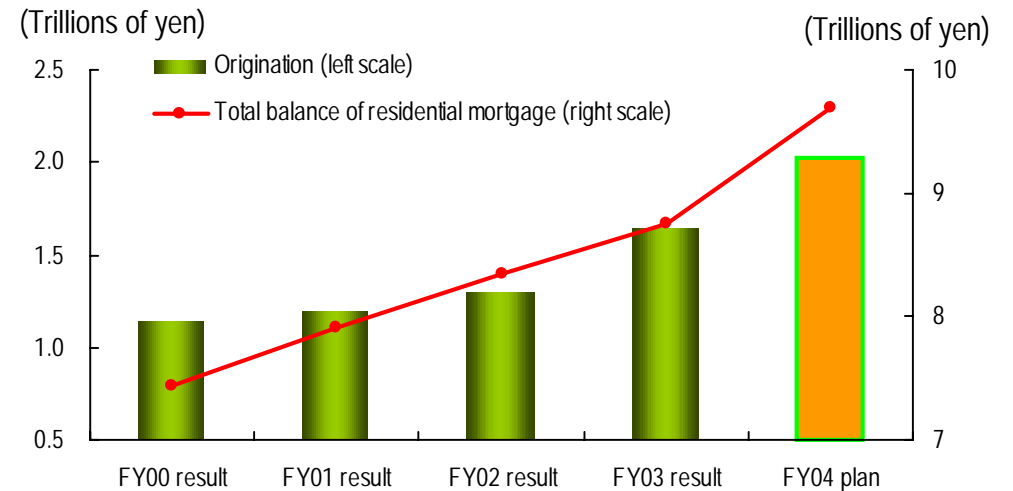
-Expand SMBC consulting plazas  
 FY04: 50 channels ( ← 04/3: 6 channels)  
 FY05: establish 100 channels structure

-Increase sales staff at Loan Plazas

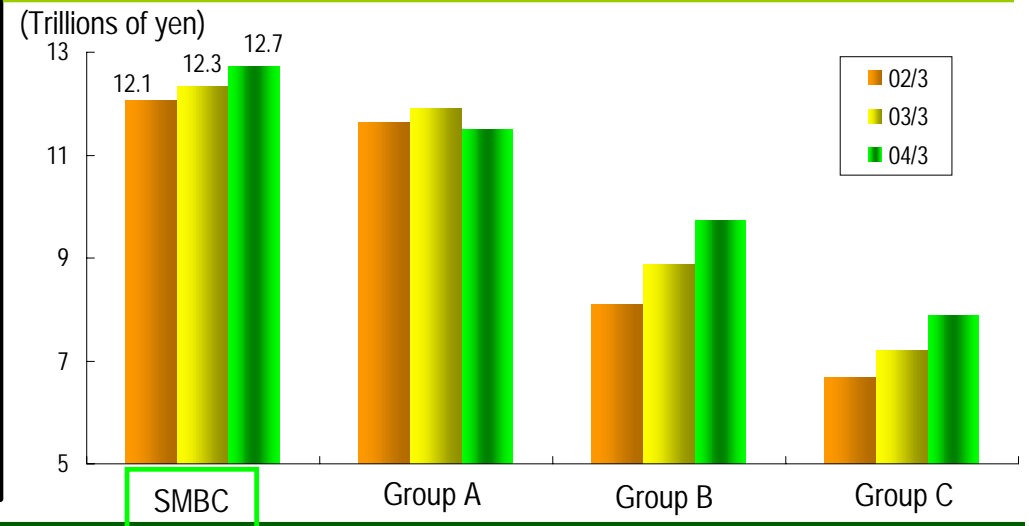
Origination of mortgage loans (plan):  
**approx. JPY 2 trillion**  
 (FY03: approx. JPY 1.7 trillion)

-Also increase mortgage loans for investment purpose by strengthening relationship with large developers

## Mortgage loans



## Peer comparison\* of balance



\*include mortgage loans for non-residential purpose and in trust account. Source: each company's reports.

### 3. Plan and actions in FY04: (3) Financial consulting to individuals –Sales of investment trusts & pension-type insurances



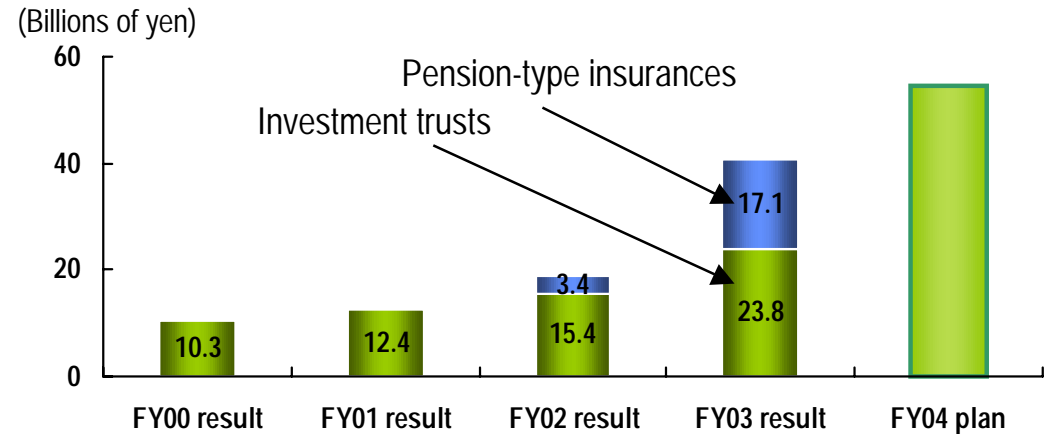
#### Plan for FY04

- Increase sales staff
- Improve productivity
- Strengthen marketing capability by expanding products and services

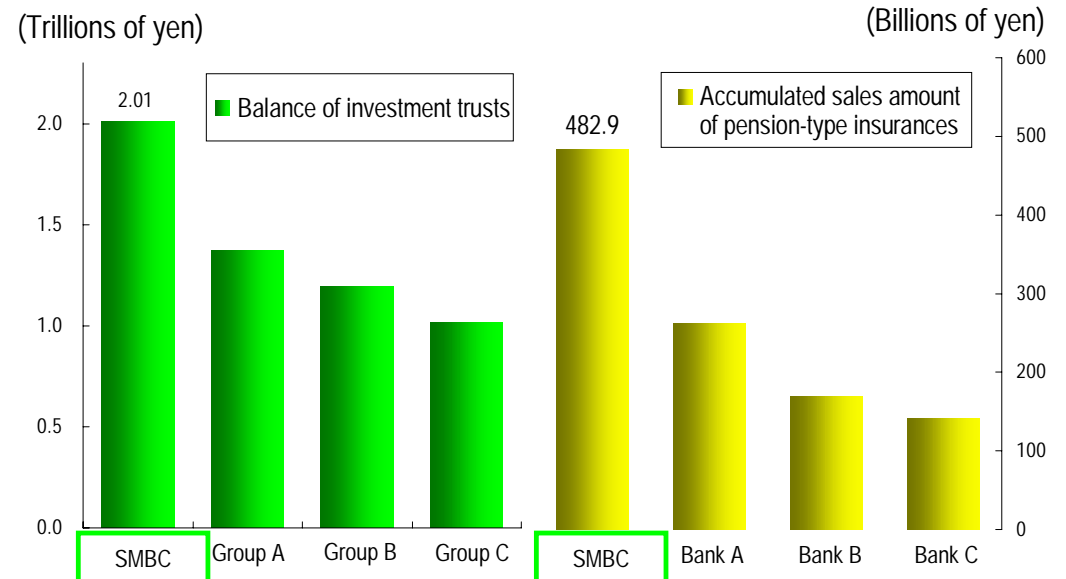
- Share the know-how of best practices in marketing through Sales Process Reengineering (SPR)  
 (FY03: implemented at branches →  
 FY04: to be implemented among financial consultants at Block stations)
- Expand investment products for private banking segment

Expanding sales of investment trusts & pension-type insurances to **JPY 50 billion** profit size business

#### Related profits



#### Peer comparison



<Source> Balance of investment trusts: Nikkin Tousein Nenkin Joho.

Pension-type insurances: News papers. (accumulated sales amount from 02/10 (when sales by banks started) to 03/9)



### 3. Plan and actions in FY04: (4) Investment banking business (SMBC)



#### Plan for FY04

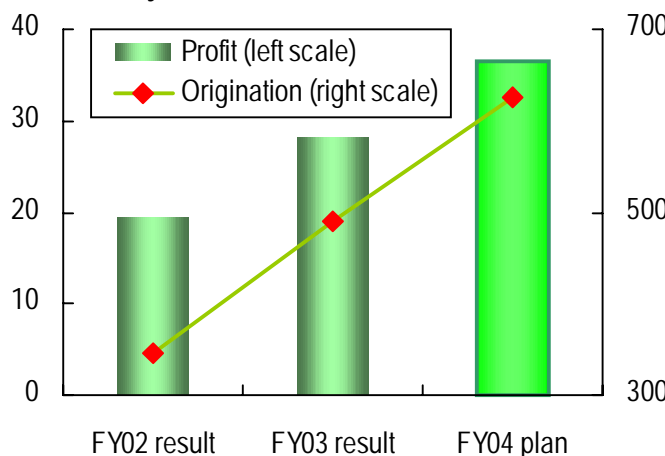
Strengthen loan syndication further

- Capitalize brand equity as a pioneer of Debt IR
- Strengthen financial solution providing approach
- Through new products and diversification
  - ▶ "Cross-sell" to existing clients
  - ▶ Further promotions to new clients
- Reallocation of human resource to growing areas

**JPY 20 billion**  
year-over-year increase in Investment banking business (Gross banking profit basis)

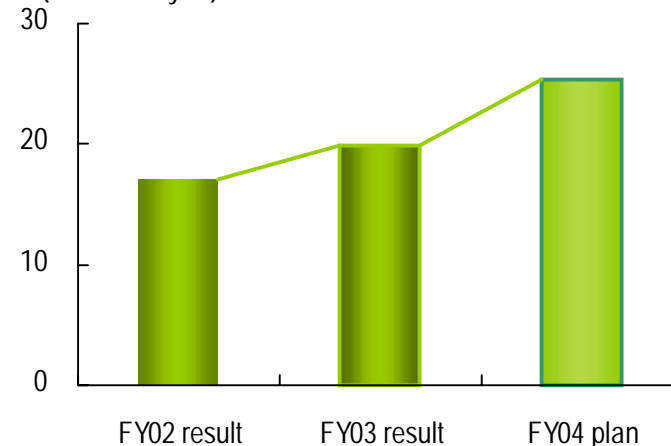
#### Loan syndication

(Billions of yen)



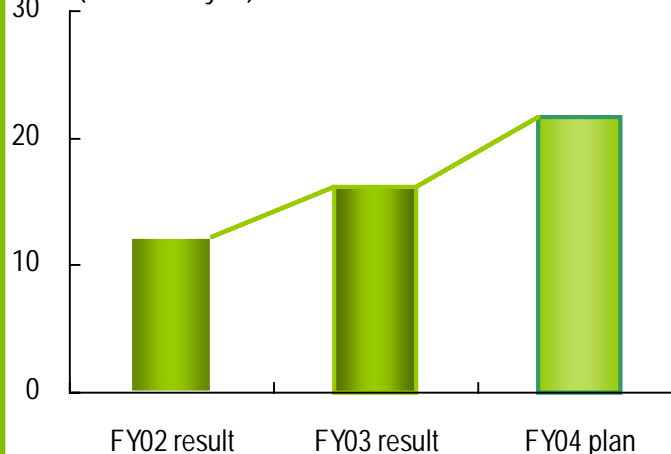
#### Structured finance (profit)

(Billions of yen)



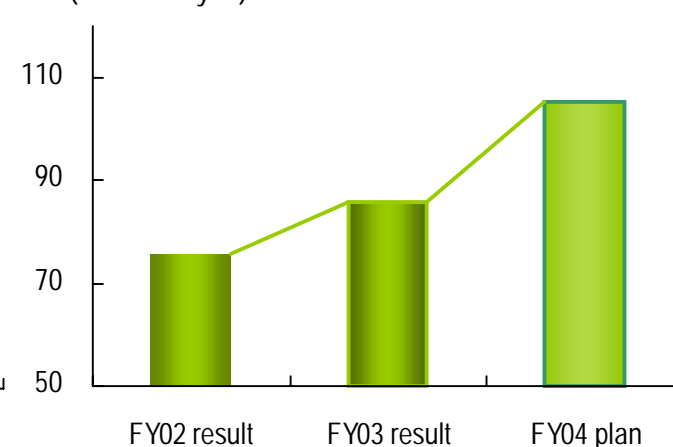
#### Securitization of monetary claims (profit)

(Billions of yen)



#### Total profit in Investment banking business

(Billions of yen)



### 3. Plan and actions in FY04: (4) Investment banking business (collaboration with Daiwa Securities SMBC)



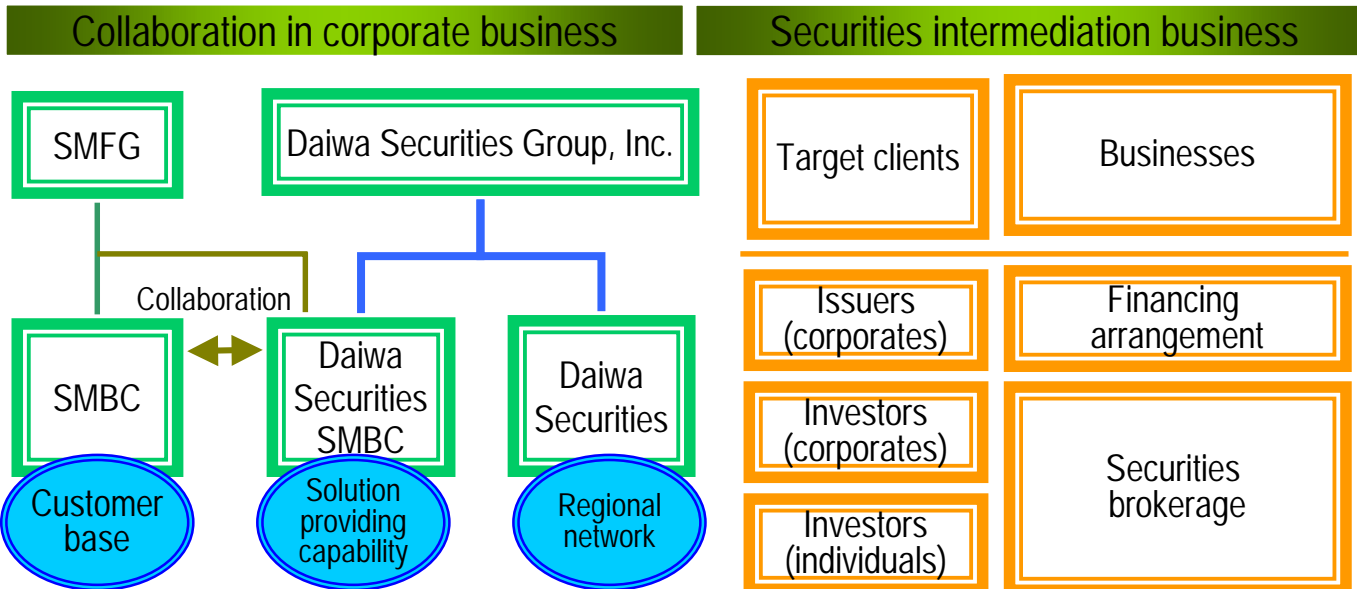
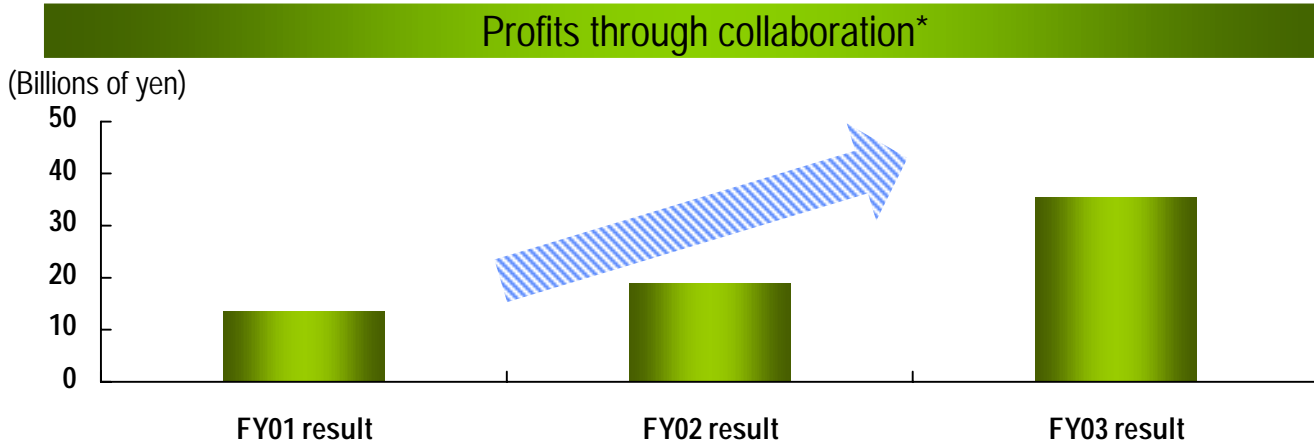
#### Further collaboration with Daiwa Securities SMBC

##### FY04: further collaboration

-In addition to existing areas, further promote collaboration in the business fields for corporate clients, taking advantage of the deregulation of securities intermediation business for banks

##### Areas for collaboration

- Underwriting stocks / bonds
- Bond trading
- M&A
- Asset securitization
- Derivatives
- Corporate recovery business
  - SMFG Corporate Recovery Servicer Co., Ltd.
  - (Joint venture with Daiwa SMBCPI, GS, Development Bank of Japan)



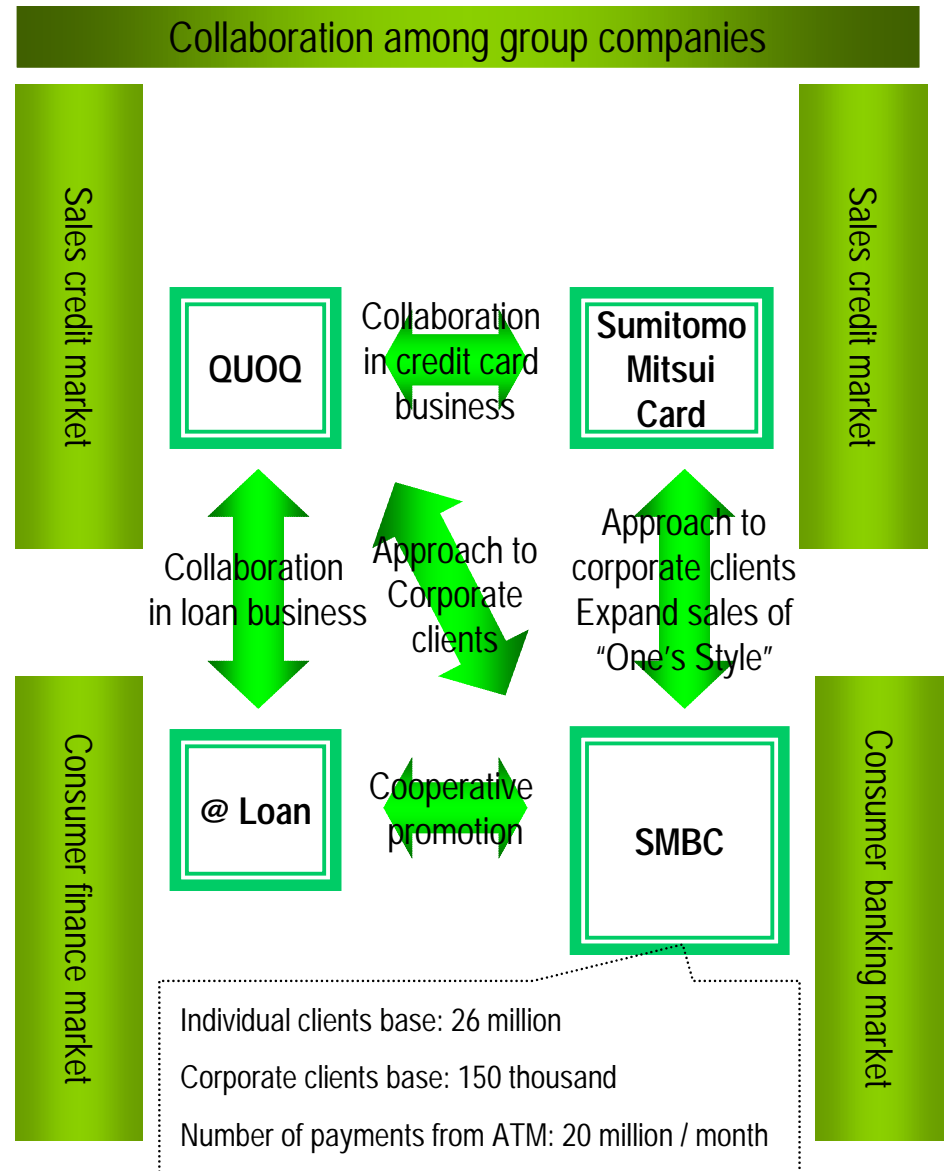
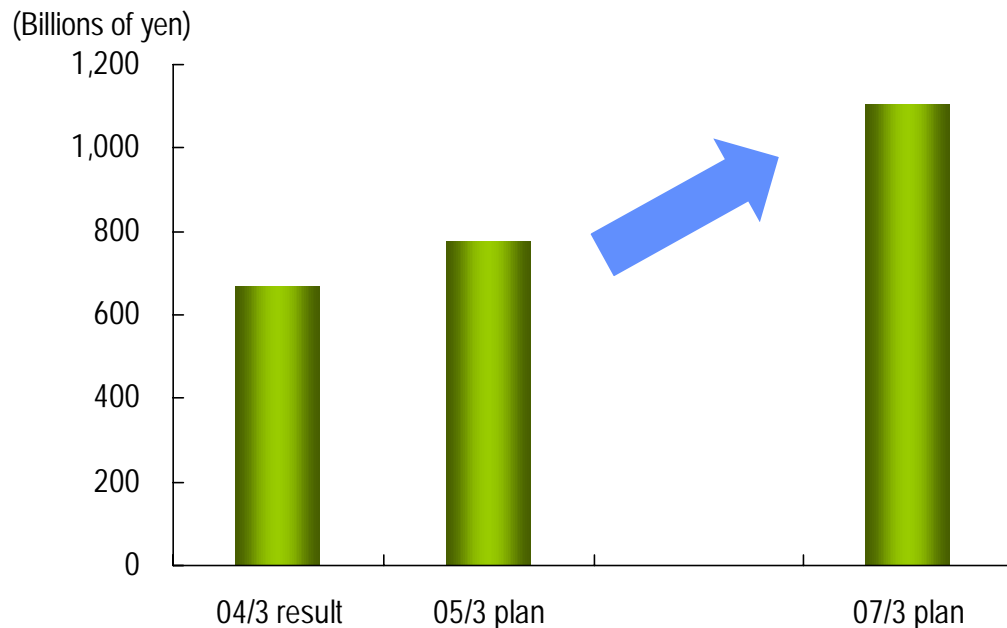
\* SMBC's managerial accounting basis.

### 3. Plan and actions in FY04: (5) Reinforce consumer finance drastically

Reinforce collaboration among Group companies

Expand group-wide market share in mid-term by increasing consumer finance volume drastically

Group-wide expansion plan (unsecured consumer finance)



# 4. Path for the sustainable growth



## Growth of the group-wide profits <SMBC + Sumitomo Mitsui Card + SMBC Leasing + Japan Research Institute>

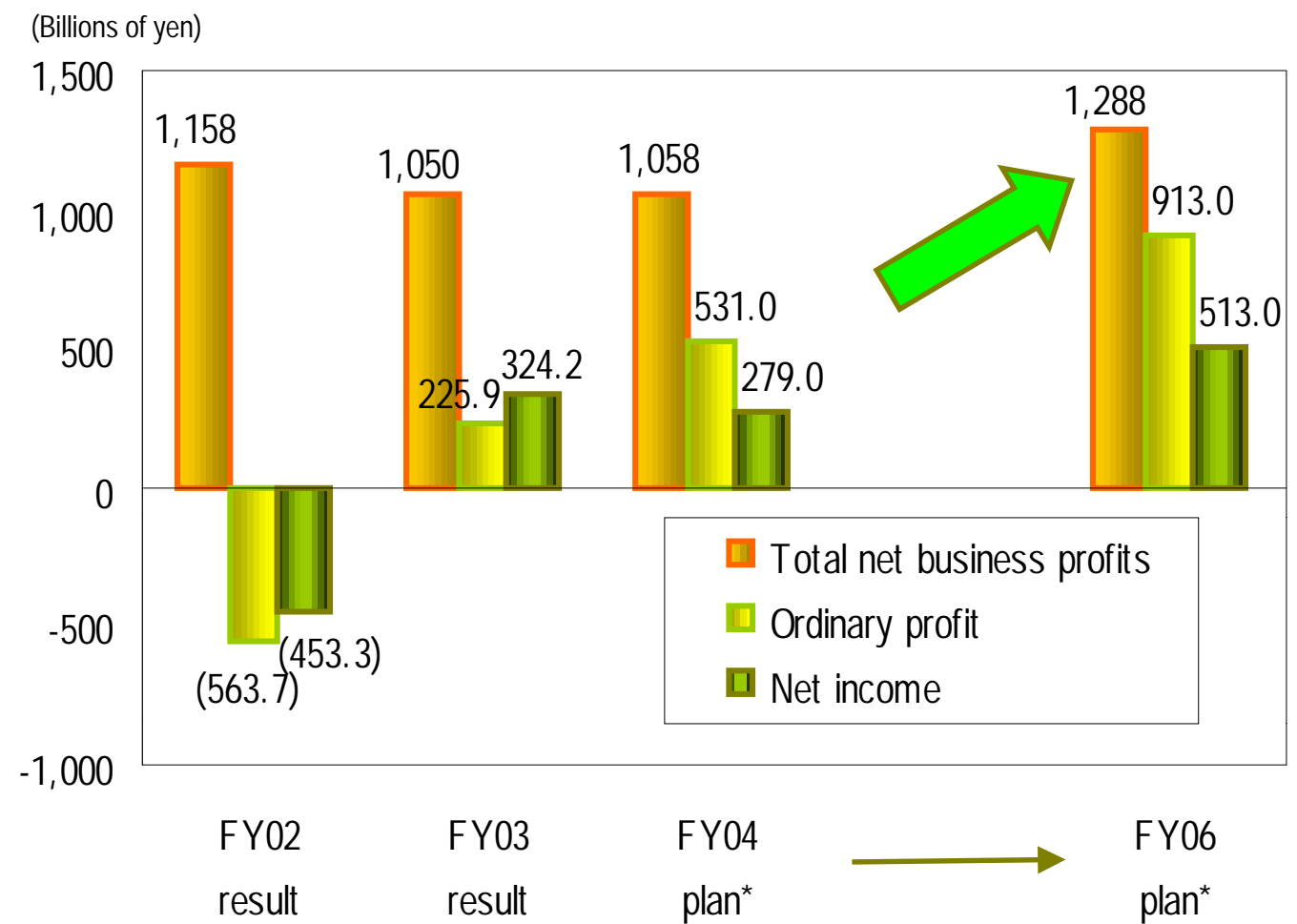
Complete intensive resolution period

+

Take the offensive In strategic businesses further

- Strengthen competitive advantage further
- Establish solid earnings structure early

Toward the sustainable growth



\*Based on the Plan for Strengthening the Financial Base.

1. Financial highlights of recent years
2. Gross banking profit
3. Average balance and yield of major items (domestic)
4. Expenses and domestic branch network & workforce
5. Disclosed problem assets based on the Financial Reconstruction Law
6. Disclosed problem assets based on the Financial Reconstruction law & coverage ratios
7. Progress of “off-balancing”
8. Loan portfolio and Disclosed problem assets, classified by industry
9. Unrealized gains (losses) on securities
10. Equity portfolio - composition by industry
11. Segmentation of corporate clients & channels
12. Business Select Loan
13. N fund, etc.
14. Loan portfolio of new unsecured loans

15. Consumer banking
16. Segmentation of individual clients
17. Domestic channels for individuals – ATMs, etc.
18. Sales of investment trusts and pension-type insurances
19. Remote banking (“One’s Direct”)
20. Sumitomo Mitsui Card
21. SMBC Leasing
22. Japan Research Institute
23. Daiwa Securities SMBC

# (Appendix 1) Financial highlights of recent years



(Billions of yen)

	FY98	FY99	FY00	FY01	FY02	FY03
Gross banking profit	1,449.5	1,434.5	1,503.2	1,864.9	1,760.6	1,584.1
Expenses	(778.9)	(727.6)	(700.1)	(678.4)	(647.0)	(584.0)
Banking profit *	670.6	702.9	803.1	1,186.5	1,113.6	1,000.1
Total credit cost	(2,095.9)	(1,130.6)	(819.1)	** (1,546.2)	(1,074.5)	(803.4)
Ordinary profit	(1,495.2)	336.4	359.2	(521.6)	(597.2)	185.1
Net income	(749.4)	105.9	137.8	(322.9)	(478.3)	301.1

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

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

(Note)

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

## (Appendix 2) Gross banking profit



(Billions of yen)

	FY02	FY03	Change
Gross domestic profit	1,252.9	<b>1,135.6</b>	(117.3)
<i>Excluding gains (losses) on bonds</i>	1,180.8	<b>1,135.3</b>	(45.5)
Net interest income	1,025.8	<b>947.9</b>	(77.9)
<i>Gains on interest rate swaps</i>	47.8	<b>22.7</b>	(25.1)
Trust fees	0.0	<b>0.3</b>	0.3
Net fees and commissions	152.9	<b>179.2</b>	26.3
Net trading income	2.5	<b>(1.3)</b>	(3.8)
Net other operating income	71.7	<b>9.5</b>	(62.2)
<i>Gains (losses) on bonds</i>	72.1	<b>0.3</b>	(71.8)
Gross international profit*	507.7	<b>448.5</b>	(59.2)
<i>Excluding gains (losses) on bonds</i>	444.1	<b>426.1</b>	(18.0)
Net interest income	205.9	<b>141.2</b>	(64.7)
<i>Gains on interest rate swaps</i>	158.0	<b>54.5</b>	(103.5)
Net fees and commissions	41.8	<b>47.4</b>	5.6
Net trading income	127.1	<b>140.9</b>	13.8
Net other operating income	132.9	<b>119.0</b>	(13.9)
<i>Gains (losses) on bonds</i>	63.6	<b>22.4</b>	(41.2)

Major factors in increase / decrease	
➤ Domestic net interest income:	(77.9)
-Decrease in loan volume	
➤ Domestic net fees & commissions:	26.3
-Increase in fees related to investment trusts and pension-type insurances	
-Increase in fees related to loan syndication, and other Investment banking business	
➤ International net interest income:	(64.7)
-Decrease in Treasury Unit's profits	
➤ International net trading income:	13.8
-Increase related to sales of derivatives products to clients	

(Reference) Adjustments related to the items consisting of gross international profit			
	(Billions of yen)		
	FY02	FY03	Change
Net interest income	8.4	2.0	(6.4)
Net trading income	(66.4)	(141.1)	(74.7)
Net other operating income	58.0	139.1	81.1

\* After adjustments related to the items consisting of gross international profit.

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



### Interest earning assets

(Billions of yen)

	FY02		FY03		Change	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Interest earning assets	74,671.8	1.47%	<b>70,034.6</b>	<b>1.45%</b>	(4,637.2)	(0.02%)
Loans and bills	53,858.7	1.73%	<b>50,475.2</b>	<b>1.75%</b>	(3,383.5)	0.02%
Securities	18,847.1	0.65%	<b>18,598.7</b>	<b>0.59%</b>	(248.4)	(0.06%)

### Interest bearing liabilities

(Billions of yen)

	FY02		FY03		Change	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Interest bearing liabilities	74,115.7	0.10%	<b>71,856.3</b>	<b>0.09%</b>	(2,259.4)	(0.01%)
Deposits, etc.	57,399.5	0.04%	<b>56,810.9</b>	<b>0.02%</b>	(588.6)	(0.02%)
Expense ratio*		0.78%		<b>0.74%</b>		(0.04%)
Total cost of funding		0.88%		<b>0.83%</b>		(0.05%)

	FY02	FY03	Change
Overall interest spread	0.59%	<b>0.62%</b>	0.03%
Interest spread	1.69%	<b>1.73%</b>	0.04%

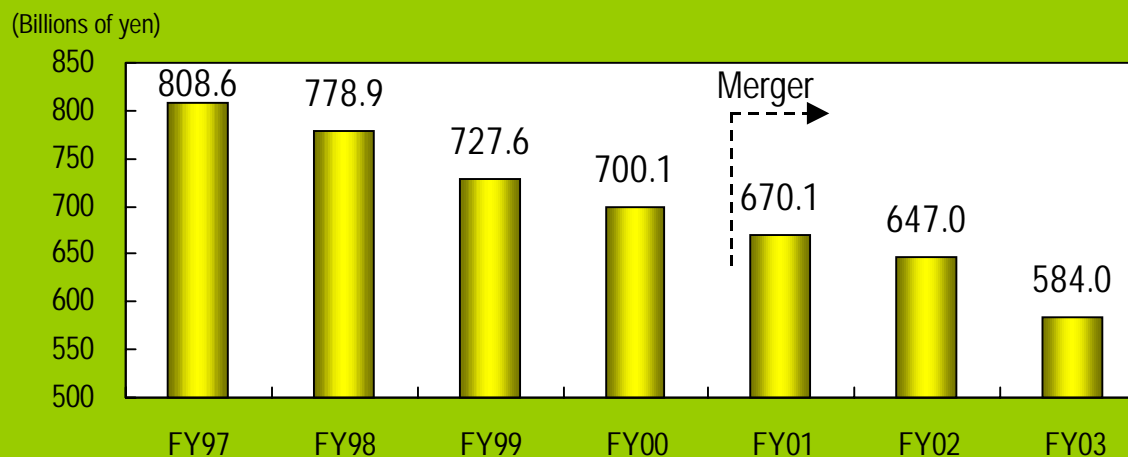
\*Expense ratio is calculated by yield of total cost of funding minus yield of interest bearing liabilities.



# (Appendix 4) Expense and domestic branch network & workforce

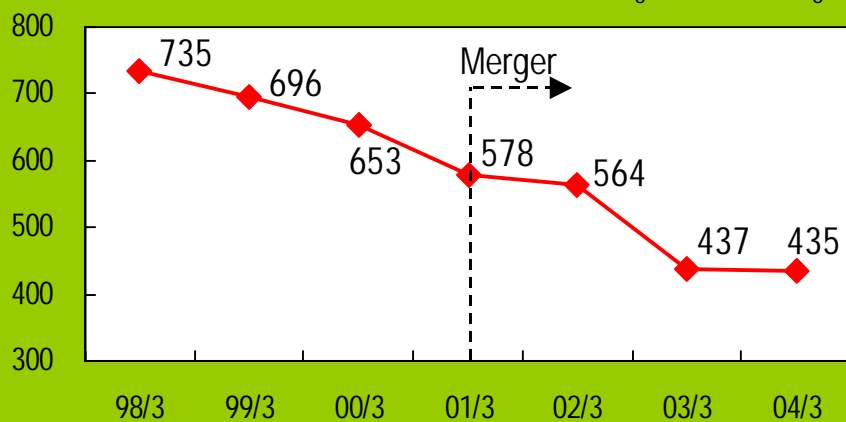


## Expenses

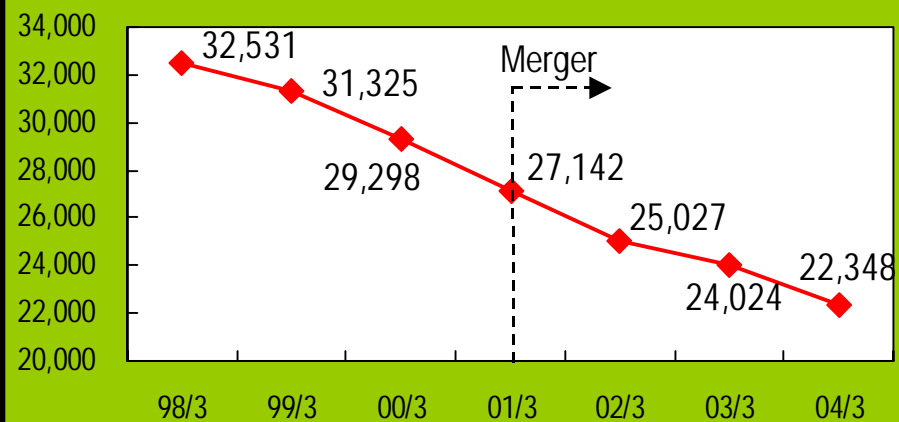


## Number of domestic branches\*

\*Excluding Sub-branches, agencies, etc.



## Number of employees



(Note) Figures for FY01 and before exclude those for the former Wakashio Bank.

# (Appendix 5) Disclosed problem assets based on the Financial Reconstruction Law



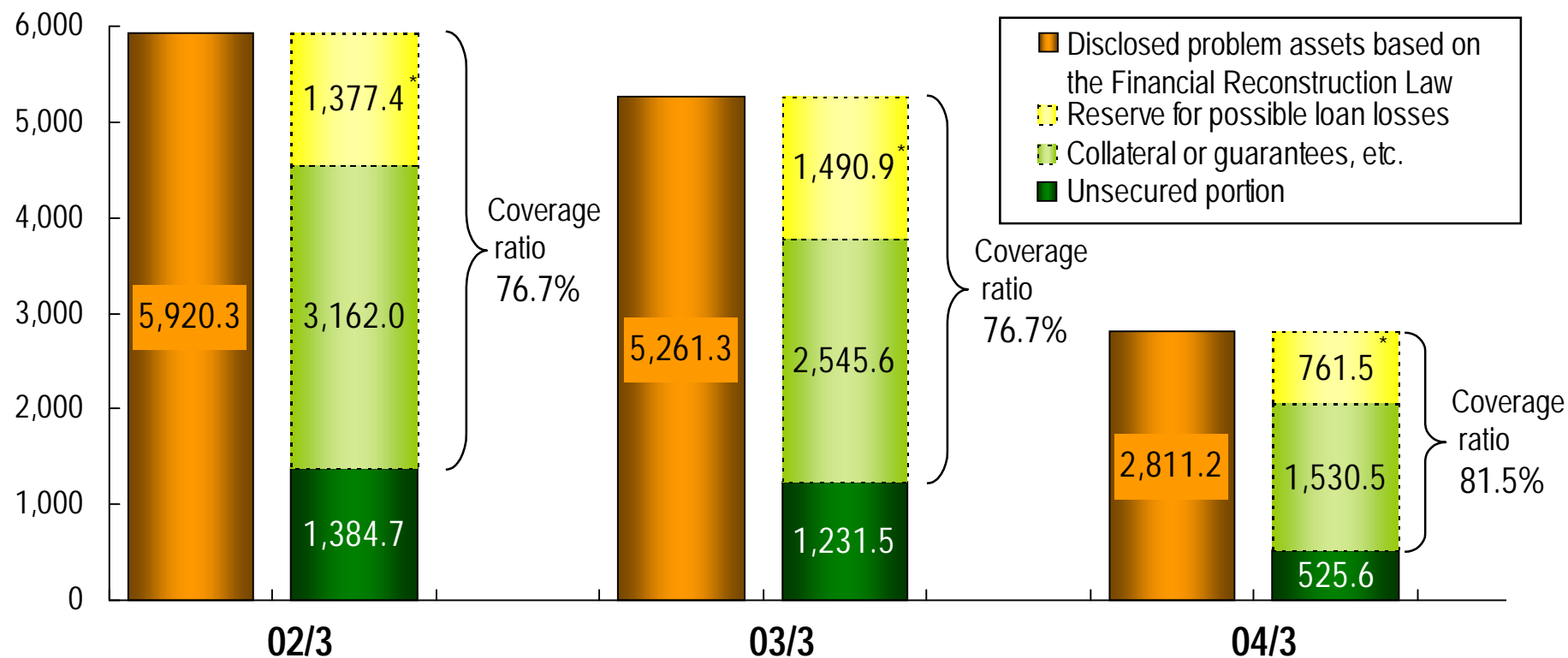
As of 04/3		Classification under Self-Assessment				(Billions of yen)	
Category of Borrowers under Self-Assessment	Problem Assets based on the Financial Reconstruction Law	Classification I	Classification II	Classification III	Classification IV	Reserve for possible loan losses	Reserve ratio
Bankrupt Borrowers	Bankrupt and Quasi-Bankrupt Assets 361.6 (i) (Change from 03/3: -163.3)	Portion of claims secured by collateral or guarantees, etc. 349.7 (a)		Fully reserved 11.9	Direct Write-offs (*1)	Specific Reserve 18.3 (*2)	100% (*3)
Effectively Bankrupt Borrowers							
Potentially Bankrupt Borrowers	Doubtful Assets 1,202.7 (ii) (Change from 03/3: -926.8)	Portion of claims secured by collateral or guarantees, etc. 657.3 (b)		Necessary amount reserved 545.4		Specific Reserve 455.7 (*2)	83.6% (*3)
Borrowers Requiring Caution	Substandard Loans 1,246.9 (iii) (Change from 03/3: 1,360.0) (Claims to Substandard Borrowers)	Portion of Substandard Loans secured by collateral or guarantees, etc. 523.5 (c)				General Reserve for Substandard Loans 287.5	39.0% (*3)
	Normal Assets 52,874.4	Claims to Borrowers Requiring Caution, excluding claims to Substandard Borrowers				General Reserve 769.0	4.2% [10.8%] (*4)
Normal Borrowers		Claims to Normal Borrowers					0.2% (*4)
Total 55,685.6 (iv)						Loan Loss Reserve for Specific Overseas Countries 7.8	
A=(i)+(ii)+(iii)		B: Portion secured by collateral or guarantees, etc.		C: Unsecured portion (A-B)		Reserve ratio: D/C (*5) = 59.5%	
2,811.2 (v) (Change from 03/3: -2,450.1) <Problem asset ratio ((v)/(iv)) 5.0%>		(a)+(b)+(c) 1,530.5		1,280.7	D: Specific Reserve + General Reserve for Substandard Loans (*2) 761.5	Coverage Ratio: (B+D)/A = 81.5%	

\*1 Includes direct reduction amounts to JPY 889.4 billion.  
 \*2 Includes reserves for assets that are not subject to disclosure based on the Financial Reconstruction Law standards. (Bankrupt/Effectively Bankrupt Borrowers: JPY 6.4 billion, Potentially Bankrupt Borrowers: JPY 9.5 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 to reserve of the possible loan losses to each category's total unsecured claims.  
 \*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 6) Disclosed problem assets based on the Financial Reconstruction Law & coverage ratios



(Billions of yen)



	02/3	03/3	04/3
<b>Reserve ratios</b>			
Substandard Loans	21.8%**	33.7%	39.0%
Doubtful Assets	75.9%	79.2%	83.6%
Bankrupt and Quasi-Bankrupt Assets	100.0%	100.0%	100.0%
<b>Total</b>	<b>49.9%</b>	<b>54.9%</b>	<b>59.5%</b>

(Note) Reserve ratio: the proportion of the reserve to the claims, excluding the portion secured by collateral or guarantees, etc. Coverage ratio: the proportion of the reserve and collateral or guarantees, etc. to the claims.

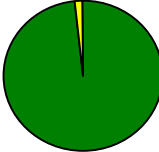
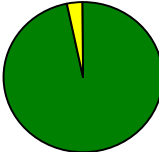
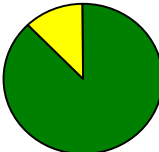
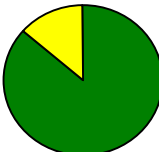
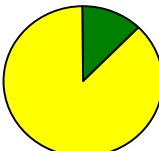
\* partially include the reserve to the assets which are not disclosed problem assets based on the Financial Reconstruction Law (<04/3> Bankrupt and Effectively Bankrupt Borrowers: JPY 6.4 billion, Potentially Bankrupt Borrowers: JPY 9.5 billion)

\*\*excluding the former Wakashio Bank.

# (Appendix 7) Progress of "off-balancing"



(Billions of yen)

Term-end balance of problem assets*	Accumulated amount of "off-balancing" results**	Progress ratio as of 16/3	"Off-balanced" amount in FY03: (JPY 2,047.9 billion)
Existing borrowers as of 00/9 3,247.8	(3,205.3)	 98.7%	1) Disposition by borrowers' liquidation (55.9)
Newly deteriorated borrowers in 2H FY00 711.4	(690.0)	 97.0%	2) Reconstructive disposition (284.4)
Newly deteriorated borrowers in FY01 2,146.0	(1,881.5)	 87.7%	3) Improvement in debtor performance due to reconstructive disposition (158.3)
Newly deteriorated borrowers in FY02 1,212.2	(1,047.2)	 86.4%	4) Loan sales to market (1,096.5)
Newly deteriorated borrowers in FY03 957.8	(119.5)	 12.5%	5) Direct write-offs 235.3
			6) Collection / repayment, etc. (585.9)
			7) Improvement in debtors' performance (102.2)

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

\*\* Off-balanced amount includes the result of measures regarded as "off-balancing".

# (Appendix 8) Loan portfolio and Disclosed problem assets, classified by industry



(Billions of yen)

	Loans and bills discounted			Problem Assets Based on the Financial Reconstruction Law			
	04/3 (a)	(a)-(b)	03/3 (b)	04/3 (c)	Reserve Ratio	(c) -(d)	03/3 (d)
Domestic offices (excluding offshore banking account)	<b>47,951.5</b>	<b>(5,844.4)</b>	<b>53,795.9</b>	<b>2,740.3</b>	<b>59.3%</b>	<b>(2,371.7)</b>	<b>5,112.0</b>
Manufacturing	5,794.2	(237.1)	6,031.3	328.5	72.3%	106.4	222.1
Agriculture, forestry, fisheries, and mining	133.8	(59.0)	192.8	1.1	81.5%	(3.4)	4.6
Construction	1,717.2	(668.1)	2,385.3	107.3	38.4%	(614.4)	721.7
Transportation, Communications and public enterprises	3,134.7	165.7	2,969.0	85.4	44.2%	(50.3)	135.7
Wholesale and retail	5,492.2	(320.3)	5,812.5	368.8	52.5%	(171.2)	540.0
Finance and insurance	4,892.5	(527.1)	5,419.6	54.7	45.8%	(113.3)	168.0
Real estate	6,995.1	(1,245.3)	8,240.3	1,016.7	63.0%	(1,040.9)	2,057.6
Various services	5,470.9	(151.8)	5,622.7	534.5	56.9%	(427.3)	961.7
Municipalities	688.2	180.0	508.1	-	-	-	-
Others	13,632.8	(2,981.5)	16,614.3	243.3	99.0%	(57.2)	300.5
Overseas offices and offshore banking accounts	<b>2,858.6</b>	<b>(627.9)</b>	<b>3,486.5</b>	<b>71.0</b>	<b>64.7%</b>	<b>(78.4)</b>	<b>149.3</b>
Public sector	63.7	(55.8)	119.5	11.4	22.3%	(0.2)	11.6
Financial institutions	227.4	(8.7)	236.1	0.7	-	(0.7)	1.4
Commerce and industry	2,396.0	(549.1)	2,945.1	58.8	78.5%	(77.5)	136.3
Others	171.6	(14.2)	185.8	-	-	-	-
<b>Total</b>	<b>50,810.1</b>	<b>(6,472.2)</b>	<b>57,282.4</b>	<b>2,811.2</b>	<b>59.5%</b>	<b>(2,450.1)</b>	<b>5,261.3</b>

1. "Disclosed Problem Assets Based on the Financial Reconstruction Law" include 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.

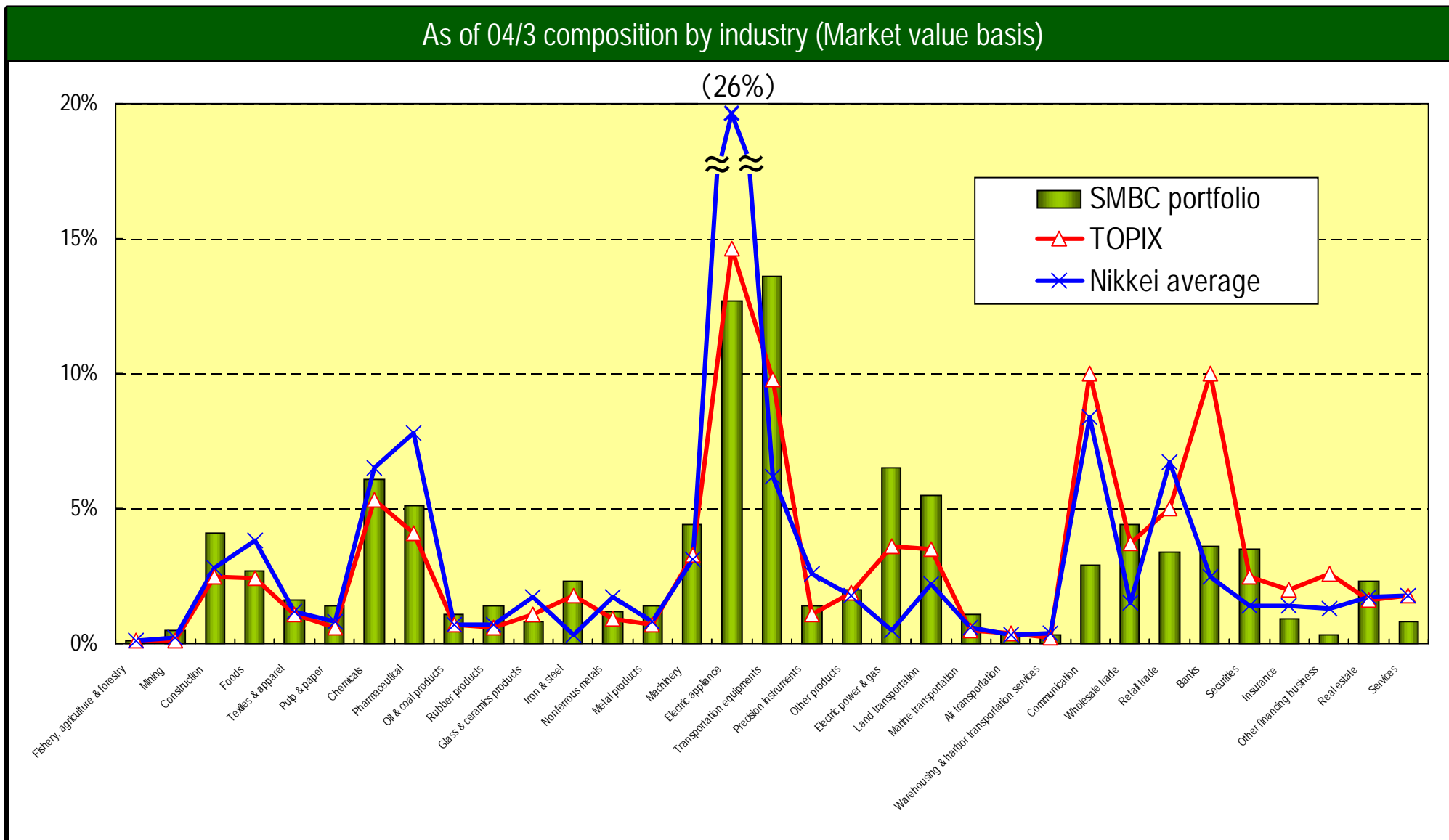
# (Appendix 9) Unrealized gains (losses) on securities



(Billions of yen)

		04/3			03/3			
			Unrealized gains	Unrealized losses	Change from 03/3	Unrealized gains	Unrealized losses	
SMBC non-consolidated	Held-to-maturity purpose	(7.6)	2.6	(10.3)	(11.4)	3.8	3.9	(0.1)
	Stocks of subsidiaries and affiliates	41.7	41.7	-	62.1	(20.4)	0.6	(21.1)
	Other securities	556.1	757.1	(200.9)	573.9	(17.9)	257.7	(275.5)
	Stocks	651.1	711.5	(60.4)	803.4	(152.4)	105.3	(257.6)
	Bonds	(101.9)	16.2	(118.1)	(210.6)	108.7	112.4	(3.7)
	Others	6.9	29.3	(22.4)	(18.9)	25.8	40.0	(14.2)
	Other money held in trust	0.1	0.2	(0.1)	0.2	(0.0)	0.5	(0.6)
	<b>Total</b>	<b>590.3</b>	<b>801.6</b>	<b>(211.3)</b>	<b>628.4</b>	<b>(34.5)</b>	<b>262.7</b>	<b>(297.3)</b>
	Stocks	692.8	753.2	(60.4)	865.6	(172.8)	105.9	(278.7)
	Bonds	(110.4)	18.0	(128.4)	(221.9)	111.5	115.2	(3.7)
Others	7.9	30.4	(22.5)	(18.8)	26.7	41.6	(14.9)	
SMFG consolidated	Held-to-maturity purpose	(7.4)	2.8	(10.3)	(13.3)	5.9	6.0	(0.1)
	Other securities	575.6	787.5	(211.9)	606.3	(30.6)	272.9	(303.6)
	Stocks	669.8	736.9	(67.1)	835.2	(165.4)	113.0	(278.4)
	Bonds	(103.3)	18.6	(121.8)	(214.4)	111.2	117.1	(5.9)
	Others	9.1	32.0	(23.0)	(14.6)	23.6	42.9	(19.3)
	Other money held in trust	0.1	0.2	(0.1)	0.2	(0.0)	0.5	(0.6)
	<b>Total</b>	<b>568.3</b>	<b>790.6</b>	<b>(222.3)</b>	<b>593.1</b>	<b>(24.8)</b>	<b>279.4</b>	<b>(304.2)</b>
	Stocks	669.8	736.9	(67.1)	835.2	(165.4)	113.0	(278.4)
Bonds	(111.8)	20.3	(132.1)	(227.8)	116.0	121.9	(5.9)	
Others	10.3	33.4	(23.1)	(14.3)	24.6	44.5	(19.9)	

# (Appendix 10) Equity portfolio –composition by industry



# (Appendix 11) Segmentation of corporate clients & channels



Client segments	Company size (annual sales)	Products	Channels (as of 04/3)	Corporate Business Office Business Support Office	Corporate Sales Office	Sub-office	In proportion to total loans of Middle Market Banking Unit
General business enterprises, etc.	Upper-middle	Ordinary loans	Mainly for Upper-middle and Middle Clients	69			48%
	Middle		Mainly for Middle Clients	72			25%
	Lower-middle	N fund Business Select Loan	Mainly for Middle and Small Clients	43	8	14	10%
	Small		Mainly for Small Clients	46		20	6%

Total SME channels: 164

<Total channels of Middle Market Banking Unit>  
 Corporate Business Office: 184, Corporate Sales Office: 8, Sub-office: 34, Business Support Office: 46

Public institutions (Government, municipalities)	Specialized office for public institutions	4				11%
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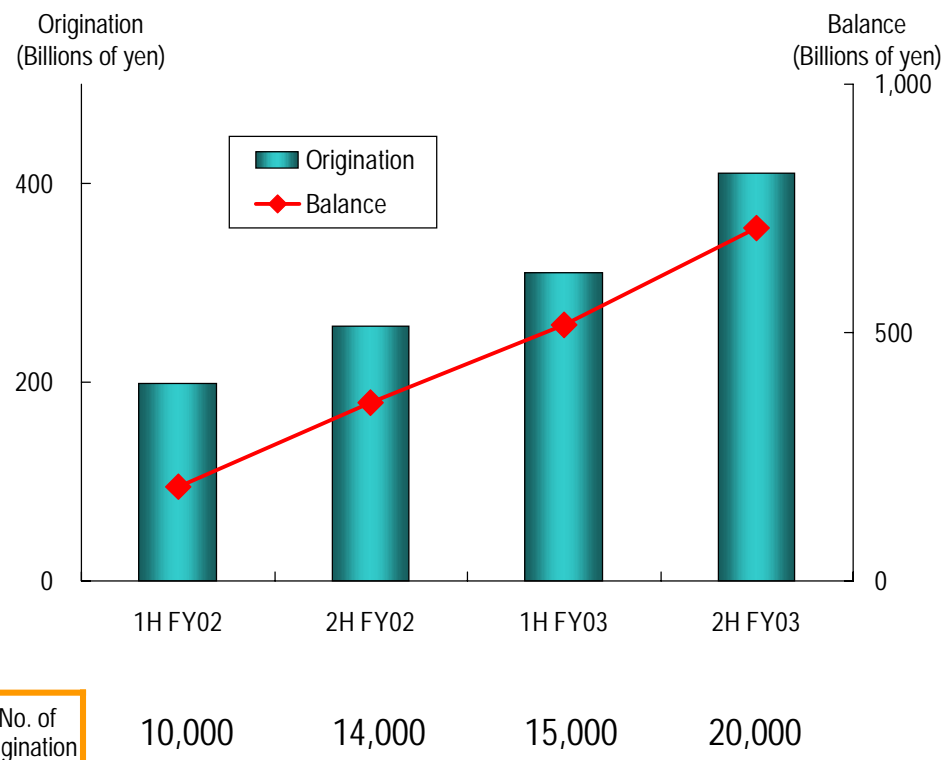


# (Appendix 12) Business Select Loan



## Origination and Balance

- Accumulated number of origination: approx. 61,000
- Accumulated amount of origination: approx. JPY 1,200 billion (March 2003)
- New clients ratio: 50% (approximately 12,000 new clients)



## Product outline (as of March 2004)

- Quick approval using SMBC original credit scoring model
- Targeted at corporate clients with annual sales of JPY 1 billion or less
- Unsecured, no third party guarantee
- Risk control based on diversified loan portfolio

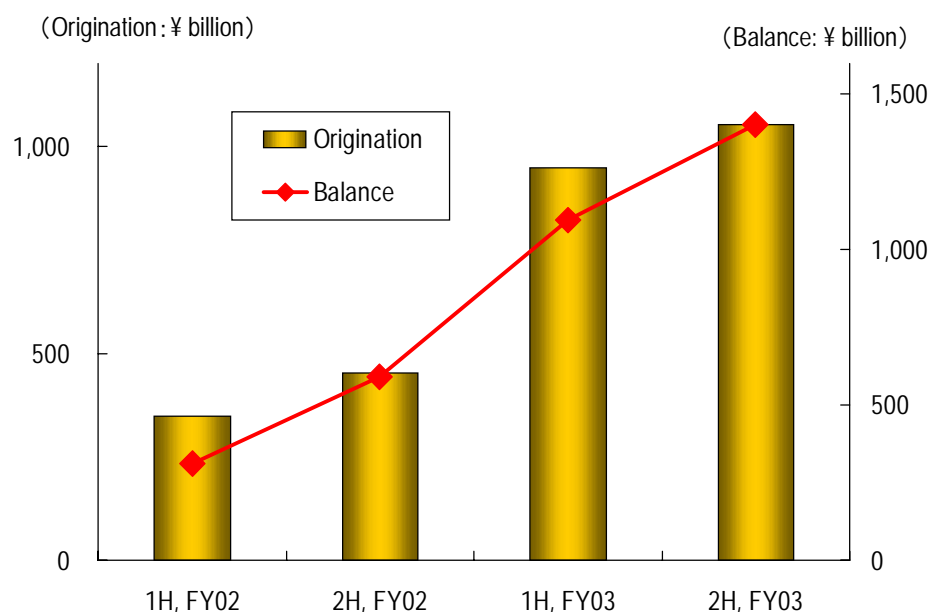
Business Select Loan (BSL)	
Product launch	March 2003
Risk evaluation	SMBC's original credit scoring model
Loan amount	JPY 50 million maximum (with monthly repayment)
Interest rate	2.75% ~ - Determined according to the level of credit risk - Discounted according to the overall transaction volume with SMBC
Loan term	Within 5 years
Collateral	Not required (loan term 3 years or less)
Guarantee	Not required (guarantee by representative director required)
Fee	New clients: JPY 50,000 Existing clients: JPY 10,000
Channels	164 domestic offices Business Support Offices & Sub-offices: 80 Corporate Business Offices: 76 Corporate Sales Offices: 8

# (Appendix 13) N-fund, etc.\*



## Origination and Balance

- Accumulated number of origination: approx. 58,000
- Accumulated amount of origination: approx. JPY 2,800 billion (March 2004)
- New clients ratio: 20% (approximately 2,000 new clients)



No. of origination

7,000      11,000      18,000      22,000

## Product outline (as of March 2004)

Loan with simplified, standardized approval criteria (reflecting the portfolio approach of loan management)

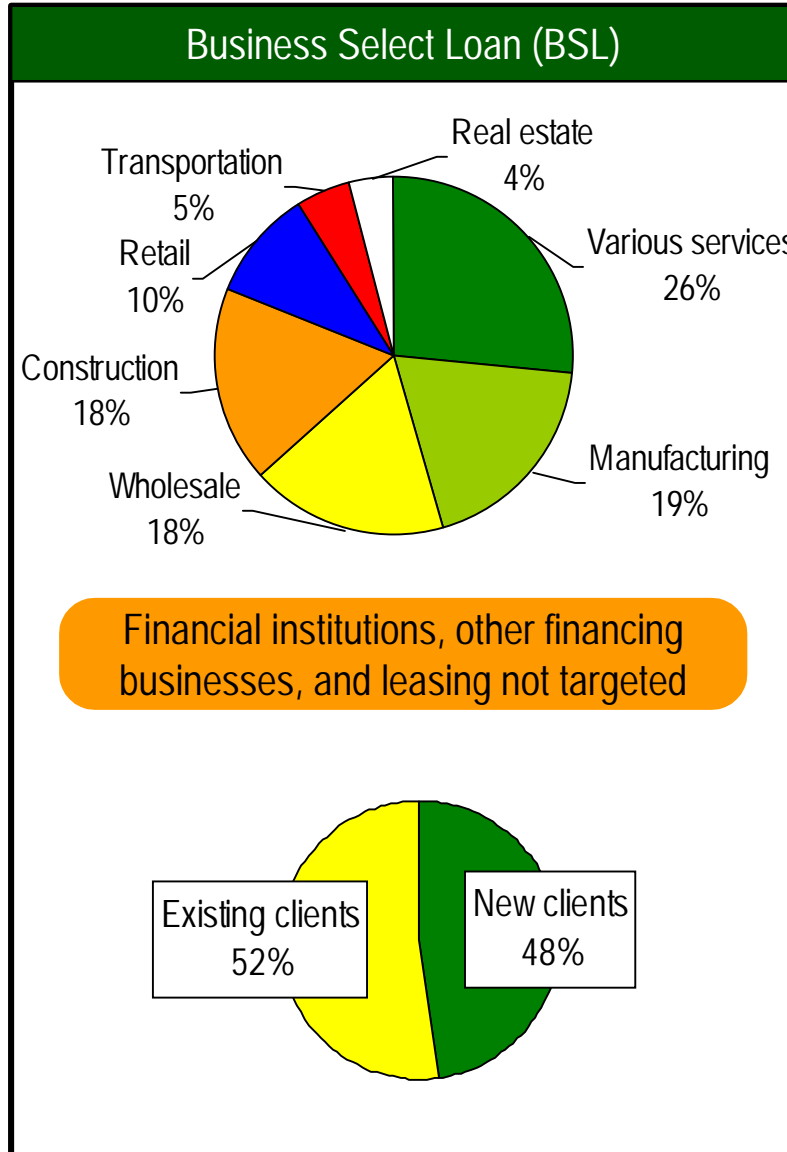
- Quick approval thanks to standardized process
- No size criterion on client's annual sales
- Available on unsecured basis (loan term within 5 years)
- Loans under diversified credit risks

N-fund					
Product launch	March 2004				
Approval method	<table border="1"> <tr> <td>"Check-list type"</td> <td>"Standard judgment type"</td> </tr> <tr> <td>Standardized processing using check-list</td> <td>Judgment based on cash-flow and interest-bearing liabilities</td> </tr> </table>	"Check-list type"	"Standard judgment type"	Standardized processing using check-list	Judgment based on cash-flow and interest-bearing liabilities
"Check-list type"	"Standard judgment type"				
Standardized processing using check-list	Judgment based on cash-flow and interest-bearing liabilities				
Loan amount	<table border="1"> <tr> <td>JPY 5 billion maximum</td> <td>JPY 2 billion maximum</td> </tr> </table>	JPY 5 billion maximum	JPY 2 billion maximum		
JPY 5 billion maximum	JPY 2 billion maximum				
Interest rate	Standard interest rate (2.50% ~) - Determined according to the level of credit risk				
Loan term	Within 5 years				
Collateral	Available on unsecured basis				
Guarantee	May be required according to the level of credit risk				
Channels	184 Corporate Business Offices				

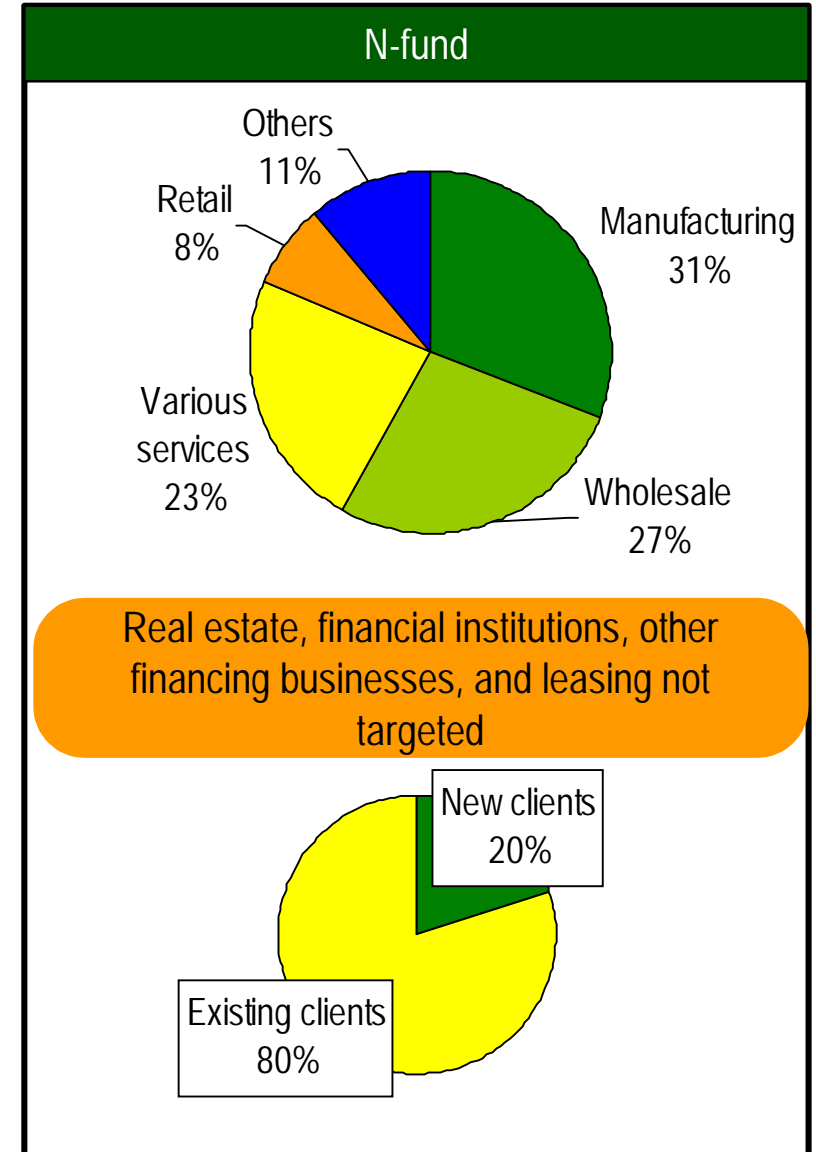
\* N-fund, etc. : N fund, Middle-II fund, Middle I fund, and SMBC-CLO

# (Appendix14) Loan portfolio of new unsecured loans

Industry mix  
(March 04)



Ratio of new clients  
to existing clients  
(March 04)



# (Appendix 15) Consumer banking



Assets under SMBC account			
	(Billions of yen)		
	03/3	04/3	Change
Individual deposits	31,210.2	31,631.8	421.6
Liquid deposits	16,904.3	17,874.4	970.1
Time deposits	13,796.3	13,186.1	(610.2)
Foreign currency dominated deposits	509.6	571.3	61.7
Investment trusts	1,598.6	1,920.0	321.4
	FY02	FY03	Change
Sales of pension-type insurances (accumulated)	99.4	380.2	280.8

Loans			
	(Billions of yen)		
	03/3	04/3	Change
Housing loans	12,339.3	12,725.0	385.8
Residential purpose	8,346.6	8,891.6	544.9
Other consumer loans	1,326.6	1,150.8	(175.7)
	FY02	FY03	Change
Originated amount of residential housing loans*	1,309.7	1,675.5	365.8

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

# (Appendix 16) Segmentation of individual clients



Core businesses	Clients segments	Clients	Characteristics of business models	Sales front
Financial Consulting Business  Settlement Finance Business	Private banking segment Approx. 1,000	<ul style="list-style-type: none"> <li>• Company owners</li> <li>• Large-scale asset managers</li> </ul>	<ul style="list-style-type: none"> <li>○ Mainly targeted at owners of growth companies just before and after IPO, etc.</li> <li>○ Highly experienced staff (in securities, overseas business, former general managers with corporate business experience, etc.)</li> <li>○ Tailor-made solutions for asset/capital management</li> </ul>	<ul style="list-style-type: none"> <li>• Private banker</li> </ul>
	Asset management segment Approx. 150,000	<ul style="list-style-type: none"> <li>• Company owners &amp; executives</li> <li>• Doctors, lawyers</li> <li>• High net worth individuals</li> </ul>	<ul style="list-style-type: none"> <li>○ Tailor-made portfolio planning (comprehensive management of assets and liabilities)</li> <li>○ Real estate advice</li> </ul>	<ul style="list-style-type: none"> <li>• Senior financial consultant</li> <li>• Financial consultant</li> </ul>
	Asset building segment Approx. 8 million	<ul style="list-style-type: none"> <li>• Working householders</li> <li>• Retirees</li> </ul>	<ul style="list-style-type: none"> <li>○ Money and personal finance advice by life stage</li> <li>○ Optimal services and products through optimal channels (Money-life Consulting Desks, Low-counter, MC-Direct, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Money-life consultant</li> <li>• "Low-counter teller"*</li> </ul>
	Mass segment Approx. 18 million	<ul style="list-style-type: none"> <li>• Singles</li> <li>• Students</li> <li>• Housewives</li> </ul>	<ul style="list-style-type: none"> <li>○ Mainly through remote channels</li> </ul>	<ul style="list-style-type: none"> <li>• One's Direct</li> <li>• ATM</li> </ul>

\* "Low-counter teller" is a teller who serves customers at low counters to provide more personal services.

# (Appendix 17) Domestic channels for individuals – ATMs, etc.



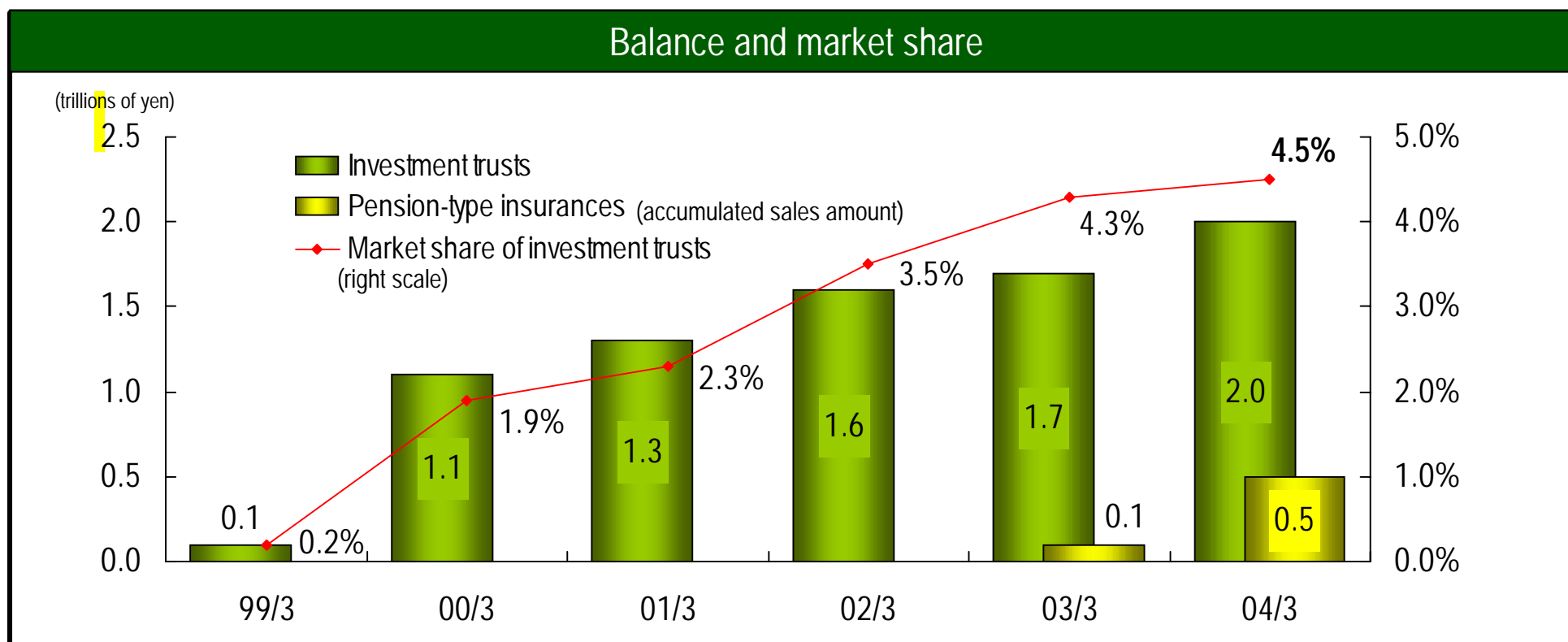
Number of ATMs						
	99/3	00/3	01/3	02/3	03/3	04/3
Manned domestic branches *	696	653	578	564	437	435
Unmanned domestic branches	1,017	1,509	1,831	1,907	1,952	1,971
Available for 24 hours	10	10	916	966	988	1,012
Number of ATMs	8,524	8,225	7,583	7,530	7,164	6,985
Inside the branches	5,813	5,413	4,793	4,519	3,914	3,789
Outside the branches	2,711	2,812	2,790	3,011	3,250	3,196
@BANK	2	509	1,090	1,154	1,139	1,190
Loan Plazas	82	92	88	74	75	109

@BANK						
	FY98	FY99	FY00	FY01	FY02	FY03
Number of transactions through @BANK	—	1	17	29	32	34

(Millions)

\*Excluding representative offices and agencies.

# (Appendix 18) Sales of investment trusts and pension-type insurances



### Related profits

(billions of yen)

	FY00	FY01	FY02	FY03	Change
<b>Investment trusts</b>	10.3	12.4	15.4	23.8	8.4
<b>Pension-type insurances</b>	-	-	3.4*	17.1	13.7

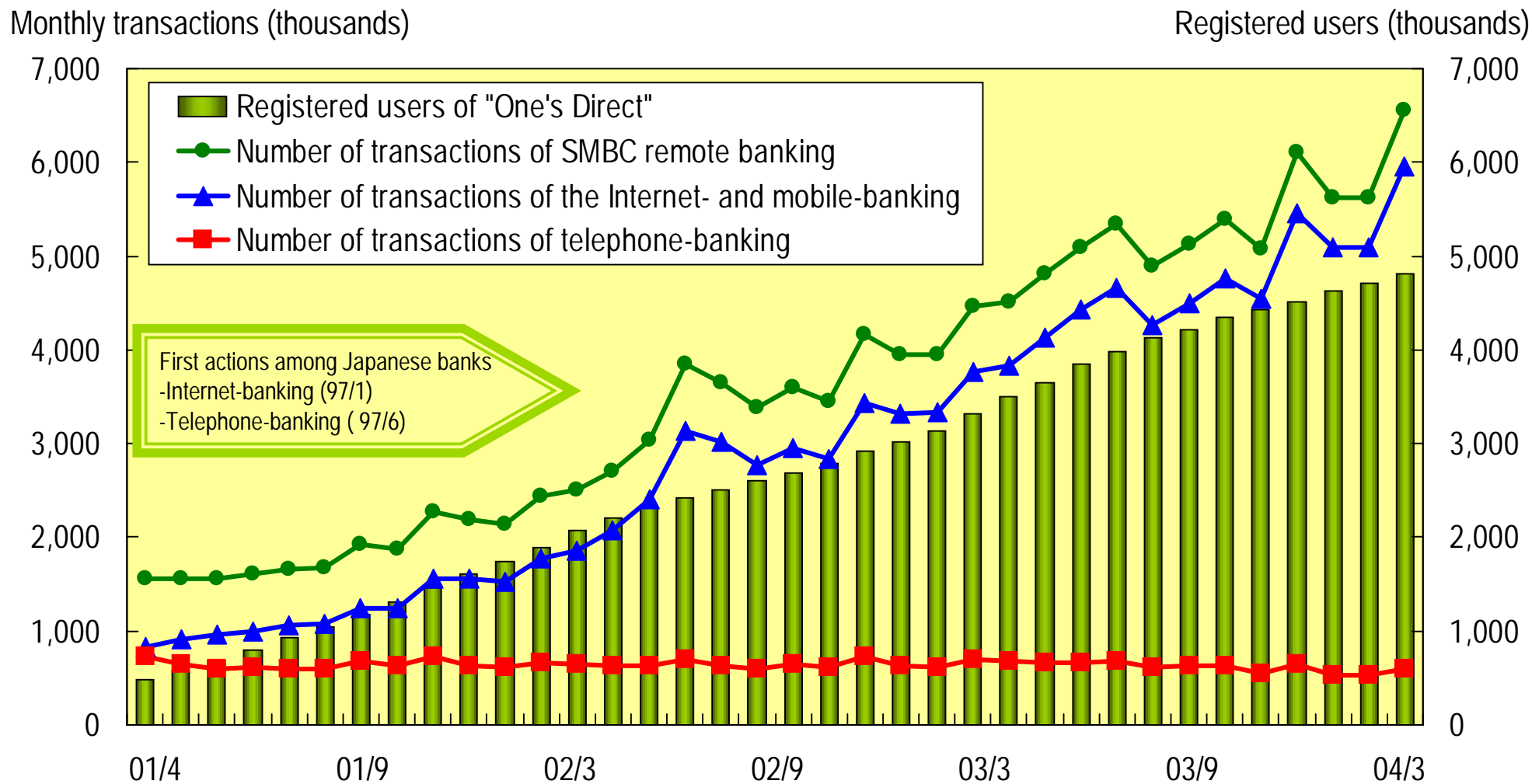
(Note) Investment trusts: Domestic publicly-offered investment trusts and foreign investment trusts both for individual and corporate clients.

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

# (Appendix 19) Remote banking ("One's Direct")



Registered users and number of transactions of SMBC's remote banking





# (Appendix 20) Sumitomo Mitsui Card



Results					Profile	
	(Billions of yen)				(Billions of yen)	
	FY01	FY02	FY03	Change		March 31, 04
Operating revenue	116.4	122.1	<b>126.3</b>	4.2	Total assets	639.6
Operating profit	9.6	16.0	<b>18.5</b>	2.5	Capital stock	10.0
Ordinary profit	9.6	16.0	<b>18.6</b>	2.6	Number of employees	1,727
Net income	4.4	14.0	<b>12.6</b>	(1.4)		
Card sales	2,813.1	3,035.5	<b>3,258.4</b>	222.9		
Number of cardholders (Tens of thousands)	1,171	1,212	<b>1,275</b>	63		

FY03 highlights
<ul style="list-style-type: none"> <li>- <b>Record-high profits (operating and ordinary profits)</b> <ul style="list-style-type: none"> <li>- Customer Relationship Management ("CRM") underpin "Main-card" strategy</li> <li>- Increased cardholders &amp; improved card sales</li> </ul> </li> <li>- <b>Established "Contact Centers"</b> <ul style="list-style-type: none"> <li>- Consulting through phones &amp; E-mails</li> </ul> </li> <li>- <b>Increased sales of finance products</b> <ul style="list-style-type: none"> <li>- Reinforced sales of revolving credits</li> </ul> </li> </ul>



Focal actions in FY04
<ul style="list-style-type: none"> <li>- <b>Further promotion of "Main-card" strategy</b> <ul style="list-style-type: none"> <li>- CRM strategy, investments in finance business</li> <li>- Services and products according to customers' life style &amp; life stage</li> </ul> </li> <li>- <b>Reinforce insourcing business</b> <ul style="list-style-type: none"> <li>- Utilize credit card business infrastructure</li> </ul> </li> <li>- <b>Effective protection of cardholders' personal information</b></li> </ul>

# (Appendix 21) SMBC Leasing



Results					Profile	
	(Billions of yen)				(Billions of yen)	
	FY01	FY02	FY03	Change		March 31, 04
Operating revenue	479.0	515.0	<b>553.0</b>	38.0	Total assets	1,736.5
Operating profit	16.9	20.4	<b>23.2</b>	2.8	Lease assets	1,400.4
Ordinary profit	3.2	7.4	<b>14.5</b>	7.1	Capital stock	82.6
Net income	2.1	3.0	<b>6.3</b>	3.3	Number of employees	926
Leased amount	443.6	466.4	<b>555.7</b>	89.3		

FY03 highlights
<ul style="list-style-type: none"> <li>- <b>Developed Small and Middle Client markets</b></li> <li>- <b>Promoted collaborative products with SMBC</b> <ul style="list-style-type: none"> <li>- Strengthened cooperation with SMBC &amp; expanded channels</li> <li>- Promoted collaborative products such as "Select lease" and "Sales lease"</li> </ul> </li> <li>- <b>Emphasized higher profit</b> <ul style="list-style-type: none"> <li>- Focused on better risk-return profile</li> </ul> </li> </ul>



Focal actions in FY04
<ul style="list-style-type: none"> <li>- <b>Further develop Small &amp; Middle Client markets</b> <ul style="list-style-type: none"> <li>- Further promotion of collaborative products</li> </ul> </li> <li>- <b>Reinforcement of sales force in Tokyo area</b></li> <li>- <b>Strengthen sales of assets finished leasing</b></li> </ul>

Results					Profile	
	(Billions of yen)				(Billions of yen)	
	FY01	FY02*	FY03	Change		March 31, 04
Operating revenue	67.4	70.2	105.1	34.9	Total assets	73.9
Operating profit	7.5	7.6	7.6	0	Capital stock	10.0
Ordinary profit	9.6	10.1	7.5	(2.6)	Number of employees	3,137
Net income	12.9	7.8	4.0	(3.8)		

\*Sum of the figures before and after the corporate split in Nov.02

FY03 highlights
<ul style="list-style-type: none"> <li>- <b>SMBC's IT systems departments transferred and integrated into JRI (in April 03)</b> <ul style="list-style-type: none"> <li>- Operating revenue increase: JPY 30 billion</li> <li>- Became "Group IT company" with the core responsibility for the Group's IT systems</li> </ul> </li> <li>- <b>Developed packaged products</b> <ul style="list-style-type: none"> <li>- Match clients' needs for shorter delivery time and lower costs</li> </ul> </li> </ul>



Focal actions in FY04
<ul style="list-style-type: none"> <li>- <b>Early realization of benefits of integration of SMBC's IT systems departments</b> <ul style="list-style-type: none"> <li>- Merging of SMBC &amp; JRI's know-how on financial IT systems and consulting</li> <li>- Higher efficiency through concentration of IT systems business resources</li> <li>- Boost buying power through greater purchase scale</li> </ul> </li> </ul>

# (Appendix 23) Daiwa Securities SMBC



Results				
	(Billions of yen)			
	FY01	FY02	FY03	Change
Operating revenue	109.5	118.3	<b>161.7</b>	43.4
Commissions	54.7	52.1	<b>68.5</b>	16.4
Net gains on trading securities	26.1	44.3	<b>65.8</b>	21.5
Interest and dividend income	28.7	21.9	<b>27.3</b>	5.4
Interest expense	6.8	7.4	<b>9.5</b>	2.0
Net operating revenue	102.7	110.9	<b>152.2</b>	41.3
Selling, general and administrative expenses	90.3	95.4	<b>111.3</b>	15.9
Ordinary profit	13.2	16.6	<b>41.9</b>	25.3
Net income	5.4	6.4	<b>23.2</b>	16.9

**Collaboration with SMBC**

**Collaboration steadily producing results in various businesses**

- **Straight bond underwriting**  
 Number of underwriting with SMBC's introduction  
 FY02 – FY03: Increased by approximately 20%
- **IPO**  
 IPO lead manager mandates with SMBC's introduction  
 FY01 – FY03: Increased by approximately 100%

Straight bond lead manager (Apr. 03 - Mar. 04) *		
	Underwritten	Share
1. <b>Daiwa Securities SMBC</b>	<b>1,903.7</b>	<b>20.7%</b>
2. Nomura Securities	1,794.3	19.5%
3. Mizuho Securities	1,372.4	14.9%
4. Mitsubishi Securities	1,089.6	11.8%
5. Nikko Citi Group Securities	1,040.7	11.3%

IPO book runner (Apr. 03 – Mar. 04) *		
	Underwritten	Share
1. <b>Daiwa Securities SMBC</b>	<b>201.1</b>	<b>30.3%</b>
2. Nikko Securities	182.6	27.5%
3. Nomura Securities	171.7	25.9%
4. Morgan Stanley	27.7	4.2%
5. Shinko Securities	17.0	2.6%

\*Thomson Deal Watch



**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.