

May 26, 2003

## **Announcement of Financial Results for Fiscal Year 2002**

I would now like to explain our financial results for FY2002. We have given you 3 materials, which are, 2 types of *Financial Results for the Fiscal Year 2002 ended March 31, 2003* and *Financial Results Fiscal Year 2002 Supplementary Information*.

Since Sumitomo Mitsui Financial Group (“SMFG”), a holding company of Sumitomo Mitsui Banking Corporation (“SMBC”), was established through a share transfer in December 2002, we have provided 2 types of *Financial Results for the Fiscal year 2002 ended March 31, 2003*, one for SMFG and another for SMBC, its subsidiary.

Let us look at the report entitled *Financial Results Fiscal Year 2002 Supplementary Information*, which summarizes the financial results.

Please turn to the table of contents. <N> indicates SMBC’s non-consolidated figures and <C> indicates SMFG’s consolidated figures.

Non-consolidated financial results for up to the day before the merger of the former SMBC, the dissolved bank, are not required to be included in the statement of income by law. However, for continuity sake, we have provided figures including those for the former SMBC as mentioned in note No.2 at the bottom of the page.

### <SMBC Non-consolidated Financial Results>

Please look at the financial results on page 1. This is an overview of SMBC’s non-consolidated financial results. Line 22, the amount of banking profit excluding transfer to general reserve for possible loan losses, was JPY 1,113.6 billion. We have achieved more than JPY 1 trillion in each of the past two fiscal years.

Gross banking profit, shown in line 1, decreased by JPY 104.2 billion compared with the previous year. We were able to maintain our gross banking profit at this level despite a JPY 220 billion decrease in dividend income from overseas affiliates, due to a stable growth in non-interest income of the Marketing Units, such as sales of derivatives and arrangements of loan syndications, and effective asset liability management (ALM) operations by the Treasury Unit when interest rates declined in Japan and abroad.

Meanwhile, expenses shown in line 18 fell year-over-year by JPY 31.4 billion, to JPY 647 billion despite the expenses related to the integration of the former Sumitomo's and the former Sakura's IT systems which was completed during FY 2002.

Let us move on to non-recurring gains (losses). In line 28, total credit cost was JPY 1,074.5 billion, an year-over-year decrease of JPY 471.7 billion, which is less than the amount of banking profit excluding transfer to general reserve for possible loan losses. Major items are: deterioration of assets and progress of "off-balancing" of non-performing loans, increase of reserve ratio for borrowers with large amount of debts through application of DCF method pursuant to the Program for Financial Revival, provision for cost related to borrowers restructuring and so on.

Now looking at line 36, gains (losses) on stocks, there was net loss of JPY 635.7 billion (JPY 504.9 billion decrease year over year) from sales of stocks and devaluation due to the sharp drop in stock prices. The amount of stocks sold was JPY 1,100 billion.

Mainly due to losses on stocks, ordinary profit fell to JPY 597.2 billion (JPY 75.6 billion decrease year over year) as shown in line 42. Income before income taxes was JPY 671 billion as shown in line 48.

In line 50, deferred income taxes were recognized based on a more conservative accounting standard from the perspective of maintaining the sound financial base. We have limited the amount of tax deducted to JPY 233 billion, including the effect of the new nationwide external standard taxation, a taxation based on gross banking profit.

As a result, in line 51, we can see net loss of JPY 478.3 billion, a JPY 155.5 billion decrease compared with the previous year.

<SMFG Consolidated Financial Results>

Let us now look at SMFG's consolidated financial results on the next page.

As shown in line 16, consolidated ordinary loss was JPY 515.7 billion, and as shown in line 22, consolidated net loss was JPY 465.3 billion, reflecting SMBC's non-consolidated financial results.

<Reference>

I would now like to explain about some other financial data.

[Actions for improving loan spread]

Please look at page 3. Progress in improving loan spread with corporate clients is described in the “Reference” table in the middle of the page. Please note that these figures are on managerial accounting basis. Spread on loans to small and medium-sized enterprises, managed by the Middle Market Banking Unit, targeted for spread improvement, increased by 40 basis point. Together with the spread improvement on loans to large corporate clients managed by the Corporate Banking Unit, overall spread improvement was 22 basis point.

[Unrealized Gains (Losses) on Securities]

Next, let us look at page 4 for an explanation of unrealized gains (losses) on securities. In the middle part, non-consolidated unrealized gains (losses) for SMBC are provided. In the table, you find unrealized losses on other securities totaling JPY 17.8 billion. When SMBC merged with Wakashio Bank on March 17, 2003, SMBC, the dissolving bank, devalued its stock holdings following the impairment rule, and eliminated its remaining net unrealized losses on securities utilizing the merger surplus. Accordingly, on March 17, 2003, net unrealized gains (losses) on “other securities” have become zero. However, because stock prices fell thereafter, an evaluation of securities on March 31, 2003 turned to a slight loss.

[BIS Capital Ratio]

Next, I would like to explain about consolidated capital ratio on page 7. As you can see, the preliminary figure for the consolidated capital ratio as of March 31, 2003 is 10.1%.

<Asset Quality>

Let us now move on to page 8, which details asset quality.

As for problem assets based on the Financial Reconstruction Law, the balance of Bankrupt and Quasi-Bankrupt Assets was JPY 524.9 billion (JPY 26.6 billion increase year over year), Doubtful Assets was JPY 2,129.5 billion (JPY 852.8 billion decrease year over year), Substandard Loans was JPY 2,606.9 billion (JPY 167.2 billion increase year over year). The aggregate amount was JPY 5,261.3 billion, which is a JPY 659 billion decrease compared with the previous year. Problem asset ratio, a ratio of problem assets to total assets, JPY 62,574.7 billion, including Normal Assets, was 8.4%. I would now like to turn to the reserve ratio for each category of borrowers under self-assessment. 100% for the unsecured portion of Bankrupt and Quasi-Bankrupt Assets, 79.2% for the JPY 1,170.1 billion unsecured portion of Doubtful Assets, 33.7% for the unsecured portion of Substandard Loans, and as for Normal Assets, the reserve

ratio for total claims on Borrowers Requiring Caution excluding Substandard Borrowers was 6.0%, and the reserve ratio for total claims on Normal Borrowers was 0.2%.

Progress of “off-balancing” of problem assets is summarized on page 12 and 13. Total amount off-balanced in the second half of FY2002 was JPY 1,271 billion, as shown as a reference in the middle part of page 13.

#### <Reorganization of Group Companies>

We have formed a holding company structure in FY2002. Significant figures regarding a reorganization of group companies are shown in page 19 and 20.

##### (1) Establishment of a financial services complex with a holding company structure

A chart at the upper part of page 19 shows the scheme of the formation of financial services complex with a holding company structure. A table at the lower part shows the change of stockholders' equity of SMFG on non-consolidated basis from the viewpoint of reorganization. After the establishment of SMFG in December 2002, we have gone through a merger, capital raisings and so on. As a result, at the end of FY2002, capital stock was JPY 1,247.7 billion, capital surplus was JPY 1,747.3 billion, the balance of retained earnings was JPY 161.5 billion and stockholders' equity was JPY 3,156.1 billion.

##### (2) Overview of merger accounting

Overview of merger accounting regarding the merger between SMBC and Wakashio Bank is shown in the table at the upper part of page 20. A breakdown of write-off of unrealized losses and the process of succession of net assets are described. The table at the lower part describes the change in stockholders' equity of the new bank after the merger. The balance of stockholders' equity as of the end of FY2002 is shown in the first right row of the table.

#### [(Reference) Deferred tax assets]

On page 21, a breakdown of deferred tax assets for SMBC non-consolidated is provided. We have set a valuation allowance, shown in line (4), amounts to JPY 454.7 billion, with more conservative way through strict evaluation of future profits based on the stress scenario and so on. Therefore, the amount of net deferred tax assets excluding the effect of the new nationwide external standard taxation, shown in < > in line (1), was JPY 1,747 billion, which is a JPY 112.3 billion decrease compared with the amount as of September 30, 2002.

< Earnings Forecast for FY2003 >

Lastly, I will explain about earnings forecast for FY2003, which you can see on page 22.

Let us look at SMFG's non-consolidated earnings forecast for FY2003. We expect operating income of JPY 55 billion, operating profit of JPY 50 billion and net income of JPY 50 billion. The total amount of dividend to be paid by SMFG is expected to be JPY 46.4 billion. Dividend per common stock is expected to be JPY 3,000, which is the same as the previous year. As for preferred stock, dividend payment will be as originally set.

Next, let us look at SMFG's consolidated earnings forecast for FY2003 shown in the middle part of the page. We expect that the results will be JPY 320 billion in operating profit and JPY 150 billion in net income.

SMBC's non-consolidated earnings forecast for FY2003 is shown at the bottom of the page. We expect that the results will be JPY 1 trillion in banking profit, JPY 170 billion in ordinary profit, JPY 100 billion in net income and JPY 650 billion in total credit cost.