

# Financial Section

The following is a summary of SMFG's consolidated and SMBC's nonconsolidated financial results for fiscal 2002, ended March 31, 2003.

## Financial Review (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year-on-year comparisons are with consolidated figures of SMBC.

### 1. Operating Results

Consolidated financial results for fiscal 2002, include the results of 170 consolidated subsidiaries (124 in Japan and 46 overseas) and 47 subsidiaries and affiliates accounted for by the equity method (20 in Japan and 27 overseas).

Consolidated gross profit showed a year-on-year increase of ¥106.3 billion, to ¥2,184.0 billion. This was the result of success in improving earnings power through across-the-board measures to raise efficiency and strengthen operations, as well as vigorous efforts to improve the cost structure. Operating expenses decreased by ¥46.3 billion year-on-year, to ¥889.2 billion, but valuation losses on equity holdings worsened from the previous business term, in addition to further progresses in disposal of nonperforming loans. Ordinary loss came to ¥515.7 billion. Extraordinary losses, income taxes, and minority interests resulted in net loss of ¥465.3 billion.

Deposits (excluding negotiable certificates of deposit) as of March 31, 2003, stood at ¥62,931.0 billion, a ¥2,054.9 billion decrease compared with a year earlier.

Loans and bills discounted declined ¥2,562.6 billion over the same period to ¥61,082.9 billion, while securities increased ¥3,423.8 billion to ¥24,118.5 billion.

Despite a capital increase of ¥495.3 billion during the term, total stockholders' equity declined by ¥488.5 billion year-on-year, to ¥2,424.0 billion due to posting of net loss, and valuation losses on securities holdings stemming from lower stock prices.

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

March 31	2003 (A)	2002 (B)	Increase (decrease) (A) - (B)
Consolidated subsidiaries.....	170	144	26
Subsidiaries and affiliates accounted for by the equity method.....	47	38	9

## Income Summary

Year ended March 31	Millions of yen		
	2003 (A)	2002 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit .....	<b>¥2,184,006</b>	¥2,077,681	¥ 106,325
Net interest income .....	<b>1,399,504</b>	1,449,783	(50,279)
Trust fees .....	<b>7</b>	—	7
Net fees and commissions .....	<b>352,900</b>	319,532	33,368
Net trading income .....	<b>205,770</b>	129,432	76,338
Net other operating income .....	<b>225,823</b>	178,932	46,891
General and administrative expenses .....	<b>¥ (889,237)</b>	¥ (935,553)	¥ 46,316
Total credit cost .....	<b>(1,200,904)</b>	(1,703,363)	502,459
Write-off of loans .....	<b>(364,605)</b>	(391,923)	27,318
Transfer to specific reserve .....	<b>(407,963)</b>	(681,457)	273,494
Transfer to general reserve for possible loan losses .....	<b>(250,636)</b>	(527,445)	276,809
Others .....	<b>(177,698)</b>	(102,537)	(75,161)
Gains (losses) on stocks .....	<b>¥ (621,526)</b>	¥ (17,808)	¥(603,718)
Equity in earnings of affiliates .....	<b>5,718</b>	2,964	2,754
Other income (expenses) .....	<b>6,193</b>	(4,547)	10,740
Ordinary profit (loss) .....	<b>¥ (515,749)</b>	¥ (580,628)	¥ 64,879
Extraordinary gains (losses) .....	<b>(75,164)</b>	(23,710)	(51,454)
Income (loss) before income taxes and minority interests .....	<b>(590,914)</b>	(604,338)	13,424
Income taxes, current .....	<b>(66,068)</b>	(101,860)	35,792
deferred .....	<b>225,190</b>	289,305	(64,115)
Minority interests in net income .....	<b>(33,567)</b>	(46,993)	13,426
Net income (loss) .....	<b>¥ (465,359)</b>	¥ (463,887)	¥ (1,472)
[Reference]			
Consolidated banking profit (Billions of yen) .....	<b>¥ 1,131.0</b>	¥ 991.9	¥ 139.1

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

## Assets, Liabilities and Stockholders' Equity

March 31	Millions of yen		
	2003 (A)	2002 (B)	Increase (decrease) (A) – (B)
Assets .....	<b>¥104,607,449</b>	¥108,005,001	¥(3,397,552)
Loans and bills discounted .....	<b>61,082,946</b>	63,645,586	(2,562,640)
Securities .....	<b>24,118,520</b>	20,694,632	3,423,888
Liabilities .....	<b>101,186,654</b>	104,108,534	(2,921,880)
Deposits .....	<b>62,931,007</b>	64,985,976	(2,054,969)
Negotiable certificates of deposit .....	<b>4,853,017</b>	6,662,097	(1,809,080)
Minority interests .....	<b>996,720</b>	983,847	12,873
Stockholders' equity .....	<b>2,424,074</b>	2,912,619	(488,545)

## 2. Unrealized Gains (Losses) on Securities

Steps were taken to eliminate unrealized losses on securities when two consolidated subsidiaries—the former SMBC and the former Wakashio Bank—merged on March 17, 2003. Before the merger, the former SMBC posted impairment loss on securities and, on the day of the merger, the merger surplus was used to write-off the remaining unrealized losses of the former SMBC.

Although SMFG recorded net unrealized loss of ¥24.8 billion for fiscal 2002 due to the drop in stock prices, this was a significant year-on-year improvement of ¥473.6 billion. Net unrealized loss on other securities (including other money held in trust), changes in which are directly charged to stockholders' equity, amounted to ¥30.6 billion.

### Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2003				2002		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 5,882	¥ 4,990	¥ 5,988	¥ (105)	¥ 892	¥ 1,262	¥ (370)
Other securities .....	(30,643)	464,864	272,943	(303,587)	(495,507)	260,042	(755,549)
Stocks.....	(165,442)	343,863	112,952	(278,395)	(509,305)	192,620	(701,926)
Bonds .....	111,164	74,705	117,093	(5,928)	36,459	58,810	(22,351)
Others.....	23,634	46,295	42,897	(19,263)	(22,661)	8,610	(31,271)
Other money held in trust .....	(44)	3,781	510	(555)	(3,825)	135	(3,960)
<b>Total.....</b>	<b>(24,805)</b>	<b>473,635</b>	<b>279,443</b>	<b>(304,248)</b>	<b>(498,440)</b>	<b>261,440</b>	<b>(759,881)</b>
Stocks.....	(165,442)	343,863	112,952	(278,395)	(509,305)	192,620	(701,926)
Bonds .....	116,016	79,382	121,945	(5,928)	36,634	59,303	(22,669)
Others.....	24,620	50,389	44,545	(19,925)	(25,769)	9,515	(35,284)

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and commercial papers as well as beneficiary claims on loan trust in "Commercial paper and other debt purchased."  
 2. In principle, the values of stocks are calculated using the average market prices during the final month of the respective reporting period. The values of bonds and others are calculated using market prices at the end of the respective reporting period.  
 3. "Other securities" and "Other money held in trust" are valued at market prices. Consequently, the figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.

## 3. Consolidated Capital Ratio (BIS Guidelines)

SMFG's consolidated capital ratio (BIS guidelines) at the fiscal year-end was 10.10%. (Please refer to the "Capital Ratio" section on page 98 for more information.)

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥5,978.9 billion, representing a ¥1,081.8 billion decline from the previous fiscal year-end. This decline was due to the posting of net loss and

a decline in the market value of securities, which more than offset the capital increase during the term. On the other hand, risk-adjusted assets, the denominator in the equation, decreased ¥8,381.1 billion to ¥59,166.8 billion. This decline was mainly caused by the accelerated disposal of nonperforming loans and the sale of stockholdings, in addition to reductions in unprofitable overseas assets and domestic loans as a result of sluggish fund demand in Japan.

### Consolidated Capital Ratio (BIS Guidelines)

March 31	Millions of yen		
	2003 (A)	2002 (B)	Increase (decrease) (A) – (B)
Tier I capital (A).....	¥ 3,255,936	¥ 3,719,366	¥ (463,430)
Tier II capital (B).....	2,961,619	3,504,772	(543,153)
Deductions (C) .....	(238,633)	(163,331)	(75,302)
<b>Total capital (D) = (A) + (B) – (C).....</b>	<b>¥ 5,978,922</b>	<b>¥ 7,060,807</b>	<b>¥(1,081,885)</b>
Risk-adjusted assets (E) .....	<b>¥59,166,864</b>	<b>¥67,548,012</b>	<b>¥(8,381,148)</b>
<b>Capital ratio (BIS guidelines) = (D) / (E) × 100.....</b>	<b>10.10%</b>	<b>10.45%</b>	<b>(0.35%)</b>

## 4. Dividend Policy

Given the public nature of its business and respecting the stockholders interest, SMFG subscribes to a fundamental policy of paying dividends as deemed appropriate in view of the need to increase capital and preserve sound operation. After

appropriating retained earnings to increase capital and in recognition of the year's large net loss, SMFG paid an annual dividend of ¥3,000 per share of common stock. Annual dividends for preferred stock were paid in the predetermined amounts for each category of preferred stock.