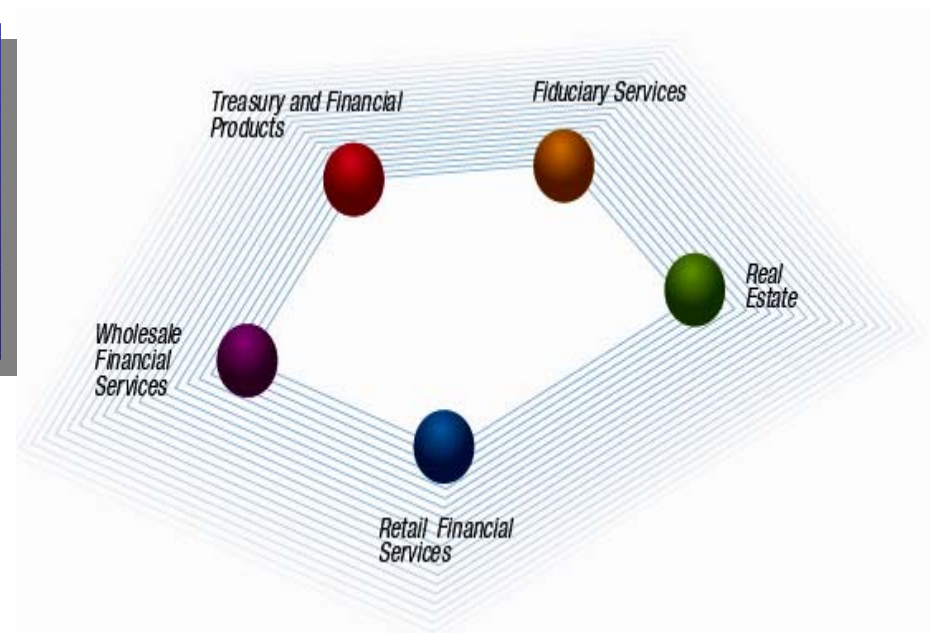




SUMITOMO TRUST 住友信託銀行

*Sumitomo Trust & Banking  
Co., Ltd.*



**Information meeting  
Financial results for FY2002**

**June 5, 2003**

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# Financial results for FY2002



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## ✦ FY2002 financial outlook (Non-consolidated)

(in billions of Yen)	FY2002	FY2001	Change
<b>Net business profit before credit costs</b>	<b>158.8</b>	<b>150.2</b>	<b>8.6</b>
<b>General &amp; administrative expenses</b>	116.3	121.4	-5.1
Personnel expenses	47.4	49.2	-1.8
Non-personnel expenses	63.9	66.8	-2.9
Credit costs*	85.9	105.4	-19.4
Net gains on stocks	-127.7	-110.1	-17.6
Other non-recurring profit	-13.5	-2.3	-11.1
<b>Net operating profit</b>	<b>-68.3</b>	<b>-67.6</b>	<b>-0.7</b>
<b>Extraordinary items</b>	<b>-36.3</b>	<b>2.6</b>	<b>-38.9</b>
Extraordinary income	26.6	8.4	18.2
Extraordinary losses	62.9	5.7	57.2
<b>Net income</b>	<b>-56.5</b>	<b>-42.2</b>	<b>-14.3</b>

\* Credit costs = Banking a/c +trust a/c credit costs (including net transfer to reserve for loans to borrowers in specific countries) + net transfer to general reserve - reverse of reserves.

## Breakdown of profit by business group

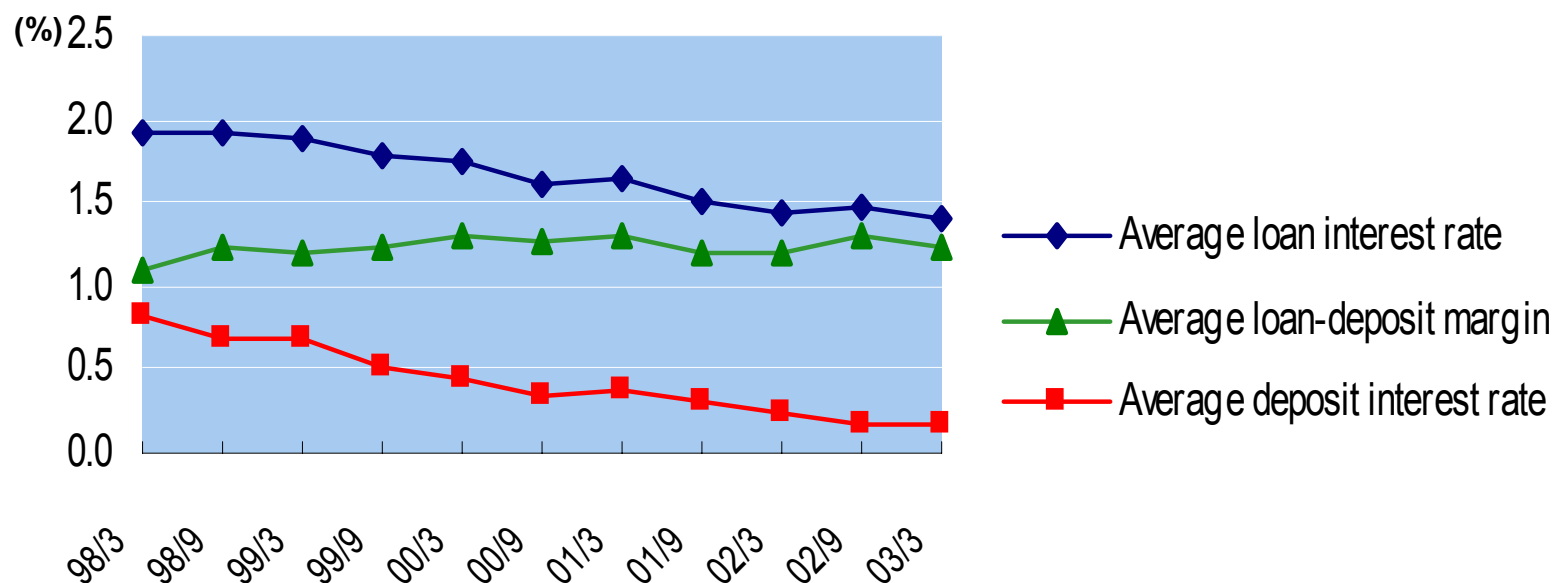
(in billions of Yen)	FY2002		FY2001		Change		Outsourcing fee paid to JTSB(*)	Outsourcing fee paid to JTAS(*)	Net business profit of subsidiaries
	Gross business profit	Net business profit	Gross business profit	Net business profit	Gross business profit	Net business profit			
<b>Wholesale financial services</b>	<b>88.0</b>	<b>66.2</b>	} <b>140.7</b>	<b>61.3</b>	<b>5.5</b>	<b>8.5</b>			<b>0.5</b>
<b>Retail financial services</b>	<b>58.2</b>	<b>3.6</b>							
<b>Treasury and financial products</b>	<b>73.1</b>	<b>64.0</b>	<b>66.6</b>	<b>57.6</b>	<b>6.5</b>	<b>6.4</b>			
<b>Fiduciary services</b>	<b>40.8</b>	<b>18.9</b>	<b>46.0</b>	<b>22.1</b>	<b>-5.2</b>	<b>-3.2</b>	<b>13.5</b>	<b>4.7</b>	<b>3.4</b>
Pension asset management	29.5	15.8	29.3	14.7	0.2	1.1	8.1 (+0.6)	(-)	0.0
Securities processing services	3.5	0.6	3.9	0.9	-0.4	-0.3	5.4 (+0.5)		2.1
Stock transfer agency services	7.8	2.6	12.9	6.5	-5.1	-3.9		4.7 (-)	1.2
<b>Real estate</b>	<b>15.2</b>	<b>6.1</b>	<b>18.5</b>	<b>9.2</b>	<b>-3.3</b>	<b>-3.1</b>			<b>0.1</b>
<b>Total profit before credit costs</b>	<b>275.2</b>	<b>158.8</b>	<b>271.7</b>	<b>150.2</b>	<b>3.5</b>	<b>8.6</b>			<b>4.7</b>

Note: Gross business profits and net business profits are before credit costs.

\* JTSB: Japan Trustee Services Bank, Ltd.

JTAS: Japan TA Solution Ltd. Joint venture formed with Japan Securities Agents Ltd.  
Figures in parentheses denote the differences from the previous fiscal year.

## Loan-deposit margin (Three major accounts basis\*)



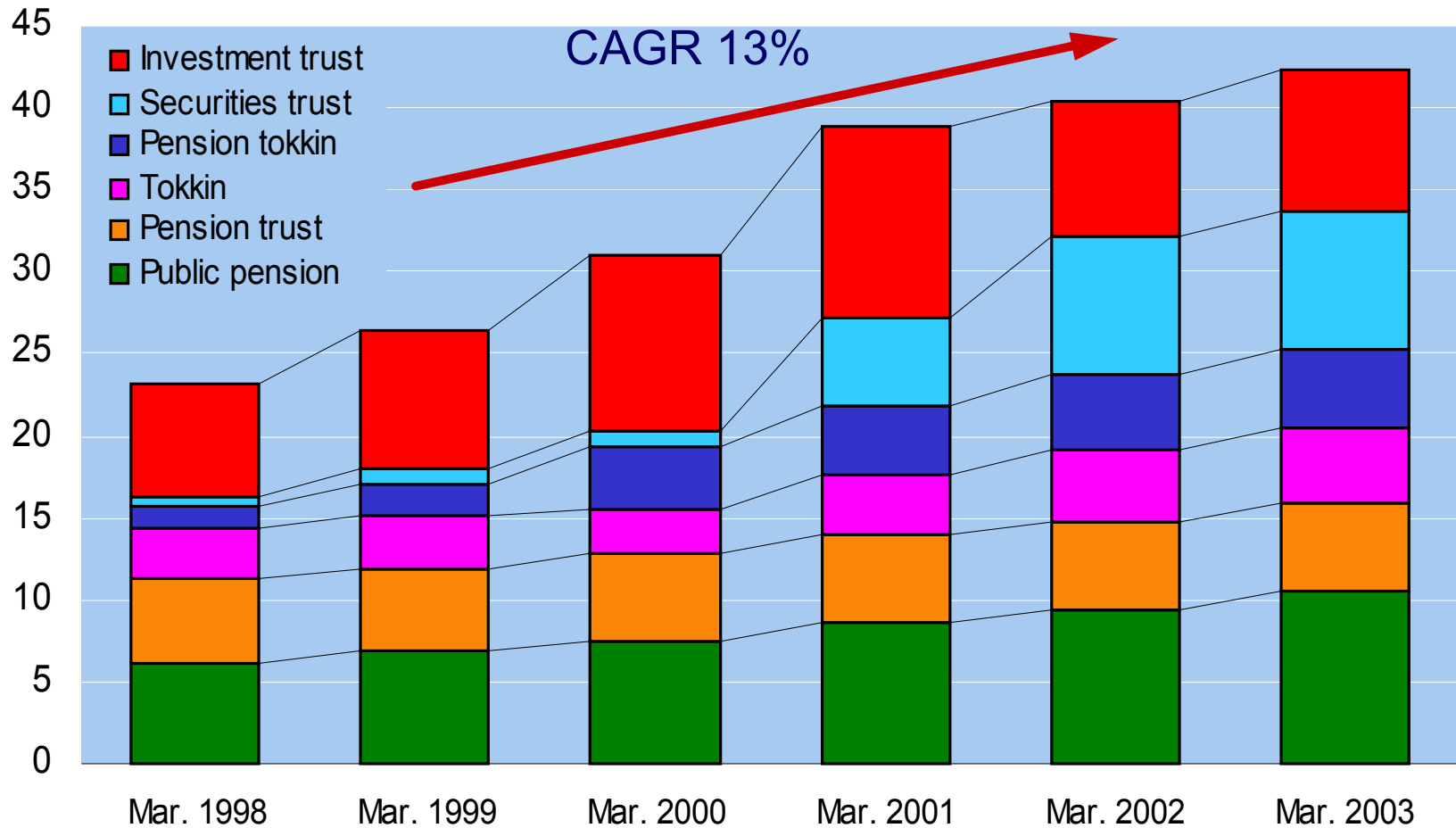
	FY2002		FY2001
		Change	
Net interest margin	0.95	-0.01	0.96
Average interest yield earned	1.22	-0.08	1.30
Average interest yield paid	0.27	-0.07	0.34
Loan-deposit margin	1.24	0.04	1.20
Average loan interest rate	1.41	-0.04	1.45
Average deposit interest rate	0.17	-0.08	0.25
Securities yield (ave.)	1.04	-0.10	1.14

(\*) Three major accounts: Banking a/c (domestic business), loan trust, and jointly-operated money trust ("JOMT")

# Growth of trust business

## ► Change in volume of entrusted assets (ending balance)

(in trillions of Yen)



# FY2002 Credit Costs Breakdown

## ► Credit costs

	FY2001	FY2002	1HFY2002	2HFY2002	Notes
Write-off / reserve	99.1	80.7	19.9	60.8	
Trust a/c	23.9	20.3	16.5	3.7	<ul style="list-style-type: none"> <li>► Mainly write-off for 1HFY2002</li> <li>► Write-off for 2FY2002: approx. 1.2 billion yen</li> <li>=&gt; Reflected on trust a/c credit costs for 1HFY2003</li> </ul>
Banking a/c	75.2	60.4	3.4	57.0	
Net transfer to specific loan loss reserve	48.5	3.0	-3.4	6.4	<ul style="list-style-type: none"> <li>► Reserve ratio for loans to “special mention” – raised from 3.0% to 5.6% (due to extended sampling period for calculation of historical credit costs – from 2 years to 3 years)</li> <li>=&gt; Transferred approx. 16 billion yen</li> <li>► Decrease in amount of loans to substandard debtors</li> <li>=&gt; Reversal of reserves approx. 12 billion yen</li> </ul>
Net transfer to general reserve	6.2	5.1	1.0	4.0	
<b>Total credit costs</b>	<b>105.4</b>	<b>85.9</b>	<b>20.9</b>	<b>64.9</b>	

- Write-off, sales: approx. 23 billion yen
- Increase in specific loan loss reserve owing to debtors' migration to worse categories : approx. 43 billion yen
- Decrease in specific loan loss reserve due to debtors' migration to better categories : approx. 10 billion yen



## Securities Portfolio

### ► Historical cost and net unrealized gains (losses) of securities

(Non-consolidated / after devaluation / securities-market price available)

Banking a/c	Billions of Yen					
	Cost			Net unrealized gains (losses)		
	Mar. 2003	Sep. 2002	Change	Mar. 2003	Sep. 2002	Change
Stocks	588.7	840.3	-251.6	-63.6	-118.1	54.5
Bonds (JGB)	1,094.8	1,064.5	30.3	8.4	8.0	0.4
Others (US Treasury)	1,571.3	3,152.9	-1,581.6	35.6	71.4	-35.8
Total	3,254.9	5,057.7	-1,802.8	-19.5	-38.6	19.1

Trust a/c	Billions of Yen					
	Cost			Net unrealized gains (losses)		
	Mar. 2003	Sep. 2002	Change	Mar. 2003	Sep. 2002	Change
Stocks	0.1	0.1	-	0.0	0.0	-
Bonds (JGB)	117.8	139.9	-22.1	3.9	5.2	-1.3
Others (US Treasury)	13.7	64.4	-50.7	0.7	0.4	0.3
Total	131.7	204.5	-72.8	4.7	5.7	-1.0

# Minimizing downside risks

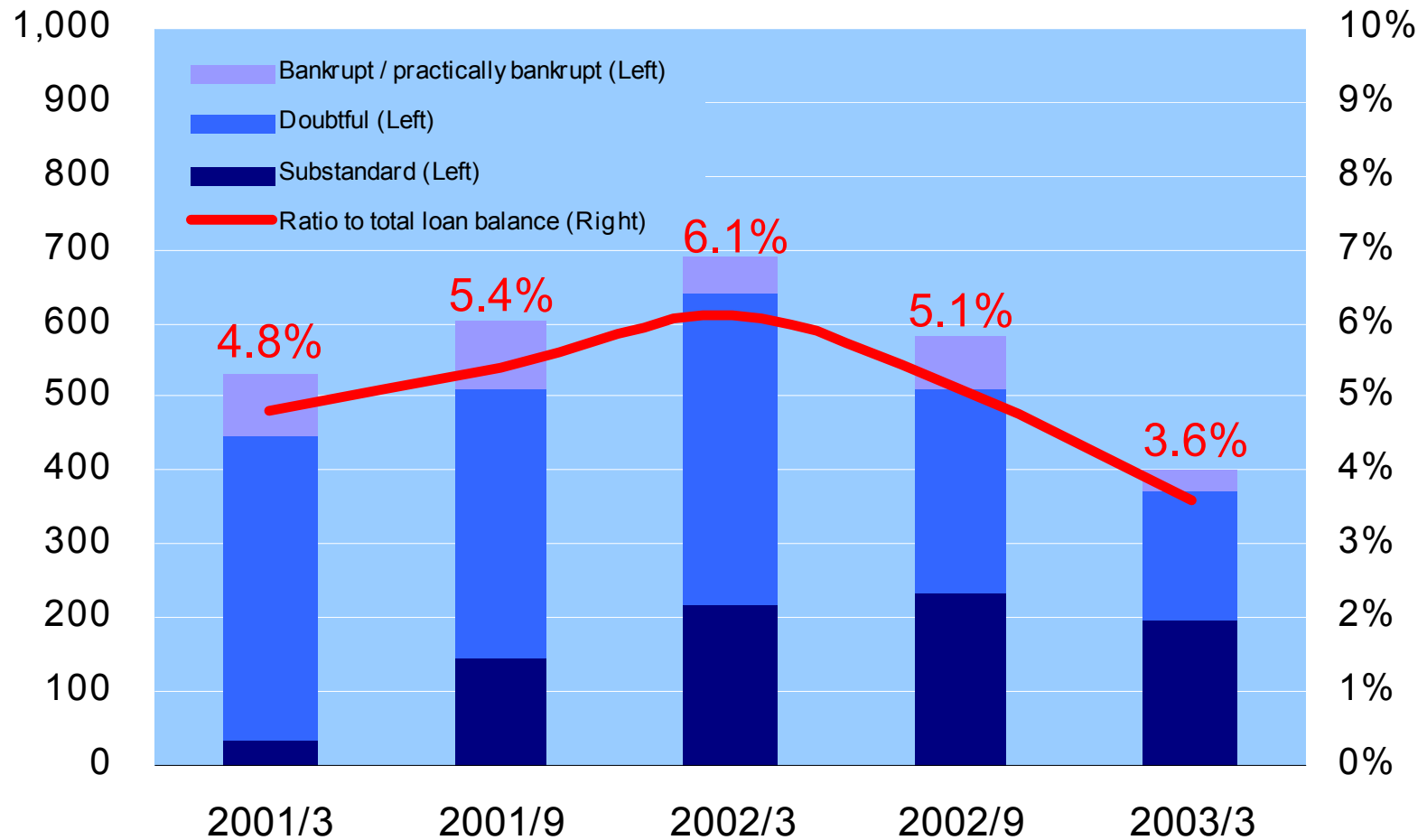


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# Problem loans

(in billions of Yen)



Note: Amounts in the chart are for both banking and principal guaranteed trust a/c

# Migration analysis

## ► (Banking and principal guaranteed trust a/c)

### 2HFY2002

(in billions of Yen)	Mar. 2003	Sep. 2002	Change	Downgrade (+)	Downgrade (-)	Upgrade (+)	Upgrade (-)	Write-off, sales, or collection
Bankrupt / practically bankrupt	29.0	70.1	-41.1	4.8	-	-	-0.1	-45.8
Doubtful	176.7	273.7	-97.0	44.3	-3.0	0.0	-24.0	-114.3
Loans to substandard debtors	209.5	277.2	-67.7	22.7	-36.9	19.9	-60.9	-12.5
Loans to special mention debtors (excl. Loans to substandard debtors)	703.3	874.3	-171.1	153.1	-27.2	30.2	-195.9	-131.3

## Reserve for “special mention” category

### General reserve

<Banking a/c>

		Mar. 2003	Sep. 2002	Change
Substandard loans	Substandard debtors	25.0% *	25.7% *	-0.7%
	Special mention debtors (excl. Substandard debtors)	5.6%	3.0%	2.6%
Ordinary loans	Special mention (= Watch list)	9.5%	7.5%	2.0%
	Ordinary	0.1%	0.1%	-

Classification under financial reconstruction law  
(Classification based on assets)

Classification under self-assessment  
(Classification based on debtors)

\* Reserve ratio for un-covered (un-collateralized and/or un-guaranteed) portion of loans to substandard debtors has been increased from 49.0% as of Sep. 2002 to 50.7% as of Mar. 2003.



# Self assessment (potentially bankrupt or worse)

As of Mar. 31, 2003

\* Number in the second row in each category denotes difference from Sep. 2002.

(in billions of Yen)	Banking a/c				Trust a/c			
	amount	Level I	Level II	Level III	Amount	Level I	Level II	Level III
Legally bankrupt	14.7	1.2	13.5	0.0	5.8	0.0	5.8	0.0
	5.2	0.0	5.3	0.0	0.0	0.0	0.0	0.0
Virtually bankrupt	7.2	0.3	6.8	0.0	1.2	0.0	1.1	0.0
	-43.3	-2.9	-40.3	0.0	-3.0	-0.2	-2.8	0.0
Potentially bankrupt	159.7	51.8	84.8	23.1	16.8	1.3	11.4	4.0
(Doubtful)	-82.7	-31.8	-37.3	-13.5	-14.2	0.3	-10.1	-4.5
Total	181.7	53.3	105.2	23.1	23.9	1.3	18.5	4.0
	-120.8	-34.9	-72.3	-13.5	-17.2	0.1	-12.8	-4.5

Real estate collateral in level II

Banking a/c Legally and virtually bankrupt; approx. 14.3 billion yen; Potentially bankrupt: approx. 80.1 billion yen

Trust a/c Legally and virtually bankrupt; approx. 5.6 billion yen; Potentially bankrupt: approx. 6.4 billion yen

Total 106.4 billion yen

10% is the estimated loss ratio under the stress scenario on sales of real estate collaterals.

$$106.4 \text{ billion Yen} * 10\% + 27.1 \text{ billion Yen} = 37.7 \text{ billion Yen}$$

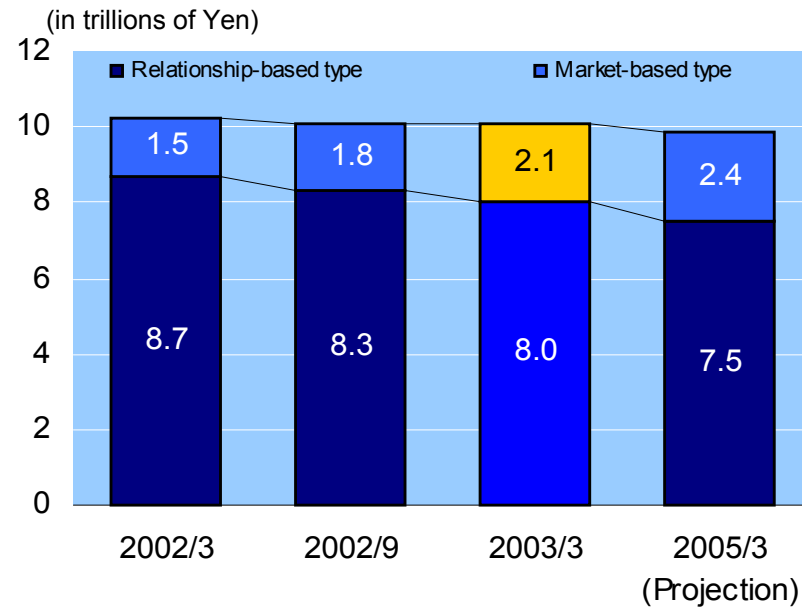
Uncovered amount for Potentially Bankrupt or worse categories totals 27.1 billion yen.



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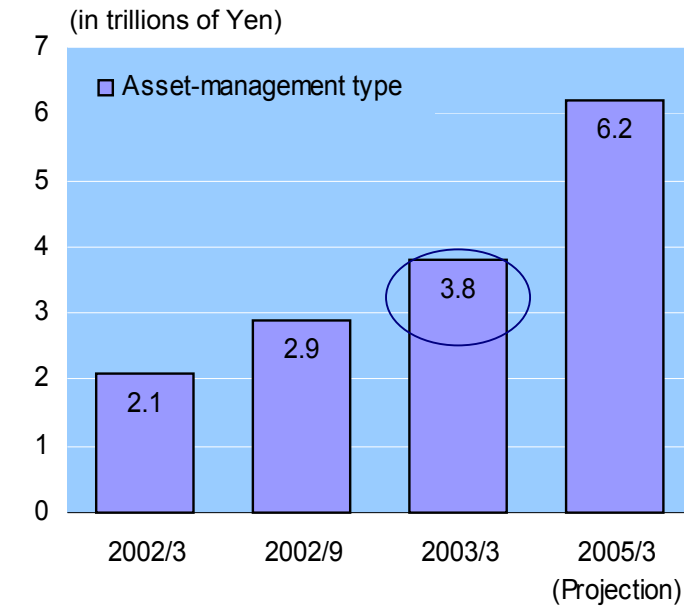
# Increasing market-based loans

## ● On-balance (included in risk-assets)



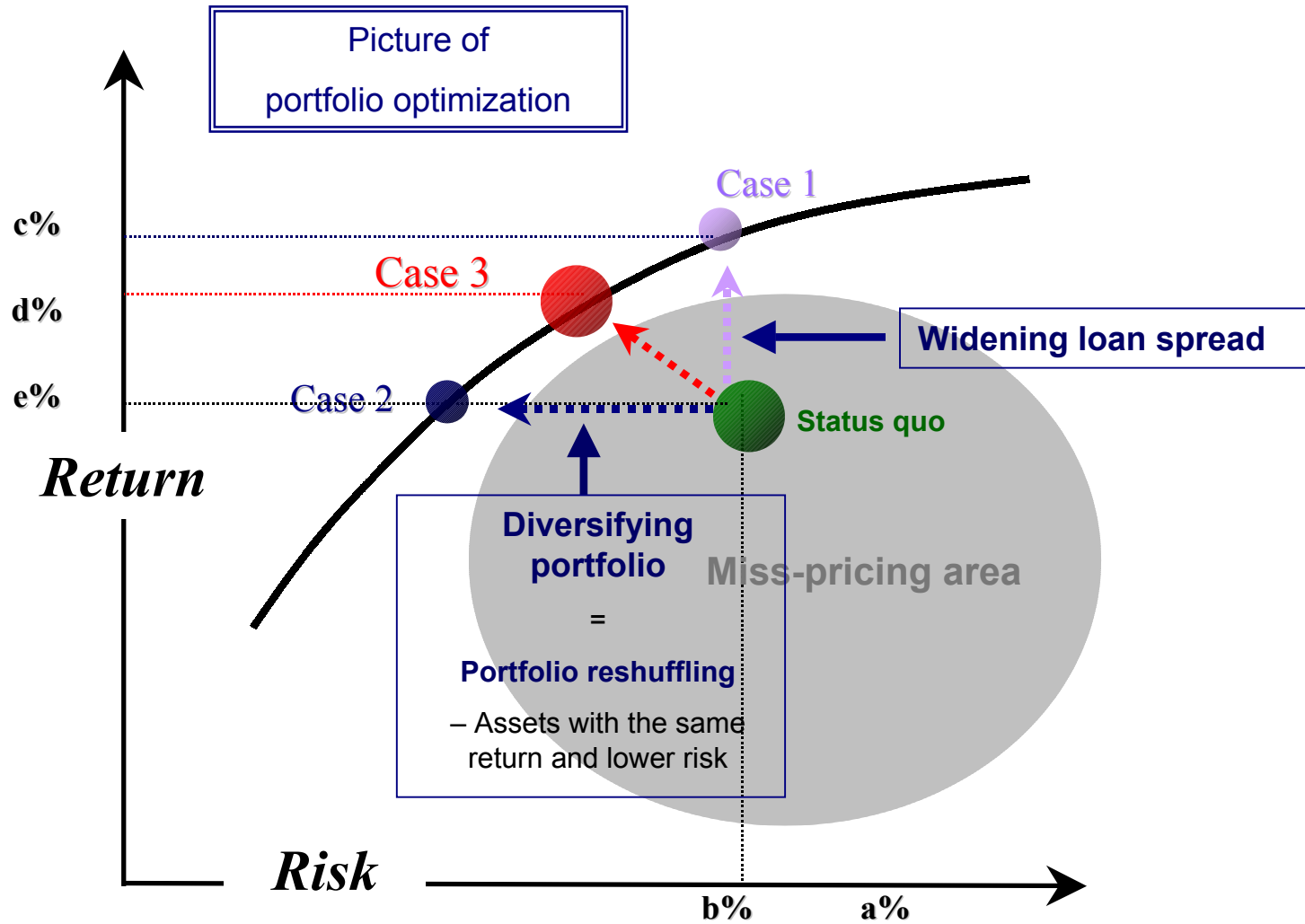
- ▶ Sustain core earning assets
- ▶ Increase market-base type proportion
- ▶ Diversify loan portfolio
- ▶ Improve RAROA

## ● Off-balance (excluded from risk-assets)



- ▶ Total service from arrangement, trustee and primary broking
- ▶ Wide-ranged investors
  - Both corporate and financial institutes

# Optimizing loan portfolio



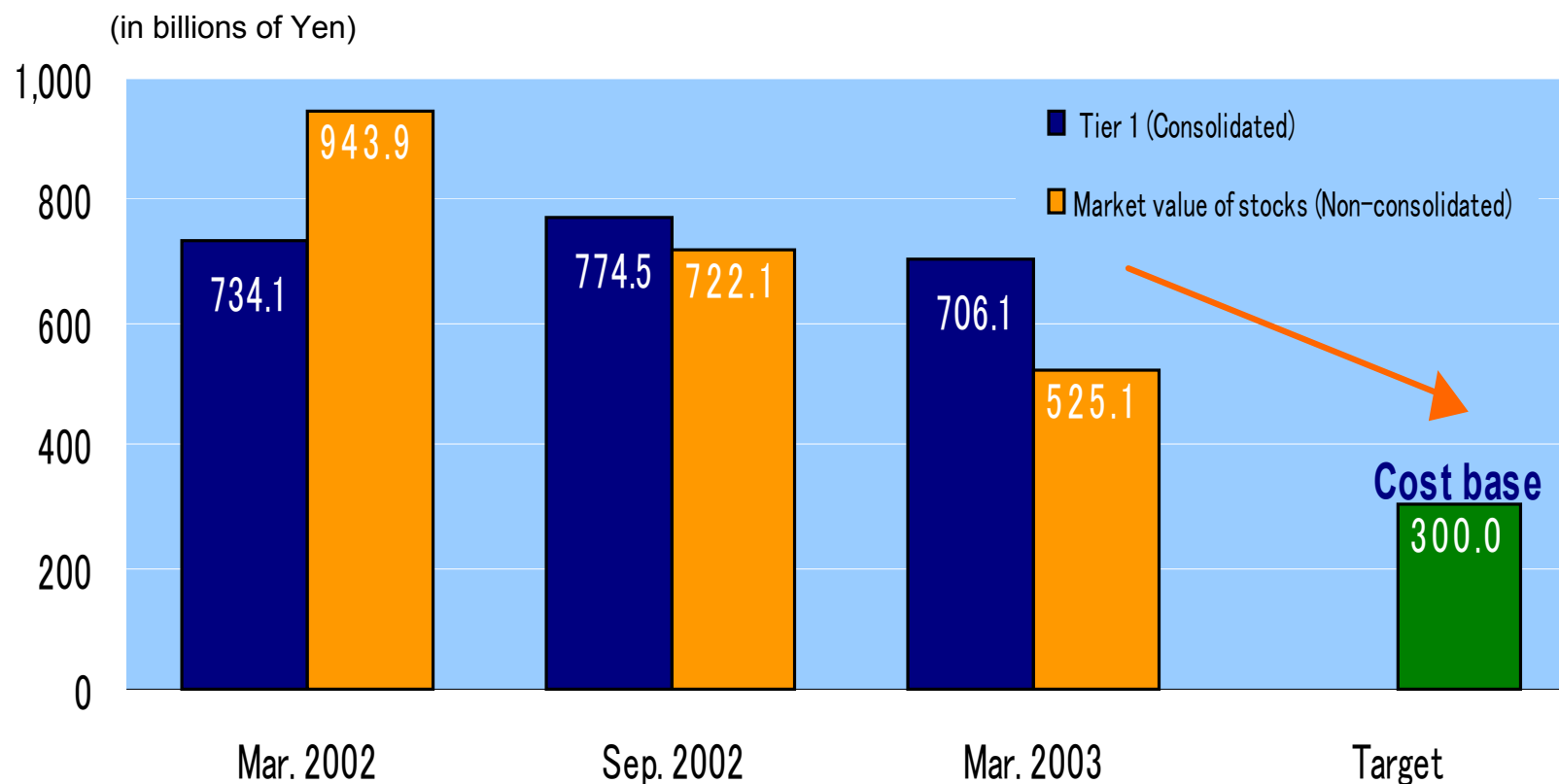


## ✚ Unwinding of cross shareholdings

▶ Sold off 325.0 billion (\*) Yen of stocks in FY2002

(Original plan: 200 billion Yen)

(\*) Including transfer to employee retirement benefit trust



**Capital**

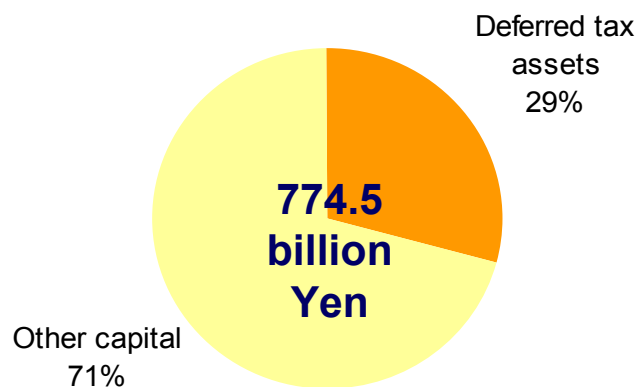


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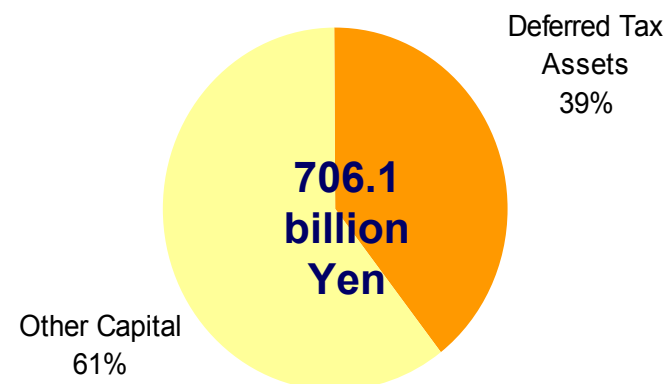
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## Capital

Tier 1 as of Sep. 2002  
(Consolidated)



Tier 1 as of Mar. 2003  
(Consolidated)



(in billions of Yen)	Mar. 2002 (Actual)	Sep.2002 (Actual)	Mar. 2003 (Actual)
Net business profit before credit costs	150.2	87.1	158.8
Credit costs	105.4	20.9	85.9
Net income	-42.2	20.1	-56.5
Retained earnings (non-consolidated)	145.5	156.0	79.4
Tier I (consolidated)	734.1	774.5	706.1
Net unrealized losses on available-for-sale securities, net of tax	-57.0	-23.7	-11.2

# Forecast for FY2003



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## Forecast for FY2003 (Non-consolidated)

(in billions of Yen)	FY2003 Forecast (A)	FY2002 Actual (B)	Change (A) - (B)
<b>Net business profit before credit costs</b>	<b>145.0</b>	<b>158.8</b>	<b>-13.8</b>
Credit costs	60.0	85.9	-25.9
Banking a/c	50.0	65.6	-15.6
Trust a/c	10.0	20.3	-10.3
Net non-recurring items	-15.0	-141.3	126.3
<b>Net operating profit</b>	<b>70.0</b>	<b>-68.3</b>	138.3
<b>Net income</b>	<b>42.0</b>	<b>-56.5</b>	98.5

# Strategies for improving profitability



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## ✚ Strategies for improving profitability (Core competence)

### ▶ Core competence

**Value added services and products**

**Economies of scale**

**Management technology**

### ▶ Key words

- ◇ **Strategic partner for customers**
- ◇ **Total solution**
- ◇ **Consulting skills**
- ◇ **Relationship management utilizing both banking and trust business**
- ◇ **New investment products and risk management services**

- ◇ **Joint venture with open architecture**
- ◇ **Outsourcing**

- ◇ **Management by business group**
- ◇ **SVA (Shareholders Value Added)**
- ◇ **Advanced human resource management style for higher productivity**
- ◇ **Loan portfolio management**

# Strategies for improving profitability (Business plan)

## Providing best asset management and client information services basing on commercial banking business

### Wholesale financial services

- ◇ Relationship management --Improving relationship-type loan portfolio
  - Increasing fee revenue ratio to over 50% for core customers' revenue structure
- ◇ Market-based type loan --Sourcing best investment products and opportunities
- ◇ Asset-management type business (off-balance)
  - Creating new type financial intermediation services

### Retail financial services

- ◇ Mass retail --Obtaining customers' loyalty to asset management service
- ◇ Private banking --Establishing private banking market
- ◇ Service distribution --Lowering costs for channels

### Fiduciary services

- ◇ Pension asset management --Advising best pension structure for clients
  - Consulting for best allocation of asset management strategy
  - Providing multi products for investment
- ◇ Custody / stock transfer agency – Obtaining economies of scale through joint ventures with open architecture

### Real estate services

- ◇ Consultation for total solution
- ◇ Real estate asset management business
- ◇ Custody business for real estate assets





This presentation material contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in managerial circumstances.