

CORPORATE BANKING GROUP

This Group is responsible for meeting the financial needs of large corporate customers and their affiliates, both at home and abroad. Consistent with its commitment to addressing the entirety of its customers' banking requirements, the Group also provides financial services and products for their employees and business affiliates.

Results in Fiscal 1999

Due to success in adjusting loan interest rates to more appropriate levels and a good operating performance from new businesses such as loan syndication and commitment facilities, gross profit rose by an impressive 10.1 billion yen to 71.9 billion yen, while expenses remained nearly unchanged at 10.4 billion yen. Profit after expenses, thereby, increased to 61.5 billion yen from 51.1 billion yen in fiscal 1998.

The Group's Business Strategy

The strategy for this Group is as follows:

To provide a range of value-added solutions conforming to the Group's "Market-Driven Intermediation Model" utilizing the entire resources of the Bank.

To strengthen its ability to provide proposal-based and investment-banking oriented solutions to customers, thereby generating a stable stream of fee income.

As a major commercial bank with a long history, Sumitomo Bank remains a major force in traditional commercial banking, extending short, medium, and long-term loans to large corporations nationwide. The Bank also provides such customers with access to the commercial paper and bond markets. The weight that loans occupy in the Group's business is high. While continuing to provide a high level of service in this traditional mainstay, the Bank intends to increase the proportion of the higher value-added, fee-based services it provides.

Given the above, the importance of the capital markets in providing services to the major corporations that form this Group's customer base has risen dramatically. This trend has been accelerated by the wave of corporate restructuring, both financial and operational, being undertaken in Japan. The mission of the Corporate Banking Group is to exploit these opportunities by drawing on all of the strengths of the Bank.

In this respect, the Bank is in a fortunate position with strength in commercial banking and, by being able to draw on the capabilities of the Capital Markets Group including Daiwa SBCM, in investment banking. It aims to exploit this competitive edge to offer a complete range of advanced, value-added products and to become the financial service provider of choice. This model, dubbed "Market-Driven Intermediation" includes elements of traditional investment banking such as M&A advisory services, securitization and derivative transactions. In these activities, the Bank works closely with Daiwa SBCM, which has established a strong position in these markets. It also includes innovations applied to the Bank's traditional businesses such as the provision of commitment facilities, non-recourse loans and the active promotion of syndication in Japan. Such products, which stress fee rather than interest income, are attractive to the Bank due to their high capital efficiency.

The Group's involvement with corporations does not involve only the liability side of the balance sheet. It also provides a range of services applicable to asset management, for example customized deposit accounts incorporating derivatives, asset-backed securities and other innovations, which can be tailored to the risk-tolerance, preferences and time horizons of its customers.

The Group also seeks profitable opportunities, created by the increasing globalization of business, which has led to a need not only for advanced risk management solutions, but also for the application of advanced technology in promoting operational efficiency.

Risk management services offered by the Group include the use of derivatives such as swaps, options and caps to limit interest rate and foreign exchange risk, as well as letter of credit confirmation and credit derivatives to limit country or individual company risk. The Group offers a wide range of other risk management services, which can be configured to the particular needs of each individual customer.

Services offered by the Group to promote operational efficiency include the PERFECT system, described in the previous section, as well as a multi-currency, multi-netting, global cash management system (global CMS) that allows customers to manage their multi-currency cash portfolios efficiently by cutting across national and corporate boundaries. In addition, the Group opened a department within the Tokyo Corporate Banking Division in October 1999. This Department offers wide-ranging advice concerning the application of, and strategies for, acquiring advanced IT capabilities.

Relationship management must, of course, be an integral element of any strategy which seeks to satisfy a wide range of customer needs. To this end, the Group maintains sales divisions in Tokyo and in Osaka. In order to promote institutional memory concerning customer needs, each customer in this Group is allocated one or more dedicated relationship managers. The sales divisions are also able to call on the resources of Sumitomo Bank's global network to facilitate relationship management on a worldwide scale. A global relationship management system facilitates this process.