

INTERNATIONAL BANKING GROUP

Sumitomo Bank offers advanced services, including project finance, loan syndication, trade finance and new services such as forfaiting and global CMS made possible by technological advances, to customers worldwide. The International Banking Group takes responsibility for the Bank's international banking operations and maintains a network of 38 branches and representative offices located around the world.

Results in Fiscal 1999

The international activities of Japanese banks generally have been badly affected in recent years by factors such as the Asian economic crisis, the strength of the Japanese yen and the downgrading of the credit standing of Japanese Banks as a whole. The Bank has responded to these conditions by implementing a stringent regime of cost control, including rationalization of the overseas branch network and by attempting to improve the value-added of services offered, in a similar manner to its strategy in domestic markets.

During fiscal 1999, although the Asian economic crisis dissipated to the benefit of the International Banking Group, it was still difficult to expand revenues because of a move to reduce assets and a lower credit rating. However, a small 1.6 billion yen fall in revenues was offset by a 9.6 billion yen reduction in expenses, reflecting the success of a rationalization program, which has reduced the number of overseas branches and representative offices from 66 to 38 over 3 years, to yield a healthy 8.0 billion yen increase in profits after expenses to 22.8 billion yen.

The Group's Business Strategy

The Group has refocused management resources, both financial and human, on the provision of a wide range of solutions to companies operating globally and has placed particular stress on wholesale and investment banking as a part of this process. The core of this Group's business strategy is as follows:

Development of proposal-based solutions businesses with corporate customers.

Promotion of loan syndication and non-recourse financing fee income.

Promotion of new services made possible by technological advances.

The Group boasts a strong customer base embracing blue-chip customers, both Japanese and foreign. In keeping with general Bank policy, the International Banking Group is making efforts to increase the amount of fee income, for example, fees arising from the arrangement of non-recourse financing or loan syndication. In traditional commercial banking fields, the Group offers a range of IT-intensive services including custody services and advanced cash management systems (CMS).

As with all dealings with multi-national entities, relationship management is a key issue. In January 1999, the Group strengthened its capability in this regard when it established the Global Client Management Department to cater to the needs of the Japanese operations of non-Japanese global corporations.

Examples of successful projects undertaken by the Bank during fiscal 1999 include the following:

Project Finance: Osaka Universal Studios Japan (total 125 billion yen)

Sumitomo Bank scored a success with this significant project finance deal. The Bank's efforts were instrumental in helping to establish this method of financing in Japan. The deal attracted many accolades, and was named "1999 Deal of the Year" by the magazine Project Finance.

Loan Syndication: Telecom Polska (total 400 million euro)

Sumitomo Bank acted as sole arranger for this deal, the largest ever syndicated guarantee facility in favor of the European Investment Bank in Central and Eastern Europe. The deal was awarded "1999 Best Emerging Markets Loan" by Euroweek magazine.

Project Finance: N3 Highway, Johannesburg to Durban section, South Africa (total 2 billion rand, equivalent to approx. US\$350 million)

Sumitomo Bank acted as international financial advisor on the largest ever project financing deal for infrastructure in South Africa's history. It was awarded "1999 African Deal of the Year" by Project Finance.

In addition to the above, the Group continued to develop innovative solutions and made a full-scale entry into the forfaiting business in order to expand the range of services it offers to corporations operating in the global markets. Under this system, the Bank will purchase letters of credit or export bills on a non-recourse basis thus relieving customers of a portion of the risk they face in dealing in international markets, while also allowing them to streamline their balance sheets.

The Group also offers the most advanced custodial services available in Japan today and has been ranked top Japanese custodian in terms of IT repeatedly by Global Custodian. The strategic allocation of human and other management resources to this area have ensured the competitive edge of the Custody Services Department. Reflecting this, in 1998, Sumitomo became the first Japanese bank to be awarded ISO 9002 accreditation in the custody area. In addition, the Department provides customers with regular and timely updates of important market news through a diversity of channels including the Bank's homepage, e-mail and other traditional means such as telefax and telephone.

A final illustration of the Bank's service to global accounts can be found in its global CMS, which is currently used by over 1,000 companies worldwide. In addition to its headline function of improving the efficiency of the global cash management operations of its customers, the service also boasts advanced information provision capabilities. One of the major roles for this and similar services is to bind the Bank more closely to its customers and facilitate the building of strong, long-term relationships with major accounts.