

TREASURY GROUP

This Group is active both in managing the assets and liabilities of the Bank and in trading operations. It has responsibility for controlling the market and liquidity risks that arise as a consequence of transactions conducted by other groups. It also takes a pro-active approach in seeking profitable proprietary trading and arbitrage opportunities. The Group maintains an active, global trading presence in foreign exchange, securities and derivatives markets.

Results in Fiscal 1999

Over recent years, the Group has greatly benefited from the low interest rate policy applying in Japan. However, the magnitude of the benefit started to diminish in fiscal 1999 and earnings fell from the record high of the previous year. Gross profit declined by 72.8 billion yen to 189.7 billion yen, while expenses contracted by 2.1 billion yen to 13.1 billion yen. The end result was a 70.7 billion yen decrease in profits after expenses to 176.6 billion yen.

The Group's Business Strategy

Asset Liability Management

During fiscal 1999, Sumitomo Bank became the first major Japanese bank to issue domestic straight bonds when it launched its "Sumigin Benchmark Notes" program in October. The Treasury Group also cooperated with the marketing groups to improve access to the foreign currency holdings of customers.

In fiscal 2000, the Group will continue to closely monitor market developments in order to conduct optimal ALM operations, while seeking to improve profitability further. In addition, the Group will also be fully prepared for renovations to settlement systems in several major countries, such as the new Real Time Gross Settlement (RTGS) system to be implemented in Japan.

Trading Operations

The Treasury Group trades actively in foreign exchange, securities and derivatives markets. Trading rooms in Tokyo, Singapore, London, Paris and New York allow it to conduct smooth execution of customer orders, together with proprietary trading and arbitrage operations. In fiscal 2000, it will take further measures to enhance service to customers. The Group has already set up a new team specializing in customer sales of currency options and related products. Another team will introduce a variety of unconventional derivative products to customers. The customer desk in Tokyo is now working on a shift basis to offer foreign exchange quotations 24 hours a day.