

# **The Sumitomo Bank, Limited**



**Investor Meeting  
May 29, 2000**



# Agenda

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## 1. Review of FY99 Financial Results

- P1 Parent Only(1) Core Banking Profit
- P2 Parent Only(2) Performance by Business Unit
- P3 Parent Only(3) Credit Cost
- P4 Parent Only(4) Gains & Losses on Stocks
- P5 Consolidated Financial Results
- P6 BIS Capital Ratio
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## 2. Progress on Improvement in Financial Strength

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- P9 Cost Reduction
- P10 Asset Quality (1), (2)
- P12 Stock Portfolio
- P13 Loan Portfolio
  
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- A-3 (Appendix 3) Loan Spreads
- A-4 (Appendix 4) Capital Markets Business



# Parent Only(1) Core Banking Profit

(Billions of Yen)

	FY1999	Change	FY1998
<b>Gross Banking Profit</b>	722.6	(27.8)	750.4
<Excl. gains/losses on sales & redemption of bonds >	726.5	25.6	700.9
<b>Gross Domestic Profit</b>	565.2	(41.1)	606.2
<Excl. gains/losses on sales & redemption of bonds >	568.1	11.2	556.8
Net Interest Income	515.3	2.8	512.5
Net Fees & Commissions	48.1	9.7	38.4
Net Trading Income	4.2	(1.1)	5.2
Other	(2.4)	(52.4)	50.1
<Gains/losses on sales & redemption of bonds*>	(2.9)	(52.3)	49.4
<b>Gross International Profit</b>	157.4	13.3	144.1
<Excl. gains/losses on sales & redemption of bonds >	158.5	14.4	144.1
Net Interest Income	89.4	(5.1)	94.5
Net Fees & Commissions	21.1	(1.6)	22.7
Net Trading Income	29.1	(2.3)	31.4
Other	17.7	22.2	(4.5)
<Gains/losses on sales & redemption of bonds*>	(1.1)	(1.1)	0.0
<b>Bond Issue Costs</b>	(3.3)	(3.3)	0.0
<b>Expenses</b>	(329.8)	24.1	(353.9)
Personnel Expenses	(142.0)	11.1	(153.0)
General Expenses	(170.2)	10.1	(180.3)
Taxes	(17.6)	2.9	(20.5)
<b>Core Banking Profit (Excl. transfer to Gen. Reserve)</b>	389.4	(7.1)	396.5
Excl. gains/losses on sales & redemption of bonds	393.4	46.3	347.1
<b>*Gains/losses on sales &amp; redemption of bonds total</b>	(4.0)	(53.4)	49.4

## <Important factors>

- (1) Domestic Net Interest Income +2.8 billion yen  
Improvement in loan spreads  
Decrease in loan volume  
Effect of decline in market interest rate  
Lower profitability of deposits  
Decrease in bond interest income
- (2) Domestic Fees & Commissions +9.7 billion yen  
Investment trust sales related fees  
Remittance fee (including EB commissions)
- (3) Personnel Expenses +11.1 billion yen (reduction)  
Headcount reduction  
Bonus cut
- (4) General Expenses +10.1 billion yen (reduction)  
Advertising expenses  
Equipment costs



# Parent Only(2) Performance by Business Unit

(¥ billions)

		FY 1998 Actual	FY 1999		
			Actual	Year change	Adjusted**
<b>Consumer Banking Group</b>	Gross profit	170	152	-17	3
	Expenses	-157	-150	7	7
	Net profit	12	2	-10	10
<b>Middle Market Banking Group</b>	Gross profit	197	214	16	19
	Expenses	-92	-88	5	4
	Net profit	105	126	21	24
<b>Corporate Banking Group</b>	Gross profit	62	72	10	13
	Expenses	-11	-10	0	0
	Net profit	51	62	10	13
<b>International Banking Group</b>	Gross profit	55	53	-2	9
	Expenses	-40	-31	10	5
	Net profit	15	23	8	14
<b>Marketing Group Total</b>	Gross profit	484	491	7	45
	Expenses	-301	-279	22	16
	Net profit	183	212	29	61
<b>Treasury Group</b> (ALM, bond portfolio, derivatives)	Gross profit	263	190	-73	-68
	Expenses	-15	-13	2	1
	Net profit	247	177	-71	-66
<b>Others*</b>	Net profit	-34	1	35	-11
<b>Total</b>	Gross profit	750	719	-31	-36
	Expenses	-354	-330	24	20
<b>Core Banking Profit (excl. change in general reserves)</b>		<b>397</b>	<b>389</b>	<b>-7</b>	<b>-16</b>

(\*) "Others" includes following items: 1) Dividend and interest payment for preferred securities and subordinated debts, 2) Gains/losses from stock portfolio, 3) Income gains from retained earnings, 4) Adjustment of internal transfer price between each group, 5) Expenses for corporate staff, 6) Dividends from overseas subsidiaries

(\*\*) After adjustment based on the changes in interest rates and foreign exchange rate



# Parent Only(3) Credit Cost

(Billions of Yen)

	FY1999	Change	FY1998
(1) Transfer to General Reserve for possible loan losses	(38.9)	137.5	(176.3)
Other Operating Profit (Loss)	(174.1)	787.1	(961.2)
(2) Credit cost for specific problem loans	(645.0)	236.4	(881.4)
Write-off of loans	(347.4)	(42.3)	(305.0)
Transfer to specific reserve	(253.1)	118.7	(371.8)
Losses on sale of loans to CCPC	(7.7)	52.6	(60.3)
Losses on problem loans sold	(19.6)	45.5	(65.1)
Transfer to reserve for loss on loans sold	(17.3)	61.9	(79.2)
(3) Loan loss reserve for specific overseas countries	3.1	17.9	(14.7)
<b>&lt;Total Credit Cost (1)+(2)+(3)&gt;</b>	<b>(680.7)</b>	<b>391.8</b>	<b>(1,072.5)</b>

<As of Mar. 31, 2000>

General Reserves: 357.6 bil.

Specific Reserves: 539.1 bil.

Loans to CCPC: 175.1 bil.

Bulk-sales in FY99: 140.2 bil.

Reserve for loss on loans sold: 111.6 bil.

Reserves for specific overseas countries: 12.4 bil.



# Parent Only(4) Gains & Losses on Stocks

(Billions of Yen)

	FY1999	Change	FY1998
<b>Gains and losses on stocks</b>	486.7	524.3	(37.6)
Gains on sale of stocks	551.2	541.7	9.6
(Losses) on sale of stocks	(35.2)	(8.4)	(26.8)
(Losses) on devaluation of stocks	(29.4)	(9.0)	(20.4)
Other	(18.9)	8.5	(27.5)

<b>Extraordinary Profit (Loss)</b>	(28.0)	(135.6)	107.6
Gains (Losses) on disposition of premises and equipment	(6.9)	(68.1)	61.2
Gains on disposition of premises and equipment	1.6	(66.6)	68.3
(Losses) on disposition of premises and equipment	(8.6)	(1.5)	(7.1)
Gains from sale of subsidiaries and losses from disposition of subsidiaries	0.0	(67.3)	67.3
Additional contribution to pension plans	(21.5)	1.2	(22.7)



# Consolidated Financial Results

## Contribution of Group Companies

Billions of Yen	FY1999
<b>Net Income(parent)</b>	<b>48.8</b>
Daiwa SBCM	<b>-34.0</b>
Consolidated Companies*	<b>47.1</b>
<b>Net Income (consolidated)</b>	<b>61.9</b>

Operating profit:	73.0
Amortization of goodwill:	(208.0)
Net profit:	(85.1)

\*Excludes Daiwa SBCM

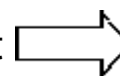
Billions of Yen	Parent	Consolidated	Difference
Net Interest Income	603.5	653.7	+ 50.2
Net Fees & Commissions	69.3	145.9	+ 76.6
Net Trading Income	33.3	46.9	+ 13.6
Other	12.0	79.2	+ 67.2
<b>Total Gross Profit</b>	<b>718.0</b>	<b>925.7</b>	<b>+ 207.7</b>

→ Sumitomo Credit Service, etc.

→ SB Leasing, etc.

(Note) Gross Profit = Net Interest Income + Net Fees & Commissions + Net Trading Income + Other

Percentage of Non-Interest Income within Gross Profit



- Parent 16.0%
- Consolidated 29.4%



# BIS Capital Ratio

	\$1=Y120.55	\$1=Y106.95	\$1=Y106.15
	<b>Mar. 99</b>	<b>Sep. 99</b>	<b>Mar. 2000</b>
Billions of Yen	Actual	Actual	Actual
<b>TIER I</b>	<b>2,180.2</b>	<b>2,205.7</b>	<b>2,203.9</b>
<b>TIER II</b>	<b>2,102.0</b>	<b>2,170.2</b>	<b>2,144.4</b>
<b>BIS Capital</b>	<b>4,282.2</b>	<b>4,376.0</b>	<b>4,348.3</b>
<b>Risk-adjusted Assets</b>	<b>39,083.8</b>	<b>38,463.2</b>	<b>37,476.7</b>
<b>BIS Capital Ratio</b>	<b>10.95%</b>	<b>11.37%</b>	<b>11.60%</b>
<b>TIER I Ratio</b>	<b>5.57%</b>	<b>5.73%</b>	<b>5.88%</b>



# Full Year Forecast for FY2000

Billions of yen	FY99 Actual	FY2000 Forecast	FY2000 The Plan*
<b>Gross Profit</b>	722.6	701.0	673.0
<b>Expenses</b>	-329.8	-338.0	-343.0
<b>Core Banking Profit</b>	389.4	360.0	330.0
<b>Credit Cost</b>	-680.7	-250.0	-110.0
<b>Operating Profit</b>	176.5	240.0	210.0
<b>Net Income (parent)</b>	48.8	100.0	100.0
<b>Net Income (consolidated)</b>	61.9	105.0	
Consolidated ROE (Fully-diluted basis)	3.3%	5.6% **	

\* "The Plan for the Strengthening of the Financial Base of the Bank" which was submitted to the government..

\*\* Calculated with the assumption that average amount of equity for FY2000 will be the same as that of FY1999.



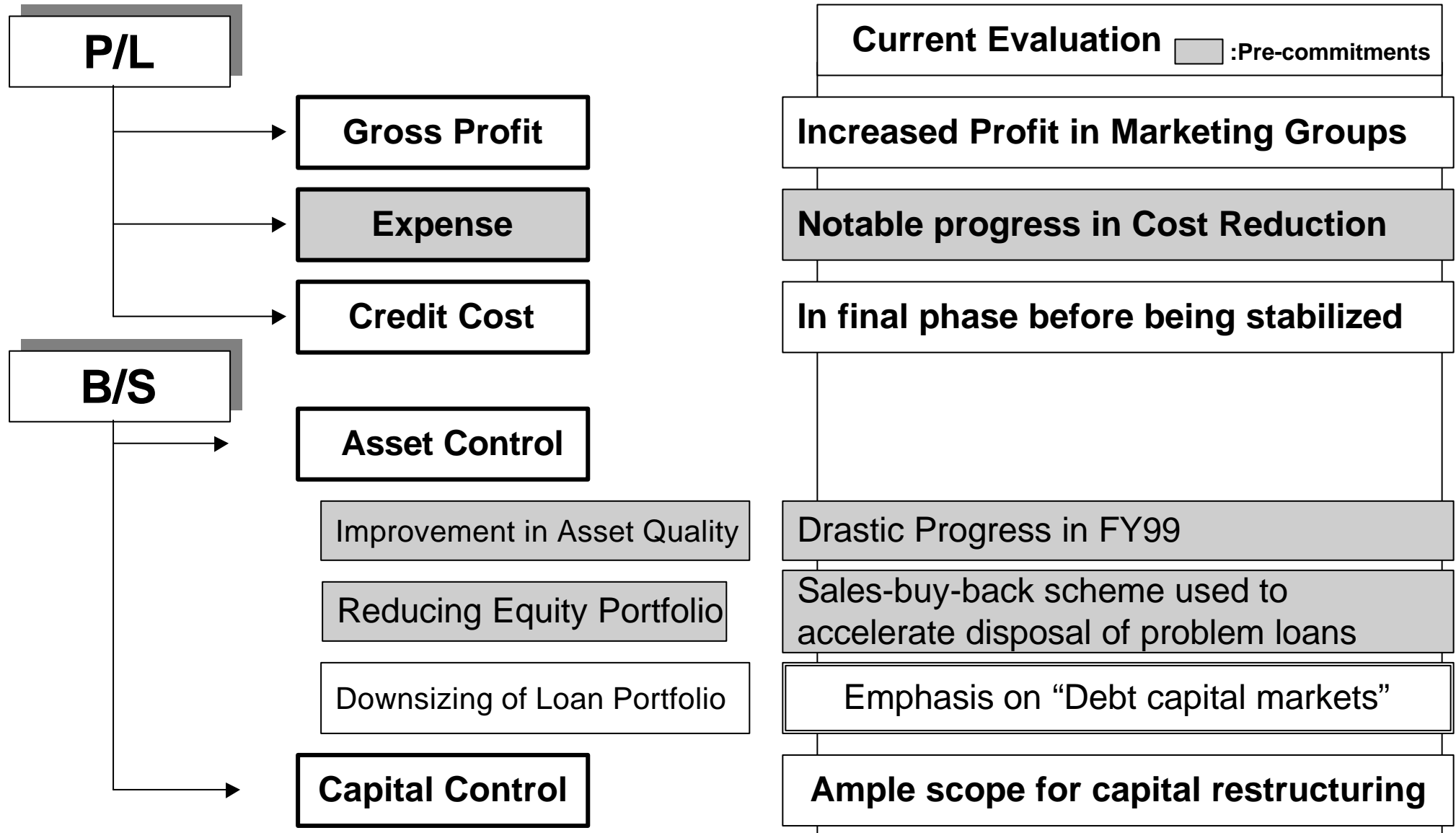
# Progress on Improvement in Financial Strength

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- (1) Overview**
- (2) Cost Reduction**
- (3) Asset Quality (1), (2)**
- (4) Stock Portfolio**
- (5) Loan Portfolio**



# Overview





# Cost Reduction

## Cost reduction ( Change from FY 1998 )

Personnel Expenses:	¥11.1 bil.
-601 Employee reduction -12% Summer Bonus reduction	
General Expenses:	¥10.1 bil.
-10 Branch cut -Other general expense reduction	
Taxes:	¥2.9 bil.

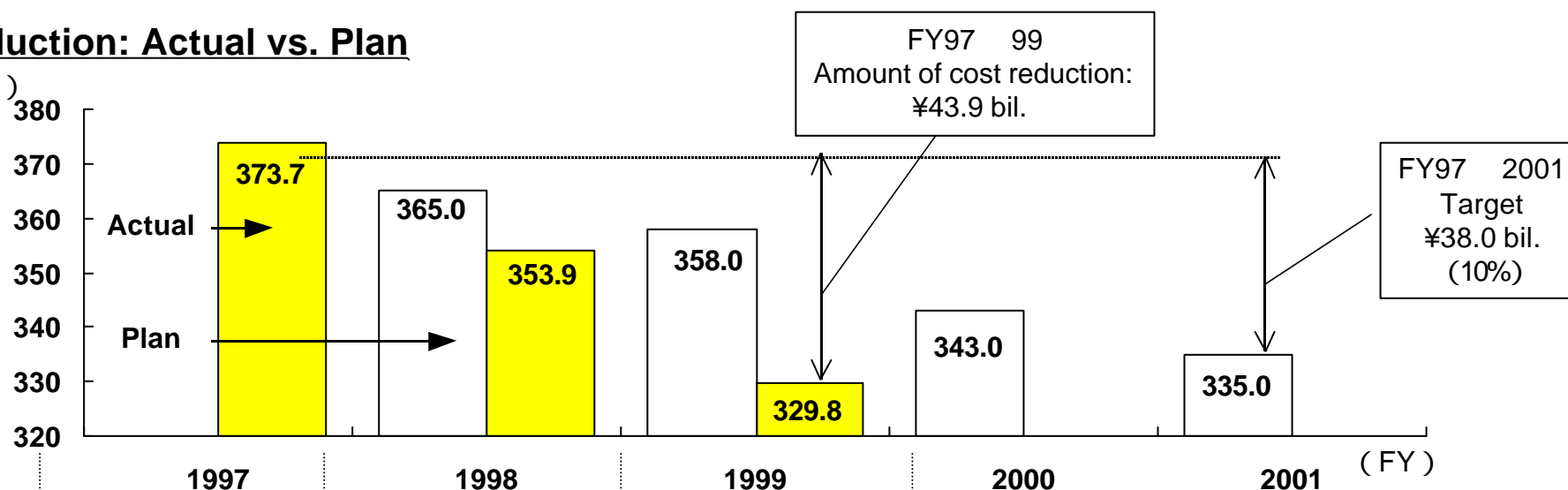
FY1999  
Reduction  
total:  
¥24.1 bil.

Consumer Banking Group:	¥7.2 bil.
Middle Market Banking Group:	4.4 bil.
Corporate Banking Group:	0.3 bil.
International Banking Group:	4.5 bil.
Treasury Group:	1.4 bil.
Headquarters:	2.3 bil.
(Effect of yen appreciation:	¥4.0 bil.)

(Note) After adjustments of exchange rate, etc.

## Cost reduction: Actual vs. Plan

( ¥ billions )



Expense Ratio\*

55.2%  
<<peak>>

50.5%

45.4%

\*Expense / Gross banking profit (excl. gains/losses on sales & redemption of bonds)



# Asset Quality(1): Classification and Reserve Policy

				(Billions of yen)	
Classification of Customers under Self-Assessment	"Revitalization Law" Standard	Secured / Unsecured	Assessment / Reserve Policy (Second Half of FY99)	Reserve (Reserve Ratio) (*3)	
<b>Bankrupt Customers</b>	<b>Bankrupt and Quasi-Bankrupt</b>  <b>190.8</b> (1) (change from Sep.99 +24.9)	Secured <b>185.7</b>  Unsecured <b>5.1</b>	Assessment Policy: Assessment aiming at acceleration of disposal had resulted in upward shift of some borrowers from potentially bankrupt customers to virtually bankrupt customers. As a result, direct reductions has increased. (Mar. 2000: 731.0 billion yen; Sep. 99: 402.9 billion yen)  Reserve Policy: 100% reserves provided for the unsecured portion.	<b>8.3</b> (*1) <b>(100%)</b>  Specific Reserve	
<b>Virtually Bankrupt Customers</b>					
<b>Potentially Bankrupt Customers</b>	<b>Doubtful</b>  <b>1,351.2</b> (2) (change from Sep.99 -153.5)	Secured <b>388.6</b>  Unsecured <b>962.6</b>	Assessment Policy: By stricter assessment of restructuring plan of borrowers, precautionary shifts occurred among borrowers who may need long time to recover; i.e. from customers requiring caution to potentially bankrupt customers.  Reserve Policy: Various reserve ratio applied to respective assets, based on their credit risks. As a result, assets with lower risks (which means lower reserve ratio) increased, mainly due to aforementioned factor.	<b>530.8</b> (*1) <b>(55.1%)</b>	
<b>Customers Requiring Caution</b>	<b>Substandard Loans</b> <b>375.0</b> (3) (change from Sep.99 +91.6)  (*2) Substandard Assets	Portion secured by Guarantees and Collateral: <b>33.4</b>	Reserve Policy: 15% of entire exposure is covered by general reserves.	Reserve for Substandard Loans : <b>56.3</b>  <b>(15.0%)</b>  Average <b>(3.0%)</b>	
<b>Normal Customers</b>	<b>Normal Assets</b>  <b>32,849.8</b>		Reserve Policy: Reserve based on historical credit loss ratio according to the classification in self-assessment. Three reserve categories are applied to customers requiring caution, considering each customer's financial position, credit history, and credit ratings.	<b>(0.3%)</b>  <b>Total General Reserve 357.6</b>	
				Loan Loss Reserve for Specific Overseas Countries	<b>12.3</b>

□ Total Problem Loans: 1917.0 billion yen (Change from FY99: -96.7 billion yen)

(Note) Includes reserves for on-balance and off-balance sheet assets, which do not fall under the "Revitalization Law" disclosure standards.  
(Bankrupt/Virtually Bankrupt Customers: 3.2 billion yen, Potentially Bankrupt Customers: 5.7 billion yen)



# Asset Quality(2): Breakdown of Credit Cost of FY1999

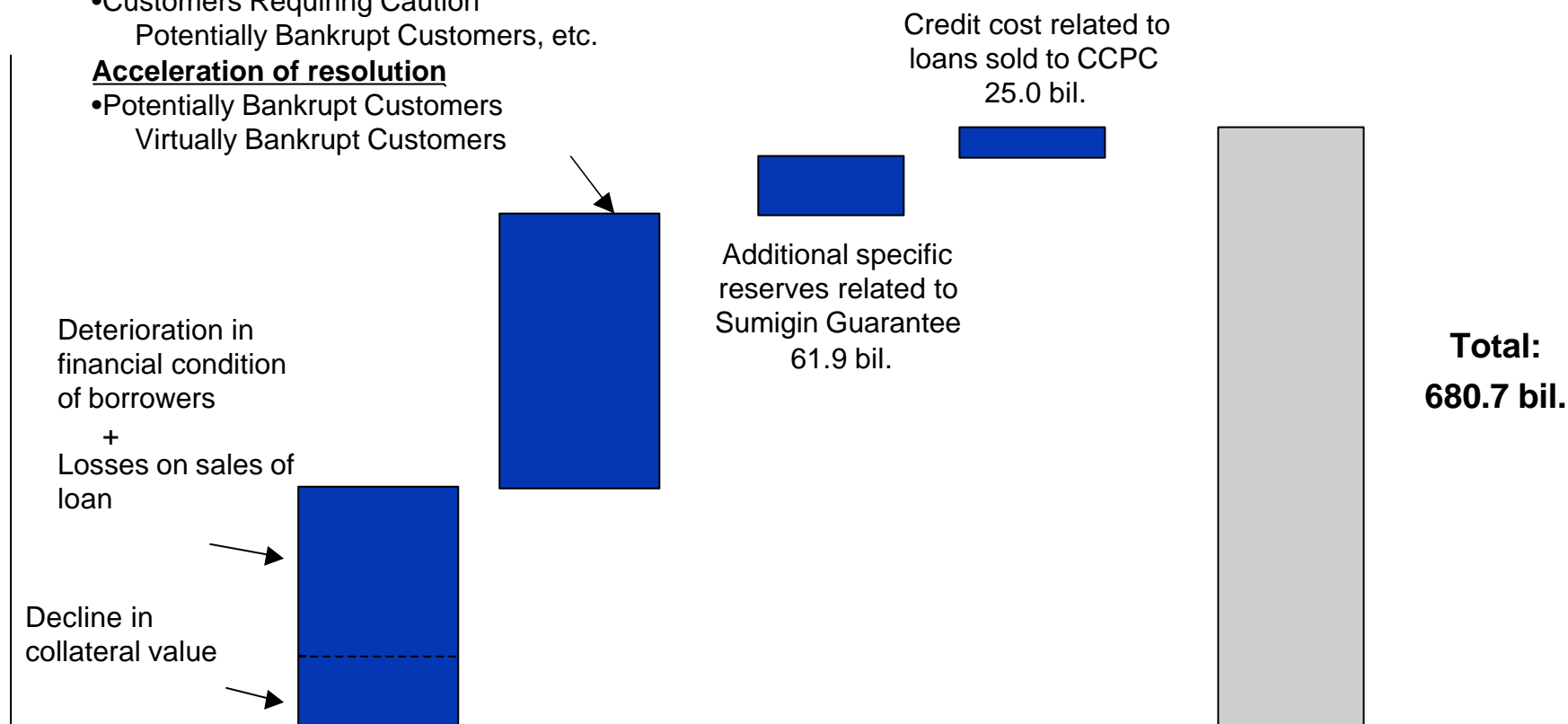
## Analysis of components of Credit Cost (FY99)

### Precautionary measure

- Customers Requiring Caution  
Potentially Bankrupt Customers, etc.

### Acceleration of resolution

- Potentially Bankrupt Customers  
Virtually Bankrupt Customers

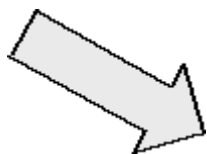




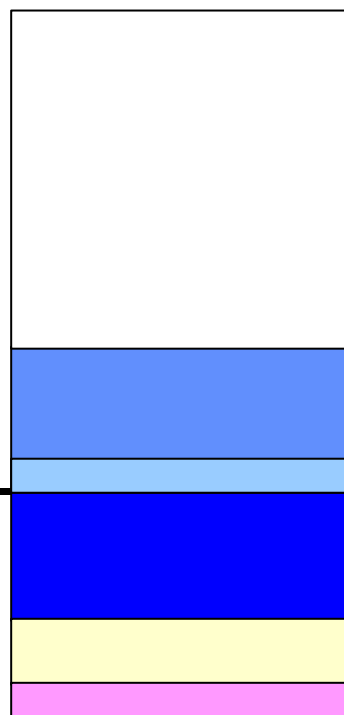
# Stock Portfolio

## Stock Portfolio

Outstanding Balance  
3,427.2 bil.  
Net Increase  
+409.4 bil.



Increase ↑  
Decrease ↓



### Breakdown of changes in outstanding balance

Increase by sales-buy-back scheme +440.5 bil.  
(related to accelerated resolution of problem assets)

Investments in affiliates +174.9 bil.

New investments +28.4 bil.

Unwind cross-shareholding -166.5 bil.

Liquidation (Sumitomo Capital Securities) -40.0 bil.

Write off -27.9 bil.

Daiwa SBCM	+162.0
Daiwa SBIM	+4.5
DLJdirect SFG	+0.7
Meiko National Securities	+7.6

### Net unrealized gains (parent basis)

Mar. 99

+430.7 bil.

Mar. 2000

+904.4 bil.

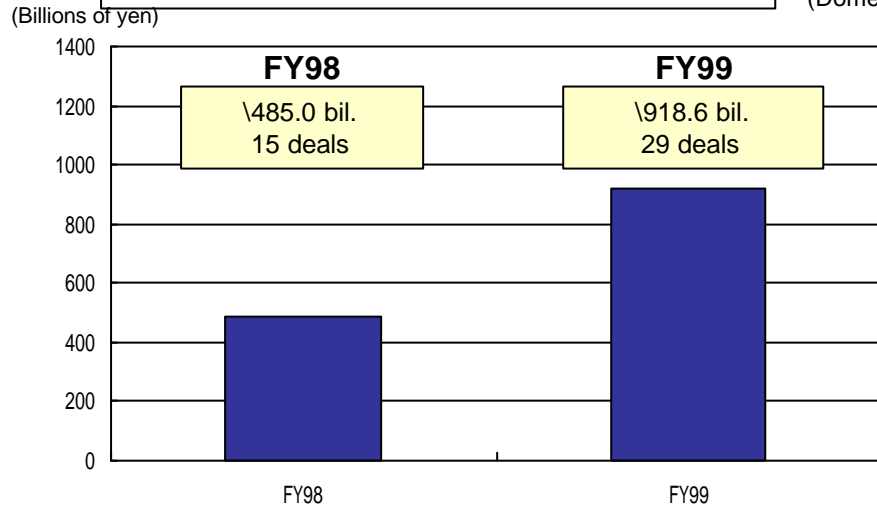
**Net increase: +473.7 bil.**



# Loan Portfolio

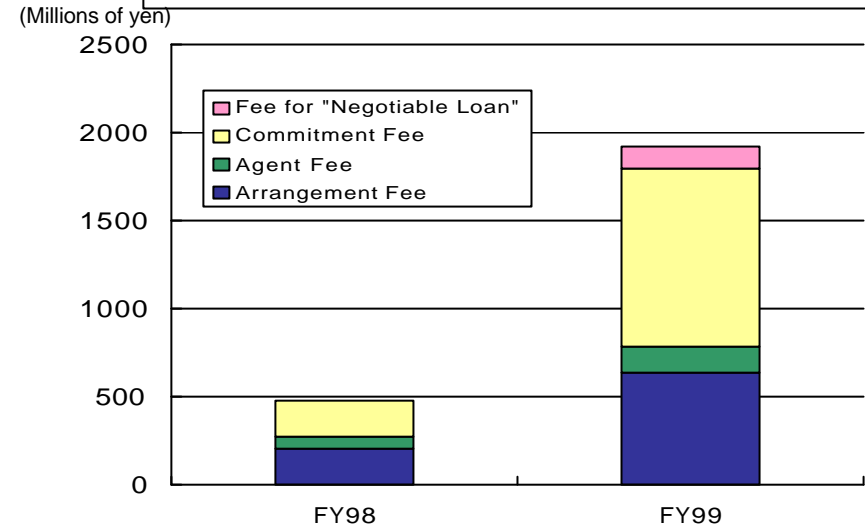
## Syndication arranged by Sumitomo

(Domestic)



## Revenues from "Debt capital markets"

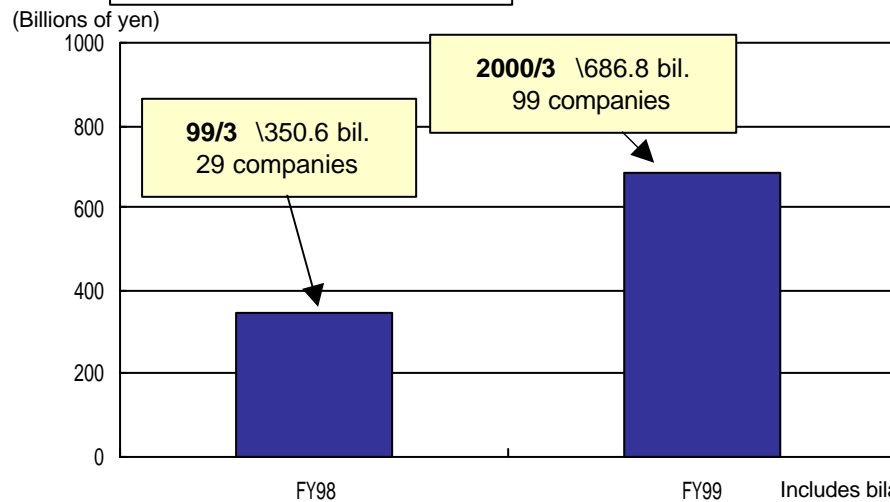
(Domestic)



Commitment line includes bilateral deals

## Commitment Line

(Domestic, term-end)



Includes bilateral deals

## Strategy

**Emphasis on expanding syndication business**

**Developing "loan trading" business**

- Started selling "Negotiable Loan" with our original documentation
- Started discussing with other major banks and companies to establish loan trading market



# Appendix

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**(Appendix 1) Consumer Banking**

**(Appendix 2) Domestic Corporate Banking**

**(Appendix 3) Loan Spreads**

**(Appendix 4) Capital Markets Business: Daiwa SBCM**



# Appendix(1) Consumer Banking

(Billions of Yen)

Assets under Sumitomo a/c	Mar. 99	Mar. 2000	Year change
	<b>Individual Deposits</b>	12,639.4	13,125.0
Liquid deposits	4,290.6	4,826.8	+536.3
Foreign currency denominated	140.3	246.0	+105.7
<b>Investment Trust Sales*</b>	77.9	448.1	+370.2
<b>Housing Loans</b>	5,316.3	5,216.8	-99.6
except apartment loans	2,884.9	2,918.2	+33.3

	FY98	FY99	Year change
	<b>Fees &amp; Commissions</b>	10.5	12.5
<b>Investment Trust Fees*</b>	0.1	3.8	+3.7

**(Marketing forces\*\*)**

**Mar. 2000 Change from Mar. 99**

Branches	275	-7
Branches with FC	74	+2
Branches with MC Desk	55	+55
Number of FC	285	+59
Number of MC	244	+244

\* Includes sales to corporate customers

\*\*FC = Financial Consultant

MC = Money Life Consultant



## Appendix(2) Corporate Banking

	FY98	FY99	Year Change
<b>Loan Spreads (Middle Market)</b>	<b>1.19%</b>	<b>1.35%</b>	<b>+0.16%</b>
<b>Loan Spreads (Large Corporate)</b>	<b>0.55%</b>	<b>0.64%</b>	<b>+0.09%</b>
<b>Fee Income (Billions of yen)</b>	<b>26.0</b>	<b>33.8</b>	<b>+7.9</b>
<b>Remittance related</b>	<b>14.8</b>	<b>16.6</b>	<b>+1.8</b>
<b>Contracts of "Perfect"*</b>	<b>107</b>	<b>859</b>	<b>+752</b>

\* Remittance receipt confirmation service:  
Effective in increasing remittance fees (business model patent granted).



# Appendix(3) Loan Spreads

<u>Corporate Loans</u>	FY1998		FY1999		Plan submitted to the Government FY2002	
	Actual	Increase from FY1997	Actual	Increase from FY1998	Plan	Increase from FY1998
Consumer Banking Group *	1.65%	-	1.80%	+0.15%	1.90%	+0.25%
Middle Market Banking Group	1.19%	+0.12%	1.35%	+0.16%	1.44%	+0.25%
Corporate Banking Group	0.55%	+0.06%	0.64%	+0.09%	0.70%	+0.15%
International Banking Group	0.70%	+0.11%	0.80%	+0.10%	0.82%	+0.12%
Consumer Loans	1.82%		1.83%			

\*Loans to small business (excluding consumer loans such as home mortgage).



# Appendix(4) Capital Markets Business: Daiwa SBCM

## Daiwa SBCM FY99 Results

(\ billions)

	99/4-6	7-9	10-12	00/1-3	FY99
Operating Revenue	37.9	42.0	47.0	45.2	172.1
Operating Profit	16.1	13.7	21.7	21.5	73.0
Net Income	*-115.0	7.7	12.5	9.7	-85.1

ROI\*\*  
17.9%

\*One-time write-off of goodwill: \208 bil.

\*\* Operating profit base

## Synergy Effects (FY99)

- Lead Manager of IPO : 32 deals originated by Sumitomo
- M&A Fee : Nearly 60% coming from Sumitomo customers
- Structured Finance : 25.7% market share in domestic publicly offered ABS underwriting  
- Sumitomo customers mainly contributing

## SB League Table FY99

		Market Share
No.1	Nomura	\1,877 billion (24.8%)
No.2	Daiwa SBCM	\1,380 billion (18.3%)
No.3	Nikko SSB	\762 billion (10.1%)

FY98 Market Share
(25.5%)
(17.1%)***
(12.3%)

\*\*\*Daiwa + Sumitomo Capital Securities

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.