

Topics

Commencement of Trust Services

Sumitomo Mitsui Banking Corporation (SMBC) began offering trust services in October 2002 through its newly established Trust Services Department. Trust businesses for asset securitization have a close connection with the commercial banking business. Having such capabilities within the Bank itself enabled us to meet wide-ranging customers' financial needs even more effectively by providing value-added services.

In addition to monetary claims trusts, we will offer customers other types of trust services, such as money trusts and securities trusts.

SMBC has also concluded agency agreements with The Chuo Mitsui Trust and Banking Company, Limited, Mitsui Asset Trust and Banking Company, Limited, and The Sumitomo Trust & Banking Co., Ltd., making it possible for the Bank to give customers access to the highly specialized fiduciary products and services offered by these institutions, including pension trusts and stock transfer agency services.

Strengthening Alliances with Securities Companies

Recent deregulation in the financial services sector in Japan has made it possible, since October 2002, for securities companies to utilize space within bank branches.

SMBC, by enhancing alliances with securities companies, aims to take advantage of these changes to develop its branches into one-stop financial service centers offering a vast range of products and services. This innovation in branch design will allow SMBC to improve the customer convenience of its services and forge stronger relationships with customers by catering more fully to their asset management needs.

Organizational Revision of SMBC

SMBC implemented an organizational revision in December 2002, as outlined below.

1. Establishment of Asset Restructuring Unit

We established the Asset Restructuring Unit to enable a more effective focus on the restructuring and reengineering of the businesses of SMBC's corporate customers. We integrated existing departments handling related work into the newly established unit, and set up the Planning Department within the unit staffed by specialists in the tools essential for corporate revitalization—such as securitization, debt-equity swaps, and debtor in possession (DIP) financing—as well as professionals with accounting and legal expertise drawn from throughout the Bank. With this organizational reform, we are fulfilling our commitment to the reengineering and restructuring of our corporate customers' businesses. At the same time, we are accelerating the implementation of decisive measures for improving the soundness of our loan portfolio in advance of the introduction of the new BIS guidelines.

2. International Business Promotion Department and China Business Promotion Department

In the Middle Market Banking Unit, the International Business Promotion Department has been expanded and given a sharper focus within the Bank's internal structure.

Simultaneously, as part of SMBC's policy of putting greater emphasis on the cultivation of China-related business, a new China Business Promotion Department has been set up to collect information on business conditions in the country and provide services to promote the development of customers' business in the Chinese market.

3. Financial Consulting Department, Consumer Loan Department, and Consumer Finance Department

In the Consumer Banking Unit, the Products and Marketing Department has been replaced by the following three new departments:

- Financial Consulting Department: responsible for advisory services for investment products such as mutual funds, foreign currency deposits, and insurance products
- Consumer Loan Department: responsible for businesses such as mortgage loans
- Consumer Finance Department: responsible for businesses such as personal revolving loans, liquid deposits, and settlement services

In addition to the aforementioned revisions, the founding of Sumitomo Mitsui Financial Group (SMFG), Inc. has prompted a reorganization of auditing functions. With the completion of the merger process that created SMBC, reorganization of IT systems and overall back-office operations has also been implemented.

Merger with WAKASHIO BANK

SMBC and THE WAKASHIO BANK, LTD. have reached a basic agreement to merge on March 17, 2003.

1. Purposes of Merger

Improvement of banking services to small businesses and individuals

Since its establishment, WAKASHIO BANK has concentrated its management resources on local-area-oriented financial services for small businesses and individuals. Through this merger, we aim to combine the unique business model that WAKASHIO BANK has created for itself with SMBC's brand power, capability in the development of sophisticated financial services, nationwide branch network, and management infrastructure such as efficient back-office operations and IT systems. This will enable us to provide banking services tailored to small businesses and individuals—particularly in the Tokyo Metropolitan region—that will feature higher added value and greater customer convenience, and thereby live up to customers' expectations of SMFG as a new financial services complex.

Strengthening financial base through reduction of net unrealized losses on securities

We aim to utilize the surplus resulting from the merger to effectively eliminate unrealized losses on securities. Following this, we will actively sell off stock holdings. These steps will enable us not only to meet equity-holdings restrictions well ahead of the mandatory implementation date for such measures, but also to achieve a sharp reduction in stock-price volatility risk, which has been a significant risk factor in banking operations.

2. The Organizational Structure of the New Bank

A new unit, named the Community Banking Unit, will be established to oversee WAKASHIO BANK's branches and related management, as well as the promotion of its business. The Community Banking Unit will be accorded a high degree of management autonomy within the overall bank, and in dealings with corporate customers of WAKASHIO BANK, full consideration will be given to each client's prior business history with the bank. The unit will also be responsible for furthering the strategic development of local-area-oriented financial services for small businesses and individuals in the community.

Main Points of Merger

Date	March 17, 2003
Trade Name of New Entity	Sumitomo Mitsui Banking Corporation —In Japanese, “Kabushiki-Gaisha Mitsui Sumitomo Ginko” —Surviving entity: THE WAKASHIO BANK, LTD.
Top Management	Chairman of the Board Akishige Okada (current Chairman of the Board at SMBC) President and CEO Yoshifumi Nishikawa (current President and CEO at SMBC)
Head Office	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo (current head-office address of SMBC)