



SMBC SUMITOMO MITSUI
BANKING CORPORATION

Investor Presentation

Sumitomo Mitsui Banking Corporation

August, 2001

Agenda



Part 1 : From pre-merger to post-merger

1. From pre-merger to post-merger
2. FY2000 Performance
3. Balance sheet merger benefits

Part 2 : Going forward...

1. Manage & improve balance sheet
 - asset quality (1), (2), (3)
 - equity portfolio
2. Realize earlier and larger merger benefit
 - cost competitiveness (1), (2)
 - better earnings structure (1), (2)
3. Current economic conditions and impact on mid-term plan

Part 1 : From pre-merger to post-merger



1. From pre-merger to post-merger P1
2. FY2000 Performance P2
3. Balance sheet merger benefits P3

1. From pre-merger to Post-merger

Before merger

- Careful merger preparation
- No1. in profitability for FY2000 : banking profit , over-head ratio

Merger date

- Merger accounting** : Sakura's unrealized losses written off and reserved using "merger surplus" without reducing retained earnings

The first 100 days

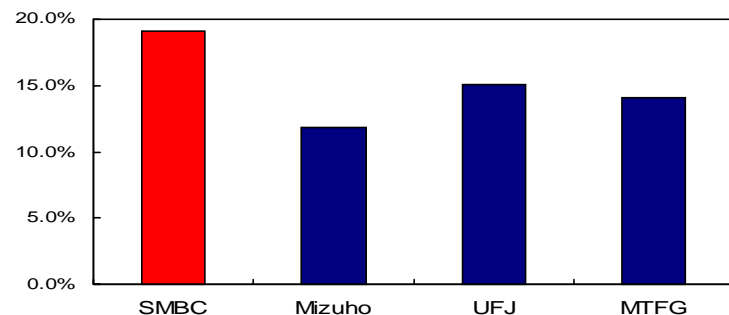
- Revised internal target for further cost reduction** :
(i) faster merger benefit, (ii) larger merger benefit
- Group strategy** : integration of major group companies

Going forward...

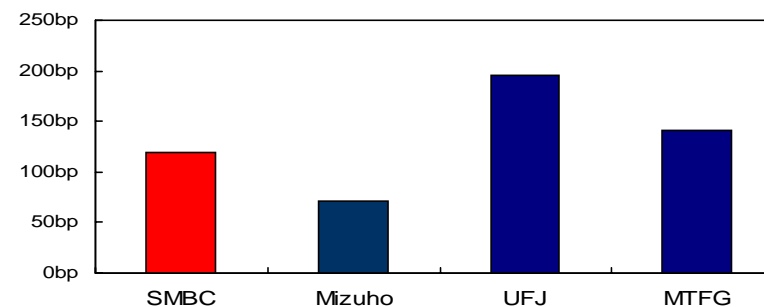
- Balance sheet management** : asset quality & equity portfolio
- Implementation of strategies for faster & larger merger benefits**

2. FY2000 Performance

ROE (parent, before credit costs)

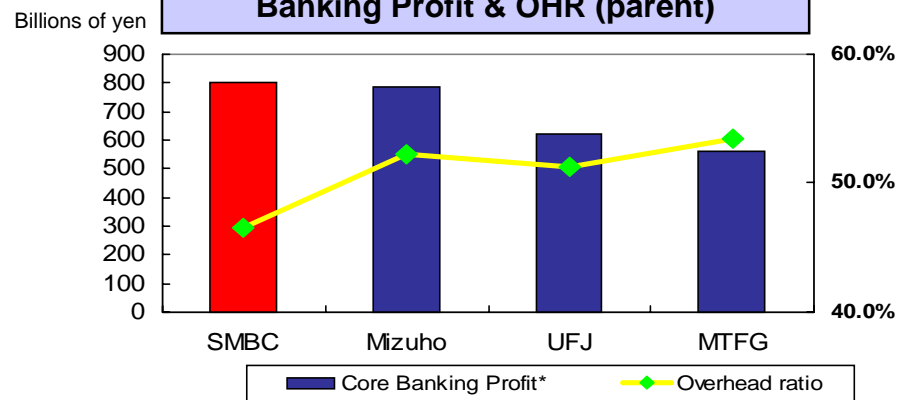


Credit Cost (parent)



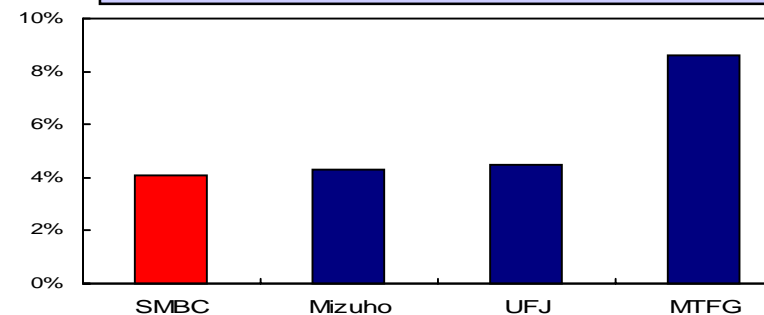
*Credit cost / total exposure

Banking Profit & OHR (parent)



*Excluding transfer to general reserves

Problem Assets Outstanding (parent)



*Problem assets outstanding / total exposure

Pro forma

3. Balance sheet merger benefits :

improved dividend coverage



**·In order to further strengthen the financial base of the new bank,
Sakura's unrealized losses were written-off and reserved.**

Billions of yen

➤ **Stocks**

--- Reduction in potential risks:

Sakura's gross losses (-456.3) written off

	<u>As of Mar. 31, '01</u>	<u>after merger</u>
combined	-259.5	→ +196.8

➤ **Unrecognized net obligation on
employee retirement plan**

--- Substantial decline of future burden:

Sakura's net obligation (-210.2) reserved

	<u>As of Mar. 31, '01</u>	<u>after merger</u>
combined	-340.4	→ -130.2

➤ **Land**

--- Reduction in potential risks:

Sakura's losses (-29.2) written off

	<u>As of Mar. 31, '01</u>	<u>after merger</u>
combined	-100.6	→ -71.4

Total -695.7 (after tax -427.0)

Reduction of shareholders' equity (-Y427.0bn.)
but retained earnings were not reduced by the merger

Part 2 : Going forward ...



1. Manage & improve balance sheet
 - asset quality (1) , (2) , (3) P4,5,6
 - equity portfolio P7

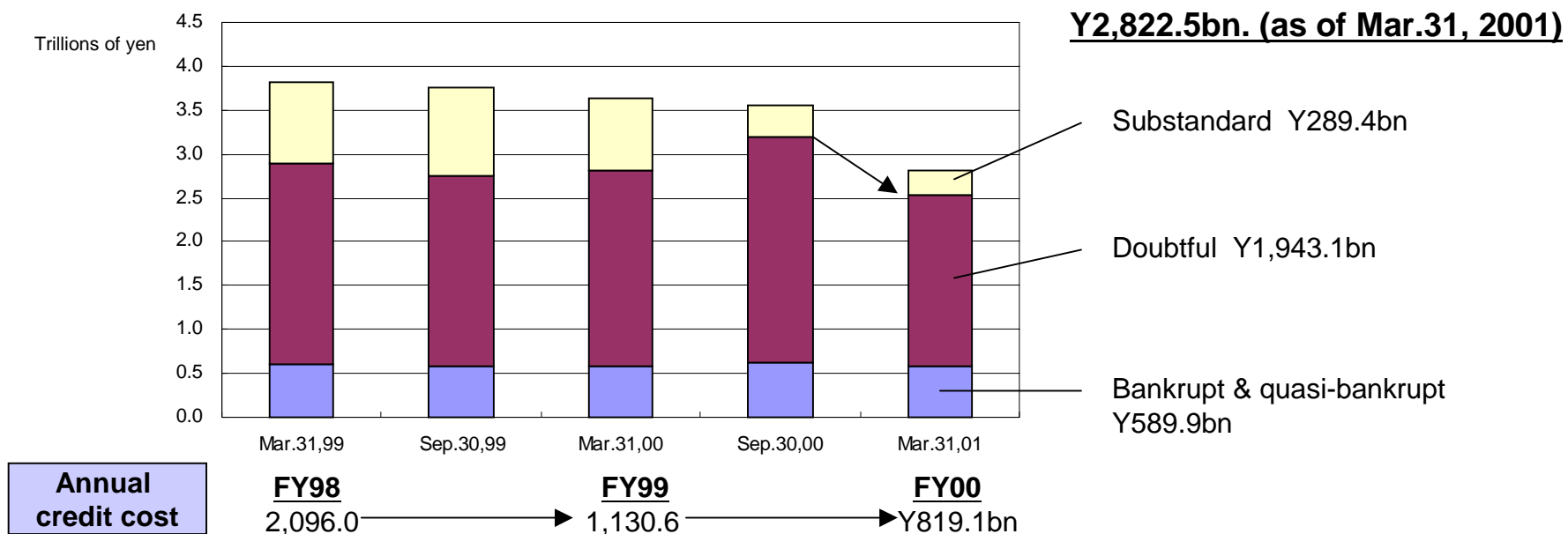
2. Realize earlier and larger merger benefit
 - cost competitiveness (1) , (2) P8,9
 - better earnings structure (1) , (2) P10,11

3. Current economic conditions and impact on mid-term plan P12

1. Manage & improve balance sheet : Asset quality (1)

Acceleration of work-out of problem assets

Problem Assets based on Financial Reconstruction Law



Breakdown of the changes in problem assets balance

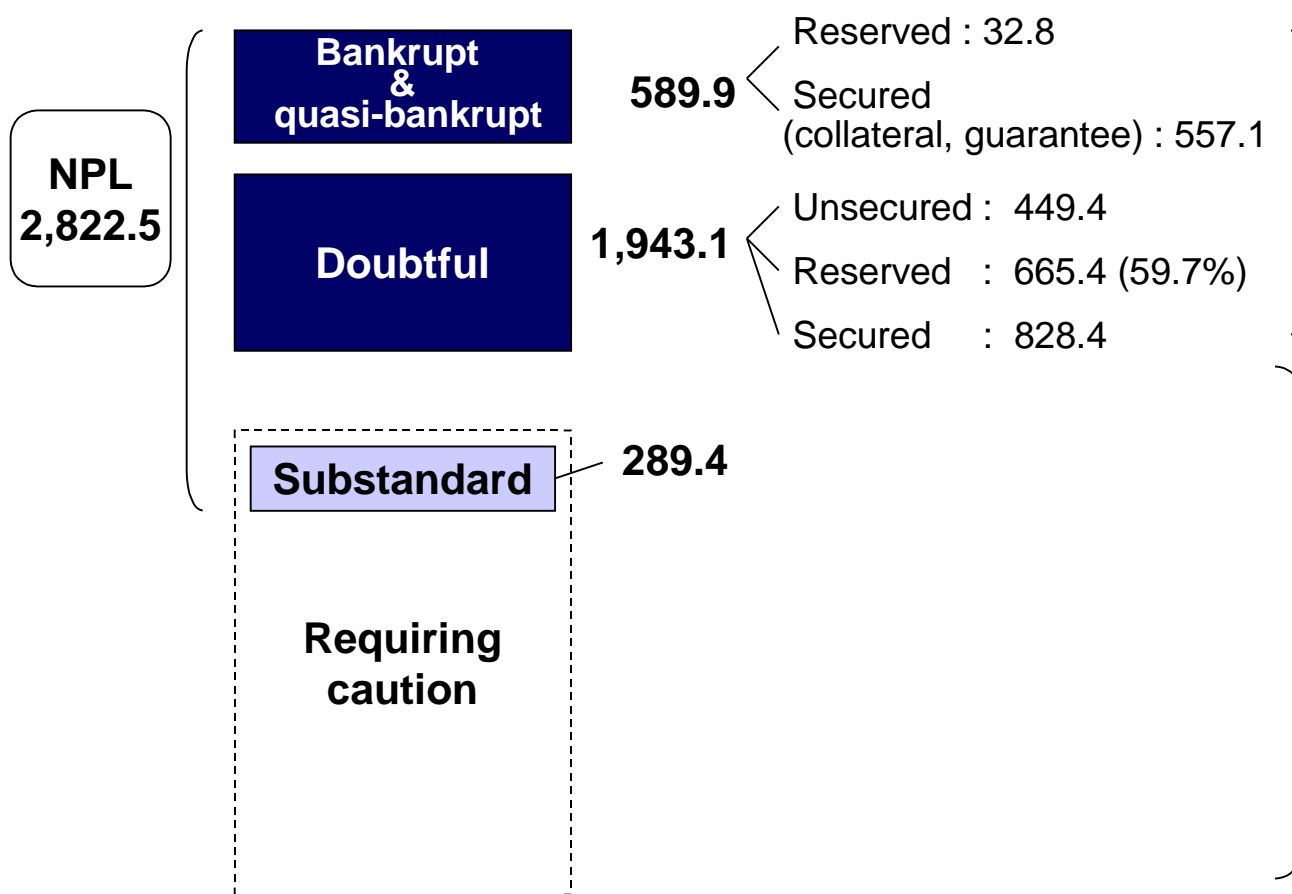
Billions of Yen

	Outstanding Sep.30, 00 A	Increase B	Decrease C	Net outstanding Mar.31, 01 A+B-C	B-C
Bankrupt and quasi-bankrupt assets	621.7	117.2	149.0	589.9	(31.8)
Doubtful assets	2,567.9	590.1	1,214.8	1,943.2	(624.7)
Total	3,189.6	707.3	1,363.8	2,533.1	(656.5)

1. Manage & improve balance sheet : Asset quality (2)

Acceleration of work-out of problem assets

Billions of yen



2,533.1

**amount to be reduced
by acceleration of work-
out**

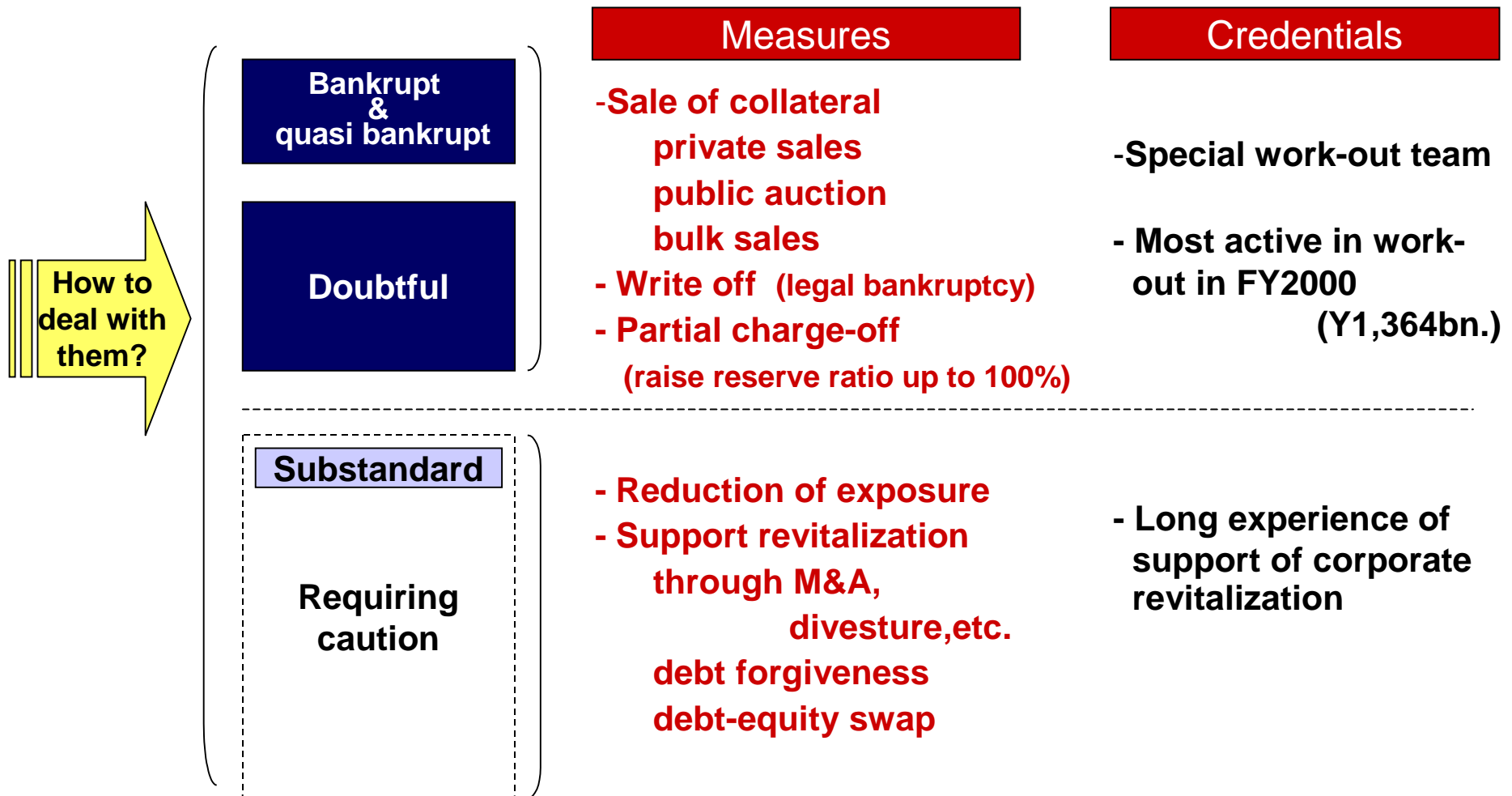
**Potential source of
credit cost :
close monitoring and
proactive bank
involvement in
borrower restructuring**

1. Manage & improve balance sheet :

Asset quality (3)



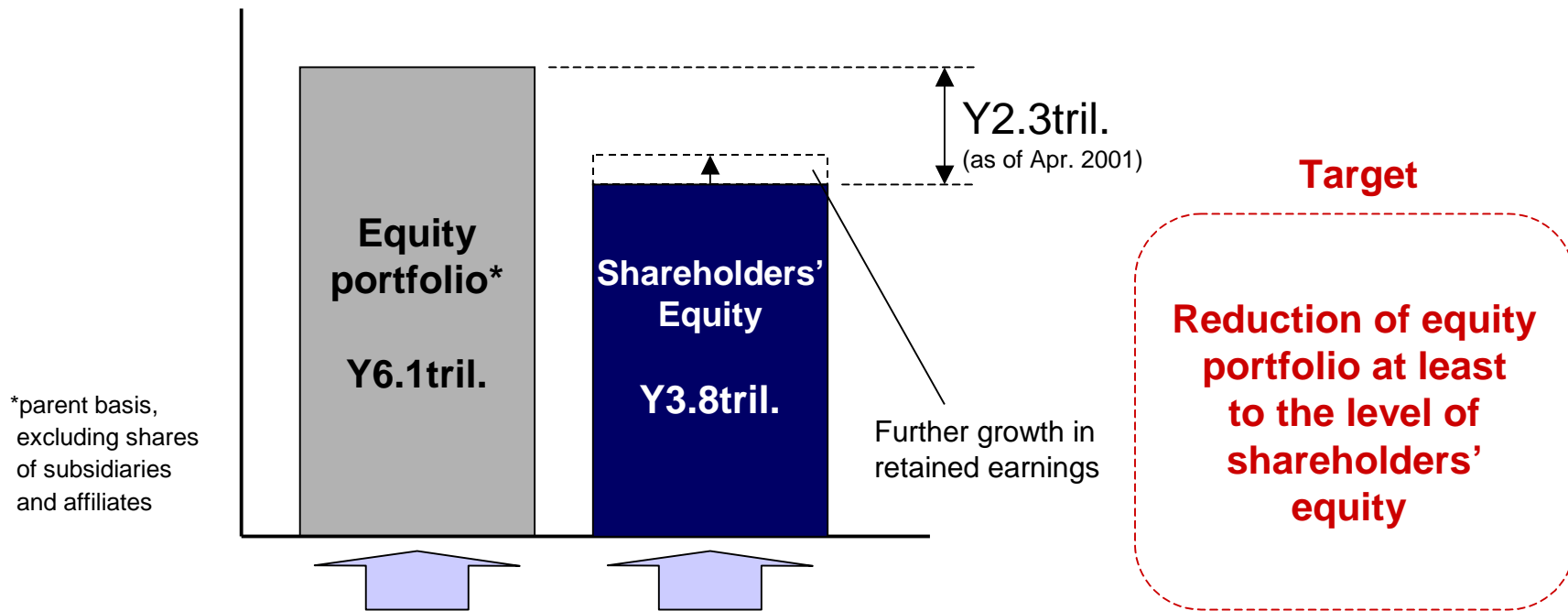
Acceleration of work-out of problem assets



1. Manage & improve balance sheet : Equity portfolio



Reduction in equity portfolio



- Mark to Market accounting ('01-)
- expected New BIS regulation
- Stock-Purchasing Organization

(Note) On August 29, FSA announced a new regulation that will restrict bank's equity portfolio within the amount of the bank's Tier 1 capital. (effective 2004)

(Reference) SMBC's Tier 1 capital (2001/4): Y4.3 tril.
(2001/5/31): Y4.4 tril.

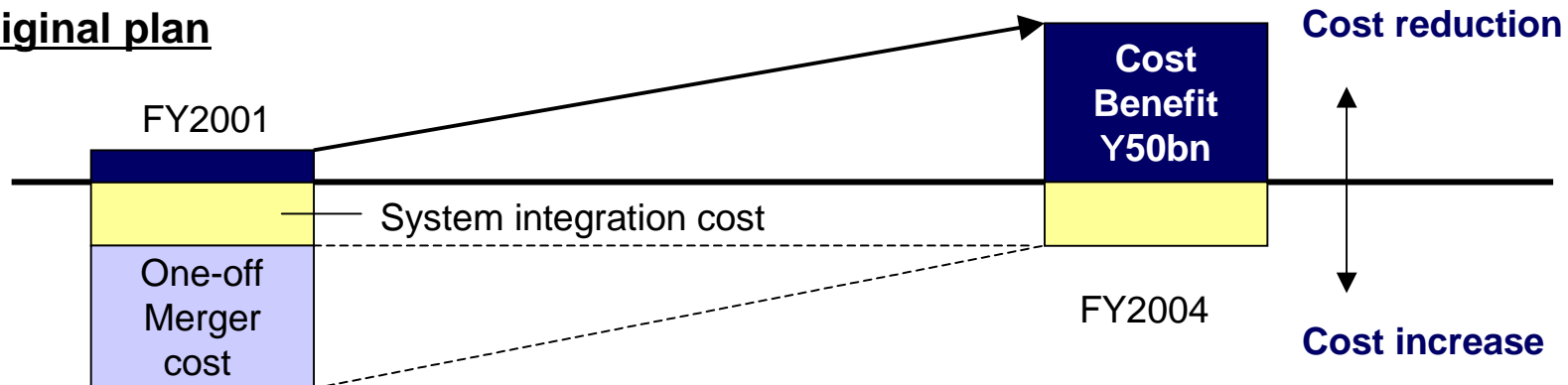
(After the exchange of Y100 bn. mandatorily exchangeable subordinated guaranteed notes)

2. Realize earlier & larger merger benefit : Cost competitiveness (1)

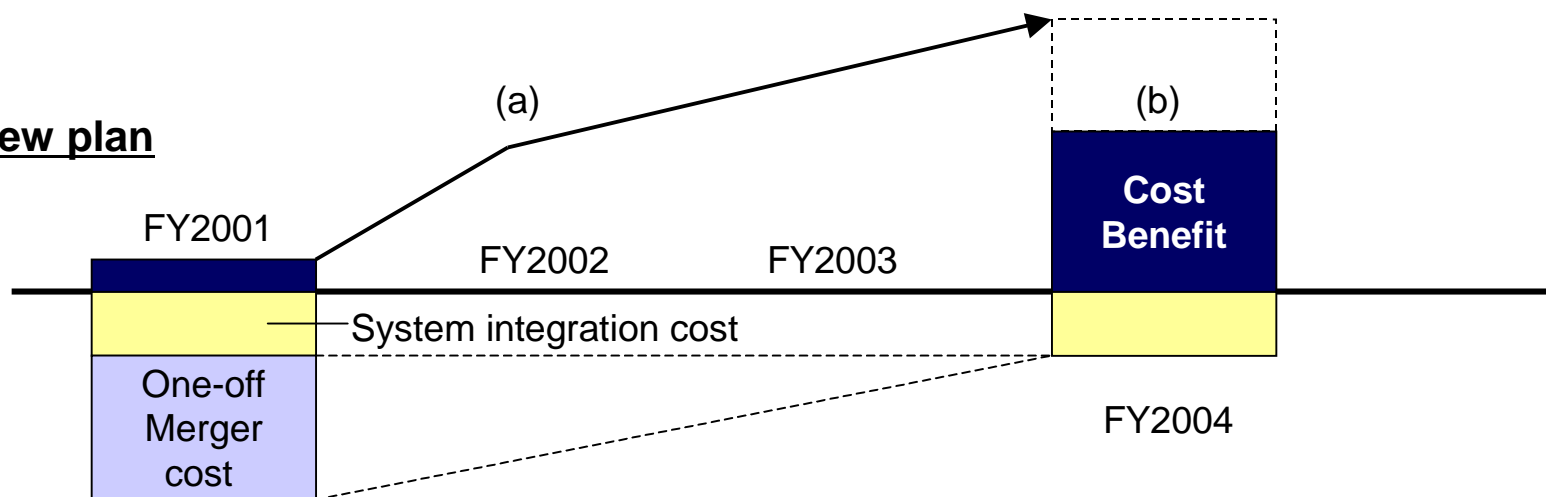
Cost competitiveness

“Approach to faster & larger merger benefit”

Original plan



New plan



2. Realize earlier & larger merger benefit : Cost competitiveness (2)



Cost Competitiveness

“How can we cut expenses of Consumer Banking business while improving customer satisfaction?”

Cost Structure

Consumer 41%
Middle market 30%
Corporate 5%
International 8%
Treasury 4%
Headquarters 12%

100% = Y700bn.

Personnel expenses
Channel related
System related
Other (incl. Mass promotion)

**Overhead ratio = 87%
(FY2000)**

**Original plan
2001-2004**

1300 reduction
in head count

110 branch
reduction
(will start FY2002)
Expand “remote
channels”

Rationalization
of systems

addition

-additional reduction
through “Business
Process
Reengineering”

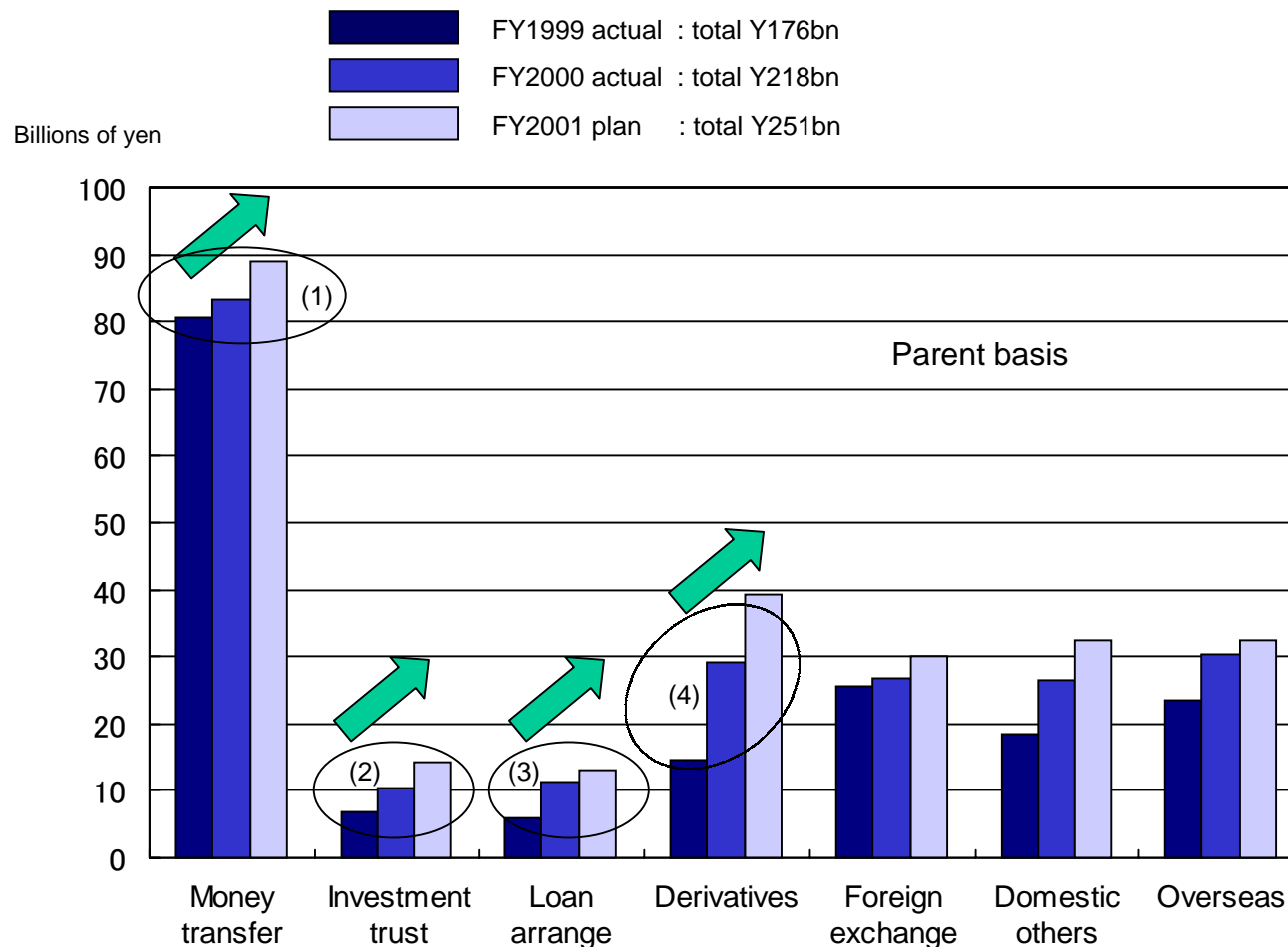
-Additional reduction
-Start from FY2001

2. Realize earlier & larger merger benefit : Better earnings structure (1)



Non-interest income

“Growth driven by extended customer base & expertise”



(1) Competitive area:

Patented CMS service changes traditional relationship b/w clients and banks

(2) New source of income:

Since Dec.1998
(market leader)

(3) New source of income:

Loan syndication from FY1999
(market leader)

(4) Growing business:

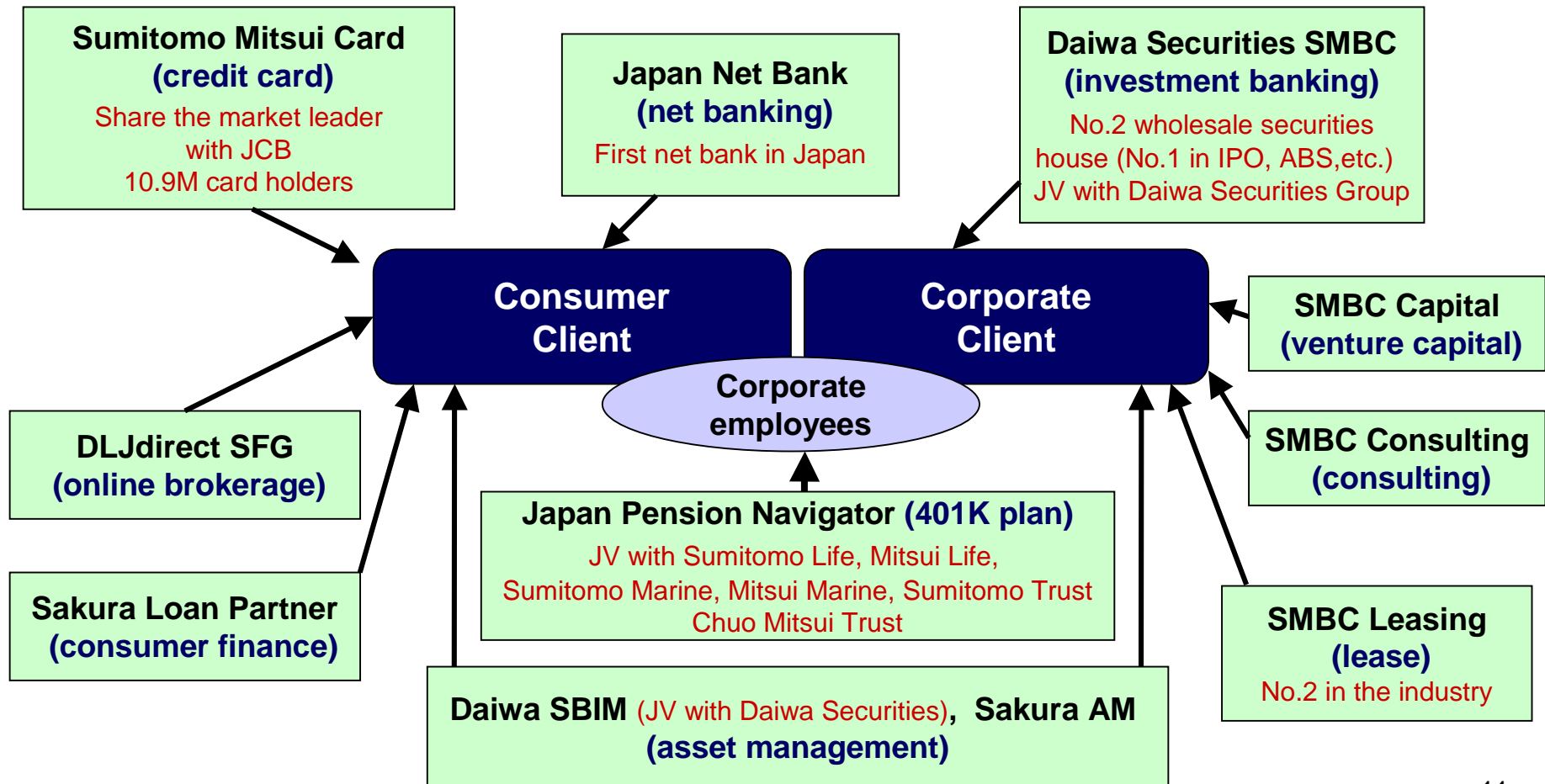
Solution provider for mid-size corporation

2. Realize earlier & larger merger benefit : Better earnings structure (2)



Merger synergies for consolidated profits

“Growth driven by comprehensive services & merger benefit”



3. Current economic conditions and impact on mid-term plan

Mid-term plan submitted to the government (Dec.2000)

Current conditions

Economic growth	Real GDP growth	+1.8%	(FY2000 - FY2004 yearly avg.)	
Interest rates	3M TIBOR	0.15% (Mar.2000)	→	1.20%(Mar.2005) 0.08%
	10Y JGB	1.80% (Mar.2000)	→	2.80%(Mar.2005) 1.30%
F/X rate	Yen/Dollar	110yen	(FY2000 - FY2004)	120yen

No signs of quick economic recovery.
Zero-interest rate policy will be kept for the time being.

[Mid-term plan submitted to the government (Dec.2000)]

	FY1999		FY2004		5-year change	parent gross profit	parent expense	group co's profit
		weight		weight				
Consumer	20	3%	248	22%	+ 228	+ 136	+ 28	+ 64
Middle Market	348	44%	546	47%	+ 198	+ 157	+ 21	+ 20
Corporate	115	15%	140	12%	+ 25	+ 25	0	0
International	38	5%	63	5%	+ 25	+ 19	+ 6	0
Marketing unit total	521	66%	997	86%	+ 476	+ 337	+ 55	+ 84
Treasury	271	34%	169	15%	-102	-102	0	0
Others	-4	0%	-16	-1%	-12	-36	-7	+ 31
Consolidated Banking Profit	788	100%	1,150	100%	+ 362	+ 199	+ 48	+ 115

Parent gross profit
Marketing unit profit :
will decrease as deposit margin to be squeezed

Parent expense
Additional cost reduction
will partially cover decline in gross profit

Appendix



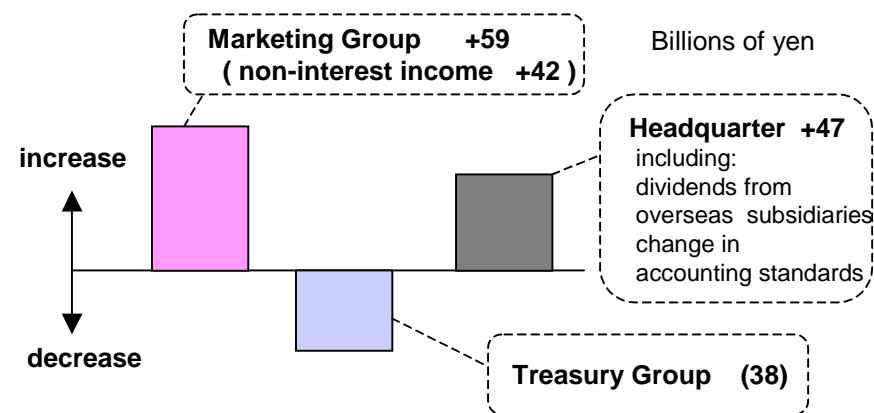
1. Financial Highlights for FY2000 results
2. Performance by Business Units
3. Progress in the restructuring plan
4. Consumer Banking Business
5. Corporate Banking Business
6. Debt Capital Market Business
7. Daiwa Securities SMBC
8. Merger accounting
9. Projections for FY2001 earnings
10. Organization chart

1. Financial Highlights for FY2000 results

(Billions of yen)

Non-consolidated	FY2000	Year change	Change from projections
Gross banking profit	1,503.2	68.7	118.2
Expenses	700.1	(27.5)	(14.9)
Overhead ratio*	46.6%	(4.1%)	(5.0%)
Banking profit**	803.1	100.2	133.1
Credit cost	819.1	(311.5)	249.1
Operating profit	359.2	22.8	(145.8)
Net income	137.8	31.9	(74.2)

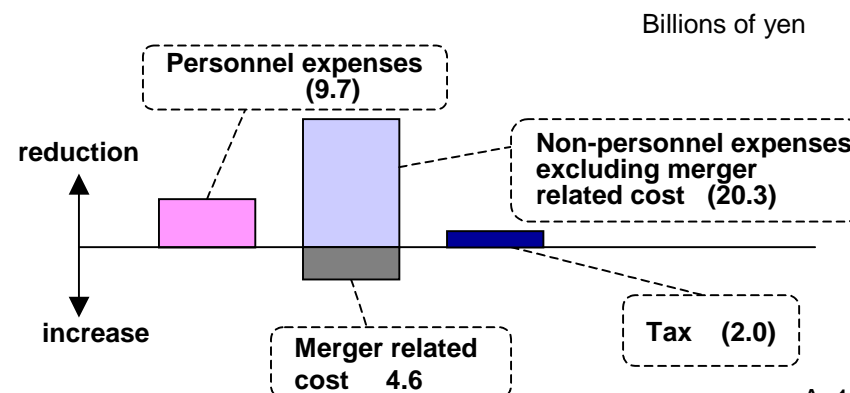
Gross Banking Profit +68.7bn



(Billions of yen)

Consolidated	FY2000	Year change	Change from projections
Banking profit	833.2	45.0	103.2
Operating profit	494.6	120.8	(120.4)
Net income	132.4	7.9	(64.6)
ROE***	3.2%	0.1%	---

Expenses reduction +27.5bn.



* (Expenses) / (Gross banking profit)

** Excluding transfer to general reserve for possible loan losses

***Fully-diluted basis, including the effect of dilution caused by public funds and mandatorily exchangeable subordinated guaranteed notes, which was mandatorily exchanged this May

2. FY2000 Performance by Business Units

(Billions of yen)

		FY2000 Actual
Consumer Banking Unit	Gross banking profit	327.5
	Expenses	285.4
	Banking profit	42.1
Middle Market Banking Unit	Gross banking profit	578.5
	Expenses	212.2
	Banking profit	366.3
Corporate Banking Unit	Gross banking profit	153.2
	Expenses	32.0
	Banking profit	121.2
International Banking Unit	Gross banking profit	84.5
	Expenses	54.6
	Banking profit	29.9
Treasury Unit	Gross banking profit	268.0
	Expenses	28.7
	Banking profit	239.3
Others	Gross banking profit	91.5
	Expenses	87.2
	Banking profit	4.3
Banking profit		803.1
Gross banking profit		1,503.2
Expenses		700.1

Consumer Banking Unit :

deposit, consumer loan (incl. housing loan), investment trust sales, money transfer, etc.

Middle Market Banking Unit :

for small & medium size corporate clients
deposit, corporate loan, money transfer, investment banking, etc.

Corporate Banking Unit :

for large size corporate clients
deposit, corporate loan, money transfer, investment banking, etc.

International Banking Unit :

for multinational corporate clients & overseas local clients

Treasury Unit :

ALM, funding, bond portfolio, trading, etc.

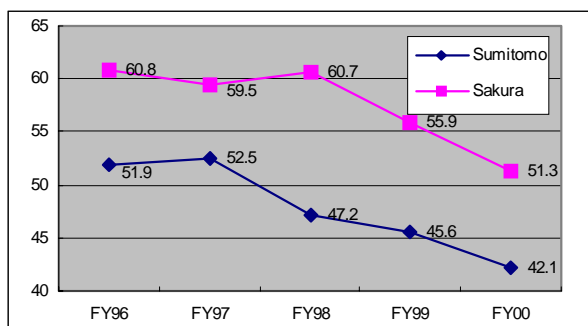
(Note) Profits and expenses based on the allocation rule of the new bank.
FY2000 results of the two banks are simply combined, after reallocating the profit and expenses based on the allocation rule of the new bank.

3. Restructuring Plan progress

Progress in the Restructuring Plan for the past 5 years

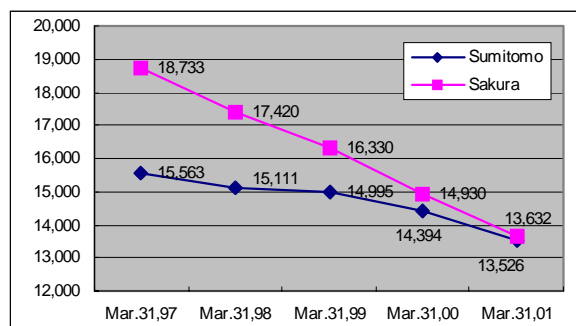
OHR (%)

- Declined approx. 10% for both banks



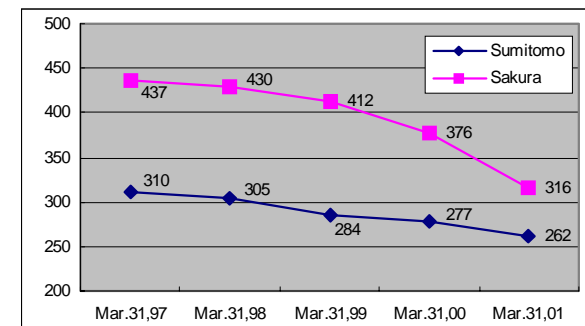
Number of employees

- Sumitomo : Reduced by 2,037
- Sakura : Reduced by 5,101



Number of domestic offices

- Sumitomo : Reduced by 48
- Sakura : Reduced by 121



<Sumitomo>

(Billions of yen, %)

		FY1999	FY2000	Change
Expenses	1	329.8	325.1	(4.6)
Personnel expenses	2	142.0	138.4	(3.6)
Non-personnel expenses	3	170.2	169.6	(0.6)
Taxes	4	17.6	17.2	(0.4)

Overhead ratio	5	45.6	42.1	(3.5)
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<Sakura>

(Billions of yen, %)

		FY1999	FY2000	Change
Expenses	1	397.8	375.0	(22.8)
Personnel expenses	2	161.7	155.6	(6.1)
Non-personnel expenses	3	216.1	201.0	(15.1)
Taxes	4	19.9	18.3	(1.6)

Overhead ratio	5	55.9	51.3	(4.6)
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4. Consumer Banking Business - Business Platform -



Customer base

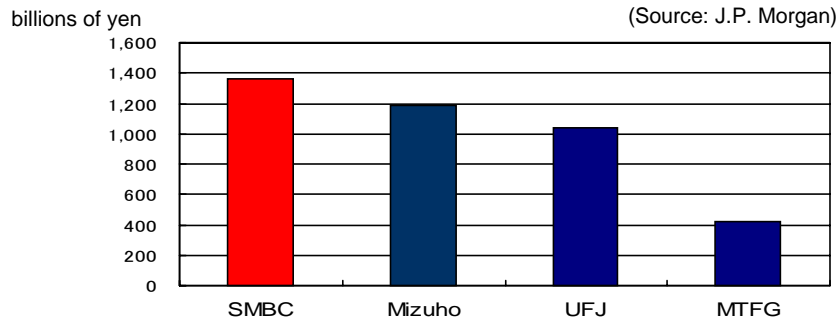
account total	26.9 million
Mortgage borrowers	7.2 million
Mass retail accounts	19.5 million

Sales-forces

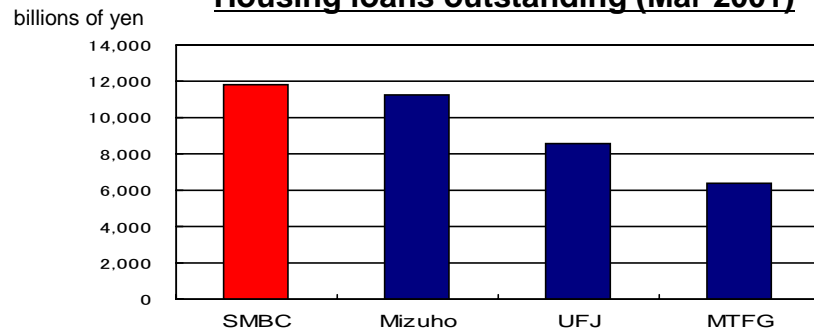
Private banker	31
Financial consultant	approx. 900
“Money-Life consultant”	in 139 branches

Competitiveness

Investment trust sales outstanding (Mar 2001)



Housing loans outstanding (Mar 2001)



Delivery channels

“Remote-channel” : 3.7 million **No.1** customers signed up

Convenience store ATM:
Over 1000 CVS network

Branches, “call-center”

Group companies

Sumitomo Mitsui Card (credit card)

QUOQ (installment credit)

Japan Net Bank (net banking)

Daiwa SBIM (asset management)

DLJdirect SFG (online brokerage)

Sakura Loan Partner (consumer finance) etc.

5. Corporate Banking Business - Business Platform -



Customer base

Corporations with annual sales of :

less than Y3bn.	158,000 companies*
Y3bn. to Y10bn.	13,000
Y10bn. or more	8,000

* largest among 4 major banking group

Delivery channels

IT networks for small business customers : “Value Door”

Corporate banking dept.

“Business support plaza”

Solution experts

Dedicated experts in key areas such as

Debt capital markets,
Investment banking,
Settlement business,
Foreign exchange etc.

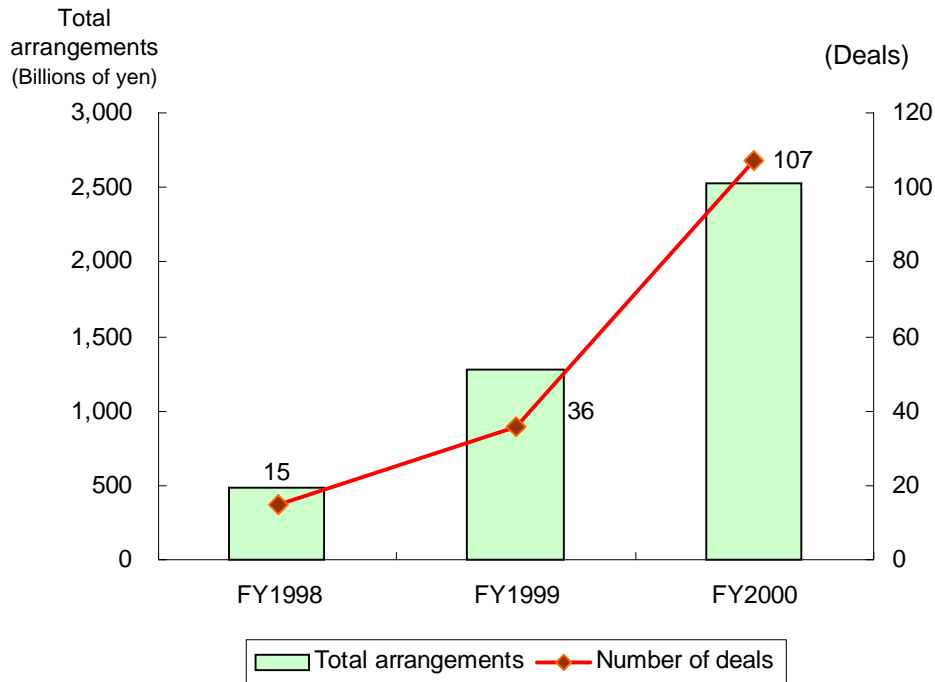
Group companies

Daiwa Securities SMBC
(investment banking)
Daiwa SBIM, Sakura AM (asset mgt.)
Japan Pension Navigator (401K)
SMBC Leasing (lease) etc.

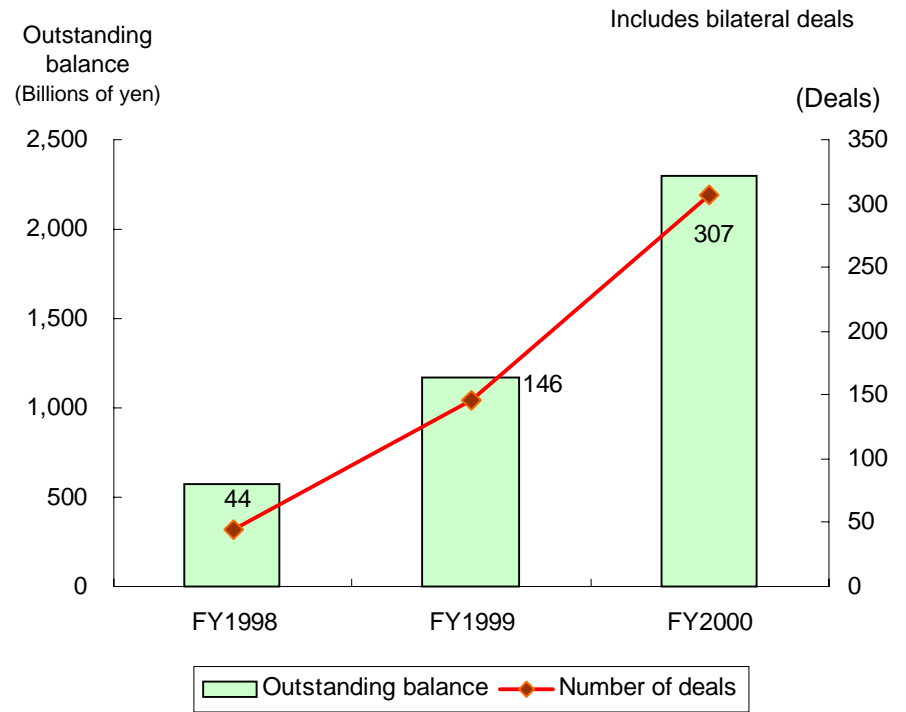
6. Debt Capital Markets Business



Domestic syndication (Sumitomo and Sakura combined, total arrangements)



Domestic commitment line (Sumitomo and Sakura combined, term-end outstanding balance)



7. Daiwa Securities SMBC

(New corporate name after integration of Sakura Securities in April. 1st.)

Daiwa Securities SMBC Financial Result FY2000

(Billions of yen)

	FY1999	FY2000	
			year change
Operating Income	172.1	230.7	58.6
Operating Profit	73.0	123.6	50.6
Net Income	(85.1)	70.8	155.9

ROI*
17.4%

*Net Income basis

Contribution to the consolidated net income:
+28.3 billion yen (40%)

Synergy effects FY2000

IPO lead-manager mandate : **No.1 in Japan (number of issues)**.

Nearly **30%** of mandates were originated by Sumitomo network.

M&A : Nearly **70%** of fee income was generated by deals originated by Sumitomo

Structured Finance : Top deals (securitization : Sumitomo Life, SB Leasing, QUOQ, etc.)

Domestic Straight Bond League Table FY2000

		(share)
1. Nomura Securities	1,688.7 billion yen	(22.3%)
<u>2. Daiwa Securities SMBC</u>	<u>1,405.8 billion yen</u>	<u>(18.6%)</u>
3. Tokyo-Mitsubishi Securities	1,015.3 billion yen	(13.4%)
4. Nikko SSB	928.2 billion yen	(12.3%)
5. Mizuho Securities	807.9 billion yen	(10.7%)
<u>6. Sakura Securities*</u>	<u>527.5 billion yen</u>	<u>(7.0%)</u>

*Sakura Securities' assets were fully transferred to Daiwa Securities SMBC (April 1st.)

(source: Daiwa Securities SMBC)

8. Merger accounting

Unrealized losses of Sakura written off using “merger surplus”

(Billions of yen)

parent	Sakura Bank			Sumitomo Bank	After the merger
	Mar. 31, 2001	Change in book value by the accounting treatments	Succeeded book value	Mar. 31, 2001	Apr. 2001
Total assets	48,461.8	(216.8)	48,245.0	65,265.7	113,451.3
Securities	10,199.7	(456.3)	9,743.4	16,860.3	26,603.7
Premises and equipment	286.4	(29.2)	257.2	585.4	842.6
Deferred tax assets	524.1	268.7	792.8	550.5	1,343.3
Total liabilities	46,180.6	210.2	46,390.8	63,347.0	109,678.4
Reserve for employee retirement benefit	14.1	210.2	224.3	(59.4)	164.9
Stockholders' equity	2,281.2	(427.0)	1,854.2	1,918.7	3,772.9
Capital stock	1,042.7	(518.8)	523.9	752.8	1,276.7
Capital surplus	899.5	91.8	991.3	643.1	1,634.4
Earned reserve	131.3	---	131.3	107.9	239.2
Land revaluation excess	42.7	---	42.7	166.9	209.6
Retained earnings	165.0	---	165.0	248.0	413.0

Net impact on Stockholders' equity

Unrealized losses written-off and reserved

*Sakura and Sumitomo combined (March 31, 2001):

Loans and bills discounted: 61,747.9bn.
Deposits: 59,041.3bn.

9. FY2001 earnings projections

(Billions of yen)

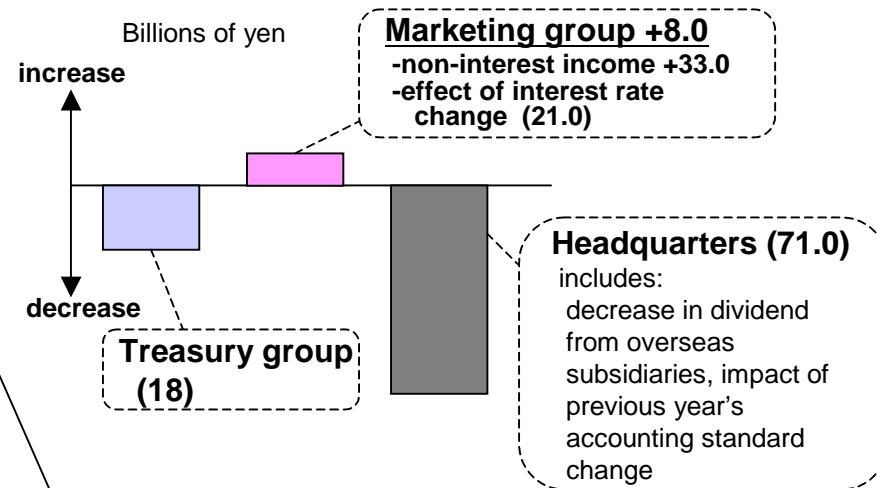
Non-consolidated	FY2000	FY2001	Change
Gross banking profit	1,503.2	1,422.0	(81.2)
Expenses	700.1	712.0	11.9
Banking profit*	803.1	710.0	(93.1)
Credit cost	819.1	400.0	(419.1)
Operating profit	359.2	295.0	(64.2)
Net income	137.8	150.0	12.2

*Excluding transfer to general reserve for possible loan losses

(Billions of yen)

Consolidated	FY2000	FY2001	Change
Banking profit	833.2	790.0	(43.2)
Operating profit	494.6	410.0	(84.6)
Net income	132.4	180.0	47.6

Gross banking profit : boost from increase in non-interest income of Marketing Group



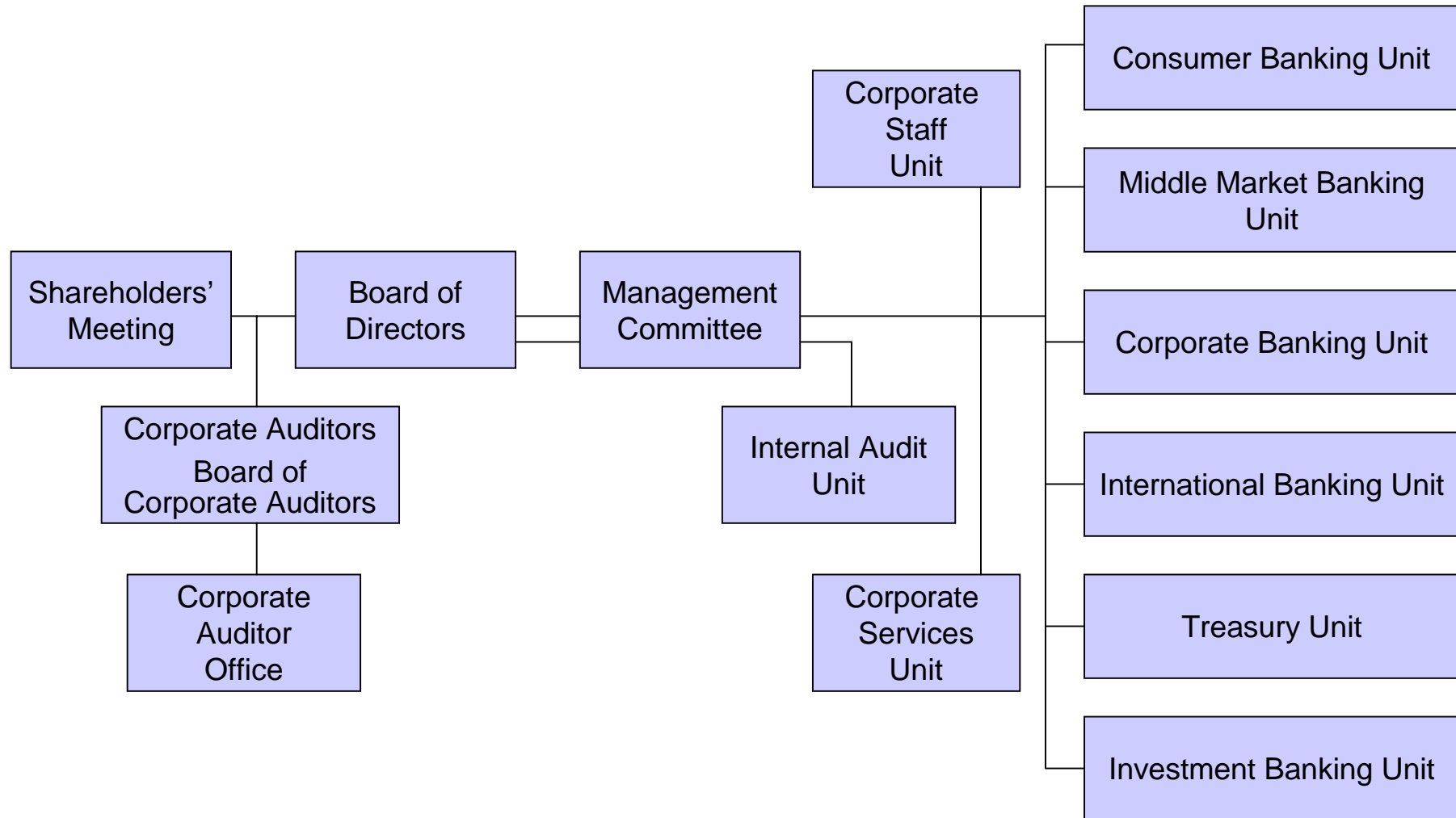
Expense : increase in merger related cost

- Merger related cost : 23.0 bn. increase
- Ordinary expense : 11.0 bn. reduction

Credit cost : includes costs associated with the acceleration of work-out

Includes further negative impact under sluggish economy and costs associated with the acceleration of work-out of problem assets.

10. Organization chart





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.