November 21, 2000

Sumitomo Bank, Limited:
Announcement of Financial Result in Six-month Period, ended September 30, 2000 at press conference held in Tokyo

We are going to explain our financial result in first half of Fiscal 2000.

We have distributed to all of you Consolidated Financial Results and Non-consolidated Financial Results with supplementary Financial Information.

Our financial results are detailed in supplementary Financial Information, therefore we will begin to go through it.

First, please take a look at the table in page 1 for income statement.

Core banking profit excluding transfer to general reserve resulted in 203.6 billion yen, 1.4 billion yen less than that of first half of last fiscal year. The reasons are 6.8 billion yen decrease in gross banking profit and 5.4 billion yen of expense reduction.

Gross domestic profit decreased by 3.8 billion yen and gross international profit decreased by 3.0 billion yen, respectively.

3.8 billion yen decrease in gross domestic profit is mainly due to 11.8 billion yen decrease in net interest income, which is negatively affected by the redemption of high coupon bonds and other factors. On the other hand, net fees and commissions increased by 3.8 billion yen mainly because of increase in fees from electronic banking and remittance and sales of investment trust. Gains/losses on sales and redemption of bonds improved by 5.7 billion yen.

Gross international profit decreased by 3.0 billion yen. However, without 4.8 billion yen decrease in gains/losses on sales and redemption of bonds, it would have been improved by 1.8 billion yen mainly because of 3.8 billion yen increase in net fees and commissions. While net trading income significantly increased by 8.8 billion yen, other gross international profit decreased by 9.5 billion yen excluding the effect of 4.8 billion yen decrease in gains/losses on sales and redemption of bonds. This contrasting result is due to accounting rules which require 1) gains/losses on currency swap shall be posted to trading profits/losses and 2) gains/losses on currency forward for the purpose of cover transaction shall be posted to gains/losses on foreign exchange transaction in other gross international profit. In this case, such an integral transaction consisting of 1) and 2) was separately recognized, and gains/losses on each item increased by approximately 10 billion yen.

Expenses decreased by 5.4 billion yen in total. This is the sum of 2.2 billion yen decrease in personnel expenses mainly due to reduction of employees, 2.1 billion yen decrease in general expenses due to cut of systems expenses and rationalization of branch network and 1.1 billion yen decrease in taxes.

Next we are moving to other operating profit and loss.

Total credit cost resulted in 199.3 billion yen. This includes 54.5 billion yen write-off of loans, 266.4 billion yen transfer to specific reserve, 4.3 billion yen losses on sales of loans to CCPC, 3.2 billion yen losses on problem loans sold and 127.9 billion yen transfer from general reserve for possible loan losses.

Gains and losses on stocks resulted in net gains of 139.5 billion yen. This includes devaluation losses of 10.6 billion yen based on self-assessment. Net gains on sales of stock resulted in 150.1 billion yen with gains of 157.3 billion yen and losses of 7.2 billion yen.

3.7 billion yen of Enterprise Taxes by Tokyo Metropolitan Government is counted in other operating loss.

In total, operating profit resulted in 139.4 billion yen, which is larger by 48.6 billion yen than in first half of last fiscal year.

As for extraordinary profit and loss, losses on disposition of premises and equipment resulted in 6.3 billion yen as a result of sales of residence for employees as a part of our restructuring plan and consolidation and closure of branches.

According to introduction of new accounting standard for Employees' Retirement Benefits, 10.1 billion yen of amortization cost of net obligation under such new accounting standard is recorded.

With these factors, income before income taxes resulted in 123.3 billion yen, 57.6 billion yen more than that of first half of last fiscal year.

Current income taxes were 20.4 billion yen. Income taxes deferred according to deferred tax accounting were 54.5 billion yen, 26.6 billion yen of which is the result of decrease in effective tax rate due to introduction of external standard enterprise taxation by Osaka Prefectural Government.

In sum, net income in first half of fiscal 2000 resulted in 48.4 billion yen, 6.9 billion yen more than that of first half of last fiscal year.

On the next page (page 2) of supplemental Financial Information, consolidated income statement is shown. As shown at the bottom, 71 companies are consolidated and 39 companies are accounted for under equity method.

Consolidated net income resulted in 75.9 billion yen, increase of 22.4 billion yen from first half of last fiscal year. This is mainly due to the facts that Sumitomo Bank Capital Markets, Inc., one of the consolidated US companies, recorded significant gain on sales of stocks of Goldman Sachs Group Inc. as we announced at the end of last month with revision of projections for earnings, and that Daiwa SBCM, one of the companies accounted for under equity method, recorded strong earnings. Compared to non-consolidated net income of 48.4 billion yen, contribution from the Bank's subsidiaries and affiliates was 27.5 billion yen.

Next, we will discuss several points on other references on page 4 to 7.

Please take a look at page 4 for unrealized gains and losses on securities. According to newly introduced accounting standard for various financial instruments effective April 1, 2000, securities are classified into three categories based on purposes of holdings of securities and the valuation method specifically defined for each category is applied, which is shown in the hand out.

Unrealized gains and losses on securities both on a non-consolidated basis and on a consolidated basis are set out in the table in the middle of the page. Net unrealized gains on securities on a consolidated basis were 598.7 billion yen. Securities categorized as Other Securities are not carried at fair value on the Bank's balance sheet. If such securities had been carried at fair value on the Bank's balance sheet, a separate component of 361.4 billion yen would have been shown in the shareholder's equity, which is equivalent amount to unrealized gains and losses on valuation on such securities.

The bottom table shows unrealized gains and losses on securities on a non-consolidated basis. Mainly due to depressed stock markets, unrealized gains on listed securities decreased. As a result, net unrealized gains on securities decreased by 496.0 billion yen from the end of last fiscal year and resulted in 405.4 billion yen. For non-consolidated basis, the impact of carrying securities categorized as Other Securities at fair value on shareholder's equity would have been 255.6 billion.

Information on employees' retirement benefits is shown on page 5. Net obligation under newly introduced accounting standard for employees' retirement benefits, which is actuarially calculated obligation under employees' retirement benefits net of fair value of plan assets and reserve for retirement benefits, was 100.8 billion yen, which is to be amortized over 5 years with straight line method. As a result, amortization cost in first half of fiscal 2000 was 10.1 billion yen.

On page 6, total capital ratio resulted in 11.33%, 0.27% points decrease from the end of March 2000.

On page 7 is a summary of progress in our restructuring efforts.

We begin discussion on our loan portfolio with page 8.

The table 1 at the top of page 8 sets out classification of customers under self-assessment, exposures to customers in each class under Revitalization Law standard, the coverage status and reserve policy and reserve for such exposures classified.

Risk-monitored loans both on a non-consolidated basis and on a consolidated basis, loan portfolio classified by industry and classified by country are detailed on the pages beginning page 9.

On page 16, some supplemental data is shown.

One additional comment is here. Amounts of loans to small- and mid-sized companies for the purpose of the Plan for the Strengthening of the Financial Base of the Bank are not yet finalized so that those numbers are not in this Financial Information. But we would like to disclose those numbers here on a very preliminary basis.

While the plan of this fiscal year is to increase loans to small- and mid-sized companies by 100 billion yen on the Plan basis, our estimate of the increase in first half of this fiscal year is 200 billion yen. We are expecting repayments from these borrowers with their efforts to restructure their balance sheet in second half of this fiscal year and therefore we will continue to make efforts to achieve above the plan.

(Projections of earnings for fiscal 2000)

In the last, please take a look at page 17 for projections of earnings for fiscal 2000.

On a consolidated basis, we are expecting 2,600 billion yen of operating income, 390 billion of operating profit and 125 billion of net income.

On a non-consolidated basis, we are expecting 1,750 billion yen of operating income, 260 billion yen of operating profit and 100 billion of net income.

We are expecting 360 billion yen of core banking profit on a non-consolidated basis, which is less than that in last fiscal year by 29.4 billion yen and 30 billion yen more than that in the Plan for the Strengthening of the Financial Base of the Bank, which sets the goal of 330 billion yen.

As for total credit cost in fiscal 2000 on a non-consolidated basis, we are expecting 350 billion yen, 100 billion yen more than our original estimate, to finish our asset quality problem before the merger with Sakura Bank, taking into consideration further deterioration of borrowers' assets due to the land price drops and others.