

November 21, 2000

Sumitomo Bank, Limited:

Major Questions and Answers at Press Conferences for Announcement of Financial Result in Six-month Period, ended September 30, 2000

Q.

What are the reasons for increase in credit cost compared with the original forecast?

A.

The most significant factor is additional reserve for Kumagai Gumi in accordance with their request for debt forgiveness.

Q.

How much was that additional reserve?

A.

In response to their request for debt forgiveness, we have transferred necessary amounts to specific reserves. The net additional burden for the first half is approximately 120 billion yen. In other words, we have transferred approximately 230 billion yen to specific reserves for that company, and transferred back approximately 110 billion yen from general reserves in the first half.

Q.

Some regional banks are reportedly unwilling to accept the request for debt forgiveness. How do you assess possibility of such an event and impact of that?

A.

I understand that this is not an easy issue and that various efforts shall be required. I, however, hope that agreement be reached sooner rather than later given on-going earnest efforts.

Q.

How much will be the possible additional burden for Sumitomo?

A.

Since the negotiation is still going on, we do not think of such possibility.

Q.

What will be the classification of loans to Kumagai Gumi after the debt is forgiven?

A.

We expect that they will no longer be Doubtful Loans.

Q.

Will they really be out of Doubtful Loans, given the restructuring plan being set for as long as 12 years?

A.

12-years-period is set for complete repayment by that company of all the debt except for those from five largest lending banks. The substantial restructuring period ends within 7 years, of which first 2 years are the period for drastic restructuring of their management and business and next 5 years are the period for assuring their new business development. We believe such credit should be not within Doubtful Loans.

Q.

How much credit cost for Kumagai Gumi had been factored into the original forecast of 250 billion yen of total credit cost for fiscal 2000?

A.

If we had been sure of the necessary credit cost for this year, we should have reserved for that in last year. Thus, the forecast for credit cost always has to be formed through summing up of multiple probability factors. Since the actual outcome shall be subject to various factors such as economic conditions and business decisions of client borrowers, it is theoretically meaningful to compare the actual result with the original forecast, but practically not. Kumagai Gumi has been a part of such probability, but not necessarily factored into with concrete numbers.

Q.

Is Kumagai Gumi a major factor for increase of Doubtful Loans?

A.

Correct. Due to the request for debt forgiveness by Kumagai Gumi, Doubtful Loans have increased by approximately 500 billion yen and Substandard Loans have decreased by approximately 210 billion yen compared with March 31, 2000.

Q.

What is the reason for increase in problem loans for construction industry by 500 billion yen over the past 12 months?

A.

This is also due to Kumagai Gumi.

Q.

What is the forecast for credit cost on a consolidated basis for fiscal 2000?

A.

In the first half, the difference of credit cost between consolidated and non-consolidated basis was approximately 30 billion yen. Therefore we expect that it should be a little larger than that on a non-consolidated basis for the entire year, too.

Q.

How was the increased credit cost financed in the first half?

A.

It was partly financed by gains on sales of stocks.

Q.

Credit cost forecast for the second half has been also revised upward. How will it be financed?

A.

It shall basically be financed by increase in core banking profit, and possibly by gains on sales of stocks. Although the first half result was negatively affected by one-time impact of introduction of external standard enterprise tax by Osaka Prefectural Government, that will no longer affect the second half result.

Q.

Is the peak of bad loan disposal really over?

A.

We certainly believe that the peak is behind us. But the credit cost for fiscal 2000 will be larger than the original forecast, due to factors such as decisions by some corporate customers to substantially restructure their businesses as responses to ongoing changes in the economic and industrial structures as well as accounting rules. In our specific case, the need for accelerated disposal before the merger with Sakura Bank could be the additional factor.

Q.

What is a plan for sales of cross-holding shares?

A.

We do not have a specific target since the sales are subject to consent of our customers. But we have a firm policy to reduce such outstanding because the amount of cross-holding shares will be so large with the merger. We would like to properly unwind the cross-shareholdings carefully watching the specific and market-wide trend of stock prices.