

## CREDIT AND RESERVE POLICY IN OVERSEAS EXPOSURE

At March 31, 1999, the Bank's exposure on a transfer risk basis to overseas territories or countries stood at \$43.5 billion, or approximately ¥5,248.7 billion. Of this total amount, roughly two thirds is exposure to North America and Western Europe. The remaining third includes exposures to Asia, Central and South America (including Mexico) and Eastern Europe. Within the Asian portion, which comprises about 75% of this segment, most of the exposure is concentrated in Hong Kong, China (the People's Republic of China excluding Hong Kong), Thailand, Singapore and the Republic of Korea.

Responding to the deterioration of many Asian economies, the Bank has set aside reserves to cover the credit risk and country risk in this region since fiscal year 1997. The balance of reserves for this coverage stood at \$560 million at March 31, 1999, providing an average coverage ratio of 5.0% over the total outstanding credit amount of \$11.1 billion. On a single country basis, the highest coverage ratio was 34.1% for Indonesia, followed by 6.0% for Thailand and 4.8% for China.

The growth potential for Asian countries remains high and this region continues to be an important strategic market for Sumitomo Bank. We intend to maintain close monitoring of changes in the situation of each country, taking appropriate measures to secure our credit and make reserves as required, and thereby maintain the soundness of our Asian portfolio.

### ■ Overseas Exposures and Reserves (As of March 31, 1999)

(Millions of U.S. Dollars, %)

	Total Exposure (Transfer Risk Basis) (1)	Sovereigns	Japanese Institutions	Non- Japanese Institutions	Financial Institutions	Reserves (2)	Reserve Ratio (2)/(1)
Total	\$43,544	\$5,601	\$14,851	\$20,113	\$2,979	\$700	1.6%
Asia	11,128	1,711	2,250	6,298	869	559	5.0
Hong Kong	3,069	121	433	2,442	73	40	1.3
China	1,789	888	571	320	10	86	4.8
Thailand	1,413	213	283	747	170	85	6.0
Singapore	1,368	159	664	544	1	15	1.1
South Korea	1,198	8	5	725	460	19	1.6
Indonesia	855	64	131	559	101	291	34.1
Malaysia	604	137	152	307	8	8	1.3
Taiwan	436	7	—	406	23	2	0.4
India	341	103	10	207	21	11	3.2
Philippines	55	11	1	41	2	2	3.1
Central and South America	1,189	144	419	289	337	4	0.3
Brazil	752	24	415	57	256	2	0.2
Mexico	177	68	—	93	16	0	0.2
Eastern Europe	382	133	—	209	40	11	2.9
Slovakia	114	45	—	69	—	3	2.3
Hungary	61	5	—	43	13	0	0.2
Russia	10	—	—	10	—	6	58.0
North America	18,313	2,645	7,052	7,627	989	80	0.4
Western Europe	10,566	535	4,481	5,213	337	25	0.2
Others	1,966	433	649	477	407	21	1.1

Notes: 1. "Transfer risk" is defined as exposures classified by region based on the place where the risks are actually taken.

For example, exposures guaranteed by the Japanese parent company are considered as exposures to Japan.

2. The figures include loans, bonds, call loans and customers' liabilities for acceptances and guarantees. Outstanding balance of exposures is counted (including exposures in local currencies).

3. "Reserves" consist of specific reserve, loan loss reserve for specified countries and general reserve (including additional loan loss reserve for Asian countries).

4. All of the figures are after direct reduction (\$194 million in total).