

Interim Financial Results for the Period Ended on Sept. 30, 2000

We would like to explain Sakura Bank's "Interim financial results for the period ended on September 30, 2000" according to "Reference Materials" distributed separately from Summary of Accounts.

1. General Condition of Interim Financial Results

Please see Page 1.

Firstly, we would like to explain "Non-consolidated business performance" for the period. "Gross operating profit" on the 1st line decreased by ¥ 8.5 billion, compared with the same period of the previous year. "Gross operating profit (domestic)" on the 3rd line rose by ¥ 14.5 billion owing to an increase in "Fees and commissions" and "Other operating profit" caused by effects of sales of investment trust and profits from mark-to-market accounting respectively. "Gross operating profit (international)" on the 9th line, however, fell by ¥ 23.1 billion owing to a decrease in profits on funding operations because of the dollar interest rates' rise.

"Expenses" on the 15th line sharply reduced by ¥ 16.3 billion compared with the same period of the previous year. "Personnel expenses" declined due to reductions in staff and "Non-personnel expenses" fell as a result of the drastic and extensive expenses reduction. In addition, "Taxes" also reduced.

As a consequence, "Net operating profit before net addition to general reserve for possible loan losses" on the 19th line increased to ¥ 166.8 billion.

"Net operating profit" on the 21st line, which was obtained by adding net addition to general reserve for possible loan losses to the above, climbed by ¥ 19.5 billion compared with the same period of the previous year, to ¥ 183.6 billion.

"Core net operating profit" on the 23rd line, which shows profitability of core banking business excluding gains and losses on bonds, rose by ¥ 8.8 billion compared with the same period of the previous year, to ¥ 168.2 billion.

As a result of strengthening commercial banking business, and restructuring businesses organizations, declared as our main management policy, “Net operating profit” and “Core net operating profit” for the interim period showed the largest figure in our history.

Next, we would like to explain “Extraordinary profits and losses”. For “Gains and losses on stocks and other securities” on the 25th line, we posted ¥ 16.5 billion loss as a result of offsetting “Gains on sales” against “Losses on sales” and “Losses on diminution in value”.

For “Loan losses”, we disposed of ¥ 115.4 billion as a result of “Direct written-offs” and “Net addition to specific reserves” caused by the more conservative borrower classification and “Net addition to reserve for possible losses from loans sold to CCPC”.

As a consequence, “Operating profit” for the period on the 37th line was ¥ 115.6 billion. “Net income” on the 47th line amounted to ¥ 51.9 billion.

Please turn to page 2.

We explain “Consolidated business performance” for the period. “Gross operating profit” on the 1st line increased by ¥ 0.7 billion mainly owing to an increase in “Fees and commissions” of the bank and its affiliated companies. “Operating expenses” on the 6th line decreased by ¥ 30.5 billion through effect of restructuring measures. For “Loan losses” on the 7th line, we posted ¥ 155.8 billion adding loan losses of subsidiaries and non-bank affiliates to that on a non-consolidated basis.

In addition, by adding other items, such as “Gains and losses on stocks and other securities” and “Gains and losses on investment based on the equity method” to the above, “Operating profit” on the 15th line increased by ¥ 31.9 billion, compared with the same period of the previous year, to ¥ 105.9 billion. “Net income” on 21st line obtained after adding items, such as “Gains and losses on disposal of premises” and “Income taxes” decreased by ¥ 9.5 billion, compared with the same period of the previous year, to ¥ 31.3 billion.

Please turn to page 3 and see “Net operating profit per employee and “Expense ratio” at the top of the page. Figures of “Net operating profit per employee” improved by around 20%, compared with the same period of the previous year.

“Expense Ratio ” also improved by 3.3%, compared with the same period of the previous year. These efficiency indicators improved steadily as the effect of restructuring progress.

Please see the list of “Domestic yields” mentioned below. “Overall interest spread” mentioned at the bottom (3) improved by 0.02 %, compared with the same period of the previous year. “Interest spread between deposits and loans”, which shows the status of profits of deposits and loans, also improved by 0.10 %, compared with the same period of the previous year. Thus, “Spread between deposits and loans”, the important figure related to our core commercial banking business, has been improving steadily.

Please turn to page 4.

“Gains and losses on diminution in value” on a non-consolidated basis decreased by ¥ 588.3 billion, compared with the end of the previous fiscal year, to ¥ 74.4 billion due to the sluggish stock market. Those on a consolidated basis amounted to ¥ 54.9 billion.

Please see page 5.

Compared with the end of the previous fiscal year, provisional “Capital ratio” lowered by 0.23% to 12.30%. “ROE” mentioned below improved as profits for the period increased.

Please turn to Page 6.

We would like to explain figures related to “Retirement benefit”, which were introduced from this fiscal year.

Non-consolidated balance of depreciable retirement benefit as at the beginning of this fiscal year in respect of the differences caused by a change in accounting principles amounted to ¥ 181.8 billion. We will depreciate them by the equal amount basis over a five-year period from this fiscal year. Those consolidated balance was ¥ 193.7 billion.

2. Disclosure of Problem Loans

Please see Page 9. We would like to explain “Disclosure based on the Financial Rehabilitation Law” in connection with disclosure of problem loans.

“Bankruptcy, etc.” increased to a small extent because we classified borrowers more conservatively to make reserves preemptively. Compared with the end of the previous fiscal year, however, “Disclosure Based on the Financial Rehabilitation Law” in total decreased by ¥ 339.3 billion, to ¥ 1,384.1 billion owing to the decrease in “In Danger of Bankruptcy” and “Special Attention” arising from the completion of assisting non-bank affiliates.

For “Status of coverage according to the Financial Rehabilitation Law”, see the 2nd chart from the bottom. Any coverage ratio improved due to the decrease in problem loans.

3. State of Loans and Bills Discounted

Regarding loans and bills discounted, please see page 15.

“Loans to individuals” and “Housing loans”, one of our edges, increased steadily.

For “Loans and bills discounted to small and medium-sized enterprises”, “Ratio to total loans” improved by 0.1 %, compared with the end of the previous fiscal year, to 72.8 %.

The balance of “Loans and bills discounted to small and medium-sized enterprises” decreased, however, this is a figure before considering special factors such as disposal of problem loans. After reporting to the Financial Rehabilitation Committee, we will announce the balance including such special factors.

4. Rationalization

Please turn to page 16.

We would like to explain “Expenses, number of directors and employees and number of offices ”.

As shown in the tables, we have already attained the target of “Number of employees” and “Number of domestic offices” in the plan for Mar. 31, 2001, as the result of the acceleration of the restructuring measures as a whole.

5. Performance Projection for FY2000

Please turn to page 17.

We would like to explain performance projection for FY2000. We plan that “Net operating profit” will increase by ¥ 11.9 billion, compared with the FY 1999, to ¥ 340.0 billion, “Operating profit” by ¥ 85.0 billion, to ¥ 245.0 billion, and “Net income” by ¥ 54.8 billion, to ¥ 112.0 billion, respectively.

“Losses on loans”, which consists of “Net addition to reserves for possible loan losses” and “Loan losses”, are expected to reduce by ¥ 229.9 billion, compared with the FY 1999, to ¥ 220.0 billion.

For consolidated profits and losses, we plan to increase the figures compared with the FY 1999. “Operating profit” will increase to ¥ 225.0 billion, “Net income” to ¥ 72.0 billion and “Consolidated net operating profit” to ¥ 330.0 billion, respectively. “Capital ratio” based on projection is planned to be around 12% at the end of March, 2001.

6. Dividends

Lastly, we explain “Dividends” payment. As mentioned in the Summary of Accounts, we will pay dividends for FY2000 as follows;

- ¥ 3 per one share to common stock holders as dividends for the interim term
- Distribution due to merger of ¥ 3 per one share to common stock holders instead of term-end dividends
- ¥ 7.50 and ¥ 6.85 per one share to holders of Preferred Stocks (Series) and (Series) respectively as dividends for the interim term
- Distribution due to merger of ¥ 7.50 and ¥ 6.85 per one share to holders of Preferred Stocks (Series) and (Series) respectively in stead of term-end dividends

Thank you for your attention to our interim financial results.