

Consolidated Financial Review

Sumitomo Mitsui Banking Corporation (Formerly The Sakura Bank, Limited) and Subsidiaries

1. Financial Results

Consolidated operating results for fiscal 2000, ended March 31, 2001, include the Sakura Bank, Limited (the "Bank"), 65 consolidated subsidiaries (39 domestic and 26 overseas) and 12 affiliates that are accounted for using the equity method (four domestic and eight overseas). Compared with fiscal 1999, 14 more consolidated subsidiaries and 20 fewer affiliates accounted for by the equity method are included.

In fiscal 2000, consolidated gross profit increased ¥65.2 billion from fiscal 1999, to ¥886.3 billion. After adjustments such as general and administrative expenses and total credit costs, operating profit increased ¥47.4 billion, to ¥183.9 billion. Net income, the amount after adjusting operating profit for extraordinary gains (losses), income taxes, and minority interests in net income, decreased ¥13.7 billion, to ¥48.9 billion.

With regard to deposits (excluding negotiable certificates of deposit), the fiscal year-end balance was ¥32,004.0 billion, ¥1,778.0 billion greater than the previous fiscal year. Loans and bills discounted amounted to ¥32,906.7 billion, an increase of ¥573.5 billion, and securities increased ¥3,537.8 billion, to ¥10,466.5 billion.

As a result, total assets increased ¥3,354.1 billion from the previous fiscal year, to ¥51,849.7 billion.

Foreign currency translation adjustments arising from currency translation of financial statements of overseas subsidiaries had been recognized as assets or liabilities, but from this fiscal year they are reported as stockholders' equity and minority interests due to a revision of accounting standards for foreign currency transactions. As a result, stockholders' equity decreased ¥20.9 billion.

Number of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2001	2000	Increase/ decrease
Consolidated subsidiaries	65	51	14
Subsidiaries and affiliates accounted for by the equity method	12	32	(20)

Income Summary

Years ended March 31	Billions of yen		
	2001	2000	Increase/ decrease
Consolidated gross profit	¥ 886.3	¥ 821.1	¥ 65.2
Net interest income	670.0	653.4	16.6
Net fees and commissions	147.4	119.8	27.6
Net trading income	26.8	16.5	10.3
Net other operating income	42.1	31.4	10.7
General and administrative expenses	¥ 490.6	¥ 487.5	¥ 3.1
Total credit cost	346.6	526.7	(180.1)
Write-off of loans	257.8	146.4	111.4
Transfer to specific reserve	83.7	238.4	(154.7)
Transfer to general reserve for possible loan losses	(70.8)	(11.7)	(59.1)
Other	75.9	153.6	(77.7)
Gains (losses) on stocks	¥ 73.5	¥ 342.9	¥(269.4)
Net income (loss) from nonconsolidated entities by the equity method	7.9	(1.5)	9.4
Other income (expenses)	53.4	(11.9)	65.3
Operating profit	¥ 183.9	¥ 136.5	¥ 47.4
Extraordinary gains (losses)	(51.8)	(10.4)	(41.4)
Income before income taxes and minority interests	132.0	126.1	5.9
Income taxes, current	8.1	7.8	0.3
deferred	69.9	74.2	(4.3)
Minority interests in net income	(5.1)	18.5	(23.6)
Net Income	48.9	62.6	(13.7)

Note: Consolidated gross profit = (Interest income – Interest expenses) + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)

Consolidated Financial Review

Sumitomo Mitsui Banking Corporation (Formerly The Sumitomo Bank, Limited) and Subsidiaries

1. Financial Results

Consolidated operating results for fiscal 2000, ended March 31, 2001, include the Sumitomo Bank, Limited (the "Bank"), 84 consolidated subsidiaries (52 domestic and 32 overseas) and 29 affiliates that are accounted for using the equity method (eight domestic and 21 overseas). Compared with fiscal 1999, nine more consolidated subsidiaries and nine fewer affiliates accounted for by the equity method are included.

In fiscal 2000, consolidated gross profit increased ¥25.9 billion from fiscal 1999, to ¥951.6 billion. After adjustments such as general and administrative expenses and total credit costs, operating profit increased ¥73.4 billion, to ¥310.7 billion. Net income, the amount after adjusting operating profit for extraordinary gains (losses), income taxes, and minority interests in net income, increased ¥21.6 billion, to ¥83.5 billion.

With regard to deposits, the fiscal year-end balance was ¥31,045.1 billion, ¥2,683.0 billion greater than the previous fiscal year. Loans and bills discounted amounted to ¥32,630.4 billion, a decrease of ¥310.5 billion, and securities increased ¥7,877.1 billion, to ¥16,846.0 billion.

As a result, total assets increased ¥13,625.5 billion from the previous fiscal year, to ¥67,393.0 billion.

Foreign currency translation adjustments arising from currency translation of financial statements of overseas subsidiaries had been recognized as assets or liabilities, but from this fiscal year they are reported as stockholders' equity and minority interests due to a revision of accounting standards for foreign currency transactions. As a result, stockholders' equity decreased ¥32.2 billion.

Number of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2001	2000	Increase/ decrease
Consolidated subsidiaries	84	75	9
Affiliates accounted for by the equity method	29	38	(9)

Income Summary

Years ended March 31	Billions of yen		Increase/ decrease
	2001	2000	
Consolidated gross profit	¥ 951.6	¥ 925.7	¥ 25.9
Net interest income	653.5	653.7	(0.2)
Net fees and commissions	168.9	145.9	23.0
Net trading income	82.2	46.9	35.3
Net other operating income	46.9	79.2	(32.3)
General and administrative expenses	¥ 450.3	¥ 466.1	¥ (15.8)
Total credit cost	646.3	733.5	(87.2)
Write-off of loans	556.7	439.1	117.6
Transfer to specific reserve	174.8	219.1	(44.3)
Transfer to general reserve for possible loan losses	(138.7)	29.2	(167.9)
Other	53.5	46.0	7.5
Gains (losses) on stocks	¥ 395.0	¥ 515.6	¥(120.6)
Net income (loss) from nonconsolidated entities by the equity method	36.5	(35.5)	72.0
Other income (expenses)	24.3	31.2	(6.9)
Operating profit	¥ 310.7	¥ 237.3	¥ 73.4
Extraordinary gains (losses)	(37.3)	(20.8)	(16.5)
Income before income taxes and minority interests	273.5	216.5	57.0
Income taxes, current	57.4	50.8	6.6
deferred	128.3	96.4	31.9
Minority interests in net income	(4.2)	(7.4)	3.2
Net Income	83.5	61.9	21.6

Note: Consolidated gross profit = (Interest income – Interest expenses) + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)

Assets, Liabilities and Stockholders' Equity

March 31	Billions of yen		
	2001	2000	Increase/ decrease
Assets	¥51,849.7	¥48,495.6	¥3,354.1
Loans and bills discounted	32,906.7	32,333.2	573.5
Securities	10,466.5	6,928.7	3,537.8
Foreign currency translation adjustments	/	30.6	(30.6)
Liabilities	49,290.0	45,967.8	3,322.2
Deposits (excluding negotiable certificates of deposit)	32,004.0	30,226.0	1,778.0
Minority interests	383.9	319.2	64.7
Stockholders' equity	2,175.8	2,208.6	(32.8)
Foreign currency translation adjustments	(20.9)	/	(20.9)

2. Unrealized Gains (Losses) on Securities (Before Adjustments for the Merger Accounting)

With the adoption of a new accounting standard for financial instruments from fiscal 2000 in Japan, securities in consolidated financial statements have been classified by the purpose for which they are held. The classifications are: 'trading securities,' 'held-to-maturity securities' and 'other securities.'

'Trading securities' are reported at fair value on the consolidated balance sheet with unrealized holding gains and losses reported as part of net income. Securities classified as 'held-to-maturity securities' and 'other securities' are carried either at acquisition cost or at amortized cost and are reported on the consolidated balance sheet. Effective fiscal 2001, 'other securities' will be reported at fair value on the consolidated balance sheet with the difference between the fair value and acquisition cost reported on a net-of-tax basis, as 'net unrealized gains (losses) on valuation', which is a component of stockholders' equity.

Net unrealized gains (losses) on 'held-to-maturity securities' and 'other securities' are as shown in the table below. The market value of stocks held by the bank in 'other securities' is based on average market prices in the one month before the fiscal year-end.

Net unrealized gains (losses) on securities at the end of fiscal 2000 amounted to a net loss of ¥352.8 billion, a decrease of about one trillion yen compared to the previous fiscal year, reflecting the large decline in stock prices. At the time of the merger, all of gross unrealized losses on 'other securities' (including 'other money held in trust') held by the former Sakura Bank were disposed of and the net unrealized gains were transferred to Sumitomo Mitsui Banking Corporation. (For details of the transfer of unrealized gains (losses) on securities at the time of the merger, see 1. Adjustments for Merger Accounting [SMBC's Unrealized Gains (Losses) (Nonconsolidated)] on page 68.)

Unrealized Gains (Losses) on Securities (Before Adjustments for the Merger Accounting)

March 31	Billions of yen						
	2001			2000			
	Net unrealized gains (losses) (a)	(a) - (b)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (b)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ 0.0	/	¥ 0.0	¥ (0.0)	/	/	/
Other securities	(352.8)	/	170.5	(523.4)	/	/	/
Stocks	(361.2)	/	139.2	(500.4)	/	/	/
Bonds	24.7	/	27.7	(3.0)	/	/	/
Others	(16.4)	/	3.6	(19.9)	/	/	/
Total	(352.8)	¥(1,007.6)	170.5	(523.4)	¥654.8	¥1,109.5	¥(454.7)
Stocks	(361.2)	(1,041.7)	139.2	(500.4)	680.5	1,083.3	(402.8)
Bonds	24.7	51.4	27.7	(3.0)	(26.7)	8.8	(35.5)
Others	(16.4)	(17.4)	3.6	(19.9)	1.0	17.3	(16.3)

Notes: 1. Fair value is calculated by using the average market price in one month before the fiscal year-end as for the Bank's stocks and by using the market price at the fiscal year-end as for the others.

2. The amount equivalent to net unrealized gains (losses) on 'other securities' (including 'other money held in trust') was a net loss of ¥212.1 billion at the fiscal year-end.

Assets, Liabilities and Stockholders' Equity

March 31	Billions of yen		
	2001	2000	Increase/ decrease
Assets	¥67,393.0	¥53,767.5	¥13,625.5
Loans and bills discounted	32,630.4	32,940.9	(310.5)
Securities	16,846.0	8,968.9	7,877.1
Foreign currency translation adjustments	/	68.7	(68.7)
Liabilities	64,949.1	51,383.8	13,565.3
Deposits (excluding negotiable certificates of deposit)	31,045.1	28,362.1	2,683.0
Minority interests	606.7	579.4	27.3
Stockholders' equity	1,837.2	1,804.4	32.8
Foreign currency translation adjustments	(32.2)	/	(32.2)

2. Unrealized Gains (Losses) on Securities (Before Adjustments for the Merger Accounting)

With the adoption of a new accounting standard for financial instruments from fiscal 2000 in Japan, securities in consolidated financial statements have been classified by the purpose for which they are held. The classifications are: 'trading securities,' 'held-to-maturity securities' and 'other securities.'

'Trading securities' are reported at fair value on the consolidated balance sheet with unrealized holding gains and losses reported as part of net income. Securities classified as 'held-to-maturity securities' and 'other securities' are carried either at acquisition cost or at amortized cost and are reported on the consolidated balance sheet. Effective fiscal 2001, 'other securities' will be reported at fair value on the consolidated balance sheet with the difference between the fair value and acquisition cost reported on a net-of-tax basis, as 'net unrealized gains (losses) on valuation,' which is a component of stockholders' equity.

Net unrealized gains (losses) on 'held-to-maturity securities' and 'other securities' are as shown in the table below. The market value of stocks held by the bank in 'other securities' is based on average market prices in the one month before the fiscal year-end.

Net unrealized gains (losses) on securities at the end of fiscal 2000 showed a net gain. This was because an unrealized loss of about one trillion yen from the end of the previous fiscal year due to the large decline in stock prices, was offset by a gain on valuation of foreign stocks, Japanese government bonds and other bonds held by subsidiaries.

(For details of the transfer of unrealized gains (losses) on securities at the time of the merger, see 1. Adjustments for Merger Accounting [SMBC's Unrealized Gains (Losses) (Nonconsolidated)] on page 68.)

Unrealized Gains (Losses) on Securities (Before Adjustments for the Merger Accounting)

March 31	Billions of yen						
	2001			2000			
	Net unrealized gains (losses) (a)	(a) - (b)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (b)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ (0.1)	/	¥ 0.0	¥ (0.1)	/	/	/
Other securities	51.7	/	387.7	(336.0)	/	/	/
Stocks	(156.5)	/	166.7	(323.2)	/	/	/
Bonds	83.1	/	85.9	(2.8)	/	/	/
Others	125.1	/	135.1	(10.0)	/	/	/
Total	51.7	¥(1,127.8)	387.8	(336.1)	¥1,179.5	¥1,553.7	¥(374.3)
Stocks	(156.5)	(1,071.2)	166.7	(323.2)	914.7	1,242.3	(327.5)
Bonds	83.1	83.9	85.9	(2.8)	(0.8)	34.2	(35.0)
Others	125.1	(140.4)	135.2	(10.1)	265.5	277.3	(11.8)

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in 'cash and due from banks' and commercial papers as well as claims on loan trust in 'commercial paper and other debt purchased.' Net unrealized gain as well as unrealized gain on them was ¥0.1 billion.

2. Fair value is calculated by using the market price at the fiscal year-end as for bonds and others, and by using the average market price in the one month before the fiscal year-end as for stocks.

3. The amount equivalent to net unrealized gains (losses) on 'other securities' (including 'other money held in trust') was a net gain of ¥27.6 billion at the fiscal year-end.

3. Capital Ratio (BIS Guidelines)

The Bank's capital ratio (BIS Guidelines) decreased 1.22% from the end of the previous term, to 11.31%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, decreased ¥266.6 billion from the previous fiscal year, to ¥3,834.3 billion, mainly because the balance of qualifying subordinated debt was reduced as part of initiatives to lower costs of capital. The denominator, risk-adjusted assets, increased ¥1,169.8 billion, to ¥33,891.4

billion, owing to several factors including an increase in the number of consolidated companies and the translation effect of a weaker yen.

In fiscal 2000, Sakura Bank did not mark 'other securities' to market. Consequently, total capital of the Bank does not take into consideration unrealized gains (losses) on valuation of 'other securities.'

Consolidated Capital Ratio

March 31		Billions of yen		
		2001	2000	1999
Tier I capital:	Common stockholders' equity	¥ 2,112.5	¥ 2,121.4	¥ 2,093.3
	Minority interests	383.9	319.2	303.6
	Subtotal (A)	¥ 2,496.4	¥ 2,440.6	¥ 2,396.8
Tier II capital:	45% of unrealized gains on land	¥ 46.7	¥ 51.7	¥ 53.2
	General reserve for possible loan losses	163.2	227.3	242.7
	Qualifying subordinated debt	1,141.8	1,382.2	1,428.9
	Subtotal	¥ 1,351.6	¥ 1,661.3	¥ 1,724.8
	Tier II capital included as qualifying capital (B)	¥ 1,351.6	¥ 1,661.3	¥ 1,724.8
Deductions:	(C)	¥ 13.8	¥ 1.0	¥ 1.0
Total capital:	(A) + (B) - (C) = (D)	¥ 3,834.3	¥ 4,100.9	¥ 4,120.6
Risk-adjusted assets:	On-balance-sheet	¥31,812.6	¥30,676.7	¥30,629.5
	Off-balance-sheet	1,924.7	1,824.2	2,518.1
	Asset equivalent of market risk	154.1	220.7	251.7
	Subtotal (E)	¥33,891.4	¥32,721.6	¥33,399.3
Capital ratio (BIS guidelines) = (D) / (E) x 100		11.31%	12.53%	12.33%

3. Capital Ratio (BIS Guidelines)

The Bank's capital ratio (BIS Guidelines) decreased 0.66% from the end of the previous term, to 10.94%.

Total capital, which serves as the numerator in the capital ratio calculation equation, decreased ¥198.3 billion from the end of the previous fiscal year, to ¥4,150.0 billion. Contributing factors include the fact that from fiscal 2000 investments in affiliates engaged in finance business are taken as items for deductions and that the general reserve for possible loan losses

included in Tier 2 capital is decreased. The denominator, risk-adjusted assets, increased ¥448.5 billion, to ¥37,925.2 billion, owing to factors including the translation effect of a weaker yen.

In fiscal 2000, Sumitomo Bank did not mark 'other securities' to market. Consequently, total capital of the Bank does not take into consideration unrealized gains (losses) on valuation of 'other securities.'

Consolidated Capital Ratio

March 31		Billions of yen		
		2001	2000	1999
Tier I capital:	Common stockholders' equity	¥ 1,652.1	¥ 1,625.0	¥ 1,582.4
	Minority interests	606.1	578.9	597.8
	Subtotal (A)	¥ 2,258.3	¥ 2,203.9	¥ 2,180.2
Tier II capital:	45% of unrealized gains on land	¥ 122.2	¥ 126.1	¥ 128.6
	General reserve for possible loan losses	232.7	365.4	348.1
	Qualifying subordinated debt	1,653.2	1,652.9	1,625.4
	Subtotal	¥ 2,008.1	¥ 2,144.4	¥ 2,102.0
	Tier II capital included as qualifying capital (B)	¥ 1,995.4	¥ 2,144.4	¥ 2,102.0
Deductions:	(C)	¥ 103.6	¥ —	¥ —
Total capital:	(A) + (B) – (C) = (D)	¥ 4,150.0	¥ 4,348.3	¥ 4,282.3
Risk-adjusted assets:	On-balance-sheet	¥34,609.0	¥34,744.7	¥35,546.5
	Off-balance-sheet	3,096.3	2,510.9	3,180.3
	Asset equivalent of market risk	219.9	221.1	357.1
	Subtotal (E)	¥37,925.2	¥37,476.7	¥39,083.9
Capital ratio (BIS guidelines) = (D) / (E) x 100		10.94%	11.60%	10.95%