

DIVISIONAL REVIEW

Sumitomo Bank's operations groups serve each customer and market segment as part of a commitment to customer satisfaction.

In the first half of fiscal 2000, our core banking profit, excluding transfers to the general reserve, was down ¥1.4 billion, or 0.7%, to ¥203.6 billion. This was mainly because the Treasury Group suffered significantly lower earnings in an environment of changing interest rates, which overshadowed a strong composite gain by the other marketing groups.

Consumer Banking Group

This group serves individuals and small businesses in Japan. Deposit margins shrank owing to ultralow interest rates and accelerated repayments on high-margin loans to people building apartments for lease. Nonetheless, the group made considerable progress by cutting costs as part of heightened rationalization initiatives. Investment trust sales commissions and gains on foreign currency deposits increased steadily.

Middle Market Banking Group

This group handles small and medium-sized domestic companies. Demand for loans remained soft throughout the period under review, reducing loan volume. At the same time, the Bank made considerable progress toward pricing loans in keeping with risk levels. The group focused on providing solutions to match diversifying needs. This effort was highly successful, boosting profits by increasing fees and commissions from such businesses as remittances, electronic banking and syndications.

Corporate Banking Group

This group concentrates on large domestic companies and their affiliates. Its loan balances fell during the term. Profits rose in line with the group's efforts to better match loan interest rates to risks while delivering better results in such areas as syndications and commitment lines.

International Banking Group

This group offers international services for both Japanese and foreign customers. During the period under review, financing fee income gained steadily, particularly in Europe and Asia. Deposit margins improved notably. These factors raised overall profitability.

Treasury Group

This group is responsible for asset and liability management (ALM) at home and abroad, and conducts bond portfolio management and trading. There was a large decline in profits during the term, mirroring higher interest rates internationally and redemptions of high-coupon bonds and other assets.

■ Profits after Expenses by Division

Six-month period ended September 30, 2000	Billions of Yen					
	Consumer Banking Group	Middle Market Banking Group	Corporate Banking Group	International Banking Group	Marketing Group Total	Treasury Group
Gross profit	¥78.9	¥117.8	¥39.8	¥29.7	¥266.2	¥72.2
Comparison with September 30, 1999	(8.0)	6.5	2.7	5.4	6.6	(38.8)
Expenses	71.8	41.9	4.9	15.1	133.7	6.5
Comparison with September 30, 1999	(3.8)	(1.6)	(0.3)	(0.2)	(5.9)	0.3
Profits after expenses	7.1	75.9	34.9	14.6	132.5	65.7
Comparison with September 30, 1999	(4.2)	8.1	3.0	5.6	12.5	(39.1)