**Notes for Consolidated Financial Statements**

## 1. Consolidation

The consolidated financial statements include the accounts of the Sumitomo Bank, Limited (the "Bank") and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated.
The consolidated financial statements include the accounts of consolidated subsidiaries, of which the fiscal year ends on or after December 31, 1999. In case that these subsidiaries have a significant transaction during the period from their fiscal year end to March 31, 2000, the Bank will make an adjustment to the consolidated financial statements to be comprehensive.
The difference at the time of acquisition between the amount of an investment in a consolidated subsidiary and the underlying equity in its net assets is, in general, charged or credited to income directly.
Investments in major affiliated companies are accounted for in accordance with the equity method.

## 2. Statements of cash flows

For the purposes of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks.

## 3. Non-accrual loans

Loans are generally placed on non-accrual status when such loans are classified as Loss and Doubtful by the self-assessment rule( see 4. Reserve for possible loan losses).

## 4. Reserve for possible loan losses

The Bank implemented a self-assessment rule for the credit quality of assets ("self-assessment rule"). Based on the self-assessment rule, the Bank classifies a loan into the following three risk categories based on the borrower's credit risk: Loss, Doubtful and Substandard. Classification was determined at first by loan officers; subsequently Credit Review Department evaluates the classification independently.
During fiscal 1998, the Bank started writing off the unsecured portion of loans from its balance sheet rather than recording reserves.
The Bank provides specific reserve individually for Doubtful loans. A reserve amount for a Doubtful loan is generally determined considering the collateral and other pertinent indicators specific to the borrower.
The Bank also provides general reserve for Substandard and non-classified loans collectively. The ratio for the general reserve is determined based on the Bank's loan loss experience and current economic conditions.
The consolidated subsidiaries have been providing reserves for possible loan losses in the amounts considered adequate to provide for losses that can be reasonably anticipated on the basis of management's assessment of loan portfolios.

At the end of fiscal 1998, Reserve for Possible Loan Losses was recorded under LIABILITIES. At the end of fiscal 1999, however, the recording method was changed to deducting the entire amount from ASSETS (Contra account). Consequently, compared with last fiscal year, ASSETS and LIABILITIES decreased by the same amount respectively.

**5. Premises and equipment**

Premises and equipment are generally stated at cost less accumulated depreciation. The Bank's premises other than building and equipment are computed by the declining-balance method over the estimated useful lives of the respective assets. For buildings, the Bank uses the straight-line method of depreciation.

Depreciation of premises and equipment owned by consolidated domestic subsidiaries is mainly computed by the declining-balance method, while depreciation of those owned by consolidated overseas subsidiaries is mainly computed by the straight-line method, over the estimated useful lives of respective assets.

**6. Revaluation reserve for land**

Pursuant to Article 2, Paragraphs 3 and 4 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Law"), the Bank and one subsidiary recorded their owned land at the fair value and related net unrealized gain, applicable income tax portion were reported as "Deferred tax liabilities for revaluation reserve for land" in liabilities and net of applicable income taxes were reported as "Revaluation reserve for land, net of tax" in shareholders' equity. According to the Law, the Bank is not permitted to revalue the land at any time, even in case that the fair value of the land declines.

**7. Newly introduced tax by the Tokyo Metropolitan Government**

A newly introduced tax based on the size of business, or better known as the "Ishihara New Tax" was approved by the Tokyo Metropolitan Assembly on March 30, 2000. Starting from the next fiscal year, a 3% business tax will be imposed on the portion of gross banking profit considered earned in Tokyo. Since the Tokyo Metropolitan business tax will no longer be based on net income but on gross banking profit, the New Tax is not a subject of deferred tax assets. In our case, some 34 billion yen of deferred tax asset must be reduced, thus impacting net income by the same amount. Applying conservative accounting principles, we have decided to reflect the impact of the New Tax on deferred tax assets in our financial results for the fiscal year ended March 31, 2000.

**8. Others**

Amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts. For the convenience of the readers, all items have been translated from Japanese yen at the rate of ¥106.15 to US$ 1, the exchange rate prevailing at March 31, 2000.