

Notes for Balance Sheet

1. Amounts less than millions are rounded down.
2. Standards for recognition and measurement of trading assets/liabilities are as follows:
Recognition:
Trading accounts position relating to trades made for the purposes of seeking gains arising from short-term changes in interest rate, currency exchange rate, or market prices of securities and other market related indices or from variation among markets, are included in trading assets and trading liabilities on the interim balance sheet on a trade date basis.
Measurement:
Trading securities and monetary claims purchased for trading purposes are stated at market value, and financial derivatives such as swaps, futures and options, are at the amounts that would be settled if the transactions were terminated at the interim balance sheet date.
3. As for securities other than trading portfolio, debt securities which the Bank has the positive intent and ability to hold to maturity (held-to-maturity securities hereafter) are carried at amortized cost, using the moving-average method.
Investment in subsidiaries and affiliates are carried at cost, using the moving-average method.
Debt securities excluding those classified as held-to-maturity or trading securities (available-for-sale debt securities hereafter) are carried at amortized cost, using the moving-average method. Equity securities are carried at cost, using the moving-average method.
4. Securities included in money held in trust account are carried in the same way as 2 and 3.
5. Derivative transactions excluding those classified as trading derivatives are also stated at fair value.
6. Depreciation for premises and equipment is computed as follows:
Building: The straight-line method over the estimated useful lives of the respective assets at the rate prescribed by the Japanese Corporate Tax Law.
Equipment: The declining-balance method over the estimated useful lives of the respective assets at the rate prescribed by the Japanese Corporate Tax Law.
Other: Respectively in accordance with the Japanese Corporate Tax Law.
For the six-month period ended September 30, 2000, the Bank charges 50% of the annual depreciation costs to its income.
7. Capitalized software for internal use is depreciated using the straight-line method over the estimated useful lives (five years).
8. Issuance cost of bonds is expensed when incurred. Discount of bonds is included in other assets and amortized using straight-line method over the redeemable period of the bonds.
9. Foreign currency assets and liabilities and the accounts of overseas branches of the Bank are mainly translated into Japanese yen at the exchange rate prevailing at the interim balance sheet date.
10. Reserve for possible loan losses is provided as detailed below, in accordance with the internal standards for write-offs and reserves.
For claims on borrowers who are legally bankrupt or virtually bankrupt, a reserve is provided based on the amount of claims net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers who are not currently bankrupt but are likely to become bankrupt, a reserve is provided by the amount deemed necessary based on overall solvency assessment, out of the amount of claims net of the expected amount of recoveries from collateral and guarantees.

For other claims, a reserve is provided based on the historical loan-loss ratio.

For claims originated in certain countries, an additional reserve (including a reserve for losses on overseas investments prescribed in Article 55-2 of Specific Taxation Measures Law) is provided by the amount deemed necessary based on assessment of political and economic conditions in such countries.

All claims are assessed by branches and credit supervision departments in accordance with the internal rule for self-assessment of assets. Subsequently, Credit Review Department, independent from these operating sections, audits their assessment. The reserve is provided based on these layers of review.

For claims on bankrupt or virtually bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees, is deducted, as deemed uncollectable, directly from those claims. The deducted amount is 763,343 million yen.

11. Reserve for employee retirement benefit is recorded based on an actuarial computation, which uses the present value of the projected benefit obligation and plan assets, due to employee's credited years of services at the balance sheet date. Unrecognized net obligation from initial application of the new accounting standard for employee retirement benefit in Japan of 100,837 million yen is amortized using the straight -line method over 5 years. For the six-month period ended September 30, 2000, the Bank charges 50% of the annual amortized cost to its income.
12. Reserve for loss on loans sold provides for contingent losses arising from decline of market value of underlying collateral for loans sold to the Cooperative Credit Purchasing Company, Limited. This reserve is established in accordance with Article 287-2 of the Commercial Code.
13. Finance leases, except for those which transfer the ownership of the property to the lessee, are accounted for in the same manner as operating leases.
14. In accordance with the Industry Audit Committee Report No.15 "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" issued by JICPA in 2000, the Bank decided to apply hedge accounting, abiding by the following requirements:
 - (1) Loans, deposits and other interest bearing assets and liabilities as a whole shall be recognized as the hedged portfolio.
 - (2) Derivatives as the hedging instruments shall effectively reduce the interest rate exposure of the hedged portfolio.
 - (3) Eligibility of hedging activities shall be evaluated on a quarterly basis.Certain derivatives managed by some of foreign branches are recorded on a cost basis using the short-cut method for interest rate swaps in view of consistency with the way of risk management.
15. Consumption tax and local consumption tax are accounted for using the tax-excluded method.
16. "Other reserve" required by Special Law is as follows:

Reserve for contingent liabilities from brokering of futures transactions is recorded at 8 million yen.
This reserve was established in accordance with Article 82 of the Financial Futures Transaction Law.
17. Securities includes treasury stock amounted to 17 million yen. It is other than treasury stock defined by Article 210-2-2-3 of the Commercial Code.
18. Accumulated depreciation of the Bank's premises and equipment amounted to 284,725 million yen.

19. Advanced depreciation of the Bank's premises and equipment amounted to 52,555 million yen.
20. Loans to customers in legal bankruptcy and Past due loans are 74,956 million yen and 1,894,022 million yen, respectively. "Loans to customers in legal bankruptcy" consists of loans on which the Bank does not currently accrue interest income due to the nonpayment status or other credit conditions of the borrower ("Non-accrual loans" hereafter) and which meet certain conditions defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 for the Japanese Corporate Tax Law, issued in 1965. "Past due loans" means Non-accrual loans excluding Loans to customers in legal bankruptcy and the loans for which the Bank is forbearing interest payments to support the borrowers' recovery from financial difficulty.
21. Loans past due for three months or more are 24,856 million yen. "Loans past due for three months or more" consist of loans for which the principal and/or interest is past due for three months or more but exclude Loans to customers in legal bankruptcy and Past due loans.
22. Restructured loans are 119,105 million yen. "Restructured loans" are loans for which the Bank relaxes lending terms, such as reduction of the original interest rate, forbearance of interest payments or principal repayments to support the borrowers' recovery from financial difficulty, excluding Loans to customers in legal bankruptcy, Past due loans and Loans past due for three months or more.
23. The total of Loans to customers in legal bankruptcy, Past due loans, Loans past due for three months or more and Restructured loans are 2,112,939 million yen as of September 30, 2000.
The amounts of loans presented above through 20 to 23 are amounts before reserve for possible loan losses is deducted.
24. The total face value of loans and bills discounted which consists of Bank acceptance bought, Commercial bills discounted and Documentary bills is 634,181 million yen.
25. Assets pledged as collateral at September 30, 2000 are as follows:

	Millions of Yen
Assets pledged	
Cash and due from banks	392
Commercial paper and other debt purchased	10,800
Trading assets	966,756
Securities	2,641,900
Loans and bills discounted	1,390,081
Other assets (securities in custody)	229,200
Liabilities corresponding to assets pledged	
Deposits	54,868
Call money	1,048,830
Payables under repurchase agreements	3,062,512
Bills sold	292,700
Borrowed money	50,452
Acceptances and guarantees	36,936

In addition, cash and due from banks of 51,410 million yen, securities of 775,903 million yen and other assets (securities in custody) of 45,840 million yen were pledged as collateral for exchange settlements, variation margins of futures markets and certain other purpose.

Premises and equipment include surety deposits and intangible of 63,305 million yen, and other assets include initial margins of futures markets of 9,351 million yen and pledged money for securities borrowing transactions of 433,739 million yen.

26. Net of deferred unrealized gains and losses from hedging instruments is reported in other assets. Gross unrealized gains and gross unrealized losses from hedging instruments are 378,164 million yen and 445,218 million yen, respectively.
27. On June 9, 2000, the Osaka Prefecture Government promulgated the Special Ordinance Concerning Taxation Standard for Enterprise Taxes in Relation to Banks in the Osaka Prefecture (Osaka Prefectural Ordinance 131 of Fiscal year 2000). Owing to it, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been changed from 39.83% in the previous accounting period to 38.05%. As a result of this change, Deferred tax assets decreased by 26,616 million yen and Deferred income taxes increased by the equivalent amount. Further, as Deferred tax liabilities for revaluation reserve for land decreased by 4,900 million yen due to this change, Revaluation reserve for land, net of taxes increased by the same amount.
28. Pursuant to Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Law"), effective March 31, 1998, the Bank recorded its own land at fair value at March 31, 1998. The Bank determined the fair value basically using nearest value on the Revaluation Act of Land Properties published by the Government with certain appropriate adjustment for land shape, timing of the Revaluation Act of Land Properties. According to the Law, net unrealized gains are reported in a separate component of shareholders' equity net of applicable income taxes as "Revaluation reserve for land, net of taxes", and the related deferred tax liabilities are reported in liabilities as "Deferred tax liabilities for revaluation reserve for land".
29. The balance of subordinated debt included in Borrowed money is 2,181,720 million yen.
30. The balance of subordinated bonds included in Bonds is 221,500 million yen.
31. AFS debt securities, marketable equity securities and money held in trust (except those in trading and held-to-maturity securities) are not carried at market value. Summary information on them based on Ordinance of Ministry of Finance 10-3 in 1999 are shown in the following table:

	Millions of Yen
Balance sheet amount	10,027,156
Market value	10,439,800
Net unrealized gain/loss on valuation, net of taxes	255,632
Equivalents of Deferred tax liabilities	157,011
32. 2,570,770 million yen of securities, which are used for securities lending transactions for consumption, are included in "Securities", "Other assets" and "Trading assets". 9 million yen of securities, which are used for securities lending transactions for use, are included in 'Japanese Government Bonds' as a sub-account of "Securities". Due to the revision of accounting rule, the presentation of the securities is changed from 'Securities loaned' as a sub-account of "Securities" to 'Japanese Government Bonds'.
33. Effective April 1, 2000, two new accounting standards for financial instruments and employees retirement benefit are adopted in Japan. According to these new accounting standards, the Enforcement Ordinance for the Banking Law has been revised and the disclosure requirements for semi-annual report has been changed as follows:

Nov.21, 2000

THE SUMITOMO BANK, LIMITED

NON-CONSOLIDATED

UNAUDITED

- (1) Certain transactions under resale agreements and repurchase agreements are recognized as financing activities, not as purchasing or selling activities, and reported in Receivables under resale agreements and Payables under repurchase agreements. As a result, the amount of Securities increased by 1,867,186 million yen compared with the prior treatment as purchasing or selling activities.
- (2) Presentation of reserve for retirement allowances has been changed, and now it is included in Reserve for employee retirement benefit.