Notes to Consolidated Balance Sheet

1. Amounts less than one million have been omitted.

2. Standards for recognition and measurement of trading assets and liabilities are as follows:
   Recognition:
   Trading account positions relating to transactions made for the purposes of seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets, are included in Trading assets or Trading liabilities on the consolidated balance sheet on a contract 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 balance sheet date.

3. As for securities other than those in trading portfolio, debt securities which Sumitomo Mitsui Banking Corporation (the 'Bank') and consolidated subsidiaries have the positive intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost, using the moving-average method.
   Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost, using the moving-average method.
   Securities excluding those classified as trading securities, held-to-maturity securities or investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are defined as *other securities*.
   Other securities that have market value are carried at market value and *other securities* that do not have market value are carried at cost or amortized cost, using the moving-average method. Net unrealized gains (losses) on *other securities* are recognized, net of applicable income taxes, as a separate component of stockholders' equity.
   The securities held by overseas consolidated subsidiaries are carried at cost or amortized cost, mainly using the specific identification method.

4. Securities included in money held in trust account are carried in the same way as mentioned in notes 2 and 3.

5. Derivative transactions excluding those classified as trading derivatives are carried at fair value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with local accounting standards.

6. Depreciation of premises and equipment owned by the Bank is computed by the straight-line method (the declining-balance method is used as for equipment). For the six-months ended September 30, 2001, the Bank charges 50 % of the estimated annual depreciation costs to its income. The estimated useful lives of major items are as follows:
   Building 7 to 50 years
   Equipment 3 to 20 years
   As for consolidated domestic subsidiaries, depreciation for premises and equipment is computed mainly using the straight-line method over the estimated useful lives of the respective assets and depreciation of lease assets is computed mainly using the straight-line method over the lease term based on the value of assets that will remain at the end of the lease term.
   As for consolidated overseas subsidiaries, depreciation of premises and equipment is computed mainly using the straight-line method over the estimated useful lives of the respective assets.

7. Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (mainly five years) at the Bank and consolidated domestic subsidiaries.

8. The Bank's assets and liabilities denominated in foreign currencies or overseas branches are translated into Japanese yen mainly at the exchange rate prevailing at the balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at the original rate.
   Formerly, the Bank applied 'the accounting standards for foreign currency transactions in banking industry' introduced in 1990, but from this fiscal year, the Bank applies the revised accounting standards for foreign currency transactions ('Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions' issued by Business Accounting Deliberation Council on October 22, 1999) with the exception when 'Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.20) prevails.

   Financial swap transactions are accounted for pursuant to the Industry Audit Committee Report No.20 as follows:
   (1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the balance sheet at the exchange rate prevailing at the interim balance sheet date in the net amount.
   (2) The difference of the initial and final exchange cash flows by currency, which are the reflection of the difference in the yield between the currencies, are assumed as interest and are accounted for on an accrual basis on the balance sheet and the statement of income.

Financial swap is a swap transaction in the foreign exchange market entered into for the purpose of lending/borrowing money in different currencies at risk free, by setting the initial and final exchange inversely in the amount of the principal and the principal plus interest respectively of the embedded money transactions with the fixed maturity and the fixed interest amount.

Consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective interim balance sheet date.

9. Reserve for possible loan losses of the Bank and major consolidated subsidiaries are provided as detailed below, in accordance with the internal standards for write-offs and reserves.
For claims on borrowers who are legally bankrupt ('bankrupt borrowers') or borrowers who are regarded as substantially in the same situation ('effectively bankrupt borrowers'), a reserve is provided based on the amount of claims net of the expected amount of recoveries from collateral and guarantees net of the deducted amount mentioned below.
For claims on borrowers who are not currently in the status of bankrupt but are likely to become bankrupt in future, 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 reserves are provided based on these layers of review.
Reserve for possible loan losses of other consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan-loss ratio, and for doubtful claims by the amount deemed uncollectable based on respective assessment.
For claims on 'bankrupt borrowers' and 'effectively 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 2,038,535 million yen.

10. Reserve for accrued bonuses to employees are provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, of which are attributable to this consolidated interim term. Accrued bonuses to employees were recognized on accrued expenses in Other liabilities, but 'Reserve for employee bonuses' is reported from this fiscal year in accordance with 'Concerning financial statement titles to be used for accrued bonuses for employees' (Research center review information No.15 issued by JICPA).

11. Reserve for employee retirement benefit (prepaid pension cost) is recorded, in provision for payment of retirement benefit to employees, by the amount accrued at end of interim term end, 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 consolidated balance sheet date.
Prior service cost is amortized using the straight-line method over 10 years.
Unrecognized net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence.
Unrecognized net obligation from initial application of the new accounting standard for employee retirement benefit is amortized using the straight-line method over 5 years and is charged 50% of the annual amortized cost to its income for the six months ended September 30, 2001.

12. Reserve for possible losses 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 provided in accordance with Article 287-2 of the Commercial Code.

13. Financing leases of the Bank and consolidated domestic subsidiaries, 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, the Bank applies 'the risk adjustment approach' as a hedge accounting (Macro hedge), 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.
The Bank applies deferred hedge accounting.

The Bank applies accounting for deferred hedge in relation to stocks of subsidiaries and affiliates, accounting for fair value hedge to *'other securities'* other than debt securities, denominated in foreign currency but either of which

conversion difference is not recognized as profit and loss by themselves.
The above accountings are applied, on the conditions that the hedged security is specified in advance and that on-balance (actual) or off-balance (forward) liability exposure exists enough to cover the cost of the hedged security, and in pursuant to 'Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.20).
Certain derivatives managed by some of overseas branches are recorded on a cost basis using the short-cut method (exceptional treatment) for interest rate swaps in view of consistency with the way of risk management.

Domestic subsidiaries use the deferred hedge accounting or the short-cut method (exceptional treatment) for interest rate swaps.

15. Consumption tax and local consumption tax of the Bank and consolidated domestic subsidiaries are accounted for using the tax-excluded method.

16. 'Other reserve' required by Special Law is stated as follows:
Reserve for contingent liabilities from financial futures transaction that was provided in accordance with Article 82 of the Financial Futures Transaction Law is recorded at 18 million yen.
Reserve for contingent liabilities from securities transaction that was provided in accordance with Article 51 of Securities Exchange Law is recorded at 618 million yen.

17. Accumulated depreciation of premises and equipment amounted to 675,968 million yen.
Accumulated depreciation of lease assets amounted to 1,412,010 million yen.

18. Bankrupt loans and Non-accrual loans are 248,680 million yen and 2,294,807 million yen respectively. 'Bankrupt loans' consist of loans on which the Bank and consolidated subsidiaries do not currently accrue interest income due to the nonpayment status or other credit conditions of the borrower and which meet certain conditions defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law, issued in 1965. 'Non-accrual loans' is defined as loans on which the Bank and/or consolidated subsidiaries do not currently accrue interest income but excluding 'Bankrupt loans' and loans for which the Bank and/or consolidated subsidiaries are forbearing interest payments to support the borrowers' recovery from financial difficulty.

19. 'Past due loans (3 months or more)' are 124,521 million yen. Past due loans (3 months or more) consist of loans of which principal and/or interest is past due for three months or more but exclude Bankrupt loans and Non-accrual loans.

20. Restructured loans are 1,114,939 million yen. 'Restructured loans' are loans for which the Bank and consolidated subsidiaries relax 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, but excluding Bankrupt loans, Non-accrual loans and Past due loans (3 months or more).

21. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans are 3,782,947 million yen as of the consolidated interim balance sheet date.
The amounts of loans presented through 18 to 21 are amounts before reserve for possible loan losses is deducted.

22. The total face value of Bank acceptance bought, Commercial bills discounted and Documentary bills is 1,249,030 million yen.

23. Assets pledged as collateral as of the consolidated balance sheet date are as follows:

	(Millions of yen)
Assets pledged	
Cash and due from banks	57,484
Trading assets	920,433
Securities	9,695,256
Loans and bills discounted	1,728,781
Other assets (installment account receivable)	1,499
Premises and equipment	554
Liabilities corresponding to assets pledged	
Deposits	4,978
Call money and Bills sold	6,104,400
Payables under repurchase agreements	1,760,368
Trading liabilities	46,349
Borrowed money	139,906
Pledged money for securities lending transactions	3,287,729
Other liabilities	9,422
Acceptances and guarantees	49,312

In addition, cash and due from banks of 39,415 million yen, trading assets of 2,566 million yen, securities of 1,646,046 million yen, loans and bills discounted of 859,447 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.
Premises and equipment include surety deposits and intangible of 120,305 million yen, and other assets include initial margins of futures markets of 38,638 million yen.

24. Net of deferred unrealized gains and losses from hedging instruments is reported in deferred profit on hedge which are included in Other liabilities. Gross deferred unrealized gains and gross deferred unrealized losses from hedging instruments are 1,193,746 million yen and 1,038,497 million yen respectively.

25. Pursuant to the Law concerning Land Revaluation (the Law) effective March 31, 1998, the Bank and some of its consolidated domestic subsidiaries revalued their own land for business activities. The income taxes corresponded to the net unrealized gains are deferred and reported in liabilities as 'Deferred tax liabilities for land revaluation', and the net unrealized gains net of deferred taxes are reported as 'Land revaluation excess' in Stockholders' equity.
    Date of the revaluation

The Bank	March 31,1998
Some of its consolidated domestic subsidiaries	March 31,1999

    Method of revaluation (provided in Article 3-3 of the Law)
      The Bank:
        The fair values are determined by applying appropriate adjustments for land shape and timing of appraisal to the values specified in any of the Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance) effective Mar 31, 1998.
      Some of its consolidated domestic subsidiaries:
        The fair values are determined based on the values specified in the Article 2-5 of the Enforcement Ordinance.

26. The balance of subordinated debt included in Borrowed money is 1,048,130 million yen.

27. The balance of subordinated bonds included in Bonds is 1,850,604 million yen.

28. Stockholders' equity per share is 359.97 yen.

29. 'Japanese Government Bonds' as a sub-account of 'Securities' includes 999 million yen of unsecured loans of securities without restrictions as to disposal. 'Securities' includes 1,665 million yen of lease of securities.
    The Bank mortgages 1,833,377 million yen and holds in hand 187,102 million yen of secondhand securities without restrictions as to disposal which are either borrowed, mortgaged under repurchase agreements or under loans of securities backed by cash. The Bank may pledge leasehold securities as well.
    Unsecured loans of securities and securities under repurchase agreements were recognized as 'Securities in custody' as a sub-account of 'Other assets' and 'Trading account securities borrowed' or 'Securities borrowed' as a sub-account of 'Other liabilities' by the same amounts. From this fiscal year, they are not reported on balance sheet in accordance with the revision of the accounting standards for financial instruments. Consequently, Other assets and Other liabilities decrease by 1,283,943 million yen as compared with the former manner.

30. Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments upon is 24,996,885 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time is 22,656,823 million yen. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Bank and consolidated subsidiaries can reject the application from customers or reduce the contract amounts in case economic conditions are changed, the Bank and consolidated subsidiaries need to secure claims or others occur. In addition, the Bank and consolidated subsidiaries request the customers to pledge collateral such as premises and securities at conclusion of the contracts, and take necessary measures such as grasping customers' financial positions, revising contracts when need arises and securing claims after conclusion of the contracts.

31. In accordance with application of accounting standards for financial instruments, 'Net unrealized losses on *other securities'* is reported by the amount of valuation losses, net of taxes, which is arising from evaluating *other securities* and other money held in trust at the fair value. Consequently, the total amount of 'Securities' and 'Money held in trust' decreases by 645,402 million yen and (394,819) million yen of 'Net unrealized losses on *other securities'* is reported on the consolidated balance sheet.

32. In the past, pledged money that was pledged in securities lending transactions was included in 'Other liabilities,' and from this consolidated fiscal year it is presented as 'Pledged money for securities lending transactions' on the consolidated balance sheet.