

Notes to Consolidated Interim Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes (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 interim balance sheet on a contract date basis. Securities and monetary claims purchased for trading purposes are stated at the term-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated interim balance sheet date.
3. Held-to-maturity debt securities are debt securities that Sumitomo Mitsui Banking Corporation ('SMBC') or its consolidated subsidiaries have the positive intent and ability to hold to maturity, and are carried at amortized cost using the moving-average method. Investments in nonconsolidated subsidiaries and affiliates which are not accounted for by the equity method are carried at cost using the moving-average method. Securities other than trading purpose securities and the previous two categories of securities are classified as 'other securities' (available-for-sales securities). Stocks in other securities that have market value are carried at the average market prices during the final month of the interim term, and bonds and others that have market prices are carried at their interim term-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities that have no available market prices are carried at cost or amortized cost using the moving-average method. Net unrealized gains (losses) on other securities, net of income taxes, are included in 'Stockholders' equity.'
4. Securities included in 'Money held in trust' are carried in the same way as in Notes 2 and 3.
5. Derivatives excluding those classified as trading derivatives are carried at market value, though some consolidated overseas subsidiaries account for derivative transactions in accordance with local accounting standards.
6. Depreciation of premises and equipment owned by SMBC is computed using the straight-line method for buildings and the declining-balance method for equipment. For the six-months ended September 30, 2002, SMBC calculated the depreciation costs by allocating the estimated annual costs to the interim term. The estimated useful lives of major items are as follows:
 - Buildings: 7 to 50 years
 - Equipment: 3 to 20 yearsConsolidated subsidiaries depreciate premises and equipment, and lease assets primarily using the straight-line method over the estimated useful lives of the respective assets and the straight-line method over the lease term based on the residual value of assets at the end of the lease term, respectively.
7. SMBC and its consolidated domestic subsidiaries depreciate capitalized software for internal use using the straight-line method over its estimated useful life (basically five years).
8. SMBC's assets and liabilities denominated in foreign currencies and overseas branches' accounts are translated into Japanese yen primarily at the exchange rate prevailing at the consolidated interim balance sheet date, with the exception of stocks of subsidiaries and affiliates which are translated at rates prevailing at the time of acquisition. Formerly, SMBC applied 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), except for the accounting treatment stipulated in 'Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.20 'Former report'). Effective on April 1, 2002, SMBC applies the revised accounting standards for foreign currency transactions, except for the treatment which the Former report is applied, in accordance with the temporary treatment regulated by 'Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.25). Pursuant to the temporary treatment, 'financial swap transactions' and 'treatment on internal contracts and transactions among consolidated subsidiaries' were accounted for by the former method. And foreign currency differences arising from futures currency transactions are recognized on the consolidated balance sheet on a net basis.

Financial swap transactions are accounted for as follows:

- (1) Principal amounts of credits and debts are reported on the consolidated balance sheet in the net amount converted at the exchange rate prevailing at the interim term-end.
- (2) The difference between spot and forward rates are recorded as interest income or expenses on an accrual basis for the period from the spot foreign exchange settlement date to the forward foreign exchange settlement date.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and

forward foreign exchange either bought or sold. The spot foreign exchange bought or sold is the swap transaction for borrowing or lending the principal amount. The forward foreign exchange bought or sold is the swap transaction of the principal and corresponding interest to be paid or received, the amount and due date of which are predetermined. Consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the interim term-end of each company.

9. Reserve for possible loan losses of SMBC and its major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and reserves.
- For claims on borrowers who have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), a reserve is provided based on the amount of claims, after the charge-off stated below, net of the expected amount of recoveries from collateral and guarantees.
- For claims on borrowers that are not currently in the status of bankrupt but are likely to become bankrupt in the future, a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the 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 specific countries, an additional reserve is provided for by the amount deemed necessary based on the assessment of political and economic conditions.
- Branches and credit supervision departments assess all claims in accordance with the internal rule for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment. The reserves are provided based on the results of these assessments.
- Reserve for possible loan losses of other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratio, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.
- For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and charged off against the total outstanding amount of the claims. The amount of charge-off was 1,768,046 million yen.
10. Reserve for employee bonuses is provided for by the amount of estimated bonuses attributable to this consolidated interim term.
11. Reserve for employee retirement benefits (prepaid pension cost) is provided, in provision for payment of retirement benefits to employees, in the amount deemed accrued at end of consolidated interim term end, based on an actuarial computation, which uses the present value of the retirement benefit obligation and plan asset amount projected at the beginning of the consolidated interim term.
- Prior service cost is amortized using the straight-line method over primarily 10 years within the employees' average remaining service period at incurrence.
- Unrecognized net actuarial gain (loss) is amortized using the straight-line method over primarily 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.
- Unrecognized net transition obligation from initial application of the new accounting standard for employee retirement benefits 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, 2002.
12. Reserve for possible losses on loans sold is provided 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 SMBC and its consolidated domestic subsidiaries, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same manner as operating leases.
14. Pursuant to the temporary treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No.24) issued by JICPA, SMBC applies 'the risk adjustment approach' to hedging (Macro hedge) 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, abiding by the following requirements:
- (1) Loans, deposits and other interest-earning assets and interest-bearing 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) Effectiveness of hedging activities shall be evaluated on a quarterly basis.
- SMBC applies deferred hedge accounting.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currency, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged security is specified in advance and that enough on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged security in foreign currency base.

Certain derivatives for the purpose of hedging are recorded on a cost basis using the special treatment for interest rate swaps in view of consistency with the of risk management policy.

Certain consolidated subsidiaries use the deferred hedge accounting or the special treatment for interest rate swaps and a consolidated domestic subsidiary (a leasing company) partly applies the accounting method that are permitted by the Industry Audit Committee Report No.19 'Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Leasing Industry' issued by JICPA.

15. National and local consumption taxes of SMBC and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
16. Other reserves required by special laws are reserve for contingent liabilities from financial futures transaction (18 million yen) in accordance with Article 82 of the Financial Futures Transaction Law, and reserve for contingent liabilities from securities transaction (237 million yen) in accordance with Article 51 of Securities Exchange Law.
17. Accumulated depreciation on premises and equipment and accumulated depreciation on lease assets were 661,729 million yen and 1,404,704 million yen, respectively.
18. Bankrupt loans and non-accrual loans were 249,899 million yen and 3,116,433 million yen, respectively.
'Bankrupt loans' are loans on which SMBC or its consolidated subsidiaries do not currently accrue interest income, as substantial doubt is judged to exist as to the ultimate collectability of either principal or interest as they are past due for a considerable period of time or for other reasons, and meet 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 are loans on which SMBC or its consolidated subsidiaries do not currently accrue interest income, excluding bankrupt loans and loans for which SMBC or its consolidated subsidiaries are forbearing interest payments to support the borrowers' recovery from financial difficulties.
19. Past due loans (3 months or more) totaled 109,388 million yen.
Past due loans (3 months or more) are loans other than the above two categories of loans on which the principal or interest is past due for three months or more.
20. Restructured loans totaled 2,759,599 million yen.
Restructured loans are loans other than the above three categories of loans for which SMBC or its consolidated subsidiaries have relaxed lending terms, such as reduction of the original interest rate, forbearance of interest payments or principal repayments or have made agreements in favor of borrowers such as debt forgiveness, to support the borrowers' recovery from financial difficulties.
21. The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans was 6,235,319 million yen.
The amounts of loans presented in Notes 18 to 21 are amounts before deduction of reserve for possible loan losses.
22. Bills discounted are accounted for as financial transactions in accordance with 'Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry' (Industry Audit Committee Report No.24) issued by JICPA. SMBC and its consolidated banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, and the total face value was 1,020,775 million yen.

23. Assets pledged as collateral were as follows:

	(Millions of yen)
Assets pledged	
Cash and due from banks	63,895
Trading assets	562,181
Securities	13,180,902
Loans and bills discounted	3,880,182
Other assets (installment account receivable etc.)	1,316
Premises and equipment	541
Liabilities corresponding to assets pledged	
Deposits	12,187
Call money and Bills sold	11,448,400
Payables under repurchase agreements	1,931,859
Payables under securities lending transactions	3,584,093
Trading liabilities	87,964
Borrowed money	81,254
Other liabilities	11,095
Acceptances and guarantees	41,946

In addition, cash and due from banks of 59,335 million yen, trading assets of 171 million yen, securities of 1,341,402 million yen, loans and bills discounted of 1,702,156 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 118,734 million yen, and other assets include initial margins of futures markets of 13,398 million yen.

Bills rediscounted are accounted for as financial transactions in accordance with 'Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry' (Industry Audit Committee Report No.24) issued by JICPA, and the total face value of bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought that have been pledged was 53,829 million yen.

24. Net amount of deferred unrealized gains (losses) on hedging instruments to which hedge accounting is applied is reported as deferred profit on hedge and are included in 'Other liabilities.' Gross deferred unrealized losses and gross deferred unrealized gains on hedging instruments were 1,145,365 million yen and 1,283,116 million yen, respectively.

25. SMBC revaluated its own land for business activities in accordance with the Law Concerning Land Revaluation (the Law) effective March 31, 1998 and law concerning amendment of the Law effective March 31, 2001. 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.'

Certain consolidated subsidiaries revaluated their own land for business activities in accordance with the Law. The income taxes corresponded to the net unrealized gains (losses) are deferred and reported in 'Liabilities' or 'Assets' as 'Deferred tax liabilities for land revaluation' or 'Deferred tax assets for land revaluation' and the net unrealized gains (losses), net of deferred taxes, are reported as 'Land revaluation excess' in 'Stockholders' equity.'

Date of the revaluation

SMBC March 31, 1998 and March 31, 2002

Certain consolidated subsidiaries March 31, 1999 and March 31, 2002

Method of revaluation (provided in Article 3-3 of the Law)

SMBC: Fair values are determined by applying appropriate adjustments for land shape and timing of appraisal to the values specified in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law concerning Land Revaluation (the Enforcement Ordinance) effective March 31, 1998.

Certain consolidated subsidiaries: Fair values are determined based on the values specified in Article 2-3 and 2-5 of the Enforcement Ordinance.

26. The balance of subordinated debt included in 'Borrowed money' was 911,954 million yen.

27. The balance of subordinated bonds included in 'Bonds' was 1,677,150 million yen.

28. Stockholders' equity per share was 243.57 yen.

29. Market value and unrealized gains (losses) on securities are shown as below:

In addition to 'Securities,' the amounts below include trading securities, negotiable certificates of deposit bought and commercial paper classified as 'Trading assets,' negotiable certificates of deposit bought classified as 'Cash and due from banks', and commercial paper and beneficiary claim on loan trust classified as 'Commercial paper and other debt purchased.' This applies up to Notes 32.

(1) Securities for trading purposes

(Millions of yen)

Consolidated interim balance sheet amount	781,093
Valuations gains (losses) included in income (loss) during the interim term	(619)

(2) Bonds classified as held-to-maturity that have market value

(Millions of yen)

	Consolidated balance sheet amount	Market Value	Net unrealized gains (losses)	Gains	Losses
Japanese government bonds	311,667	314,799	3,132	3,132	0
Japanese local government bonds	23,207	23,641	433	433	-
Other	29,335	30,429	1,094	1,179	85
Total	364,210	368,870	4,660	4,745	85

(3) Other securities that have market value

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
Stocks	4,710,377	3,763,121	(947,255)	106,545	1,053,800
Bonds	12,839,812	12,905,355	65,542	73,526	7,983
Japanese government bonds	11,503,124	11,548,379	45,255	47,735	2,480
Japanese local government bonds	352,653	363,173	10,520	11,003	482
Japanese Corporate bonds	984,035	993,801	9,766	14,787	5,020
Other	4,053,273	4,099,937	46,664	63,680	17,015
Total	21,603,463	20,768,414	(835,048)	243,751	1,078,800

The amount of net unrealized losses on other securities recorded in 'Stockholders' equity' includes net unrealized losses of 512,206 million yen which is the sum of the followings.

Net unrealized losses (a)	(835,048) million yen
(+) Deferred tax assets (b)	319,464 million yen
(c) = (a) + (b)	(515,583) million yen
(-) Minority interests corresponding to (c)	(3,989) million yen
(+) SMBC's interests of net unrealized gains (losses) on other securities held by affiliates accounted for by the equity method	(611) million yen
Total	(512,206) million yen

When the market value of securities classified as other securities declines significantly from its acquisition cost, it is deemed that the market value will not recover to the acquisition cost. The market value is recognized as the consolidated interim balance sheet amount and the amount of write-down is accounted for as valuation loss (impaired) for the current interim term. Valuation loss in the term was 174,429 million yen. The rule for determining 'significant decline' is as follows and is based on the classification of issuing company under self-assessment of assets.

Bankrupt/ Effectively bankrupt/ Potentially bankrupt issuers	Market value is lower than acquisition cost
Issuers requiring caution	Market value is 30% or more lower than acquisition cost
Normal issuers	Market value is 50% or more lower than acquisition cost

Bankrupt issuers: issuers that are legally bankrupt or formally declared bankrupt

Effectively bankrupt issuers: issuers that are not legally bankrupt but regarded as substantially bankrupt

Potentially bankrupt issuers: issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy

Issuers requiring caution: issuers that are identified for close monitoring

Normal issuers: issuers other than the above four categories of issuers

30. The amount of other securities sold during the interim term is as follows:

(Millions of yen)

Sales amount	Gains on sales	Losses on sales
20,817,747	136,898	59,169

31. Summary information on securities that do not have market value is as follows:

(Millions of yen)

	Consolidated balance sheet amount
Bonds classified as held-to-maturity	
Unlisted foreign securities	5,763
Other	14,332
Other securities	
Unlisted bonds	756,068
Unlisted stocks (excluding OTC stocks)	286,939
Unlisted foreign securities	261,534
Other	92,169

32. Redemption schedule of other securities that have maturities and bonds classified as held-to-maturity is as follows:

	(Millions of yen)			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds	5,005,545	6,446,617	2,219,911	324,226
Japanese government bonds	4,833,201	5,070,304	1,671,857	284,684
Japanese local government bonds	25,100	152,511	200,245	8,524
Japanese corporate bonds	147,243	1,223,802	347,809	31,017
Other	246,553	2,951,203	651,235	375,709
Total	5,252,098	9,397,821	2,871,146	699,936

33. Information on money held in trust is as follows:

Money held in trust for trading purposes

	(Millions of yen)
Consolidated interim balance sheet amount	18,309
Valuation gains included in income (loss) during this interim term	30

Other money held in trust

(Millions of yen)				
Acquisition Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Gains	Losses
26,264	25,797	(467)	371	838

The amount of net unrealized losses on other securities in 'Stockholders' equity' includes net unrealized losses of 286 million yen which is the sum of the above net unrealized losses of 467 million yen and deferred tax assets of 180 million yen.

34. 'Japanese Government Bonds' as a sub-account of 'Securities' includes 999 million yen of unsecured loans of securities for which borrowers have rights to sell or pledge. 'Japanese Government Bonds' as a sub-account of 'Securities' includes 301 million yen of loaned securities for which borrowers have rights to pledge but have no rights to sell.

As for the unsecured borrowed securities and borrowed securities secured by cash for which SMBC has rights to sell or pledge and the securities which SMBC purchased under resale agreements, that are permitted to sell or pledge without restrictions, 2,190,151 million yen of securities are pledged, and 107,709 million yen of securities are held in hand as of the consolidated interim balance sheet date. SMBC may also pledge the borrowing loaned securities with rights to pledge but not rights to sell.

35. Commitment line contracts on overdrafts and loans are agreements to lend to customers to prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments was 30,213,119 million yen, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was 27,817,213 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 SMBC or its consolidated subsidiaries can reject the application from customers or reduce the contract amounts in the case of change in economic conditions, SMBC or its consolidated subsidiaries need to secure claims, or other circumstances. In addition, SMBC or its consolidated subsidiaries request the customers to pledge collateral such as premises and securities, and take necessary measures such as reviewing the customers' financial positions during the contract period, revising contracts when need arises, and securing claims.

36. In accordance with amendment of the consolidated interim financial statements regulation and the ordinance of banking law, the changes in financial statement presentations are as follows:

(1) 'Pledged money for securities borrowing transactions' that was formerly included in 'Other assets' is separately reported as 'Receivables under securities borrowing transactions,' effective on April 1, 2002. Consequently, 'Other assets' decreased by 2,186,491 million yen and 'Receivables under securities borrowing transactions' increased by the same amount as compared with the former manner.

From this consolidated interim year, 'Pledged money for securities lending transactions' that was formerly reported on the consolidated balance sheet is reported as 'Payables under securities lending transactions.'

(2) 'Other capital surplus' that was formerly included in 'Retained earnings' is reported in 'Capital surplus' from this consolidated interim year.

37. Effective April 1, 2002, 'Parent bank stock held by subsidiaries' is included in 'Treasury stock' in accordance with the application of 'Accounting Standard for Treasury Stock and Reversal of Legal Reserves' (issued by Accounting Standard Board of Japan on February 21, 2002).

Pursuant to the accounting standard, the accounting treatment for deducting parent bank stock held by subsidiaries from stockholders' equity has been changed as follow:

Amount of SMBC's share is deducted from stockholders' equity.

Amount of Minority stockholders' share is deducted from minority interests.

As for SMBC's stock held by affiliates, SMBC's share is deducted from stockholders' equity. Consequently, 'Securities' decreased by 826 million yen, 'Stockholders' equity' increased by 3,709 million yen, and 'Minority interests' decreased by 4,536 million yen.