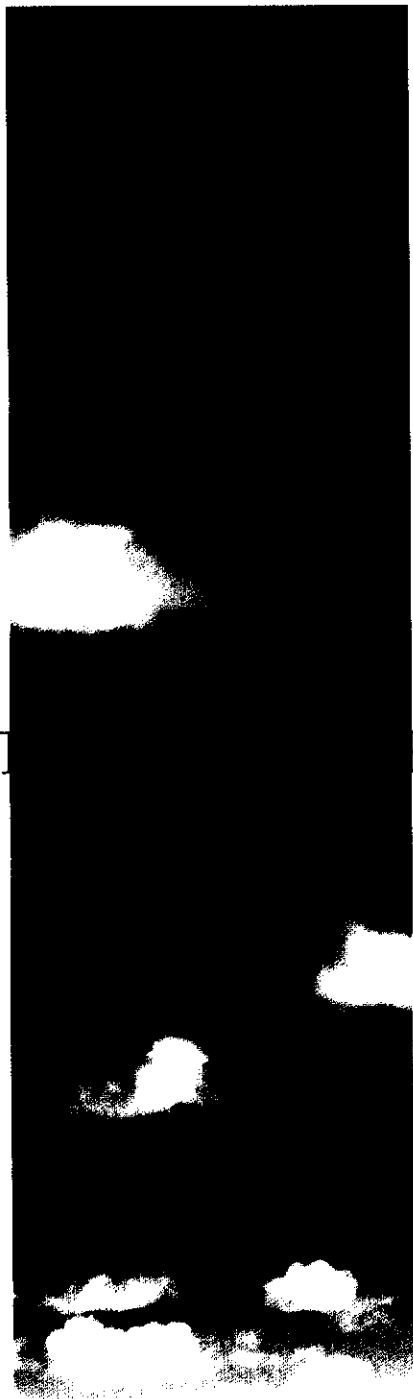


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THE SUMITOMO BANK, LIMITED

ANNUAL REPORT
1998
YEAR ENDED MARCH 31, 1998

Established in 1895, the Sumitomo Bank, Limited, has grown to encompass an extensive network of branches and offices with more than 15,000 employees worldwide. Now one of Japan's premier financial institutions, Sumitomo Bank offers sophisticated wholesale, retail and investment banking services. The Bank's success to date reflects its commitment to the fundamentals of banking—effective risk management, superior service, a sound financial base and basic integrity.

Sumitomo Bank is committed to overcoming the challenges posed by the current financial environment and using its accumulated expertise and experience to capitalize on new opportunities occasioned by deregulation and globalization. The Bank is confident that its efforts will enable it to strengthen its position in the top echelon of the international financial services industry.

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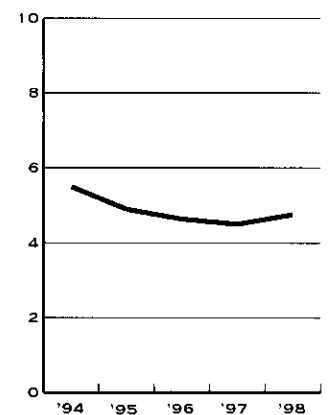
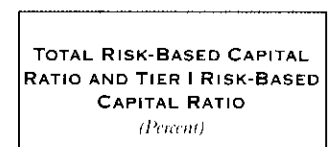
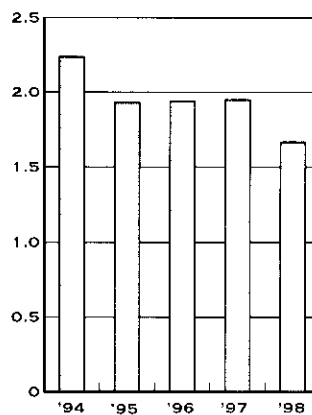
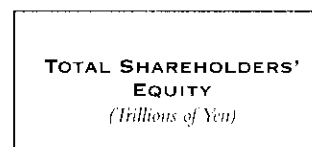
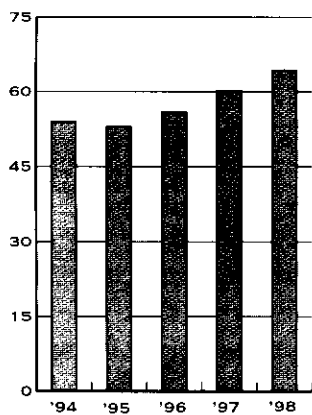
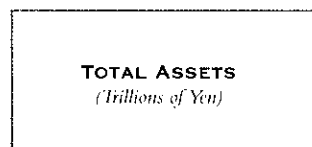
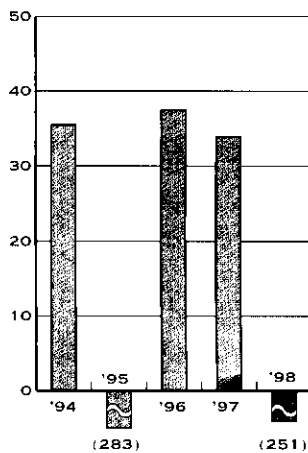
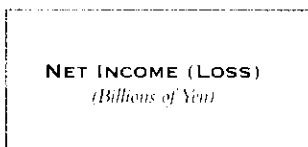
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Consolidated Financial Highlights

The Sumitomo Bank, Limited Years ended March 31

	1998	1997	1996	1998
FOR THE FISCAL YEAR (Millions)				
Net interest income	¥669,184	¥641,579	¥656,421	\$5,066
Net fees and commissions	91,499	71,132	67,186	693
Net trading income (loss)	(16,819)	—	—	(127)
Net other operating income	14,594	38,191	97,296	110
Net income (loss)	<u>(251,296)</u>	<u>34,048</u>	<u>37,539</u>	<u>(1,902)</u>
AT THE FISCAL YEAR-END (Billions)				
Total assets	¥ 64,369	¥ 60,229	¥ 56,139	\$ 487
Deposits	38,506	40,895	40,115	291
Loans and bills discounted	36,928	38,843	37,045	280
Securities	7,096	5,888	5,907	54
Total shareholders' equity	<u>1,671</u>	<u>1,949</u>	<u>1,942</u>	<u>13</u>
PER SHARE (Yen and U.S. Dollars)				
Net income (loss)	¥ (80.00)	¥ 10.84	¥ 11.95	\$ (0.61)
Shareholders' equity	532.18	620.71	618.36	4.03
Declared dividend	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>0.06</u>
CAPITAL RATIOS (Percent)				
Tier I risk-based capital ratio	4.76	4.50	4.64	—
Total risk-based capital ratio	9.23	8.75	9.20	—

Note: All dollar figures herein refer to U.S. currency. Dollar amounts are translated from Japanese yen, for convenience only, at ¥132.10=US\$1, the exchange rate prevailing at March 31, 1998.



TOTAL RISK-BASED CAPITAL RATIO
TIER I RISK-BASED CAPITAL RATIO

A Message to Shareholders

Fiscal 1997, ended March 31, 1998, brought profound changes as the Japanese financial market prepared for the intense competition promoted by Japan's Big Bang, a package of comprehensive reforms aimed at making the country's financial system more efficient, transparent and fair. A renewed sense of urgency hit the industry late in 1997 following a series of failures of major financial institutions and forecasts of bleak days ahead. A more rational way to interpret these changes is, of course, as a result of healthy market forces at work. In other words, markets started to sort out the players, making it necessary for financial institutions to implement market-driven management.

Market-driven management is, in essence, management based on the concept of accountability. In this respect, management transparency, complete compliance with rules and regulations, and superior risk management are essential. To improve Sumitomo Bank's reputation in the markets, we must be committed to the open disclosure of operating results for our customers and shareholders. Moreover, our commitment must not stop at simply publishing facts and figures—we must outline a strategic framework for the future, and present and analyze operating and financial results in the context of this framework and our corporate objectives.

Performance Overview

We implemented several key accounting changes in fiscal 1997 with the primary objective of eliminating problem loans and creating a new management style that does not depend on latent and hidden assets. For the first time, we determined write-offs and transfers to reserves of problem loans according to the results of the self-assessment system. This was an important prerequisite to the implementation of "Prompt Corrective Action" by the Ministry of Finance in April 1998, whereby financial authorities monitor the capital adequacy of financial institutions and order improvements where necessary. In light of the current economic situation in Asia, we set aside general reserves in line

with exposure in the region. We switched our method of valuation for listed securities from the lower of cost or market method to the cost method. We reevaluated the value of real estate held and disclosed the new values.

In fiscal 1997, problem loans were affected by an increase in major corporate failures, continuing market weakness, sagging land prices which drove down the value of assets pledged as collateral, and the economic turmoil in Asia. As a result of self-assessment, the necessary credit costs—costs incurred as a result of efforts to deal with problem loans—were more than ¥1 trillion. As a consequence, we posted a net loss of ¥251.2 billion (\$1.9 billion) on a consolidated basis. However, we were also able to improve the coverage ratio—the balance of problem loans in the specific reserve—to an acceptable level, allowing us to finally shake the grip of Japan's collapsed bubble economy and, barring any unforeseen economic crisis, turn our full attention to the future and the challenges of the Big Bang.

Another consequence of the write-offs and provisions we undertook during the period under review was a considerable decline in capital funds. After exploring several options for raising funds to bolster capital and ensure our ability to meet capital adequacy requirements, we decided to issue perpetual preferred securities through a U.S. subsidiary and issue a perpetual subordinated bond to the government using public funds. These issues enabled us to achieve a capital to risk-adjusted assets ratio of 9.23%, well above the 8.00% required by the Bank for International Settlements (BIS).

Key accounting changes, namely the introduction of the cost method for valuating listed securities and disclosure of the reevaluated value of real estate, underlie our strong intention to reform our financial structure, which previously relied on latent and hidden assets. To this end, we must build a strong financial foundation while strengthening profits from our core businesses.



Toshio Morikawa
Chairman of the Board

Yoshifumi Nishikawa
President

A Sharper Management Infrastructure

Intensifying competition and increasing market liberalization are creating exciting new opportunities in the banking industry. Rather than diversification, however, we believe that the key to prosperity in this market will be selectivity. Accordingly, we will focus on improving efficiency and concentrating investment in promising areas. This will require that we reexamine existing operations and eliminate all waste.

In March 1998, the Bank announced a bold cost-cutting program when it applied for an injection of public funds. By implementing this program, which

targets a reduction of ¥20.0 billion in personnel and facility expenditures over three years, we will endeavor to create a more cost-efficient organization. At the same time, we will reinforce our basic operating infrastructure by concentrating investment on the development and introduction of advanced systems that will improve our capabilities in strategically important operating areas and strengthen market and credit risk management. On another front, we expanded and reorganized the Legal Department, formerly a part of the General Affairs Department, and charge it with overseeing compliance issues throughout the Bank.

Strategic Directions

Japan's Big Bang accelerates the entry of foreign financial institutions into the Japanese market, increase the array of products and services offered by both domestic and foreign institutions, and blur the lines dividing different sectors of the market. To succeed—not merely survive—in this challenging environment, we must evaluate opportunities objectively and with foresight, and narrow our focus to those markets and customer groups that offer the greatest potential for growth. At the same time, we will endeavor to further distinguish the Bank from its competitors by improving the speed of our decision-making and the quick realization of our strategies.

We have identified banking for individual customers as a key strategic business in the domestic market. We will step up efforts to offer advanced products and services that meet the needs of individuals and open convenient and advantageous new delivery channels, expanding beyond the conventional office-based services to include Internet and telephone banking, and strengthen the creation and procurement of advanced financial products and services. In the area of domestic corporate banking, we will focus not only on small and medium-sized corporations, but also on promising venture businesses, offering a wide selection of innovative products, tailored advisory services and

effective relationship management utilizing the Bank's group network. Another highly promising area is banking services for company owners and directors and employees and the employees of our corporate clients—individuals who seek not only convenient retail services but also, for example, asset management and global capital market-related services.

We are confident that these efforts will reinforce recognition of both the Bank itself and its services and help us to improve our brand image.

Looking Ahead

Efforts to dispose of non-performing loans accumulated after the collapse of Japan's bubble economy caused Sumitomo Bank to post significant losses twice in a span of just three years, resulting in considerable deterioration of the capital base we had built up over a century. In many ways, therefore, we are starting over. We are confident that our strategy of selectivity and concentrated investment will enhance service capabilities and reduce costs, enabling the Bank to recover lost ground and build a profitable business foundation. We look forward to reestablishing Sumitomo Bank as your first choice in terms of both performance and integrity, and we ask for your continued understanding and support of our efforts.

July 1998



Toshio Morikawa
Chairman of the Board



Yoshifumi Nishikawa
President

A Year of Change

*The following outlines the activities of Sumitomo Bank,
the parent company of the Group, in response to the current financial environment*

Issue of Preferred Securities

In October 1997, Sumitomo Bank determined that significant disposal of non-performing loans would be necessary, a move that would result in the Bank posting a net loss. As a consequence, we expected to record a considerable decline in capital funds. This, together with instability in the stock and foreign exchange markets, prompted us to explore options for raising funds to bolster Tier I capital and ensure our ability to meet BIS capital adequacy requirements at term-end. After some consideration, we decided that the most appropriate approach was to issue U.S. dollar denominated perpetual preferred securities, in the amount of \$1.8 billion, through U.S. subsidiary SB Treasury Company LLC.

The preferred securities counted as a minority interest on the Consolidated Balance Sheets, which is treated as Tier I capital by the BIS standards. However, there was no dilutive effect per share on a non-consolidated basis since the preferred securities are not convertible into common stock of the Bank.

Our decision to issue perpetual preferred securities via our U.S. subsidiary reflects two factors. First, foreign currency denominated assets represent approximately 30% of the Bank's total risk assets. In contrast, capital denominated in currencies other than yen accounts for less than 10% of total capital. This imbalance means that depreciation of the yen negatively affects our BIS-based capital adequacy ratio. The issue of foreign currency denominated preferred securities will thus reduce the risk of exchange rate fluctuations on our capital ratios. The Commercial Code of Japan does not permit the issue of foreign currency denominated equity, therefore the option of issuing directly was not available to us.

Second, increasing and strengthening our investor base both in Japan and overseas is essential to ensure global competitiveness in this era of intensifying competition. We are the first Japanese bank to raise funds

by issuing preferred securities through an overseas subsidiary, so there was no way to accurately gauge the outcome. However, the reaction of the investment community far exceeded our expectations, with more than 200 companies placing orders, enabling us to achieve our initial objectives and paving the way for a new fund-raising option for Japanese banks.

Use of Public Funds

The issue of a perpetual subordinated bond in March 1998 qualified Sumitomo Bank to apply for a temporary injection of public funds to reinforce its capital base and continue fulfilling its role as a bank, namely the efficient procurement of funds and the extension of superior-quality financial services. Specifically, the decision to apply for public funds reflected our belief that (a) the receipt of such money would contribute to the stabilization not only of our operations but also of the entire domestic financial system, (b) such money would boost our BIS-based capital adequacy ratio, already over the required 8.0%, by about 0.2 percentage point, an important consideration given current instability in the stock and currency markets, and (c) strengthening our capital base would improve our fund-raising for financially sound corporations. We are utilizing the bulk of the ¥1 trillion in public funds we received to fund loans to stable small and medium-sized corporations. Although only a limited number of banks actually received public funds, the positive impact of the injection itself is already evident in the industry's increased lending capacity.

To maximize the resulting benefits and focus on the disposition of the remaining problem loans as soon as possible, we are committed to serving our customers and society as a sound financial institution.

Introduction of Stock Options

In line with Section 19 of Article 280 of Japan's Commercial Code, we decided to introduce stock options as a form of incentive for directors and managers. We set priority targets for key financial indicators, such as achieving a return on equity of 7%, in line with our focus of delivering shareholder value. The introduction of stock options is intended to raise the awareness among executives of the importance of increasing corporate value and to contribute to long-term growth in performance to increase returns to shareholders.

Rationalization Plans

As our application for public funds in March 1998 included a proposal to restructure the Bank to make it more efficient, the huge credit costs made an unmitigated reorganization to improve efficiency and reduce administrative costs a crucial management task.

The objective of our restructuring proposal is to reduce administrative costs, including those for personnel and facilities, by about 5%—more than ¥20 billion—over three years, beginning in fiscal 1999.

Restructuring Proposal

	PEAK	FISCAL 1997 RESULT	FISCAL 2001 OBJECTIVE
Number of employees	Fiscal 1993: 17,710	15,111	14,500
Number of domestic branches	Fiscal 1990: 332	305	283
Number of overseas branches/ agencies/ representative offices	Fiscal 1997: 39	37	23
Personnel costs	Fiscal 1996: ¥163.2 billion	¥160.6 billion	Decrease of ¥8.5 billion
Facility costs	Fiscal 1998: ¥191.3 billion	¥191.3 billion	Decrease of ¥10.0 billion

To accomplish this, our proposal outlines three key strategies:

- Reduce the number of directors and employees; roll back salaries and repeal bonuses for directors
- Consolidate and/or eliminate domestic branches and overseas branches/agencies/representative offices
- Minimize administrative expenses and capital investment

Problem Loans

Background to the Introduction of Self-Assessment Systems

Beginning in April 1998, the Japanese government implemented the "Prompt Corrective Action," aimed at shoring up the nation's financial institutions. These measures included ordering certain troubled institutions to draw up and implement management reform plans, execute a variety of specific measures or cease operations, depending on the capital adequacy of the institution in question. In tandem with these measures, the majority of financial institutions introduced self-assessment systems, whereby they formulate their own asset-assessment standards and take responsibility for assessing, analyzing and determining risk vis-à-vis collectibility and value, as well as for determining appropriate write-offs and provisions in accordance with standards set for this purpose.

Sumitomo Bank devised self-assessment standards based on the accounting standards and guidelines from authorities, created an internal framework for conducting assessments, and established a system for determining appropriate write-off and provision standards based on the results of self-assessment. Accordingly, write-offs and provisions were decided on the basis of self-assessment for the first time ever in fiscal 1997.

Sumitomo Bank's Self-Assessment System

Self-assessment places primary emphasis on assessing loans by analyzing debtors and classifying them into five categories: "normal customers," "customers requiring caution," "potentially bankrupt customers," "virtually bankrupt customers" and "bankrupt customers." The debt of each individual client is subsequently rated, on a scale of one to four, in terms of risk of uncollectibility.

Of the Bank's ¥58 trillion in total assets on a non-consolidated basis as of March 31, 1998, ¥4 trillion was accounted for cash, deposits and other assets deemed to involve no risk of loss. The remaining ¥54 trillion was subject to self-assessment, which was overseen by independent auditors, in line with set standards, through to completion and the establishment of results. Self-assessment will be conducted twice yearly, in June and December, enabling us to monitor asset quality on an ongoing basis.

Responsibility for implementing self-assessment procedures lies with the Bank's branches and departments. These efforts are supported by the Credit Review Department of the Credit Policy Department, an independent entity, which evaluates the results of self-assessment by individual branches and departments to verify that self-assessment standards have been properly enforced.

Write-Offs and Provisions

The self-assessment system is used to determine appropriate write-offs and provisions for problem loans. Provisions for the reserve for possible loan losses, traditionally determined based on tax law standards, are now based on the results of self-assessment. The difference is considerable: tax law standards provide for assessment at term-end of the amount of the loan or equivalent debt, i.e., call loan or accrued income, minus the portion included in the specific reserve for estimated loan losses on certain doubtful loans and collateralized deposits. Provisions for the reserve were also calculated according to tax laws, which use a flat percentage of the total reserve for each industry—

3/1,000 in the case of the financial services industry. In contrast, self-assessment uses "historical default rate" to assess assets classified as "normal customers" or "customers requiring caution." To determine appropriate provisions based on the "historical default rate," the Bank conforms to guidelines set up by the Japan Institute of Certified Public Accountants. While collection of loans to debtors classified as "customers requiring caution" may be delayed, some of these loans are covered by collateral and thus not considered to present a risk of loss to the Bank.

The self-assessment system also sets the specific reserve as the total amount of potential loss to the Bank from loans to debtors classified as "virtually bankrupt customers" or "bankrupt customers." The new system also evaluates loans to debtors classified as being "potentially bankrupt customers"—not generally considered necessary under the old system—and sets aside provisions as appropriate from the standpoint of financial soundness. Loans to debtors classified as being "potentially bankrupt customers" that are not covered by collateral are considered to present a risk of loss to the Bank, but as the potential loss would not equal the total amount of the loan, provisions are set aside on a case-by-case, as-needed basis.

Breakdown of Credit Costs

Fiscal 1997 Results (Non-consolidated basis)

In line with the results of self-assessment, in fiscal 1997 our credit costs were ¥1,043.8 billion. This amount included:

• Transfer to the specific reserve	¥801.3 billion
• Write-off of loans	¥66.1 billion
• Losses on sale of loans to the Cooperative Credit Purchasing Co., Ltd.	¥57.6 billion
• Losses on financial assistance for affiliates	¥33.4 billion
• Transfer to reserve for loss on loans sold	¥42.2 billion
• Losses on delinquent loans sold*	¥43.2 billion

* Losses on the sale of securitized debt with real estate as collateral

As a consequence, the balance of assets in the specific reserve for estimated loan losses on certain doubtful loans as of March 31, 1998, totaled ¥1,114.0 billion.

The “historical default rate” was used to assess loans to debtors classified as “normal customers” or “customers requiring caution,” and a provision of ¥88.0 billion was made to the reserve for possible loan losses to cover potential losses. As well, in response to profound economic changes elsewhere in Asia, we made a special additional provision of ¥54.3 billion against loans to debtors in the region.

Outlook

Assuming that the economic situation does not change drastically in the near future, Sumitomo Bank believes that the reserves for the problem loans have been raised to sufficient levels. Actual disposal, i.e., conversion to cash through collection or sale, to create a truly healthy balance sheet, will remain an important task. Another, equally important task will be to prevent the emergence of new non-performing loans by strengthening our credit assessment structure to facilitate more effective credit checks.

To improve risk management in the Credit Policy Department, which supervises both our domestic and overseas loan portfolios, an internal credit rating system is prepared as a means of credit risk measurement.

Exposure to Asia

Sumitomo Bank's exposure to 10 countries¹ in Asia, on a transfer-risk basis² was \$13.3 billion, or ¥1,758.2 billion, as of March 31, 1998. Among these, exposure increased to Hong Kong, the People's Republic of China (excluding Hong Kong), Thailand, Singapore, the Republic of Korea (ROK) and Indonesia.

Notes: 1. Includes Hong Kong, the People's Republic of China (excluding Hong Kong), the ROK, Thailand, Singapore, Indonesia, Malaysia, Taiwan, India and the Philippines.

2. Exposure to the countries in which the final risk takers are located, e.g., exposure to a debtor with a guarantee from a parent company in a third country, is recognized as exposure to the country of the parent company.

The crisis of the Thai baht in July 1997 sent currency values and stock prices in the region tumbling. In several countries, economic difficulties have also bred political instability. At present, it remains impossible to predict with any certainty whether economic and political chaos will worsen in the coming months or whether the situation will improve. To ensure the soundness of assets in the region, in the fiscal year under review we examined assets individually under our self-assessment system, determined the risk of default and potential valuation losses, and made prudent transfers—amounting to ¥54.3 billion—to the reserve for possible loan losses. Based on debt and default ratings for individual countries published by leading ratings agencies, this amount was also judged to be sufficient to counter inherent risk of unrecoverability. On average, transfers to the reserve for possible loan losses were equivalent to 3.1% of the total debt of each of the 10 countries, although there were significant variations from country to country, with those for Indonesia, Thailand and the ROK set at 8.2%. Total exposure to Indonesia was \$1.2 billion as of March 31, 1998, against which we made a transfer of \$230 million, or 18.7%, to the reserve.

Although intervention by the International Monetary Fund and other key international organizations has restored a modicum of calm to Asia in recent months, conditions remain volatile. We will continue to monitor movements in the region and take appropriate steps, including additional transfers to the reserve, to maintain the integrity of our portfolio.

Review of Operations



International

The International Department provides comprehensive and diverse services to meet the needs of our customers, currently encompassing more than 30 countries.



The Bank and its subsidiaries around the world offer a wide range of commissioned banking, international securities and M&A advisory services to major Japanese corporations. These services are coordinated by the Capital Market Operations and Advisory Services Group, which was established in July 1998.

Treasury Operations



The Treasury Group's operations, which comprise banking and trading, encompass the provision of diverse and sophisticated products and services in the foreign currency market, foreign exchange, bond and derivative markets and the effective management of



Sumitomo Bank's global banking for its customers and their offshore branches through its domestic branch network and its network of overseas subsidiaries and affiliates, providing a broad range of sophisticated services tailored to the needs of each customer.

Retail Banking



Sumitomo Bank's domestic retail network extends a wide range of financial products and services to individuals and corporations in the Japanese market. We are extending our coverage by developing new delivery channels and reinforcing area-based management.

International Banking

International business has been and continues to be one of the Bank's core businesses, although we are experiencing a tough period with international rating agencies' repeated downgradings of Japanese financial institutions. Even under such circumstances, the Bank reaffirms our commitment to being an active and leading player in the international financial markets and to continue serving our customers worldwide. The Bank is also committed to meeting the challenges of globally changing environments, such as the financial and economic turmoil in Asia, and European Unification in 1999.

The Bank recognizes these challenging developments as an opportunity for reassessment and reorganization for future growth, and confirms our continued commitment to international business. In order to focus on our competitive strengths in this area, we have undertaken a fundamental restructuring of our global network, which provides advanced financial skills and expertise, and value-added services tailored to meet the diverse and increasingly sophisticated needs of our customers.

The Americas

The Bank is committed to enhancing our presence in the U.S. market, where financial institutions are becoming increasingly competitive as a result of large-scale consolidations across the industry in a historic period of prolonged economic growth.

In order to respond to the global activities of our customers, major strategic initiatives have been undertaken to strengthen the Bank's competitiveness in this region, particularly in North America. In line with the Bank's global objective of increasing efficiency and productivity, business and administrative lines have been reorganized.

The reorganization of business lines has signified a shift from the traditional branch network service approach to a strategy that focuses on market segmentation and nationwide product services. The Bank has undertaken substantial steps



R. Mackereth Ruckman, Vice President & Treasurer of Time Warner Inc. (TW), meets with Ryuzo Kodama, Director and General Manager, and John C. Kissinger, Joint General Manager, both of the New York Branch, and Leo E. Pagarigan, Vice President, Client Executive, Time Warner relationship officer, in TW's "Warner Bros. Studio Store" located on the corner of 57th Street and Fifth Avenue in Manhattan, New York.



Yasuji Sumitomo, General Manager of the Singapore Branch (right) confers with Lim How Teck, Group Deputy President & Deputy Chief Executive Officer (center) and Cedric Foo, Executive Vice President Corporate Finance Division (left) of Neptune Orient Lines Ltd., which recently acquired APL Ltd., a U.S. shipping line with a long history, to further strengthen our relationship and fulfill their requirements into the next century.



toward reorganizing our marketing structure into three areas: Japanese Corporations, U.S. Corporations and Special Markets, such as real estate, project finance and public finance. We believe that market segmentation is the most appropriate means of satisfying the diverse needs of our customers. As part of our continued efforts to meet the specific needs of customers, our subsidiaries such as Sumitomo Bank Capital Markets, Inc., and Sumitomo Bank Leasing and Finance, Inc., are providing focused expertise and professional services. Administrative lines have also been reorganized to heighten operational efficiency, with most administrative functions now consolidated in our New York office.

As part of the Bank's strategy of focusing on areas of strength, we have withdrawn from two areas that are not integral to our core activities—the retail and the middle market lending businesses in the United States. Specifically, the sale of the Sumitomo Bank of California, a retail-banking subsidiary, to a regional U.S. bank was announced in March 1998. In the same month, the Bank also announced the closure of the U.S. Corporate Banking Department, a network of offices that concentrated on middle market lending.

The reorganizational measures that were implemented in fiscal 1997 have facilitated a more efficient allocation of assets and expertise into higher profit areas. Of the major deals accomplished by the Bank in fiscal 1997, the \$155 million financing of the Jack Kent Cooke Stadium for the Washington Redskins, a U.S. professional football team, was awarded the "Deal of the Year" by *Project & Trade Finance* magazine. Another notable deal was a \$250 million financing for BANOBRAS, a government-owned Mexican development bank, to develop the subway transportation system in Mexico City. This deal is representative of the strong presence that we have effectively established in the emerging markets of Latin America.

Asia and Oceania

The Bank, as a major Asian financial institution, is committed to playing a key role in Asia, where the sharp depreciation of the Thai baht in July 1997 ignited financial and economic turmoil in the ROK, Indonesia and other countries in the region. Subsequent developments have heightened the sense of urgency toward the need for economic and financial restructuring throughout the region.

It is our belief that there is still fundamental business potential, and we have enhanced our network in Asia by opening a Mumbai Branch in June 1997, a Suzhou Branch in December 1997 and a Taipei Representative Office in May 1998. These measures have allowed the Bank to strengthen our presence and capabilities in Asia and to broaden our services to our clients operating in the region.



Our Hong Kong Branch offers global financial services to meet the diversified needs in Asia. Here, Dato' Dr. Cheung Yu-Tung, Chairman of New World Development Co., Ltd., and Shuntaro Higashi, General Manager of the Hong Kong Branch, discuss how Sumitomo Bank can best assist New World Development with its business.

Our services also cover project finance and structured finance. The major mandates awarded to the Bank in fiscal 1997 include the arrangement of the A\$2.8 billion project financing for the Loy Yang A, an Australian electric power project; the US\$1 billion financing for Batu-Hijau, an Indonesian copper and gold mining operation; and the US\$463 million financing for COCO Phase III, a power plant in Thailand. In addition, the Bank was successful in providing structured trade financings to ROK corporations and extending financial support to ROK financial institutions. The Bank also continued to improve and strengthen our cash management service, "Sumitomo Easy Banking," for corporate customers.

Europe, the Middle East and Africa

The Bank believes that the introduction of the euro, starting in January 1999, represents a window of opportunity. This major transformation of the European monetary system will create a new market where we will serve our customers in a new operating environment. In order to be prepared for the implications of this new development in Europe and to better serve our customers in the region, we are in the process of preparing many new systems and have commenced restructuring of our European network to improve efficiency.

The success of the changes we implemented in fiscal 1997 is obvious from our well-established position as a major player in the financing of infrastructure enhancement programs of various European countries. Evidencing our accomplishments in the region, we were the sole arranger for Slovenia's Mobitel and a co-arranger for the Mobistar project in Belgium, both of which were financings for mobile telecommunications projects. We also accomplished numerous other significant transactions in such areas as project finance, trade finance and corporate finance. In particular, the

Bank's \$700 million deal for Scandinavian Airlines System was chosen as "Deal of the Year" by *Corporate Finance* magazine.

The Bank's network in the region includes investment banking subsidiaries to serve the diverse and sophisticated financial needs of our customers. SBCM Ltd., which specializes in derivatives, was enrolled within the first wave of euro market-makers to adopt the International Swaps and Derivatives Association EMU Protocol, and it is ready to offer a wide range of euro-related instruments. Sumitomo Finance International plc, our investment banking affiliate in London, will offer euro-denominated securities services in a market that is expected to expand dramatically.

Custody Services

The various custody services offered by the Bank are a key element in our drive to becoming a premier global financial service provider. Building on the expertise and successes that we have accumulated over the last 30 years, we have constantly enhanced our custody services and system in order to become the No. 1 provider in the industry.

Providing our customers with value-added services is one of our top priorities. To accomplish this, three information channels are maintained to satisfy the sophisticated and diverse needs of our customers. The first such vehicle is our fully automated computer-based system, which allows us to provide a large variety of information including corporate action information via SWIFT in a timely fashion. The second channel is "Sumitomo Custodian News," a newsletter which we use to update our customers on important developments in the Japanese securities market and to inform them of major topics in the Japanese market. The newsletter is available in printed form as well as through the Bank's home page on the Internet. The third method is our network of customer service representatives who maintain close contact with our customers, notifying them of urgent issues and responding directly to customer inquiries.

The Bank's custody services have been highly evaluated by many of our customers, and we have succeeded in securing the mandates of several premier global custodians in Europe and the United States. Furthermore, in *Asset International's* "Global Custodian Fall Issue," Sumitomo Bank was named a "commended bank" in the field of Japanese Yen custody.

The Bank's commitment to the custody business remains firm, and we plan to strengthen our efforts to further improve our systems and services.



Meeting the global financial service requirements of our customers in Europe and elsewhere is of paramount importance. Pictured are Takayuki Tsukuda, General Manager at the London Branch, and Jun Mizoguchi, General Manager of the International Finance Department (Europe).



Capital Markets Operations

Domestic and international financial markets underwent profound transformation during fiscal 1997, including the decision to unify European Union currencies and changes implemented in line with Japan's Big Bang package of financial reforms. In this environment, capital markets services are taking on increasing importance for globally active corporations. In response to these changes, in July 1998 Sumitomo Bank implemented a bold restructuring that involved a drastic reform of its capital markets operations and the creation of a new Capital Markets Group.

Basic Policies

A New Approach

- Offer highly professional capital markets services
- Provide performance-oriented services not constrained by geographical or operational boundaries
- Restructure the Group's personnel and salary structures

Focusing Investment

- Focus and concentrate investment on the development of businesses that maximize existing strengths and promise outstanding growth

Improving Profitability

- Build capital markets operations into one of the Sumitomo Bank Group's principal profit centers, on a consolidated basis
- Introduce new and more sophisticated financial services that offer high margins

Improving Risk Management and Compliance

- Seek top-flight professionals with superb risk-management capabilities and strict regulatory compliance
- Conduct operations in line with stringent internal rules and regulations

International Securities Operations

The Bank's efforts to expand its international securities operations focus primarily on bond-related business, which enable it to maximize its outstanding credit and market risk management skills, broaden its customer base and enhance its distribution capabilities. Since it is difficult to maintain high margins on equity-related operations at present, we do not plan to concentrate investment in areas other than advisory services for initial public offerings and equity derivatives until market conditions improve.

Derivatives and Product Development

The Financial Engineering Department of the Capital Markets Group executes transactions using derivative products, especially interest rate options and asset-backed finance, and is responsible for the development of innovative financial products and techniques.

The SBCM Group, comprising Sumitomo Bank Capital Markets, Inc., in New York; SBCM Limited, in London; and SBCM Limited Hong Kong Branch, capitalizes on its ability to offer services around the clock, utilizing its outstanding systems and risk management capabilities, to execute transactions using a wide range of derivative transactions, mainly interest rate and currency derivatives, as well as such new instruments as credit derivatives.

Structured Finance

Specialists positioned in key global markets enable the Bank to utilize an extensive range of financing options to offer aircraft and other leasing-related and sophisticated structured finance products tailored to customer needs.

Sumitomo Bank Leasing and Finance, Inc., in New York, arranges various structured leasing operations such as leveraged leases to assist domestic and overseas customers seeking to raise funds for investment in facilities and fixtures in the United States.

M&A Advisory Services

With the rapid globalization of domestic and overseas companies, demand for merger and acquisition advisory services is growing. To capitalize on opportunities in the M&A advisory services market, the Capital Markets

Review of Operations



Group's Investment Banking Department utilizes M&A experts in Tokyo, Osaka, New York and London and the Bank's global branch network to gather information. They are used in conjunction with the Bank's superior corporate research and analysis capabilities to tailor its advisory services to each customer's strategic objectives and to provide a wide range of advisory services, from assisting customers to develop strategies, introducing prospective business partners and conducting negotiations to final closing.

Asset-Management Businesses

Deregulation and the Big Bang are increasing the diversity and sophistication of our customers' asset-management needs. We are responding by enhancing our ability to assist customers with long-term portfolio structuring. In particular, we are honing our ability to offer extensive asset-management services and expect this area of our business to become a major source of fee income in the future. To this end, as part of our corporate reorganization in July 1998, we established the Asset Management Department within the Securities Department and are currently investing to develop asset-management capabilities and enhance our service menu. At the same time, we are preparing to take advantage of the defined contribution pensions which are expected to be introduced in the near future.

Affiliates SB Investment Management Co., Ltd., an investment advisory services company, and SBIM Investment Trust Management Co., Ltd., which compiles and markets funds directly and through securities companies, offer a wide range of products and assist customers in structuring their portfolios in line with their particular needs. Our trust banking subsidiary in Japan, SB Trust Bank Co., Ltd., helps customers looking to restructure their balance sheets by securitizing receivables and lease assets for sale to investors.

M&A	Structured Finance	Derivatives	Securities	
Investment Banking Dept. (Tokyo, Osaka)	Capital Markets Dept. (Tokyo, Osaka)	Financial Engineering Dept. (Tokyo, Osaka)	Sumitomo Capital Securities Co., Ltd.	Japan
	International Finance Dept. (Hong Kong)	SBCM Limited Hong Kong Branch	Sumitomo Finance (Asia) Limited	Asia
Investment Banking Dept. (New York)	Sumitomo Bank Leasing and Finance, Inc.	Sumitomo Bank Capital Markets, Inc. (New York)	Sumitomo Bank Securities, Inc.	Americas
Investment Banking Dept. (London)	International Finance Dept. (Europe)	SBCM Limited (London)	Sumitomo Finance International plc	Europe

Treasury Operations

The Treasury Group's operations encompass managing market and liquidity risks related to Sumitomo Bank's activities in the domestic and international money, foreign exchange, bond and derivative markets, and engaging in a wide variety of transactions offering arbitrage opportunities both in Japan and overseas.



Operating Strategy

Sumitomo Bank realizes that the ongoing deregulation of financial and foreign exchange markets, in line with Japan's Big Bang, provokes customers' needs for foreign currency management and fund-raising caused by revisions to Japan's foreign currency law in April 1998, increases activity in the commercial paper market and presents a golden opportunity for creating new business for the Bank. We will cope with this change in the market and customers' demand for increasingly diverse and sophisticated products and services. We will also continue to focus on yen ALM and trading operations in fiscal 1998 and maximize our capabilities as a major Japanese financial institution in this time of great change.

Banking

The Treasury Group exercises tight control of market and liquidity risk associated with loan, bond, and deposit assets and liabilities denominated in foreign currencies and yen, based on sound ALM, and makes investment decisions in line with interest rate movements to ensure stable, high returns. In January 1997, we reorganized the group and centralized the yen ALM





function in the Treasury Department II, thereby strengthening our fund-raising capabilities and realizing a quicker and more systematic approach.

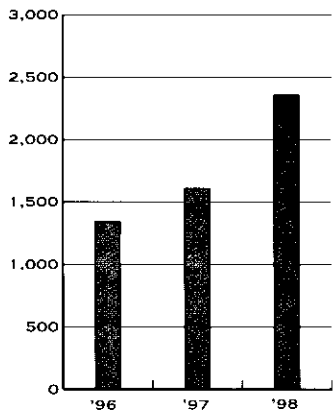
Trading

Foreign exchange operations, bond trading operations and interest rate derivative transactions are conducted by Treasury Group staff in Tokyo, London, New York and Singapore, which constantly strive to diversify sources of income. One way we are achieving this is by developing multi-market yen interest rate arbitrage transactions incorporating interest rate swaps, options and expanding derivative products for customers. Reflecting the introduction of market value-based accounting in Japan in April 1997, these transactions are reported at market value.

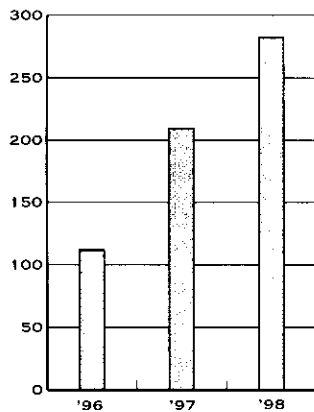
Dealing Support System

Systems-based support is essential to ensure responsiveness to market movements and appropriate management of risk. During the period under review, we completed installation of our new interest rate derivatives dealing support system in New York and London. Installation in Tokyo was completed in the previous period. This system, development of which began in fiscal 1995, enables more prompt operations to cope with market situations than its predecessors. In fiscal 1998, we will introduce a new dealing support system for securities and domestic yen-denominated funding operations.

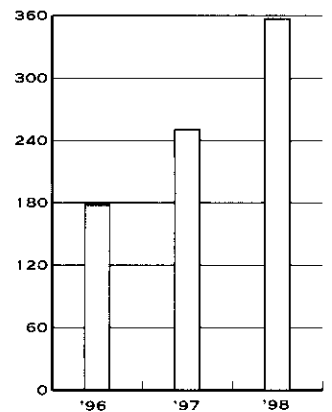
DERIVATIVE PRODUCTS*
(Japanese clients, excluding foreign exchange)
(Billions of Yen)



FOREIGN EXCHANGE TRANSACTIONS*
(direct dealing for Japanese clients)
(Billions of Dollars)



CERTIFICATES OF DEPOSIT AND COMMERCIAL PAPER*
(Trillions of Yen)



* Non-consolidated, years ended March 31.

Wholesale Banking

Sumitomo Bank offers a full spectrum of wholesale banking services to major corporations in Japan through our extensive domestic branch network and to the offshore subsidiaries of these corporations through our overseas subsidiaries and affiliates.

Major corporations have come to rely more on direct financing than on borrowing from banks, reflecting the evolution of global capital markets and a desire to minimize interest-bearing liabilities. Nonetheless, Sumitomo Bank continues to view wholesale banking services for major corporations as a highly promising field. The broad-based activities of major corporations offer many attractive and profitable opportunities to the Group. While the excellent credit ratings of major corporations necessarily mean low margins, this is more than compensated for by the massive scale of transactions. Finally, the increasingly diverse needs of these customers are creating a wide range of promising new business opportunities.

Addressing Direct Financing and Investment Management Needs

Sumitomo Bank responds to the diversified fund-raising needs of corporations by assisting their efforts to raise funds directly from capital markets in the form of, for example, commercial paper and straight bond issues. We also offer a variety of other innovative fund-raising options, such as the securitization of receivables, the organization of syndicates and leasing.

Our investment management services include floating-rate type savings deposits, negotiable certificates of deposit and foreign currency deposits. We also market a full range of securitized asset products and treasury bonds in sizes and durations tailored to customer needs.



Supporting the Rationalization of Settlement and Accounting Procedures

Sumitomo Bank offers a wide variety of electronic banking products that support its customers' efforts to rationalize their settlement and accounting procedures. By using telecommunications to link their information systems with the Bank's, customers can conduct various tasks online, including executing transfers and obtaining account balances, as well as access information on transactions. For corporate customers seeking to increase the efficiency of fund management, we offer multi-bank fund transfer and target balance services.

Revisions to Japan's foreign exchange law in April 1998 have provoked significant changes in foreign exchange transaction and settlement procedures. The implications of these revisions have been significant: corporations in Japan are now able to make purchases denominated in foreign currencies from overseas suppliers, as well as to open offshore savings accounts. Netting is also permitted, improving capital efficiency and reducing foreign exchange



commissions. The Bank has responded to these changes by introducing foreign currency denominated savings accounts, foreign exchange overdrafts and a multi-currency cash-management service.

Strengthening Risk Management

Flagging income growth, intensified competition spurred by deregulation, the Asian currency crisis and a severe operating environment have emphasized the need for effective risk-management services. Sumitomo Bank assists its customers' efforts to manage risk by proposing innovative hedging strategies and offering partial risk-management services. As well, we offer tailored derivative instruments, such as swaps, caps and options, that help customers manage interest rate and currency risks, and project finance, letters of credit confirmation and other services designed to help customers manage credit risk.



Retail Banking

The Bank is strengthening its competitiveness by offering advanced products and improved advisory services, reviewing its retail network, rationalizing office operations and utilizing sophisticated technology in our marketing efforts.



Delivery Channels

Sumitomo Bank has strengthened its efforts in direct banking, in which individual clients are able to directly access the Bank using the telephone, the Internet, automated teller machines (ATMs) and postal services. The Bank was the first of the city banks in Japan to establish "Hello Direct," a telephone banking system in which it is possible to pay-in and transfer money over the telephone. With the increase of international travelers and overseas Japanese, in November 1997 the Bank began an international cash card service that can be used at cash dispensers and ATMs overseas. From February 1998, we started 24-hour service of ATMs, "Hello Direct" and Internet banking. Added to our international cash card service, the Bank now offers four types of around-the-clock services.

In order to improve the convenience for our clients using our housing loan services, we were the first Japanese bank to establish an outlet, "Loan Plaza," that specializes in loans. The outlet also operates on holidays for clients who are not able to visit the bank on weekdays.

Fund Management

The prolonged low-interest environment and revision of the foreign exchange law has given rise to interest in foreign currencies and a growing need for foreign currency management. In order to respond to these demands, we started the *Super Foreign Currency Time Deposit* in March 1997. In January 1998, we started offering services using the statement method and through "Hello Direct." Furthermore, all branches started foreign currency savings from April 1998. Thanks to deregulation in fiscal 1998 as part of the Big Bang, banks will be able to offer long-term fund management advice now that city banks are permitted to sell investment trust products at their branches. Sumitomo Bank regards fund management as becoming a main segment of retail operations.

Private Banking Operations

We established the Private Banking Department in January 1997 in order to offer more sophisticated fund-management services. We began sales of commodity funds in September of last year, and this February we launched sales of the *Gold Deposit Plan*. In March 1998, we developed an asset allocation software system that offers efficient fund-management methods, in cooperation with NEC Corp. This project has enabled us to strengthen our operations



proposal capabilities. We are also offering a variety of information to our clients. For example, at a fund-management seminar conducted this March, a private banker from Banca del Gottardo—which is part of the Sumitomo Bank Group in Switzerland and conducts private banking operations—gave a presentation on its fund-management methods.

Corporate Banking (For Small and Medium-Sized Corporations)

Experience in international operations and with large corporations allows Sumitomo Bank to offer a wide variety of products, services and advice to our small and medium-sized corporate clients. Offering operation funds to our small and medium-sized corporate clients who do not have as many opportunities to raise funds directly from the capital market is one of the basic operations of a bank. We acknowledge this is a social mission and respond to these needs by offering a wide variety of funding methods.

We also actively respond to the demands of small and medium-sized corporate clients by offering efficient fund management and rationalization of accounting management services.

New Business Support Fund

In order to actively support growing corporations, the Bank has established and is managing a New Business Support Fund of ¥20 billion. This fund allows a maximum unsecured loan of ¥300 million. Using original methods, our professional staff conducts overall research on the president of the organization, finances, technology and marketing methods of the potential borrower before actual loans are made. SB Investment Co., Ltd., an affiliate of the Bank, offers support to growing companies wishing to make equity investments.

Quick Loan

We have developed Quick Loan, an unsecured loan for small and medium-sized corporations, with a maximum amount of ¥30 million (\$227,100) and a maximum period of five years. This loan utilizes an originally developed checklist based on accumulated data. By simplifying the evaluation process, we are able to respond quickly to our clients' requests.



Computer-Based Services

Many corporations have implemented personal computers to rationalize accounting management. By establishing direct communications lines with our corporate clients, Sumitomo Bank is able to offer services such as transaction inquiries, sending data on pay-ins and pay-outs of employee salaries, overseas remittance, establishment of import letters of credit, and thus assist our clients in rationalizing account management procedures.

Contributing to Society

Firm in our belief that banks have a vital role to play in the communities in which they operate, we strongly endorse the Bank's participation in, and support to, community activities. This is an important corporate mission.

The Bank's Social Development Department is charged with coordinating and promoting our participation in community services, social welfare and cultural activities. We are a long-standing supporter of such major charitable organizations as the United Nations International Children's Emergency Fund (UNICEF), an international society dedicated to the plight of children, and the Community Chest, a central fund-raising body for Japanese charities.

UNICEF

Sumitomo Bank has enjoyed a long association with UNICEF. Through our special *Charity Accounts*, we provide an opportunity for customers to automatically donate all of the after-tax interest income raised by these accounts. We then match the donation and pass the entire amount on to UNICEF.

Bank representatives also sit on the executive committee of the Foreign Coin Collection Program, which collects unused coins from people who travel abroad. We make use of our branch network to display collection boxes and informational posters. Launched in August 1992, this program has elicited a hearty response from many individuals and organizations. By March of 1998, about 27 tons of coins had been collected, valued at about ¥160 million. We also sort the donated coins and arrange for their shipment to the home country for remittance to UNICEF. In 1998, about 100 people participated in an event co-sponsored by the Bank to sort donated coins.

UNICEF greeting cards, of which half the sales proceeds are donated to the organization, are distributed around the world. Each year, Sumitomo Bank purchases these cards in bulk and adds its own message before sending them to customers, helping to expand awareness of UNICEF activities.

SUMITOMO BANK GLOBAL FOUNDATION

The Sumitomo Bank Global Foundation, Inc., was established in April 1994 to sponsor university scholarships in various countries. In fiscal 1997, the foundation offered grants to students in Thailand, the People's Republic of China, Indonesia and Hong Kong. In total, scholarships were granted to more than 1,000 students in these countries. The Foundation plans to expand its activities so as to support a wider range of educational and community needs.

CULTURAL ACTIVITIES

For the past seven years, the Bank has sponsored the annual Sumitomo Bank Spring Concert Series. This free invitational concert series continues to be a resounding success in introducing junior and senior high-school students to the pleasures of classical music.

ENVIRONMENTAL CONCERNS

The Bank provides assistance to companies endeavoring to contribute to environmental protection through Sumitomo Advanced Finance for Ecology (SAFE). This unique service includes the Eco-Management Loan, designed to fund the development of new ecology-oriented businesses, as well as environmental seminars, providing environmental audit services, developing eco-management proposals, supporting eco-businesses, and producing environmental newsletters and other publications.

In July 1998, we established the Environment Business Department.

COMMUNITY ACTIVITIES

The Bank enjoys the goodwill of the communities in which it operates. To express our gratitude, we provide each branch with the autonomy to decide how it will participate in local affairs. The activities under this program range from the provision of equipment to health-care facilities and nursing homes, to the sponsorship of sports tournaments for senior citizens.

Financial Section

**THE SUMITOMO BANK, LIMITED,
AND CONSOLIDATED SUBSIDIARIES**

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Consolidated Five-Year Financial Summary

The Sumitomo Bank, Limited Years ended March 31

	1998	1997	1996	1995	1994	1993
INCOME STATEMENT DATA						
<i>(Millions)</i>						
Income						
Interest income	¥1,993,193	¥2,141,331	¥2,318,417	¥2,318,444	¥2,474,183	\$15,089
Fees and commissions	152,036	121,955	112,438	96,577	94,306	1,151
Trading profits	131,608	—	—	—	—	996
Other operating income	77,904	74,946	167,472	89,952	120,987	590
Other income	307,669	234,531	102,707	441,291	109,098	2,329
Total income	<u>2,662,412</u>	<u>2,572,765</u>	<u>2,701,036</u>	<u>2,946,266</u>	<u>2,798,577</u>	<u>20,155</u>
Expenses						
Interest expenses	1,324,009	1,499,751	1,661,996	1,795,168	1,907,009	10,023
Fees and commissions	60,537	50,823	45,252	40,032	40,790	458
Trading losses	148,427	—	—	—	—	1,124
Other operating expenses	63,309	36,754	70,176	34,578	49,297	479
General and administrative expenses	443,646	432,820	417,073	395,287	383,381	3,358
Transfer to reserve for possible loan losses	839,723	96,235	126,385	256,080	87,780	6,357
Other expenses	252,178	395,020	352,260	750,950	237,443	1,909
Total expenses	<u>3,131,832</u>	<u>2,511,407</u>	<u>2,673,144</u>	<u>3,272,097</u>	<u>2,705,704</u>	<u>23,708</u>
Income (loss) before income taxes and minority interests	(469,419)	61,358	27,891	(325,830)	92,873	(3,554)
Net income (loss)	<u>(251,296)</u>	<u>34,048</u>	<u>37,539</u>	<u>(283,829)</u>	<u>35,574</u>	<u>(1,902)</u>
BALANCE SHEET DATA (Billions)						
Total assets	¥ 64,369	¥ 60,229	¥ 56,139	¥ 53,313	¥ 54,459	\$ 487
Total liabilities	62,697	58,280	54,197	51,383	52,214	475
Total shareholders' equity	1,671	1,949	1,942	1,929	2,245	13
Deposits	38,506	40,895	40,115	38,530	39,604	291
Loans and bills discounted	36,928	38,843	37,045	34,656	35,086	280
Securities	7,096	5,888	5,907	5,544	5,142	54
Reserve for possible loan losses	<u>1,278</u>	<u>554</u>	<u>640</u>	<u>622</u>	<u>420</u>	<u>10</u>
PER SHARE DATA						
<i>(Yen and U.S. Dollars)</i>						
Net income (loss)	¥ (80.00)	¥ 10.84	¥ 11.95	¥ (90.36)	¥ 11.33	\$ (0.61)
Shareholders' equity	532.18	620.71	618.36	614.32	714.98	4.03
Declared dividend	8.50	8.50	8.50	8.50	8.50	0.06

Note: All dollar figures herein refer to U.S. currency. Dollar amounts are translated from Japanese yen, for convenience only, at ¥132.10=US\$1, the exchange rate prevailing at March 31, 1998.

Financial Review

The consolidated operating results include the accounts of the Sumitomo Bank, Limited (the Bank), and its 46 subsidiaries, including the Sumitomo Bank of California*, Banco Sumitomo Brasileiro S.A., Sumitomo Finance International plc, Banca del Gottardo, Sumitomo Bank Capital Markets, Inc., and Sumitomo Capital Securities Co., Limited.

The period's performance was marked by large net losses. These net losses derived principally from: (i) credit costs of more than ¥1 trillion, resulting from the Bank's self-assessment of problem assets performed in preparation for the April 1, 1998, introduction of the program known as "Prompt Corrective Action;" and (ii) an increase in the Bank's general reserve for its Asian exposure, reflecting the worsening economic climate in that region.

* The Bank agreed in March 1998 to sell the Sumitomo Bank of California to Zions Bancorporation, the second largest bankholding company in the U.S. state of Utah, for \$546 million in the aggregate. This sale is expected to be completed by the end of September with approval of authorities and the shareholders' meetings of Sumitomo Bank of California and Zions Bancorporation.

STATEMENT OF INCOME ANALYSIS

Net interest income for fiscal 1997 amounted to ¥669.1 billion (\$5,065.7 million), an increase of 4.3% from the previous year. This result is attributable to the impact of declining in long-term interest rate.

Net fees and commissions grew 28.6%, to ¥91.4 billion (\$692.6 million), partly reflecting enhancement in farm-banking such as electronic, telephone and internet banking, and partly reflecting an increase in money remittance and transfer fees.

Net other operating income sharply dropped, to ¥14.5 billion (\$110.5 million), partly because profit on trading securities was shifted to trading income and partly because profit on foreign exchange for hedging transactions decreased.

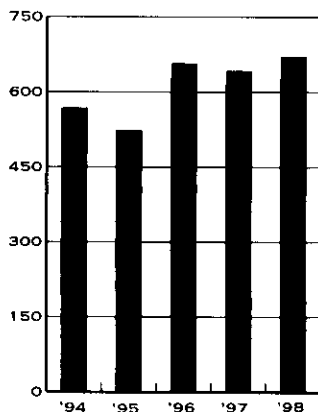
General and administrative expenses increased 2.5%, to ¥443.6 billion (\$3,358.4 million). This was primarily because of an increase in system investment and a rise in the consumption tax, from 3% to 5%.

Transfer to reserve for possible loan losses amounted to ¥839.7 billion (\$6,356.7 million), in which two primary factors are included. First, corresponding to the "Prompt Corrective Action" which has been in effect since April 1998, the Bank provided large specific reserve as a result of self-assessment. Secondly, the Bank and some subsidiaries set up a general reserve of approximately ¥60 billion against claims in Asian countries.

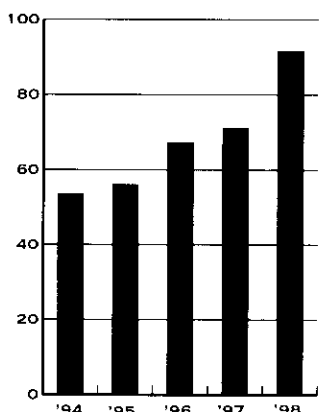
Other income amounted to ¥307.6 billion (\$2,329.1 million), an increase of ¥73.1 billion, or 31.2% over a year earlier, chiefly because gains on sales of premises increased and other reserves have not been required to record.

Other expenses totaled ¥252.1 billion (\$1,909.0 million), a decrease of ¥142.8 billion, or 36.2%, over a year earlier. This was mainly due to decline of devaluation on stock.

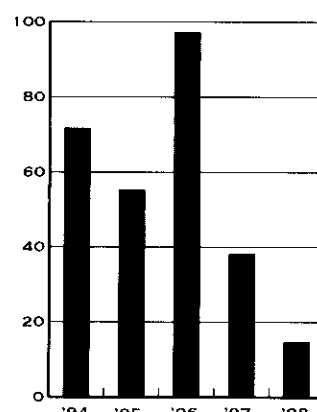
NET INTEREST INCOME
(Billions of Yen)



NET FEES AND COMMISSIONS
(Billions of Yen)



NET OTHER OPERATING INCOME
(Billions of Yen)



INCOME SUMMARY
Years ended March 31

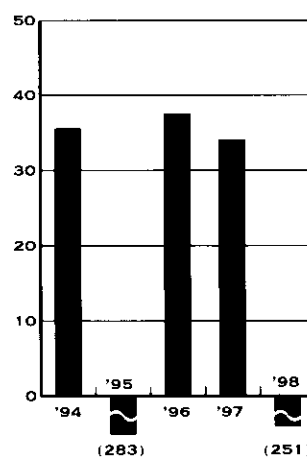
	<i>Millions of Yen</i>		
	1998	1997	1996
Interest income	¥1,993,193	¥2,141,331	¥2,318,417
Interest expenses	1,324,009	1,499,751	1,661,996
Net interest income	¥ 669,184	¥ 641,579	¥ 656,421
Fees and commissions (income)	¥ 152,036	¥ 121,955	¥ 112,438
Fees and commissions (expenses)	60,537	50,823	45,252
Net fees and commissions	¥ 91,499	¥ 71,132	¥ 67,186
Trading profits	131,608	—	—
Trading losses	148,427	—	—
Net trading losses	(16,819)	—	—
Other operating income	¥ 77,904	¥ 74,946	¥ 167,472
Other operating expenses	63,309	36,754	70,176
Net other operating income	¥ 14,594	¥ 38,191	¥ 97,296
Other income	¥ 307,669	¥ 234,531	¥ 102,707
Other expenses	252,178	395,020	352,260
General and administrative expenses	443,646	432,820	417,073
Transfer to reserve for possible loan losses	839,723	96,235	126,385
Income (loss) before income taxes and minority interests	(469,419)	61,358	27,891
Net income (loss)	¥ (251,296)	¥ 34,048	¥ 37,539
Net income (loss) per share (Yen)	(80.00)	10.84	11.95

INCOME SUMMARY

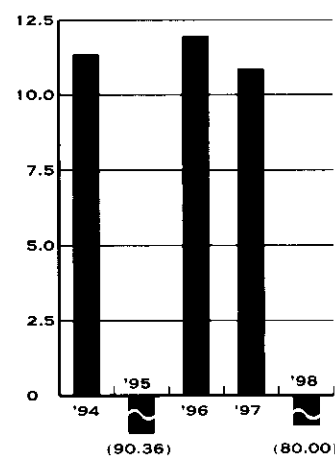
Income before income taxes and minority interest resulted in a loss of ¥469.4 billion (\$3,553.5 million) and net loss of ¥251.2 billion (\$1,902.3 million). Net loss per share was ¥80.00 (\$0.61).

The ¥370.4 billion difference between the consolidated net loss and non-consolidated net loss is attributable mainly to tax effects.

NET INCOME (LOSS)
(Billions of Yen)



NET INCOME (LOSS)
PER COMMON SHARE
(Yen)



REVENUE BY REGION

Years ended March 31

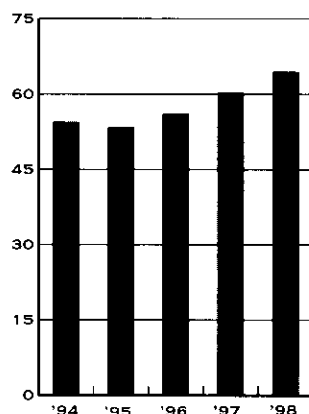
	Percent		
	1998	1997	1996
Japan	56%	62%	65%
Europe	17	15	14
Americas	17	13	11
Asia (except Japan)	10	10	10

BALANCE-SHEET ANALYSIS

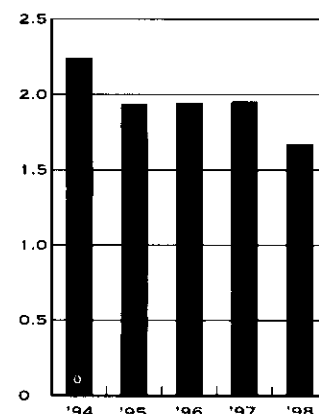
Total Assets

As of March 31, 1998, total assets stood at ¥64,369.5 billion (\$487.3 billion), an increase of ¥4,139.6 billion, or 6.9%, over a year earlier. This increase was caused primarily by the yen's depreciation on the valuation of foreign currencies. Non-consolidated assets amounted to ¥58,076.7 billion (\$439.6 billion) and comprised 90.2% of consolidated total assets.

TOTAL ASSETS
(Trillions of Yen)



TOTAL SHAREHOLDERS' EQUITY
(Trillions of Yen)



TOTAL BALANCE

	Billions of Yen		
	1998	1997	1996
Total assets	¥64,369	¥60,229	¥56,139
Total liabilities	62,697	58,280	54,197
Total shareholders' equity	1,671	1,949	1,942
Exchange rate (¥/US\$) at March 31	¥132.10	¥124.10	¥106.35

Loans and Bills Discounted

The balance of loans and bills discounted totaled ¥36,928.1 billion (\$279.5 billion) at the end of the fiscal year, a decrease of ¥1,915.6 billion, or 4.9%.

The non-consolidated balance of loans and bills discounted amounted to ¥35,930.3 billion (\$272.0 billion), a 1.8%, or ¥669.8 billion, decline. This is primarily because the Bank

restrained the balance in overseas branches while it increased by the yen's depreciation on the valuation of foreign currencies.

The total of the four categories of problem assets (a, b, c and d, as defined on the following page) was ¥1,005.3 billion (\$7.6 billion), a decrease of ¥68.9 billion, or 6.4% over a year earlier. The coverage ratio by specific reserve against problem assets reached 110.8% due to the large amount of

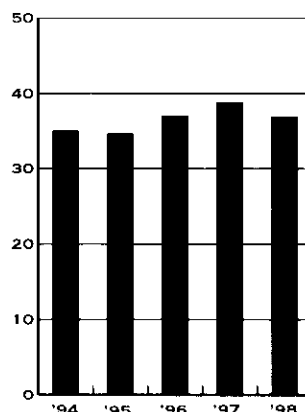
its transfer.

The Bank also disclosed the balance of so-called "Risk Monitored Loans" of ¥1,469.2 billion (\$11.1 billion), which consisted of loans to borrowers under bankruptcy procedure, loans past due for six months or more and newly disclosed loans past due for three months or more, and restructured loans (a, b, e and f, as defined below). The coverage ratio by specific reserve against these Risk Monitored Loans was 75.8%, and 85.6% when taking into account the general reserve and reserve for loans to specified countries, as well.

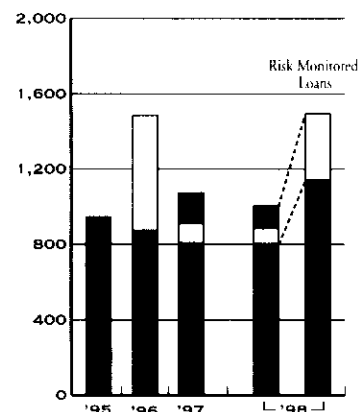
Please see the graph of Risk Monitored Loans

- a. Loans to borrowers under bankruptcy procedures
- b. Loans past due for six months or more
- c. Renegotiated loans (loans for which the interest rate of the original term of an agreement is reduced to below the official discount rate or the original spread is reduced to zero, or interest payment is waived)
- d. Loans to borrowers who are financially assisted by the Bank
- e. Loans past due for three months or more
- f. Restructured loans (loans for financial assistance, loans for which the Bank has adjusted the terms in favor of borrowers; category C and D are included in restructured loans)

LOANS AND BILLS DISCOUNTED
(Trillions of Yen)



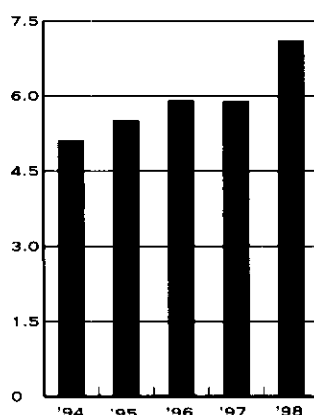
RISK MONITORED LOANS (NON-CONSOLIDATED)
(Billions of Yen)



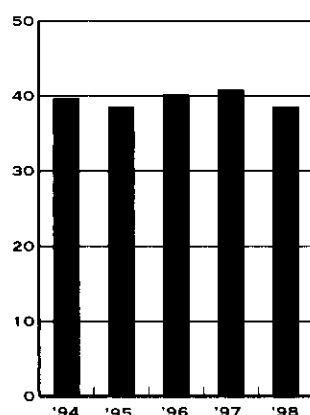
	'95	'96	'97	Previous Standard Classification	New Standard Classification
Coverage Ratio* (%)	50.7	32.5	39.2	110.8	75.8
Coverage Ratio** (%)					85.6

* Coverage Ratio: Specific reserve divided by the balance
 ** Coverage Ratio: General reserve + specific reserve + reserve for loans to specified countries divided by the balance

SECURITIES
(Trillions of Yen)



DEPOSITS
(Trillions of Yen)



Securities

At the end of fiscal 1997, securities amounted to ¥7,096.2 billion (\$53.7 billion), an increase of ¥1,207.7 billion, or 20.5%, from the previous year. This is mainly because of an increase in Japanese national government bonds.

Deposits

Deposits totaled ¥38,506.5 billion (\$291.5 billion) as of March 31, 1998, a decrease of ¥2,388.8 billion, or 5.8%, from a year earlier. This is mainly because money dealing position in foreign currency was restraining operated and loans in overseas branches reduced.

Total Shareholders' Equity

As of March 31, 1998, total shareholders' equity was ¥1,671.5 billion (\$12.7 billion), down 14.3%, or ¥278.0 billion, from the preceding year-end.

Capital Adequacy

The Bank's risk-based capital ratio, calculated in accordance with BIS guidelines, stood at 9.23% on March 31, 1998, up 0.48 percentage point from the previous term. This is because risk-weighted assets, the denominator, were enormously reduced while total capital, the numerator, was decreased.

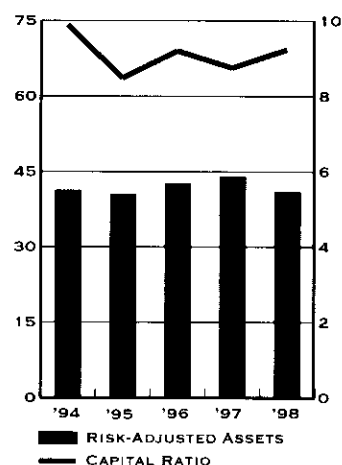
Tier I capital totaled ¥1,948.6 billion (\$14.8 billion), while Tier II capital amounted to ¥1,831.2 billion (\$13.9 billion).

Although retained earnings decreased due to credit costs, the Bank, to strengthen Tier I capital, issued preferred securities of ¥237.7 billion (\$1.8 billion).

Tier II capital included revaluation reserve for land valued at ¥168.5 billion (\$1.3 billion), which was eligible at this fiscal year-end, and qualifying subordinated debt amounting to ¥1,485.8 billion (\$11.2 billion).

Risk-adjusted assets totaled ¥40,932.6 billion (\$309.9 billion), a 7.1%, or ¥3,141.0 billion, decrease over the prior fiscal year-end.

**RISK-ADJUSTED ASSETS
CAPITAL RATIO**
(Trillions of Yen)/(%)



CAPITAL RATIO		Billions of Yen		
		1998	1997	1996
Tier I capital:	Common shareholders' equity	¥ 1,658.2	¥ 1,936.3	¥ 1,928.9
	Minority interests*	290.3	47.7	48.3
	Subtotal (A)	¥ 1,948.6	¥ 1,984.0	¥ 1,977.3
Tier II capital:	45% of unrealized gains on securities**	¥ 0.0	¥ 310.9	¥ 510.9
	45% of revaluation reserve for land	168.5	—	—
	Reserve for possible loan losses***	176.8	134.5	126.5
	Qualifying subordinated debt	1,485.8	1,427.0	1,307.0
	Subtotal (B)	¥ 1,831.2	¥ 1,872.5	¥ 1,944.5
Total capital:	(A) + (B) = (C)	¥ 3,779.9	¥ 3,856.5	¥ 3,921.8
Risk-adjusted assets:	On-balance sheet	¥36,066.3	¥39,126.4	¥37,966.4
	Off-balance sheet	4,347.7	4,947.2	4,633.1
	Asset equivalent of market risk	518.5	—	—
	Subtotal (D)	¥40,932.6	¥44,073.6	¥42,599.6
Capital ratio (BIS guidelines) = (C)/(D) × 100		9.23%	8.75%	9.20%

* In February, the Bank issued preferred securities of \$1.8 billion (¥237.7 billion) in U.S. dollars through its subsidiary, which contributed as minority interest in Tier I.

** 45% of unrealized gains on securities amounted to ¥144.2 billion (\$1.1 billion) and ¥310.9 billion (\$2.4 billion), at March 31, 1998 and 1997, respectively. Due to rules, however, these unrealized gains can be counted in Tier II only in case securities are valued by the lower of cost or market; the Bank, which changed its method of valuation to the cost method, did not count these unrealized gains.

*** The figures exclude both specific reserve for estimated loan losses on certain doubtful loans and reserve for possible losses on specific overseas loans.

Risk Management

RISK MANAGEMENT

Sumitomo Bank sees tremendous business opportunities under the current liberalization and the internationalization of the financial markets, advancement of financial technologies including derivative products and the impact of the financial Big Bang in Japan. However, the Bank recognizes that there are more types of risks, as well as an increase in total risk, associated with these new business opportunities.

Therefore, recognizing that risk management is a cornerstone of the Bank's operations, management balances both sound practices and profitability by first applying strict controls and limits, then on maximizing returns.

The Bank faces credit, market, operational, system and legal risks. Separate risk-control departments are set up for each of these types of risk. These sections are managed independently from business promotion units and are responsible for creating policies, developing quantitative models and setting risk limits. Particular attention is given to diversify risk assets and to hedge exposures. Creation and maintenance of the appropriate inspection and audit systems as well as clearly written control procedures are also the responsibility of the risk-control departments.

The Bank is determined to further improve and strengthen the risk-management systems and to improve the risk-versus-return profile within the framework of the Bank's capital.

CREDIT RISK MANAGEMENT

The Bank has two basic approaches in managing credit risk: portfolio management and individual credit management. Portfolio management is established for the purpose of avoiding credit risk concentrations and enhancing the risk-versus-return profile. Individual credit management is based on the stringent individual credit analysis and the credit application screening process. Sumitomo Bank believes that its strong credit risk management will maintain the soundness of the Bank's assets and a strong balance among the Bank's risks, earnings and capital.

Credit Risk Management Organization

In terms of organizational structure, the Credit Policy Department is responsible for the Bank's portfolio management. It administers the Credit Risk Committee, which evaluates the portfolio regularly. The committee is chaired by the Bank's top executive and includes general managers from credit and business promotion departments.

The Credit Policy Department monitors portfolio exposure by industry, rating, company size, product type and other characteristics in order to detect and avoid excessive concentration of risks. This department also focuses on maximizing earnings on the asset that the Bank allocates

for each transaction. One method of accomplishing this is through adoption of risk-adjusted return on assets (RAROA; discussed in detail below) as one of the criteria in evaluating new and existing transactions.

The Credit Policy Department also has responsibility for conducting self-assessment of the Bank's assets, establishing credit approval authorities and maintaining credit policies.

The Bank believes that the objective measurement of the obligor's credit risk is one of the keys to effective risk management. The Bank's Corporate Research Department uses an obligor scoring model it developed to determine risk grades. Because this department is independent of the business and credit departments, it is able to make an objective risk assessment.

For new and existing facilities, the Bank's business units and credit departments perform thorough credit analyses by considering such factors as financial conditions, future business prospects, cash flow projections, available collateral and other credit enhancement. The organization of the credit departments reflects the Bank's client base. On a retail basis, there are credit departments by region of Japan. The Bank has separate credit departments for large corporate business in the Japanese domestic market, other Asian countries, Europe and the Americas. The Bank conducts international business utilizing country risk limits which are established by the International Credit Department based on its research and periodic research trips overseas.

The Credit Review Department within the Credit Policy Department and the North American Audit Department review the credit risk management process of the business units and credit departments. On-site business unit audits are performed by these departments, which give necessary guidance to ensure that the best practices are being followed.

Internal Obligor Grading System

The Bank's Obligor Grading Model, described above, is a powerful tool for credit portfolio management and measurement of credit risks. The Bank began using it for Japanese obligors starting in fiscal 1997. The use of this model has been expanded to non-Japanese obligors. As a result, more than 90% of the Bank's obligors are graded using this model. The model's final grade reflects the initial quantitative score based on certain obligor measures and subsequent adjustment based on qualitative factors such as management and industry.

Risk-Adjusted Return on Assets (RAROA)

RAROA, discussed above, was introduced in fiscal 1997. RAROA, calculated using the formula that follows, differs from traditional return on assets in that it considers not

only the operational expenses related to the transaction but also probable expected losses for each credit risk category. The expected loss of each transaction is calculated based on two major factors: estimated default rate and recovery rate, which are derived from the analysis of the data obtained from the Bank's historical records and external credit agencies.

Note: RAROA = (Gross Profit - Expected Loss - Expenses) / Exposure
Expected Loss = Exposure x Default Rate by Obligor Rating x (1-Recovery Rate)

Credit Application Control System

In order to integrate credit information, shorten the decision-making process and rationalize activities associated with the credit application processing, the Bank has been developing the New Credit Pipeline System since 1995. Work on the following components has either begun or has been finalized during fiscal 1997.

- **Corporate Card System (Started in fiscal 1996)**
Obligors' financial data, asset descriptions, management information and business profiles are kept in the system in files accessible by the business units and relevant Head Office departments. This dramatically replaced the conventional paper-based credit information database.
- **Collateral Information System (Started in fiscal 1996)**
This computerized database records collateral information including type, ownership, appraised value of the real estate and market value of securities. This information, combined with facility information in the existing computer systems, enables the Bank to automatically calculate the collateral coverage of each facility.
- **Credit Application/Approval System (Started in fiscal 1997)**
This system changed the preparation, submission and approval of credit applications from a paper-oriented system to an electronic processing system. Eventually all applications can be stored in this database and be used for portfolio analysis.

Off-Balance-Sheet Transactions

For off-balance-sheet transactions, the Bank calculates a credit risk equivalent amount, which represents the current replacement cost, or the potential cost to the Bank to replace future net cash flow in the event of default.

The Bank's basic approach to managing this type of exposure is to set counterparty lines denominated by a credit risk equivalent amount. By doing this, the Bank can measure and monitor credit risk for on- and off-balance-sheet assets on a unified basis. Sumitomo Bank periodically values the outstanding credit risk exposure to each counterparty.

Should the Bank's exposure for any one counterparty exceed a certain percentage of the approved limit, the account is automatically flagged and control measures are implemented before the limit is exceeded. In addition, aggregated off-balance-sheet credit exposures for major corporate groups are monitored and managed by the Credit Policy Department.

THE YEAR 2000 PROBLEM

Sumitomo Bank acknowledges the seriousness of the Year 2000 Problem and the threat it poses to computers and the companies that use them. Also known as the Millennium Bug, the Year 2000 Problem is the result of computer systems that were designed with a date field having only the last two digits of the year. These systems may thus interpret the year 2000 as 1900. This problem is expected to cause significant disruptions for those companies with computer systems unable to accurately process dates into the 21st century.

Impact on Banking Services

The Year 2000 Problem poses a serious problem to the banking industry. Industry experts predict that if effective action is not taken, settlements and interest calculations and other daily transactions may be incorrectly processed. Furthermore, banks may also be affected both directly and indirectly if their clients and business partners do not also take steps to deal with this problem.

Sumitomo Bank's Response

Sumitomo Bank has responded to this problem by creating an interdisciplinary working team reporting directly to senior management.

Systems and Equipment

Currently, Sumitomo Bank is in the process of renovating and testing all systems that would have the greatest impact on our operations. In principle, all mission-critical in-house systems and equipment will have been tested and repaired or replaced by December 1998. Furthermore, the Bank is developing contingency plans for each mission-critical system should unexpected problems arise.

Core System

Sumitomo Bank's core system handles processing for deposits, loans and other mainstay activities. Both the domestic and overseas versions of this system were designed to be prepared for the Year 2000 Problem when they were last upgraded. The domestic system—the Fourth Generation Integrated On-Line System—was replaced in April 1994. The overseas system, called the Star II System, was implemented in October 1989. Testing of both systems is scheduled for completion in December 1998.

Other Systems

We will correct our remaining systems by reprogramming computers, upgrading operating systems and replacing hardware as necessary. We have begun work on those systems that are most important to our operations and expect all work to be completed by December 1998, as well as testing of mission-critical systems, including compliance systems.

Facilities

Testing is also underway for safes, elevators, telephone switching equipment, security doors, climate-control equipment and other facilities to determine the extent to which they will be affected by the Year 2000 Problem. We expect to complete most necessary testing by December 1998 and any necessary remediation efforts by June 1999.

Response Mechanisms for External Factors

Sumitomo Bank is working to minimize the direct and indirect impact of the Year 2000 Problem arising from problems with the systems of our customers, vendors and business partners.

The Year 2000 Problem Costs

As of this date, Sumitomo Bank has already spent an estimated ¥20 billion to make core systems comply with the Year 2000 Problem. In addition, we estimate that future expenditures—for testing, repairing and upgrading systems—related to the Year 2000 Problem will be between ¥8 billion and ¥10 billion.

MARKET RISK MANAGEMENT

Organizational Structure and Human Resources

Sumitomo Bank manages the market risk of its individual treasury departments as a complete unit through several treasury limits imposed by the Market Risk Management Department, which operates independently of individual treasury departments. To ensure effective management of market risk, commitment from senior executives is essential. At Sumitomo Bank, executives attend monthly ALM Committee meetings, in addition to receiving a daily report from the Market Risk Management Department.

To avoid manipulation of transaction data either through improper transactions or operating mistakes, a system of checks and balances is needed for the front office. In Sumitomo Bank's system, both the back office and the middle office run checks on the treasury departments. Furthermore, as standard procedure, comprehensive audits are carried out by an independent internal inspection division.

To provide advanced services and exercise adequate control over risk, it is important to have staff properly equipped with the latest financial theories and technologies. Sumitomo Bank invests heavily in training and development programs to ensure its staff are well versed in derivatives, diversified portfolio management and other sophisticated financial management techniques.

Market Risk Management Methods

Market risk arises from unexpected changes in market rates or volatilities. To consolidate and manage market risk, Sumitomo Bank uses the VaR method. This method calculates the largest amount exposed to loss reflecting a specific probability, based on the current value. At Sumitomo Bank, VaR is calculated using a one-day holding period and a 99.0% confidence interval.

Market risk includes exchange rate risk, interest rate risk, share price risk, basis risk and spread risk (risk generated from changes in price spreads of financial products), and option risk. Sumitomo Bank manages each risk category using an index which the Bank employs in its daily operations, including the traditional basis point value (BPV) method in combination with the VaR method, facilitating finely tuned risk management.

Market fluctuations can occasionally exceed predicted levels. To ensure its ability to manage and respond to these fluctuations, Sumitomo Bank regularly conducts simulations of radical market movements, such as those that occurred on Black Monday in 1987. Such simulations (stress tests) ensure that the Bank is prepared to respond appropriately whenever similar situations occur in real life.

The enterprise-wide VaR limits set by the Bank are conservative and correspond to capital internally allocated among trading departments.

Market Risk Levels as of March 31, 1998

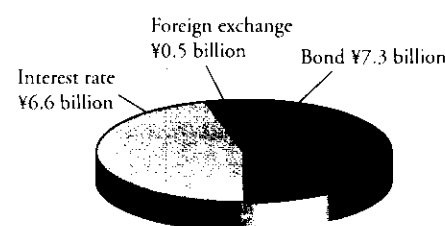
Accumulated levels of market risk as of March 31, 1998, were ¥13.7 billion for banking activities (excluding long-term stock holdings), and ¥0.76 billion for trading activities. Trading activities include transactions booked in the trading account where the MTM accounting method was introduced in fiscal 1997. Furthermore, the BIS market risk regulation, introduced in March 1998, is also reflected in the calculations.

Market Risk by Financial Product

The Bank uses not only just the trading account VaR, as prescribed by the BIS market risk regulation, but also calculates the VaR for the banking account (including deposits and loans) and the entire trading account for sound risk management. Our long-term stock holdings have also been subject to the VaR method since the second half of fiscal 1997.

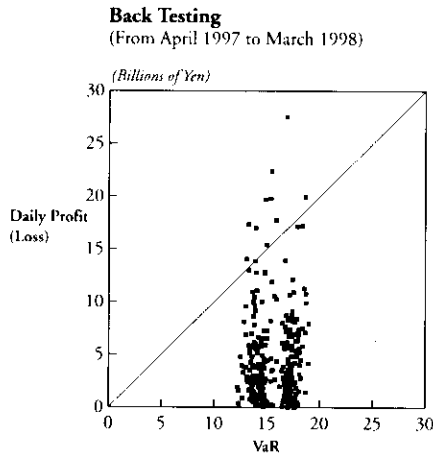
VaR Composition by Office

(As at March 31, 1998)



Back Testing

The accompanying chart displays back testing results of the fiscal 1997 bankwide VaR arising from capital, currency and securities transactions. Out of the 249 business days in the period, excluding 10 days when significant movements in yen interest rates were experienced (movement over 2.33 standard deviation), the excess ratio is less than 1%. This illustrates the creditability of the VaR model employed by the Bank.



Earnings at Risk Measurement

Sumitomo Bank also uses earnings at risk (EaR) methods for yen-banking activities, in addition to VaR for consolidated market risk management.

EaR measures the potential earnings impact on the yen-banking activities of a specified movement in interest rates for an assumed period and statistical probability.

Sumitomo Bank simulates EaR considering forecasted balance-sheet change, such as the repricing gap in the position, using numerous scenarios generated through a Monte Carlo statistical process, for the purpose of supporting an annual planning based on earnings.

As of March 31, 1998, earnings at risk for the following 12 months, with a confidence level of 99.0%, had a potential earnings impact which was approximately 11.0% from what earnings would have been if interest rates moved on the basis of a market-implied forward rate.

Foreign Currency Liquidity Risk

The risk of fluctuations in the liquidity of foreign currency is managed by the ALM Committee, which determines funding policy based on market circumstances. The committee manages this risk by setting the daily limits (i.e., money gap) on the Bank's money funding needs. The Bank also has contingency plans for responding to sudden developments and a structure for minimizing the Bank's funding gap. Also, for holdings of readily convertible products, such as U.S. treasury bonds, the Bank has facilities in place for sourcing daily funding needs even in times of market confusion.

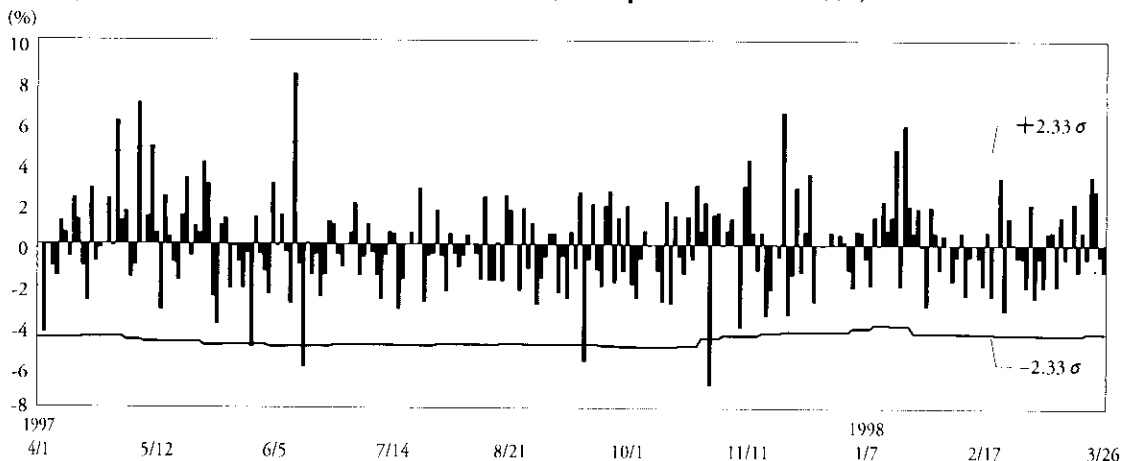
REINFORCING COMPLIANCE

The enactment of the Fiscal Structural Reform Law in June 1998 marked an important achievement in the drive to revive the nation's markets by facilitating bold and far-reaching deregulation. At the same time, changes are also being made in the way regulatory authorities operate, with procedures simplified and discretionary powers reduced.

Deregulation is also increasing the onus on banks to operate in line with market principles—in other words, to be accountable for their actions. Sumitomo Bank believes firmly in the importance of compliance in ensuring fair and open market competition. In December 1997, the Bank published its own Compliance Handbook, which was distributed to all employees. This publication outlines in an easy-to-understand format rules of conduct for employees, emphasizing the importance of individual compliance with pertinent rules and regulations and explaining the consequences of failing to do so. As well, since April 1998 the Bank has offered a variety of segment- and position-specific training sessions on compliance and related issues.

Efforts to reinforce compliance will also extend to organizational change. In July 1998, the Bank expanded and clarified the functions of the Legal Department, formerly a part of the General Affairs Department. This department will conduct advance and follow-up evaluation of legal risk conducting seminars, as well as take the lead in enhancing compliance by determining rules of conduct, conducting seminars and appointing and supervising compliance officers in each department. The Bank is confident that this new approach will enable it to manage its operations in a manner suited to a major, globally active financial institution.

Daily Fluctuation Ratio of Five-Year Yen Interest Rates (From April 1997 to March 1998)



Consolidated Balance Sheets

The Sumitomo Bank, Limited March 31, 1998 and 1997

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1998	1997	1998
ASSETS:			
Cash and due from banks	¥ 1,576,972	¥ 912,480	\$ 11,938
Deposits with banks	2,922,026	5,689,443	22,120
Call loans	1,084,452	512,885	8,209
Commercial paper and other debt purchased	168,496	100,349	1,276
Trading assets (Note 3)	5,371,603	—	40,663
Trading account securities (Note 3)	—	1,049,020	—
Money held in trust	215,554	204,682	1,632
Securities (Note 4)	7,096,210	5,888,446	53,718
Loans and bills discounted (Note 5)	36,928,127	38,843,820	279,547
Foreign exchanges	623,384	565,256	4,719
Other assets (Note 6)	4,321,679	2,796,385	32,715
Premises and equipment (Note 7)	741,668	367,603	5,614
Deferred income taxes	547,804	179,088	4,147
Customers' liabilities for acceptances and guarantees (Note 14)	2,771,565	3,120,467	20,981
TOTAL ASSETS	¥64,369,544	¥60,229,929	\$487,279
LIABILITIES:			
Deposits (Note 8)	¥38,506,547	¥40,895,416	\$291,495
Call money	4,810,752	5,133,191	36,418
Trading liabilities (Note 9)	3,909,990	—	29,599
Borrowed money (Note 10)	2,347,410	4,311,902	17,770
Foreign exchanges	84,635	117,971	641
Bonds	990,578	—	7,499
Convertible bonds (Note 11)	101,106	101,148	765
Other liabilities (Note 12)	7,099,968	3,881,369	53,747
Reserve for possible loan losses	1,278,683	554,986	9,680
Reserve for retirement allowances	49,999	50,592	378
Reserve for loss on loans sold	80,964	42,172	613
Other reserves (Note 13)	829	23,276	6
Minority interests in consolidated subsidiaries	290,388	47,759	2,198
Acceptances and guarantees (Note 14)	2,771,565	3,120,467	20,981
Revaluation reserve for land (Note 15)	374,531	—	2,835
TOTAL LIABILITIES	¥62,697,950	¥58,280,255	\$474,625
SHAREHOLDERS' EQUITY (Note 16):			
Common stock, par value ¥50 per share			
Authorized—common stock 7,500,000 thousand shares			
—preferred stock 500,000 thousand shares			
Issued—common stock 3,141,062 thousand shares in 1998 and 1997	¥ 502,348	¥ 502,348	\$ 3,803
Capital surplus	392,580	392,580	2,972
Legal reserve	94,595	89,225	716
Retained earnings	682,075	965,529	5,163
Common stock in treasury	(5)	(9)	(0)
TOTAL SHAREHOLDERS' EQUITY	¥ 1,671,593	¥ 1,949,674	\$ 12,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥64,369,544	¥60,229,929	\$487,279

See accompanying notes.

Consolidated Statements of Income

The Sumitomo Bank, Limited Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	1998	1997	1996	1998
INCOME:				
Interest income:				
Interest on loans and discounts	¥1,166,877	¥1,222,120	¥1,279,814	\$ 8,833
Interest and dividends on securities	195,623	188,395	202,821	1,481
Other interest income	630,693	730,816	835,781	4,775
Fees and commissions	152,036	121,955	112,438	1,151
Trading profits	131,608	—	—	996
Other operating income (Note 17)	77,904	74,946	167,472	590
Other income (Note 18)	307,669	234,531	102,707	2,329
TOTAL INCOME	2,662,412	2,572,765	2,701,036	20,155
EXPENSES:				
Interest expenses:				
Interest on deposits	874,393	866,850	1,064,635	6,619
Interest on borrowings and rediscounts	106,436	184,113	130,106	806
Other interest expenses	343,180	448,787	467,254	2,598
Fees and commissions	60,537	50,823	45,252	458
Trading losses	148,427	—	—	1,124
Other operating expenses (Note 19)	63,309	36,754	70,176	479
General and administrative expenses	443,646	432,820	417,073	3,358
Transfer to reserve for possible loan losses	839,723	96,235	126,385	6,357
Other expenses (Note 20)	252,178	395,020	352,260	1,909
TOTAL EXPENSES	3,131,832	2,511,407	2,673,144	23,708
Income (loss) before income taxes and minority interests	(469,419)	61,358	27,891	(3,554)
Income taxes (Note 21)				
Current	55,492	30,141	(818)	420
Deferred	(278,495)	(4,551)	(9,946)	(2,108)
	(223,002)	25,589	(10,764)	(1,688)
Minority interests in net income of consolidated subsidiaries	4,970	1,808	1,180	38
Equity in net income of unconsolidated subsidiaries and affiliates	91	88	63	1
NET INCOME (LOSS)	¥ (251,296)	¥ 34,048	¥ 37,539	\$ (1,902)
	Yen			U.S. Dollars (Note 1)
	1998	1997	1996	1998
Net income (loss) per share	¥ (80.00)	¥ 10.84	¥ 11.95	\$ (0.61)
Declared dividend per share	8.50	8.50	8.50	0.06

See accompanying notes.

Consolidated Statements of Shareholders' Equity

The Sumitomo Bank, Limited Years ended March 31, 1998, 1997 and 1996

	Number of Shares of Common Stock (Thousands)	Millions of Yen			
		Common Stock	Capital Surplus	Legal Reserve	Retained Earnings
BALANCE AT MARCH 31, 1995	3,141,062	¥502,348	¥392,580	¥78,485	¥ 956,199
Cumulative effect on increase of affiliates for which equity method is adopted					70
Net income					37,539
Cash dividends paid					(26,698)
Transfer to legal reserve				5,369	(5,369)
Foreign currency translation adjustments					1,808
BALANCE AT MARCH 31, 1996	3,141,062	502,348	392,580	83,855	963,550
Net income					34,048
Cash dividends paid					(26,698)
Transfer to legal reserve				5,369	(5,369)
BALANCE AT MARCH 31, 1997	3,141,062	502,348	392,580	89,225	965,529
Net loss					(251,296)
Cash dividends paid					(26,698)
Transfer to legal reserve				5,369	(5,369)
Reduction due to excluding a subsidiary					(88)
BALANCE AT MARCH 31, 1998	3,141,062	¥502,348	¥392,580	¥94,595	¥ 682,075

	Number of Shares of Common Stock (Thousands)	Millions of U.S. Dollars (Note 1)			
		Common Stock	Capital Surplus	Legal Reserve	Retained Earnings
BALANCE AT MARCH 31, 1997	3,141,062	\$3,803	\$2,972	\$675	\$ 7,309
Net loss					(1,902)
Cash dividends paid					(202)
Transfer to legal reserve				41	(41)
Reduction due to excluding a subsidiary					(1)
BALANCE AT MARCH 31, 1998	3,141,062	\$3,803	\$2,972	\$716	\$ 5,163

See accompanying notes.

Consolidated Statements of Cash Flows

The Sumitomo Bank, Limited Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	1998	1997	1996	1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	¥ (251,296)	¥ 34,048	¥ 37,539	\$(1,902)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	31,517	28,876	38,760	238
Transfer to reserve for possible loan losses	839,723	96,235	126,385	6,357
Write-off of loans	66,373	130,495	76,509	502
Losses on sale of loans and loans sold	237,885	122,836	158,482	1,801
Securities (gains), net	(171,840)	(70,288)	(117,757)	(1,301)
Deferred income taxes	(368,716)	(6,767)	(13,215)	(2,791)
Minority interests in net income	4,970	1,808	1,180	38
Net change in trading assets and liabilities	(1,461,613)	—	—	(11,064)
Net change in trading account securities	1,049,020	(686,986)	(50,434)	7,941
Net change in accrual and other, net	2,383,985	(277,354)	445,413	18,046
Net cash provided by (used in) operating activities	<u>2,360,008</u>	<u>(627,097)</u>	<u>702,862</u>	<u>17,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in deposits with banks	2,767,417	(635,784)	695,075	20,949
Net change in call loans	(571,567)	(113,655)	(98,721)	(4,327)
Net change in commercial paper and other debt purchased	(68,147)	(17,696)	(68,535)	(516)
Net change in money held in trust	(10,873)	(11,636)	3,761	(82)
Net change in loans and bills discounted	1,534,203	(2,191,386)	(2,732,378)	11,614
Proceeds from sale of securities	5,109,820	3,488,806	4,960,940	38,681
Proceeds from maturities of securities	278,399	286,649	328,378	2,108
Purchases of securities	(6,424,143)	(3,748,934)	(5,463,272)	(48,631)
Purchases of premises and equipment	(42,018)	(29,624)	(57,368)	(318)
Other, net	10,967	80,950	(64,331)	83
Net cash provided by (used in) investing activities	<u>2,584,058</u>	<u>(2,892,310)</u>	<u>(2,496,451)</u>	<u>19,561</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net change in deposits	(2,388,869)	780,059	1,584,785	(18,084)
Net change in call money	(322,439)	81,569	(76,532)	(2,441)
Net change in borrowed money	(1,964,492)	2,118,426	1,522	(14,871)
Proceeds from issuance of subordinated debt	127,765	157,898	189,000	967
Proceeds from issuance of convertible bonds and notes	—	100,000	—	—
Proceeds from issuance of preferred securities	237,780	—	—	1,800
Repayment of convertible bonds and notes	(42)	(36,502)	(2,224)	1
Dividends paid	(26,698)	(26,698)	(26,698)	(202)
Other, net	20,569	(17,558)	(33,321)	155
Net cash provided by (used in) financing activities	<u>(4,316,426)</u>	<u>3,157,194</u>	<u>1,636,532</u>	<u>(32,675)</u>
Net change in cash and due from banks	627,640	(362,213)	(157,057)	4,751
Foreign currency translation adjustments	36,852	15,375	29,752	279
Cash and due from banks at beginning of year	912,480	1,259,318	1,386,623	6,908
Cash and due from banks at end of year	<u>¥1,576,972</u>	<u>¥ 912,480</u>	<u>¥1,259,318</u>	<u>\$11,938</u>

See accompanying notes.

Notes to Consolidated Financial Statements

The Sumitomo Bank, Limited March 31, 1998, 1997 and 1996

1. BASIS OF FINANCIAL STATEMENTS

The Sumitomo Bank, Limited (the "Bank"), a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen.

The accompanying consolidated financial statements are prepared in accordance with accounting principles and prevailing practices generally accepted in the banking industry in Japan, such as the Uniform Rules of Bank Accounting (the "Uniform Rules"). Certain modifications, including presentation of the consolidated statements of shareholders' equity, and cash flows which are not required in Japan, have been made in the accompanying financial statements to facilitate an understanding of the financial statements of the Bank by readers outside Japan.

As permitted by the Securities and Exchange Law of Japan, amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

For the convenience of the readers, the accompanying U.S. dollar financial statements have been translated from Japanese yen, as a matter of arithmetical computation only, at the rate of ¥132.10 to US\$1, the exchange rate prevailing at March 31, 1998. The translations should not be construed as a representation that Japanese yen have been or could have been converted into U.S. dollars at that rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of 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. In case that these subsidiaries have a significant transaction during the period from their fiscal year-end to March 31, the Bank will make an adjustment to the consolidated financial statements to be comprehensive.

The difference at the time of acquisition between the cost 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 unconsolidated subsidiaries and affiliated companies are accounted for in accordance with the equity method.

(b) Cash flows

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

(c) Trading assets and liabilities

Effective April 1, 1997, the Bank adopted the amended Uniform Rules which require that the trading assets and liabilities, which are held for short term in anticipation of market gains, be carried at fair value. Such gains and losses are included in trading profits or losses on the consolidated statements of income.

These securities classified as trading assets and liabilities are recorded at fair value.

The Uniform Rules also requires trading assets and liabilities to be accounted for based on a trading date whereas the original Uniform Rules required a settlement date.

Prior to April 1, 1997, trading account securities including government bonds and corporate bonds were stated at the lower of cost or market value and unlisted trading account securities were stated at cost. The cost of trading account securities sold was determined by a moving average method.

The effect of change in the accounting method on the year ended March 31, 1998, decreased loss before income taxes and minority interests by approximately ¥5,944 million.

(d) Securities

Securities, including corporate stocks, corporate bonds, Japanese national and local government bonds, are stated at the moving-average cost.

For securities included in money held in trust account, the same method mentioned above was applied.

Effective April 1, 1997, the Bank changed its method of valuation of corporate stocks, corporate bonds and other securities listed on stock exchanges, from the lower of cost or market to the cost method in accordance with the amended Uniform Rules which permit the Bank to record the securities at either the lower of cost or market, or the cost. Previously, the Uniform Rules required the Bank to record the securities mentioned above at the lower of cost or market. The Bank believes that the cost method more appropriately reflects its operations, excluding temporarily declined value of corporate stock, corporate bonds and other securities which are held with the intention other than short-term sale.

The effect of change in the accounting method on the year ended March 31, 1998, decreased loss before income taxes and minority income by approximately ¥242,962 million.

(e) Non-accrual loans

Generally, accrual of interest income on loans is discontinued when an interest payment has been past due more than six months.

(f) Premises and equipment

Premises and equipment are generally stated at cost less accumulated depreciation. The Bank's premises and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets.

Prior to April 1, 1997, the Bank was required to compute depreciation for building at 160% of normal depreciation by the Uniform Rules. However, such requirement has become no longer effective as of April 1, 1997. As a result, the Bank decided to use the same depreciation method used for the rest of premises and equipment described above.

The effect of change in depreciation method on the year ended March 31, 1998, decreased loss before income taxes and minority income by approximately ¥4,808 million.

Depreciation of premises and equipment owned by consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives of the respective assets.

(g) Reserve for possible loan losses

The Uniform Rules required for the Bank to implement 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: Loss, Doubtful and Substandard. Classification was determined at first by loan officers; subsequently Credit Review Department evaluates the classification independently.

The Bank provides specific reserve individually for Loss and Doubtful loans based on the fair value of any underlying collateral and other pertinent indicators.

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 Bank provided an additional reserve for the loans originated in Southeastern Asian countries. The reserve was estimated based on current economic conditions.

Prior to the adoption of the assessment rule, the Uniform Rules required the Bank to provide the reserve for possible loan losses as follows:

- (i) A general reserve provided based on a fixed percentage (0.3 percent in 1996) of certain outstanding loans as specified under the Japanese tax regulations.
- (ii) A specific reserve established against estimated loan losses on certain doubtful loans based on management's evaluation based on the borrowers financial conditions and other pertinent indicators. Also, a reserve for possible losses on specific overseas loans was set aside.

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 portfolio.

(h) Reserve for loss on loans sold

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.

(i) Reserve for retirement allowances and pension plans

Under the terms of the Bank's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement allowance is, in general, based on length of service, basic salary at the time of retirement and reason for retirement. The liability for lump-sum payments is stated, in accordance with the Uniform Rules, at the amount which would be required to be paid by the Bank if all eligible employees had voluntarily retired at the balance sheet-date.

In addition, the Bank has contributory funded pension plans which substantially cover all employees. Annual contributions, which consist of normal costs and amortization of prior service costs, are included in general and administrative expenses. Unamortized prior service costs amounting to ¥27,458 million (\$208 million) at March 31, 1997 (the most recent valuation date) are to be amortized over a period of 6 years and 1 month.

Several consolidated subsidiaries have funded pension plans for employees.

(j) Translation of foreign currencies

- (i) The foreign currency financial statements have been translated into Japanese yen at the exchange rate prevailing at respective year-ends, except for the opening balances of retained earnings which are carried from previous fiscal years and changes in shareholders' equity accounts including net income and dividends which are translated at historical rates.
- (ii) (a) Foreign currency assets and liabilities of the Bank are translated into Japanese yen at the exchange rate prevailing at the date of the consolidated balance sheets, except that certain special accounts, as approved by Japanese regulatory authorities, are translated at their historical rates.
- (b) Foreign currency accounts held by the consolidated subsidiaries are translated into the currency of the subsidiary at the exchange rate prevailing at the respective year-ends.
- (iii) Foreign exchange trading positions, including spot, forward, currency futures and currency options contracts, are valued at estimated prevailing market rates and the resulting gains and losses are included in the accompanying consolidated statements of income.

(k) Income taxes

Income taxes are provided for on a basis of income for financial statement purposes. The effect of the timing difference recognition of income and expense between financial statement purposes and income tax purposes is reported as deferred income taxes.

(l) Amounts per share of common stock

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year.

Declared dividends per share represent the cash dividends declared applicable to each respective year, including dividends paid after the end of the year.

3. TRADING ASSETS

Trading assets at March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>	<i>Millions of U.S. Dollars</i>
Trading securities*	¥3,267,142	\$24,732
Derivatives on trading securities	176	1
Derivatives on securities related to trading transactions	132	1
Trading-related financial derivatives	757,539	5,735
Other trading assets**	1,346,613	10,194
	<u>¥5,371,603</u>	<u>\$46,663</u>

* Trading securities included securities purchased under resale agreements of approximately ¥2,156 billion.

** Other trading assets included certificates of deposit and commercial paper in trading account.

4. SECURITIES

Securities at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Japanese national government bonds	¥1,874,928	¥ 819,520	\$14,193
Japanese local government bonds	328,558	499,421	2,487
Japanese corporate bonds and financial debentures	605,088	830,154	4,581
Japanese corporate stocks	3,025,137	2,863,913	22,900
Other securities	1,262,497	875,435	9,557
	<u>¥7,096,210</u>	<u>¥5,888,446</u>	<u>\$53,718</u>

5. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Bills discounted	¥ 723,275	¥ 780,682	\$ 5,475
Loans on notes and deeds	27,089,959	28,100,698	205,072
Overdrafts	9,114,891	9,962,439	69,000
	<u>¥36,928,127</u>	<u>¥38,843,820</u>	<u>\$279,547</u>

Loans to borrowers under bankruptcy procedure and loans past due for six months or more in accordance with the Uniform Rules at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Loans to borrowers under bankruptcy procedure	¥257,882	¥190,482	\$1,952
Loans past due for six months or more	544,771	616,610	4,124
	<u>¥802,653</u>	<u>¥807,092</u>	<u>\$6,076</u>

Renegotiated loans, on which the interest rate of the original term of an agreement is reduced to below the official discount rate or the original spread is reduced to zero, or interest payment is waived, amounted to ¥84,916 million (\$643 million) and ¥104,673 million (\$792 million), at March 31, 1998 and 1997.

Loans and bills discounted to borrowers who are financially assisted by the Bank, net of the loans written off with agreement by tax authorities, amounted to ¥117,656 million (\$891 million) and ¥162,466 million (\$1,230 million), at March 31, 1998 and 1997.

6. OTHER ASSETS

Other assets at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Accrued income and prepaid expenses	¥ 646,258	¥ 788,868	\$ 4,892
Other	3,675,420	2,007,516	27,823
	<u>¥4,321,679</u>	<u>¥2,796,385</u>	<u>\$32,715</u>

7. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Land*	¥ 491,336	¥ 114,573	\$ 3,719
Buildings	284,089	281,012	2,151
Equipment and others	309,010	302,432	2,339
	<u>1,084,435</u>	<u>698,019</u>	<u>8,209</u>
Accumulated depreciation	(342,767)	(330,416)	(2,595)
	<u>¥ 741,668</u>	<u>¥ 367,603</u>	<u>\$ 5,614</u>

* Land included revaluation reserve for land referred to in Note 15.

8. DEPOSITS

Deposits at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Demand deposits	¥ 1,829,088	¥ 1,907,733	\$ 13,846
Savings deposits	4,824,265	4,796,120	36,520
Deposits at notice	7,530,770	8,771,308	57,008
Time deposits	15,012,518	15,811,561	113,645
Other deposits	4,451,207	4,078,156	33,696
Certificates of deposit	4,858,698	5,530,536	36,780
	<u>¥38,506,547</u>	<u>¥40,895,416</u>	<u>\$291,495</u>

9. TRADING LIABILITIES

Trading liabilities at March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>	<i>Millions of U.S. Dollars</i>
Trading securities*	¥3,344,409	\$25,318
Derivatives of trading securities	176	1
Derivatives of securities related to trading transactions	55	0
Trading-related financial derivatives	565,347	4,280
	<u>¥3,909,990</u>	<u>\$29,599</u>

* Trading securities included securities sold under repurchase agreements of approximately ¥2,622 billion.

10. BORROWED MONEY

Borrowed money at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Bills rediscounted	¥ 99,815	¥ 240,073	\$ 756
Subordinated debt obligation	782,000	782,000	5,920
Borrowings from The Bank of Japan and other financial institutions	1,465,593	3,289,828	11,094
	<u>¥2,347,410</u>	<u>¥4,311,902</u>	<u>\$17,770</u>

11. CONVERTIBLE BONDS

Convertible bonds at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Convertible bonds payable in U.S. dollars:			
3 ¹ / ₈ % due 2004, convertible into common stock at ¥3,606.90 (\$27.30) per share	¥ 1,106	¥ 1,148	\$ 8
3 ¹ / ₈ % due 2001, convertible into common stock at ¥1,239 (\$9.38)* per share	100,000	100,000	757
	<u>¥101,106</u>	<u>¥101,148</u>	<u>\$765</u>

* Effective May 31, 1998, the conversion price of 3¹/₈% convertible bonds due 2001 has been reset to ¥1,239 per share.

12. OTHER LIABILITIES

Other liabilities at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Bonds and notes of subsidiaries*	¥ 0	¥ 842,035	\$ 0
Accrued expenses and unearned income	391,331	636,921	2,962
Income taxes	28,154	9,226	213
Employees' deposits	43,143	42,511	327
Cash collateral on bonds lent	2,583,961	474,156	19,561
Trading-related accounts payable	1,091,100	—	8,260
Other	2,962,278	1,876,517	22,424
	<u>¥7,099,968</u>	<u>¥3,881,369</u>	<u>\$53,747</u>

* Bonds and notes previously classified in other liabilities are transferred to "bonds" which has been newly established. The bonds included subordinated notes of ¥964,369 million (\$7,300 million) at March 31, 1998.

13. OTHER RESERVES

Other reserves at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Reserve for losses on sale of trading account securities	¥ —	¥18,121	\$—
Other	<u>829</u>	<u>5,155</u>	<u>6</u>
	<u>¥829</u>	<u>¥23,276</u>	<u>\$ 6</u>

Effective March 31, 1998, the Bank ceased to record reserve for losses on sale of trading account securities in connection with the amendment of the Uniform Rules.

14. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees at March 31, 1998 and 1997 consisted of the following:

	<i>Millions of Yen</i>		<i>Millions of U.S. Dollars</i>
	1998	1997	1998
Letters of credit	¥ 945,110	¥1,281,464	\$ 7,155
Acceptances	29,198	26,324	221
Guarantees	<u>1,797,256</u>	<u>1,812,679</u>	<u>13,605</u>
	<u>¥2,771,565</u>	<u>¥3,120,467</u>	<u>\$20,981</u>

The Bank guarantees bill payments and trust receipts of merchandise and extends guarantees for freight-to-collect, deferred tax payments and to small businesses for loans received from official agencies. In international operations, the Bank issues letters of credit for import transactions and standby letters of credit, as well as extending other guarantees. These contingent liabilities are accounted for "Acceptances and guarantees," with a corresponding amount recorded in the customers' account for contingent claim of a guarantor's right of indemnity in "Customers' liabilities for acceptances and guarantees."

15. REVALUATION RESERVE FOR LAND

Pursuant to Article 2, Paragraphs 3 and 4 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land effective on March 31, 1998, the Bank performed revaluation. Based on the revaluation, the land (the book value was ¥101,453 million) was valued in the amount of ¥475,985 million. The Bank recognized the revaluation gain as a reserve on its liabilities. The land was revalued based on a primarily real estate tax value.

16. SHAREHOLDERS' EQUITY

Under the Banking Law of Japan, the Bank is required to appropriate as a legal reserve an amount equal to at least 20 percent of cash disbursements in each period until the legal reserve equals 100 percent of the common stock. The capital surplus and legal reserve are not available for distribution as dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The Commercial Code of Japan provides that at least one-half of the proceeds from shares issued at prices in excess of par value be included in common stock. In conformity therewith, the Bank has divided the paid-in amount of the stock issued upon conversion of bonds and notes into common stock equally between common stock and capital surplus.

17. OTHER OPERATING INCOME

Other operating income for each of the three years in the period ended March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
Gains on foreign exchange transactions	¥12,988	¥ 7,248	¥ 21,736	\$ 98
Gains on trading account securities	—	4,458	5,522	—
Gains on sale of bonds	60,405	51,488	125,897	457
Gains on redemption of bonds	2,955	3,121	2,817	23
Other	1,555	8,629	11,498	12
	<u>¥77,904</u>	<u>¥74,946</u>	<u>¥167,472</u>	<u>\$590</u>

18. OTHER INCOME

Other income for each of the three years in the period ended March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
Gains on sale of stocks and other securities	¥202,757	¥169,956	¥ 61,485	\$1,535
Gains on money held in trust	3,768	2,288	2,651	28
Gains on dispositions of premises and equipment	19,197	1,928	2,299	145
Recoveries of written-off claims	506	1,517	309	4
Other*	81,439	58,841	35,960	617
	<u>¥307,669</u>	<u>¥234,531</u>	<u>¥102,707</u>	<u>\$2,329</u>

* Other included transfer from other reserves referred to in Note 13.

19. OTHER OPERATING EXPENSES

Other operating expenses for each of the three years in the period ended March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
Losses on sale of bonds	¥28,018	¥22,113	¥53,565	\$212
Losses on redemption of bonds	10,146	9,872	8,484	77
Losses on devaluation of bonds	813	275	19	6
Other	24,331	4,493	8,106	184
	<u>¥63,309</u>	<u>¥36,754</u>	<u>¥70,176</u>	<u>\$479</u>

20. OTHER EXPENSES

Other expenses for each of the three years in the period ended March 31, 1998 consisted of the following:

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
Write-off of loans	¥ 66,373	¥130,495	¥ 76,509	\$ 502
Losses on sale of stocks and other securities	49,994	1,413	2,335	379
Losses on devaluation of stocks and other securities	16,076	120,289	8,225	122
Losses on money held in trust	2,290	1,320	769	17
Losses on dispositions of premises and equipment	8,140	3,474	2,719	62
Transfer to other reserves	2	6,693	943	0
Other*	109,303	131,333	260,759	827
	<u>¥252,178</u>	<u>¥395,020</u>	<u>¥352,260</u>	<u>\$1,909</u>

* Other included the following:

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
Losses on sale of loans to the Cooperative Credit Purchasing Co., Ltd.	¥57,591	¥29,920	¥ 78,820	\$436
Transfer to reserve for loss on loans sold	42,242	42,172	—	320
Losses on financial assistance for affiliates	33,400	30,000	104,644	253
Loss on delinquent loans sold	43,221	—	—	327
Tax expense (credit) on enterprise tax	(77,479)	—	—	(587)

21. INCOME TAXES

Income taxes consist of corporation and inhabitants' taxes. The applicable statutory tax rates were approximately 45.3 percent for each of the three years in the period ended March 31, 1998.

Enterprise tax is also levied on income which is deductible for income tax purposes as an expense when paid. The statutory enterprise tax rate for each of the three years in the period ended March 31, 1998 was 12.6 percent. Enterprise tax expense is included in "Other expenses" in the accompanying consolidated statements of income, and enterprise tax payable is included in "Other liabilities" in the accompanying consolidated balance sheets.

22. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriations of retained earnings of the Bank at March 31, 1998 were approved by the ordinary meeting of shareholders held on June 26, 1998.

	<i>Millions of Yen</i>	<i>Millions of U.S. Dollars</i>
Cash dividends, ¥4.25 per share	¥13,349	\$101
Transfer to legal reserve	2,700	20

23. PARENT COMPANY

Financial information of the Sumitomo Bank, Limited, the parent company, is presented below:

Balance sheets

The Sumitomo Bank, Limited March 31, 1998 and 1997	Millions of Yen		Millions of U.S. Dollars
	1998	1997	1998
ASSETS:			
Cash and due from banks	¥ 1,400,335	¥ 885,796	\$ 10,601
Deposits with banks	2,574,794	5,382,143	19,491
Call loans	1,095,318	519,515	8,292
Commercial paper and other debt purchased	168,496	100,349	1,276
Trading asset	1,921,575	—	14,546
Trading account securities	—	50,733	—
Money held in trust	215,554	204,682	1,632
Securities	7,256,931	6,004,310	54,935
Loans and bills discounted	35,930,302	36,600,112	271,993
Foreign exchanges	575,784	533,574	4,359
Other assets	2,375,450	2,215,478	17,982
Premises and equipment	700,691	330,297	5,304
Customers' liabilities for acceptances and guarantees	3,861,559	4,322,211	29,232
TOTAL ASSETS	¥58,076,795	¥57,149,204	\$439,643
LIABILITIES:			
Deposits	¥37,390,044	¥39,833,827	\$283,044
Call money	4,802,954	5,105,289	36,358
Trading liabilities	642,450	—	4,864
Borrowed money	3,049,440	2,987,049	23,085
Foreign exchanges	83,803	107,635	635
Bonds	113,000	—	855
Convertible bonds	101,106	101,148	765
Other liabilities	5,131,721	2,255,366	38,847
Reserve for possible loan losses	1,257,212	535,043	9,517
Reserve for retirement allowances	49,983	50,592	378
Reserve for loss on loans sold	80,964	42,172	613
Other reserves	9	22,457	0
Acceptances and guarantees	3,861,559	4,322,211	29,232
Revaluation reserve for land	374,531	—	2,835
TOTAL LIABILITIES	¥56,938,781	¥55,362,796	\$431,028
SHAREHOLDERS' EQUITY:			
Common stock, par value ¥50 per share			
Authorized—common stock 7,500,000 thousand shares			
—preferred stock 500,000 thousand shares			
Issued—common stock 3,141,062 thousand shares in 1998 and 1997	¥ 502,348	¥ 502,348	\$ 3,803
Capital surplus	392,580	392,580	2,972
Legal reserve	94,595	89,225	716
Retained earnings	148,490	802,254	1,124
TOTAL SHAREHOLDERS' EQUITY	¥ 1,138,014	¥ 1,786,408	\$ 8,615
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥58,076,795	¥57,149,204	\$439,643

Statements of income

The Sumitomo Bank, Limited
Years ended March 31, 1998, 1997 and 1996

	<i>Millions of Yen</i>			<i>Millions of U.S. Dollars</i>
	1998	1997	1996	1998
INCOME:				
Interest income:				
Interest on loans and discounts	¥1,083,057	¥1,051,735	¥1,180,728	\$ 8,199
Interest and dividends on securities	174,435	185,190	201,452	1,320
Other interest income	710,841	760,022	841,917	5,381
Fees and commissions	106,868	101,587	92,873	809
Trading profits	18,433	—	—	140
Other operating income	66,021	79,383	151,056	500
Other income	254,419	183,635	76,921	1,926
TOTAL INCOME	2,414,077	2,361,555	2,544,948	18,275
EXPENSES:				
Interest expenses:				
Interest on deposits	812,818	786,410	981,280	6,153
Interest on borrowings and rediscounts	123,300	125,833	150,324	933
Other interest expenses	446,470	489,877	468,618	3,380
Fees and commissions	38,007	35,753	36,728	288
Trading losses	3,408	—	—	26
Other operating expenses	28,251	32,158	61,863	214
General and administrative expenses	387,623	378,269	368,722	2,935
Transfer to reserve for possible loan losses	829,464	93,463	95,754	6,279
Other expenses	328,697	375,630	342,783	2,488
TOTAL EXPENSES	2,998,041	2,317,397	2,506,075	22,696
Income (loss) before income taxes	(583,963)	44,157	38,873	(4,421)
Income taxes	37,731	8,839	(3,255)	285
NET INCOME (LOSS)	¥ (621,695)	¥ 35,318	¥ 42,128	\$ (4,706)
	<i>Yen</i>			<i>U.S. Dollars</i>
	1998	1997	1996	1998
Net income (loss) per share	¥ (197.93)	¥ 11.24	¥ 13.41	\$ (1.50)
Declared dividend per share	8.50	8.50	8.50	0.06

Report of Independent Public Accountants

**To The Board of Directors
The Sumitomo Bank, Limited**

We have audited the accompanying consolidated balance sheets of The Sumitomo Bank, Limited and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 1998 and 1997, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of The Sumitomo Bank, Limited at March 31, 1998 and 1997, and the consolidated results of operations and cash flows for each of the three years in the period ended March 31, 1998, in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except for the change made as of April 1, 1997, in the method of accounting for securities referred to in Note 2 (d).

We have also reviewed the translation of the statements mentioned above at March 31, 1998 and for the year then ended into U.S. dollars on the basis described in Note 1. In our opinion, such statements have been properly translated on such basis.

Tokyo, Japan
June 26, 1998

Asahi & Co.

Supplemental Data

The Sumitomo Bank, Limited Years ended March 31

1. Off-Balance-Sheet Transactions

As a provider of global financial services, Sumitomo Bank employs off-balance-sheet instruments in two major aspects of its business. First, we offer a broad array of financial derivative instruments to serve the hedging needs of clients exposed to various types of market risk. These instruments increase market liquidity and make the Bank's services more attractive, an important factor as customer requirements grow in diversity and sophistication. Second, we use financial derivatives to enhance our own profitability and risk management.

The Bank handles an inclusive list of derivatives, ranging from forward foreign exchange, currency options and currency swaps, to interest rate futures, futures options, swaps, interest rate options, forward rate agreements as well as bond futures, futures options, and options. The primary responsibility for these instruments lies with the various departments of the Treasury Group and Sumitomo Bank Capital Markets, Inc. In addition, the Financial Engineering

Department is charged with developing new derivatives products and keeping customers updated on the latest information.

Within the Treasury Group, Treasury Department I administers foreign currency denominated transactions from a network of offices located in Tokyo, New York, London and Singapore. Treasury Department II manages yen transactions from Tokyo. Their respective goals are to optimize centralized global asset and liability management by dealing in interest rate and other derivatives, facilitating effective management of market risk and the timing of transactions to reflect interest rate movements. The Bank's derivatives trading is conducted by Treasury Department III, which deals in foreign exchange contracts as well as currency, interest rate and bond derivatives to diversify the Bank's sources of potential income.

Through the use of derivatives administered by these departments, the Bank is able to keep abreast of customer needs while maximizing its own profit position.

DERIVATIVES AND FORWARD FOREIGN EXCHANGE

As of March 31	Billions of Yen			
	Notional Amount		Credit Risk Equivalent Amount	
	1998	1997	1998	1997
Interest rate swaps	¥ 76,178.5	¥ 63,568.4	¥1,660.0	¥1,434.9
Currency swaps	8,886.9	8,752.7	993.8	937.4
Forward foreign exchange	88,377.0	86,740.9	4,277.3	4,167.6
Interest rate options (bought)	2,878.7	1,803.2	36.2	27.9
Currency options (bought)	1,420.8	1,571.9	56.0	55.2
Other derivatives	4,529.6	3,616.8	13.0	9.3
Netting	—	—	(3,192.3)	(3,939.4)
TOTAL	¥182,271.7	¥166,054.2	¥3,844.1	¥2,693.0

- Notes: 1. The above figures are based on the BIS guidelines. Most of the credit risk equivalent amounts are calculated using the current exposure method.
2. Netting is applied in calculating the credit risk equivalent amounts.
3. Transactions listed on exchange, foreign exchange transactions with an original maturity of 14 days or less and other transactions not covered under the aforementioned guidelines are as follows:

As of March 31	Billions of Yen	
	1998	1997
Interest rate swaps	¥ —	¥ —
Currency swaps	—	—
Forward foreign exchange	10,338.7	10,448.7
Interest rate options (sold)	3,898.5	2,270.9
Interest rate options (bought)	368.1	69.1
Currency options (sold)	1,660.2	2,098.8
Currency options (bought)	35.9	33.2
Other derivatives	54,260.1	26,527.9
Total	¥70,561.7	¥41,448.7

CREDIT-RELATED FINANCIAL INSTRUMENTS

As of March 31	Billions of Yen	
	Contract Amount	
	1998	1997
Commitments	¥17,259.1	¥15,117.8
Guarantees	2,771.5	3,120.4
Others	3.5	3.1
TOTAL	¥20,034.1	¥18,241.4

2. Market Value Information (Non-Consolidated)

SECURITIES

The following represents market value and unrealized gain or loss on trading account securities and securities held by the Bank at March 31, 1998 and 1997.

	<i>Millions of Yen</i>					
	1998			1997		
	<i>Balance Sheet Amount</i>	<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>	<i>Balance Sheet Amount</i>	<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>
Trading account securities:						
Bonds	¥ —	¥ —	¥ —	¥ 50,733	¥ 50,749	¥ 15
Securities:						
Bonds	¥2,780,545	¥2,846,866	¥ 66,320	¥2,148,403	¥2,206,315	¥ 57,912
Corporate stocks	3,025,137	3,269,117	243,980	2,863,913	3,511,770	647,857
Other	1,451,248	1,505,545	54,297	991,992	956,863	(35,129)
	<u>¥7,256,931</u>	<u>¥7,621,529</u>	<u>¥364,598</u>	<u>¥6,004,310</u>	<u>¥6,674,950</u>	<u>¥670,640</u>

	<i>Millions of U.S. Dollars</i>					
	1998			1997		
	<i>Balance Sheet Amount</i>	<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>	<i>Balance Sheet Amount</i>	<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>
Trading account securities:						
Bonds	\$ —	\$ —	\$ —	\$ 409	\$ 409	\$ 0
Securities:						
Bonds	\$21,049	\$21,551	\$ 502	\$17,312	\$17,779	\$ 467
Corporate stocks	22,900	24,747	1,847	23,078	28,298	5,220
Other	10,986	11,397	411	7,993	7,710	(283)
	<u>\$54,935</u>	<u>\$57,695</u>	<u>\$2,760</u>	<u>\$48,383</u>	<u>\$53,787</u>	<u>\$5,404</u>

DERIVATIVE TRANSACTIONS

- Notes: 1. The Contract Amount columns list the notional value of swaps and the contract value of futures, options and other derivatives. Option premiums accounted for on the Balance Sheets are denoted by brackets ([]).
2. Determination of Market Value:
Market values for contracts listed on exchanges are given as the closing prices on the Tokyo International Financial Futures Exchange and the Tokyo Stock Exchange.
3. Figures which are not required to be disclosed are denoted by hyphens (---).

1. INTEREST RATE DERIVATIVES

Years ended March 31	Millions of Yen							
	1998				1997			
	Contract Amount		Market Value	Unrealized Gain (Loss)	Contract Amount		Market Value	Unrealized Gain (Loss)
Total	More than One Year	Total			More than One Year			
TRANSACTIONS LISTED ON EXCHANGE								
Interest rate futures								
Sold	¥ 5,031,178	¥ —	¥5,032,643	¥ (1,464)	¥ 3,144,462	¥ 32,020	¥3,143,940	¥ 522
Bought	4,958,904	—	4,962,700	3,796	3,072,173	20,301	3,071,881	(292)
Interest rate options								
Sold								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	26,448	—	0	8	[—]	—	—	—
	[9]	—	—	—	—	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
	[—]	—	—	—	[—]	—	—	—
Put	26,448	—	0	(0)	[—]	—	—	—
	[1]	—	—	—	—	—	—	—
OVER-THE-COUNTER TRANSACTIONS								
Forward rate agreements								
Sold	—	—	—	—	210,874	—	—	—
Bought	414,240	—	414,133	(106)	184,495	—	—	—
Interest rate swaps								
Receivable fixed rate/payable floating rate	28,902,474	14,409,541	758,691	758,691	27,381,797	12,252,063	—	—
Receivable floating rate/payable fixed rate	19,013,595	9,636,852	(576,725)	(576,725)	17,942,295	8,251,173	—	—
Receivable floating rate/payable floating rate	145,917	113,777	(222)	(222)	96,547	86,961	—	—

(Continued)

Millions of Yen

Years ended March 31	1998				1997			
	Contract Amount		Market Value	Unrealized Gain (Loss)	Contract Amount		Market Value	Unrealized Gain (Loss)
	Total	More than One Year			Total	More than One Year		
Swaptions								
Sold								
Call	¥169,400	¥155,700			¥125,000	¥125,000		
	[4,238]		1,092	3,145	[1,442]			
Put	—	—			75,000	75,000		
	[—]		—	—	[1,224]			
Bought								
Call	64,240	57,240			39,000	39,000		
	[1,521]		69	(1,452)	[191]			
Put	—	—			22,000	22,000		
	[—]		—	—	[94]			
Cap								
Sold	28,344	22,424			831,660	721,071		
	[263]		11	252	[12,597]			
Bought	204,322	194,763			644,439	592,924		
	[2,255]		743	(1,512)	[8,225]			
Floor								
Sold	48,795	47,735			13,845	13,845		
	[961]		1,323	(361)	[25]			
Bought	16,066	15,405			26,135	24,215		
	[11]		20	8	[5]			
Other								
Sold	—	—			8,000	—		
	[—]		—	—	[84]			
Bought	—	—			—	—		
	[—]		—	—	[—]			
TOTAL	---	---	---	183,528	---	---	230	

Notes: 1. A swaption call is defined as an interest rate swap with a floating receivable rate and fixed payable rate. A swaption put is defined as an interest rate swap with a fixed receivable rate and a floating payable rate.

2. Derivative transactions, which are included in trading transactions, are not included in these amounts because the gains (losses) are realized at year-end and accounted for in the Income Statements. The contracts so treated are on the following page.

Millions of Yen

	1998	
	<i>Contract Amount</i>	<i>Market Value</i>
TRANSACTIONS LISTED ON EXCHANGE		
Interest rate futures		
Sold	¥ 1,794,965	¥ 1,793,307
Bought	<u>749,581</u>	<u>748,688</u>
Interest rate options		
Sold		
Call	—	—
Put	[—]	—
Bought		
Call	—	—
Put	[—]	—
	<u>[—]</u>	<u>—</u>
OVER-THE-COUNTER TRANSACTIONS		
Forward rate agreements		
Sold	769,804	769,748
Bought	<u>758,498</u>	<u>758,525</u>
Interest rate swaps	52,700,904	(8,782)
Receivable fixed rate/payable floating rate	26,196,625	247,966
Receivable floating rate/payable fixed rate	26,313,778	(256,842)
Receivable floating rate/payable floating rate	<u>190,500</u>	<u>93</u>
Swap options		
Sold		
Call	261,240	
Put	[2,165]	(363)
Bought		
Call	304,973	
Put	[5,049]	657
	<u>[501]</u>	<u>1,211</u>
Cap		
Sold	1,386,372	
Bought	[16,146]	(3,236)
	<u>818,371</u>	<u>3,205</u>
	<u>[10,029]</u>	
Floor		
Sold	1,700	
Bought	[0]	(8)
	34,840	
	<u>[996]</u>	<u>1,538</u>
Other		
Sold	—	
Bought	[—]	—
	<u>[—]</u>	<u>—</u>
TOTAL	<u>---</u>	<u>---</u>

Interest Rate Swap (Supplemental)

Year ended March 31	Millions of Yen		
	1998		
	Less than One Year	One to Five Years	More than Five Years
PERIOD REMAINING			
Receivable fixed swap notional amount	¥14,496,607	¥11,860,735	¥2,571,797
Payable fixed swap notional amount	9,380,418	7,161,308	2,498,535
Total	<u>¥23,877,025</u>	<u>¥19,022,044</u>	<u>¥5,070,333</u>

2. CURRENCY DERIVATIVES

Years ended March 31	Millions of Yen							
	1998				1997			
	Contract Amount		Market Value	Unrealized Gain (Loss)	Contract Amount		Market Value	Unrealized Gain (Loss)
Total	More than One Year	Total			More than One Year			
OVER-THE-COUNTER TRANSACTIONS								
Currency swaps	¥4,194,485	¥2,946,432	¥12,912	¥12,912	¥2,145,409	¥1,757,921	---	---
US\$	2,969,006	2,427,288	14,048	14,048	1,494,634	1,364,766	---	---
HK\$	322,418	145,659	(153)	(153)	201,108	136,159	---	---
£ Stg.	139,736	132,039	(21,075)	(21,075)	115,030	105,277	---	---
F Fr.	342,217	14,971	79	79	94,219	7,670	---	---
Other	<u>421,106</u>	<u>226,473</u>	<u>20,013</u>	<u>20,013</u>	<u>240,415</u>	<u>144,048</u>	---	---

Notes: 1. Determination of market value. Market value is calculated in net present value base.

2. Derivative transactions in trading account are not included because revaluation is accounted for the Income Statements. Contracts amounts, etc., are as follows.

Years ended March 31	Millions of Yen	
	1998	
	Contract Amount	Market Value
OVER-THE-COUNTER TRANSACTIONS		
Currency swaps	¥326,309	¥2,053
US\$	318,133	2,412
Australia \$	5,000	(303)
Deutsche mark	2,293	(17)
£ Stg.	411	0
Other	<u>471</u>	<u>(38)</u>

3. Forward foreign exchange and currency options are not included in these amounts because the gains (losses) are realized at year-end and accounted for in the Income Statements. The contracts so treated are as follows:

Years ended March 31	Millions of Yen	
	1998	1997
	Contract Amount	Contract Amount
TRANSACTIONS LISTED ON EXCHANGE		
Currency futures		
Sold	¥ —	¥ —
Bought	—	—

(Continued)

Years ended March 31	Millions of Yen	
	1998	1997
	Contract Amount	Contract Amount
Currency options		
Sold		
Call	—	—
Put	[—]	[—]
Bought		
Call	—	—
Put	[—]	[—]
OVER-THE-COUNTER TRANSACTIONS		
Forward foreign exchange	<u>92,109,486</u>	<u>94,219,321</u>
Currency options		
Sold	1,523,749	1,651,052
	[32,819]	[33,434]
Bought	1,329,554	1,447,687
	[38,147]	[37,140]
Other		
Sold	—	—
Bought	—	—

3. STOCK DERIVATIVES

Years ended March 31	Millions of Yen							
	1998				1997			
	Contract Amount		Market Value	Unrealized Gain (Loss)	Contract Amount		Market Value	Unrealized Gain (Loss)
Total	More than One Year	Total			More than One Year			
TRANSACTIONS LISTED ON EXCHANGE								
Stock index forward								
Sold	¥	—	¥	—	¥	—	¥	—
Bought	—	—	—	—	—	—	—	—
Stock price index options								
Sold								
Call	—	—	—	—	—	—	—	—
Put	[—]	—	—	—	[—]	—	—	—
Bought								
Call	—	—	—	—	—	—	—	—
Put	[—]	—	—	—	[—]	—	—	—
TOTAL	---	---	---	---	---	---	---	---

4. BOND DERIVATIVES

		<i>Millions of Yen</i>														
		1998				1997										
		<i>Contract Amount</i>		<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>	<i>Contract Amount</i>		<i>Market Value</i>	<i>Unrealized Gain (Loss)</i>							
Years ended March 31		<i>Total</i>	<i>More than One Year</i>			<i>Total</i>	<i>More than One Year</i>									
TRANSACTIONS LISTED ON EXCHANGE																
Bond futures																
Sold	¥	5,197	¥	—	¥	5,207	¥	(9)	¥	493,131	¥	—	¥	494,937	¥	(1,805)
Bought		3,897		—		3,905		7		624,950		—		626,722		1,772
Bond futures options																
Sold																
Call		—		—		—		—		—		—		—		—
Put		[—]		—		—		—		[—]		—		—		—
Bought		[—]		—		—		—		22,400		—		98		57
Call		—		—		—		—		[155]		—		—		—
Put		[—]		—		—		—		[—]		—		—		—
		[—]		—		—		—		[—]		—		—		—
OVER-THE-COUNTER TRANSACTIONS																
Bond options																
Sold																
Call		225,300		—		—		—		—		—		—		—
Put		[1,164]		—		503		660		[—]		—		—		—
Bought		80,000		—		9		118		[—]		—		—		—
Call		—		—		—		—		[—]		—		—		—
Put		185,300		—		1,868		260		[—]		—		—		—
		[1,607]		—		—		—		[—]		—		—		—
Other																
Sold		—		—		—		—		—		—		—		—
Bought		—		—		—		—		—		—		—		—
TOTAL		---		---		---		¥1,037		---		---		---		23

Note: Derivative transactions, which are included in trading transactions, are not included in these amounts because the gains (losses) are realized at year-end and accounted for in the Income Statements. The contracts so treated are on the following page.

	<i>Millions of Yen</i>	
	1998	
	<i>Contract Amount</i>	<i>Market Value</i>
TRANSACTIONS LISTED ON EXCHANGE		
Bond futures		
Sold	¥130,988	¥130,826
Bought	<u>98,537</u>	<u>98,437</u>
Bond futures options		
Sold		
Call	—	—
	(—)	—
Put	30	4
	(—)	—
Bought		
Call	—	—
	(—)	—
Put	23	10
	(7)	—
	<u>—</u>	<u>10</u>
OVER-THE-COUNTER TRANSACTIONS		
Bond options		
Sold		
Call	—	—
	(—)	—
Put	—	—
	(—)	—
Bought		
Call	—	—
	(—)	—
Put	—	—
	(—)	—
	<u>—</u>	<u>—</u>
Other		
Sold	—	—
Bought	—	—
TOTAL	<u>—</u>	<u>—</u>

Board of Directors

As of July 1, 1998

CHAIRMAN OF THE BOARD

Toshio Morikawa (38)

PRESIDENT

Yoshifumi Nishikawa (17)

DEPUTY PRESIDENTS

Shigeyoshi Katoh (16)

Kensuke Hotta (98)

SENIOR MANAGING DIRECTORS

Yasuo Noishiki (21)

Youhei Shiraga (21)

Akio Asuke (17)

Kensuke Uchida (14)

Kunikatsu Yamamoto (17)

Norio Hayashi (16)

Shunichi Okuyama (22)

MANAGING DIRECTORS

Tatsuo Kubota (10)

Tadahiko Itoh (10)

Michiyoshi Kuriyama (19)

Akira Kondoh (25)

Takeharu Nagata (19)

Michihiro Matsuda (14)

DIRECTORS

Masaaki Arai (—)

Masao Kamei (—)

Masayuki Oku (8)

Tadashi Inoue (13)

Takayuki Tsukuda (13)

Yoichiro Inoue (8)

Kenjiro Noda (11)

Tadashi Hirota (8)

Mutsuhiko Matsumoto (8)

Sounosuke Kera (9)

Ryuzo Kodama (10)

Kazuhiko Sugimoto (10)

Koji Ishida (11)

Koichi Tsukihara (11)

Masahide Hirasawa (8)

Hidenobu Takagi (17)

Keumaru Ogura (20)

Kiyoshi Shibuya (7)

Shinpei Nihei (10)

Yasuyuki Kimoto (8)

Kenjiro Nakano (7)

Hiroshi Nishikawa (8)

STANDING CORPORATE AUDITORS

Umeoki Joko (18)

Hiroshi Sakuma (8)

Keizo Miyamoto (6)

CORPORATE AUDITORS

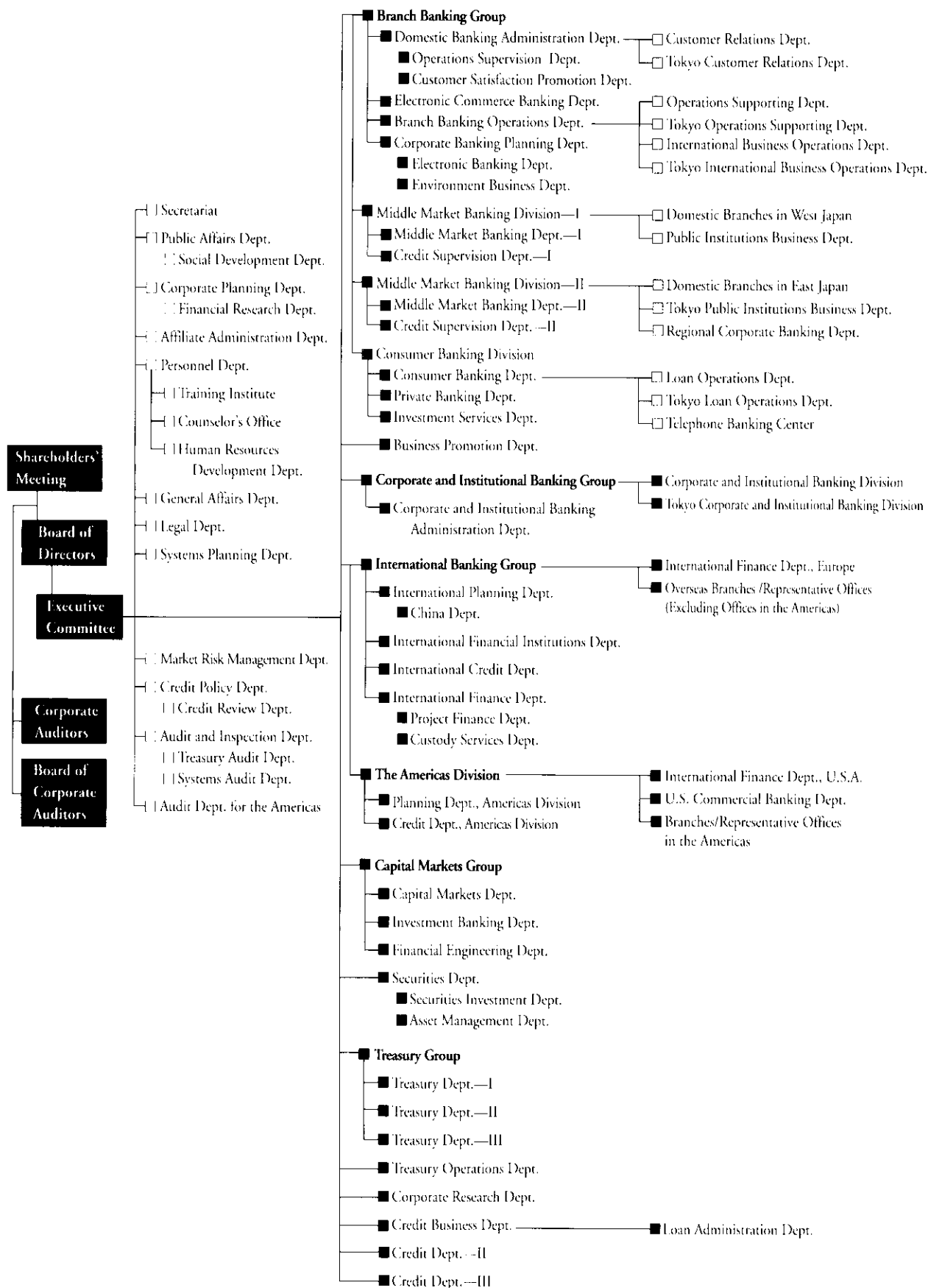
Gentaro Kawase (—)

Shinichi Nishio (8)

Note: Figures in parentheses indicate the number of shares of the Bank owned, in thousands.

Organization

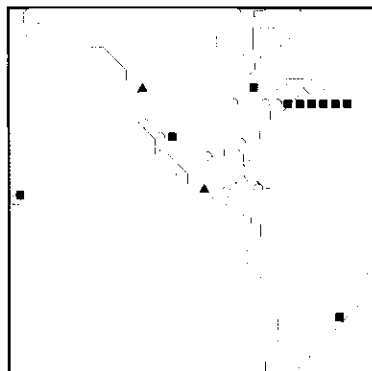
As of July 1, 1998



International Directory

As of July 1, 1998

AMERICAS



- Branch or Agency
- ▲ Representative Office
- Subsidiary of Affiliate

NORTH AMERICAN HEADQUARTERS

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-4000
Telex: 420515 (ITT), 232407 (RCA)
Telefax: 1-(212) 224-5190, 5193

NEW YORK BRANCH

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-4000
Telex: 420515 (ITT), 232407 (RCA)
Telefax: 1-(212) 593-9522

SAN FRANCISCO BRANCH

555 California Street, Suite 3350,
San Francisco, CA 94104, U.S.A.
Tel: 1-(415) 616-3000
Telex: 49610340
Telefax: 1-(415) 397-1475

CHICAGO BRANCH

Sears Tower, Suite 4800,
233 South Wacker Drive,
Chicago, IL 60606, U.S.A.
Tel: 1-(312) 876-0525
Telex: 25-3734
Telefax: 1-(312) 876-6436

LOS ANGELES BRANCH

777 South Figueroa Street, Suite 2600,
Los Angeles, CA 90017, U.S.A.
Tel: 1-(213) 955-0800
Telex: 3750376, 3750522
Telefax: 1-(213) 623-6832

HOUSTON AGENCY

NarionsBank Center, Suite 1750,
700 Louisiana Street,
Houston, TX 77002, U.S.A.
Tel: 1-(713) 759-0136
Telex: 774417
Telefax: 1-(713) 759-0020

ATLANTA AGENCY

Georgia-Pacific Center, Suite 3210,
133 Peachtree Street, N.E.,
Atlanta, GA 30303, U.S.A.
Tel: 1-(404) 526-8500
Telefax: 1-(404) 521-1187

CAYMAN BRANCH

P.O. Box 694, Edward Street, George Town,
Grand Cayman, Cayman Islands

INTERNATIONAL FINANCE DEPARTMENT (USA)

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-4000
Telex: 420515 (ITT), 232407 (RCA)
Telefax: 1-(212) 593-9522

SEATTLE REPRESENTATIVE OFFICE

1201 Third Avenue, Suite 5320,
Seattle, WA 98101, U.S.A.
Tel: 1-(206) 625-1010
Telefax: 1-(206) 623-8551

NEW YORK GRAND CENTRAL BRANCH

450 Lexington Avenue, Suite 1700,
New York, NY 10017, U.S.A.
Tel: 1-(212) 808-2300
Telefax: 1-(212) 818-0865

MEXICO REPRESENTATIVE OFFICE

Campos Eliseos #345 Piso 11,
Col. Chapultepec Polanco 11560,
Mexico, D.F.
Tel: 52-(5) 281-4662
Telex: 1773145 SM1BME
Telefax: 52-(5) 280-8859

SUMITOMO BANK OF NEW YORK TRUST COMPANY

Two World Financial Center (Tower B)
225 Liberty Street, 35th Floor,
New York, NY 10281, U.S.A.
Tel: 1-(212) 224-5400
Telex: 669589
Telefax: 1-(212) 224-5444

SUMITOMO BANK CAPITAL MARKETS, INC.

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-5000
Telefax: 1-(212) 224-5111

SUMITOMO BANK FINANCIAL SERVICES, INC.

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-4800
Telefax: 1-(212) 224-4849

SUMITOMO BANK LEASING AND FINANCE, INC.

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-5200
Telefax: 1-(212) 224-5222

SUMITOMO BANK INVESTMENT MANAGEMENT (NEW YORK), INC.

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-4800
Telefax: 1-(212) 224-4849

SUMITOMO BANK SECURITIES, INC.

277 Park Avenue,
New York, NY 10172, U.S.A.
Tel: 1-(212) 224-5300
Telefax: 1-(212) 224-5333

THE SUMITOMO BANK OF CANADA

Ernst & Young Tower, Suite 1400,
P.O. Box 172, Toronto Dominion Centre,
Toronto, Ontario, M5K 1H6, Canada
Tel: 1-(416) 368-4766
Telex: 409257844
Telefax: 1-(416) 367-3565

THE SUMITOMO BANK OF CALIFORNIA*

320 California Street,
San Francisco, CA 94104, U.S.A.
Tel: 1-(415) 445-8000
Telex: 470075 (AT&T)
Telefax: 1-(415) 445-3952

BANCO SUMITOMO BRASILEIRO S.A.

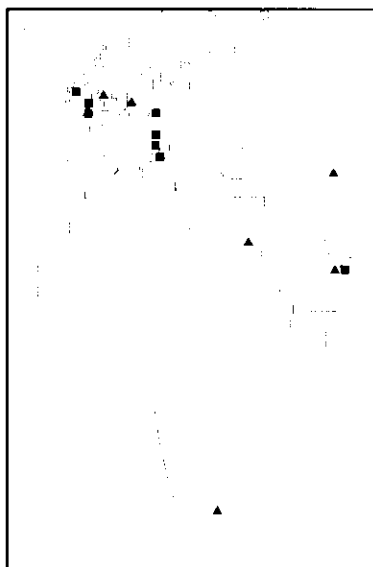
Avenida Paulista, Nº 949,
CEP 01311-917 São Paulo, Brazil
Tel: 55-(11) 3178-8000
Telex: 1131900
Telefax: 55-(11) 289-6996

CENTRAL PACIFIC BANK

220 South King Street,
Honolulu, HI 96813, U.S.A.
Tel: 1-(808) 544-0500
Telex: 634261 (MCI)
Telefax: 1-(808) 521-3944

* The sale of the Sumitomo Bank of California to Zions Bancorporation will be completed by the end of September 1998.

EUROPE, MIDDLE EAST AND AFRICA



Branch or Sub-Branch
 ▲ Representative Office
 ■ Subsidiary or Affiliate

LONDON BRANCH

Temple Court, 11 Queen Victoria Street,
 London EC4N 4TA, U.K.
 Tel: 44-(171) 786-1000
 Telex: 887667
 Telefax: 44-(171) 236-0049

DÜSSELDORF BRANCH

Immermannstrasse 14-16,
 40210 Düsseldorf, Federal Republic of Germany
 Tel: 49-(211) 36191
 Telex: 8587445
 Telefax: 49-(211) 3619236

BRUSSELS BRANCH

Avenue des Arts, 58, Bte. 18,
 1000 Brussels, Belgium
 Tel: 32-(2) 551-5000
 Dealing Tel: 32-(2) 230-9310
 Telex: 26416, 26417
 Dealing Telex: 62684
 Telefax: 32-(2) 513-4100

MADRID BRANCH

Building "La Caixa" Paseo de la Castellana 51,
 6th Floor, 28046 Madrid, Spain
 Tel: 34-(91) 319-50-48
 Telex: 46495 SUBM E, 43477 SUBM E
 Telefax: 34-(91) 319-98-45

BARCELONA SUB-BRANCH

Avenida Diagonal 615, 7th Floor,
 08028 Barcelona, Spain
 Tel: 34-(93) 410-02-03
 Telex: 98737
 Telefax: 34-(93) 419-66-64

MILAN BRANCH

Via Palestro 2, 20121 Milano, Italy
 Tel: 39-(02) 76.08.11
 Telex: 316626 SUMITM
 351493 SUMIBK
 Telefax: 39-(02) 76.02.09.21

PARIS BRANCH

20, Rue de la Ville l'Evêque, 75008 Paris, France
 Tel: 33-(1) 44.71.40.00
 Telex: 281121, 281141
 Telefax: 33-(1) 44.71.40.50

INTERNATIONAL FINANCE DEPARTMENT (EUROPE)

Temple Court, 11 Queen Victoria Street,
 London EC4N 4TA, U.K.
 Tel: 44-(171) 786-1000
 Telex: 887667
 Telefax: 44-(171) 236-0049

BIRMINGHAM REPRESENTATIVE OFFICE

Bank House, Cherry Street,
 Birmingham B2 5AL, U.K.
 Tel: 44-(121) 632-5614
 Telefax: 44-(121) 643-0843

AMSTERDAM REPRESENTATIVE OFFICE

4F Kantoorgebouw Atrium, Strawinskylaan 3087,
 1077 ZX Amsterdam, The Netherlands
 Tel: 31-(20) 661-0839
 Telex: 10575 SUMIT
 Telefax: 31-(20) 661-3051

TEHRAN REPRESENTATIVE OFFICE

4th Floor, Mellat Tower,
 Vali-e-Asr Avenue, Tehran,
 Islamic Republic of Iran
 Tel: 98-(21) 2046480
 Telex: 213148 SMBK IR
 Telefax: 98-(21) 2054875

CAIRO REPRESENTATIVE OFFICE

12th Floor, Nile Tower Building,
 21-23 Giza Street, Giza, Cairo,
 Arab Republic of Egypt,
 P.O. Box 75 Orman
 Tel: 20-2-5703644
 Telex: 92470 SUMBK UN
 Telefax: 20-2-5703655

BAHRAIN REPRESENTATIVE OFFICE

No. 406 & 407 (Entrance 3, 4th Floor)
 Manama Centre, Government Road,
 Manama, State of Bahrain
 Tel: 973-223211
 Telex: 9301
 Telefax: 973-224424

JOHANNESBURG REPRESENTATIVE OFFICE

3rd Floor, South Tower, Sandton Square,
 Corner 5th and Maude Streets,
 Private Bag x 9932, Sandton,
 2146, South Africa
 Tel: 27-(11) 784-2167
 Telefax: 27-(11) 784-1755

SUMITOMO FINANCE INTERNATIONAL PLC

Temple Court, 11 Queen Victoria Street,
 London EC4N 4UQ, U.K.
 Tel: 44-(171) 842-3000
 Telex: 8811043 SUMFIN G
 Telefax: 44-(171) 842-3090

SUMITOMO BANK (SCHWEIZ) AG

Seidengasse 20, 8001 Zurich, Switzerland
 Tel: 41-(1) 2115454
 Telex: 813 304 SUM CH
 Telefax: 41-(1) 2115455, 2115554

SUMITOMO FINANCE (MIDDLE EAST) E.C.

No. 405 (Entrance 3, 4th Floor) Manama Centre,
 Government Road, Manama, State of Bahrain
 Mailing Address:
 P.O. Box 20483, Manama, State of Bahrain
 Tel: 973-227070
 Telex: 9938, 9939
 Telefax: 973-224424

BANCA DEL GOTTARDO

Viale S. Francini 8,
 CH-6901 Lugano, Switzerland
 Tel: 41-(91) 8081111
 Telex: 841051
 Telefax: 41-(91) 8082441

SUMITOMO BANK (DEUTSCHLAND) GMBH

Immermannstrasse 14-16,
 40210 Düsseldorf, Federal Republic of Germany
 Tel: 49-(211) 361930
 Telex: 8587445
 Telefax: 49-(211) 3619277

FINZIARIA SUMITOMO (ITALIA) S.P.A.

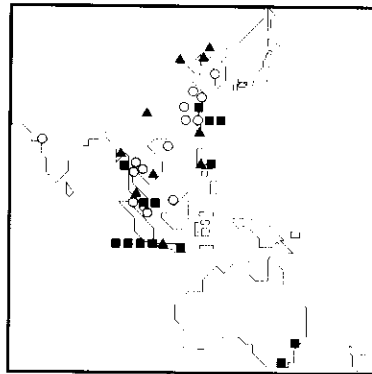
Via Palestro 2, 20121 Milano, Italy
 Tel: 39-(02) 76.08.11
 Telefax: 39-(02) 76.02.09.21

SUMITOMO FINANCE (DUBLIN) LIMITED

La Touche House, I.E.S.C., Custom House Docks,
 Dublin 1, Ireland
 Tel: 353-(1) 670-0066
 Telex: 91909
 Telefax: 353-(1) 670-0353

SBCM LIMITED

4th Floor, Temple Court,
 11 Queen Victoria Street,
 London EC4N 4TA, U.K.
 Tel: 44-(171) 786-1400
 Telex: 887244 SBCM UK G
 Telefax: 44-(171) 248-5905

ASIA AND OCEANIA

- Branch, International Banking Facility,
Sub-Branch or Marketing Office
- ▲ Representative Office
- Subsidiary or Affiliate

HONG KONG BRANCH

2601 Edinburgh Tower, The Landmark,
 15 Queen's Road, Central, Hong Kong
 Tel: 852-(2842) 1700
 Telex: 73343 SUMTB HX
 Telefax: 852-(2810) 6452
 852-(2537) 1395

KOWLOON SUB-BRANCH

501-6 Tower II, The Gateway,
 25 Canton Road, Tsimshatsui,
 Kowloon, Hong Kong
 Tel: 852-(2956) 1717
 Telefax: 852-(2956) 3268

SINGAPORE BRANCH

6 Shenton Way #27-08,
 DBS Building, Tower Two,
 Singapore 068809, Singapore
 Tel: 65-2201611
 Telex: RS21656
 Telefax: 65-225-9647

SEOUL BRANCH

21st Floor, Kyobo Building 1,
 Chongro 1-ka, Chongro-ku,
 Seoul 110-714, The Republic of Korea
 Tel: 82-(2) 732-1801/5
 Telex: K23432
 Telefax: 82-(2) 732-1806

GUANGZHOU BRANCH

31/F Office Tower, CITIC PLAZA,
 233 Tianhe North Road, Guangzhou
 The People's Republic of China
 Tel: 86-(20) 87520168
 Telex: 440228 SUMTB CN
 Telefax: 86-(20) 87520672

SHANGHAI BRANCH

30F Shanghai Senmao International Building,
 101 Yin Cheng East Road, Pudong New Area,
 Shanghai, The People's Republic of China
 Tel: 86-(21) 68415000
 Telex: 33371 SMTBK CN, 33079 SMTBK CN
 Telefax: 86-(21) 6841044

YANGPU BRANCH

Yangpu Land Development Co., Ltd., Office,
 Yangpu Economic Development Zone, Hainan,
 The People's Republic of China
 Tel: 86-(890) 882-2701
 Telefax: 86-(890) 882-2706

BANGKOK BRANCH**BANGKOK INTERNATIONAL BANKING FACILITY**

11th Floor, Ramaland Building,
 952 Rama IV Road, Kwaeng Suriyawong,
 Khet Bangrak, Bangkok 10500, Thailand
 Tel: 66-(2) 632-9210
 Telex: 84256 SUMITBK TH
 Telefax: 66-(2) 632-9208/9

P.I.B.F. CHON-BURI BRANCH

9th Floor, Talay-Thong Tower, 53 Moo 9 Opp.
 Laem Chabang Deep Seaport Sukhumvit Road,
 Thooongsukka, Sriracha, Chon-Buri 20230, Thailand
 Tel: 66-(38) 331714
 Telefax: 66-(38) 331716/7

P.I.B.F. AYUTTHAYA BRANCH

Krungsri River Hotel 27/2 Moo 11,
 Rojchana Road, Kamang,
 Ayutthaya 13000, Thailand
 Tel: 66-(35) 245715
 Telefax: 66-(35) 245716

LABUAN BRANCH

Level 12 (B&C), Main Office Tower,
 Financial Park Labuan,
 Jalan Merdeka, 87000 Labuan,
 Federal Territory, Malaysia
 Tel: 60-(87) 410955
 Telefax: 60-(87) 410959

LABUAN BRANCH KUALA LUMPUR**MARKETING OFFICE**

3rd Floor, MUI Plaza, Jalan P. Ramlee,
 50250 Kuala Lumpur, Malaysia
 Tel: 60-(3) 2457271, 2457273
 Telefax: 60-(3) 2457289

SUZHOU BRANCH

10th Floor, Kings Tower, 16 Shishan Road,
 Suzhou New District, Suzhou, Jiangsu,
 The People's Republic of China
 Tel: 86 (512) 8258205
 Telefax: 86 (512) 8256121

MUMBAI BRANCH

15th Floor, Jolly Maker Chamber No. 2,
225, Nariman Point, Mumbai-400021, India
Tel: 91-(22) 288-0025

**INTERNATIONAL FINANCE DEPARTMENT
(ASIA)**

2601 Edinburgh Tower, The Landmark,
15 Queen's Road, Central, Hong Kong
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Telex: 73343 SUMTIBK HX
Telefax: 852-(2810) 6452
852-(2537) 1395

6 Shenton Way #27-08,
DBS Building, Tower Two,
Singapore 068809, Singapore
Tel: 65-2201611
Telex: RS21656
Telefax: 65-225-9647

TAIPEI REPRESENTATIVE OFFICE

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167 Tun Hua North Road, Taipei, Taiwan
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Telefax: 886-(2) 2712-0439

JAKARTA REPRESENTATIVE OFFICE

Summitmas II, 11th Floor,
Jl. Jendral. Sudirman Kav. 61-62,
Jakarta 12069, Indonesia
Tel: 62-(21) 5251733
Telefax: 62-(21) 5251770

BEIJING REPRESENTATIVE OFFICE

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Huijialou, Chaoyang District,
Beijing, The People's Republic of China
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Telex: 22905 SMTBCK CN
Telefax: 86-(10) 6597-3002

DALIAN REPRESENTATIVE OFFICE

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The People's Republic of China
Tel: 86-(411) 3637611
Telex: 86213 SMTBCK CN
Telefax: 86-(411) 3637615

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15 Nan Ping Bei Lu, Chongqing,
The People's Republic of China
Tel: 86-(23) 62803394
Telefax: 86-(23) 62803748

SHENYANG REPRESENTATIVE OFFICE

Room No. 606, Gloria Plaza Hotel Shenyang,
No. 32 Yingbin Street, Shenhe District,
Shenyang, The People's Republic of China
Tel: 86-(24) 22528310
Telefax: 86-(24) 22528769

KUALA LUMPUR REPRESENTATIVE OFFICE

3rd Floor, MUI Plaza, Jalan P. Ramlee,
50250 Kuala Lumpur, Malaysia
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Telefax: 60-(3) 2413694

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Ho Chi Minh City, Vietnam
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Telex: 813201 SUMTIBK VT
Telefax: 84-(8) 8231241

MANILA REPRESENTATIVE OFFICE

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Metro Manila, Philippines
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Yangon, Myanmar
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Telefax: 95-(1) 248061

SUMITOMO FINANCE (ASIA) LIMITED

3205 Edinburgh Tower, The Landmark,
15 Queen's Road, Central, Hong Kong
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Telex: 75300 SFALA HX
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852-(2525) 7188

SBCM LIMITED HONG KONG BRANCH

3202 Edinburgh Tower, The Landmark,
15 Queen's Road, Central, Hong Kong
Tel: 852-(2532) 8500
Telefax: 852-(2532) 8505

SUMITOMO INTERNATIONAL FINANCE**AUSTRALIA LIMITED**

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Telex: 24091
Telefax: 61-(2) 9376-1863

SUMITOMO INTERNATIONAL FINANCE**AUSTRALIA LIMITED MELBOURNE BRANCH**

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360 Elizabeth Street,
Melbourne, Victoria, 3000, Australia
Tel: 61-(3) 9639-2777
Telefax: 61-(3) 9639-2547

SUMITOMO FINANCIAL FUTURES (SINGAPORE)**PTE. LTD.**

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Singapore 068809, Singapore
Tel: 65-2201611
Telefax: 65-225-9647

SB MERCHANT BANK (SINGAPORE) LIMITED

6 Shenton Way #27-08,
DBS Building, Tower Two,
Singapore 068809, Singapore
Tel: 65-2201611
Telefax: 65-225-9647

P.T. BANK SUMITOMO NIAGA

Summitmas II, 10th Floor,
Jl. Jendral. Sudirman Kav. 61-62,
Jakarta 12069, Indonesia
Tel: 62-(21) 522-7011
Telex: 62721 BKSUNI IA
Telefax: 62-(21) 522-7022

SURABAYA BRANCH

Wisma BII, 8th Floor,
Jl. Pemuda 60-70 Surabaya, Indonesia
Tel: 62-(31) 5326480
Telex: 32743 BKSUNI IA, 32744 SUNISB IA
Telefax: 62-(31) 5326481, 5473520

P.T. EXIM SB LEASING

Summitmas I, 8th Floor,
Jl. Jendral. Sudirman Kav. 61-62,
Jakarta 12069, Indonesia
Tel: 62-(21) 520-1265 (6 Lines)
Telex: 62970 EXIMSB IA
Telefax: 62-(21) 520-0154

P.T. BANK MERINCORP

Plaza Exim, 27th Floor,
Jl. Gatot Subroto Kav. 36-38,
Jakarta 12190, Indonesia
Tel: 62-(21) 526-3646
Telex: 60996, 60997
Telefax: 62-(21) 526-3633, 526-3663

P.T. MERINCORP SECURITIES INDONESIA

Plaza Exim, 27th Floor,
Jl. Gatot Subroto Kav. 36-38,
Jakarta 12190, Indonesia
Tel: 62-(21) 526-3450
Telefax: 62-(21) 526-3507

CHINA INTERNATIONAL FINANCE COMPANY**LIMITED (SHENZHEN)**

33E International Financial Building,
23 Jian She Road, Shenzhen,
The People's Republic of China
Tel: 86-(755) 225-1059
Telex: 420316 CIFI-CL CN
Telefax: 86-(755) 2237566
Cable: 0811

SUMIGIN METRO INVESTMENT CORP.

20th Floor, Rufino Pacific Tower,
6784 Ayala Avenue, Makati City,
Metro Manila, Philippines
Tel: 63-(2) 8110845-52
Telefax: 63-(2) 8110876-77

BANGKOK SUMIGIN CONSULTING COMPANY

11th Floor, Ramaland Building,
952 Rama IV Road, Kwaeng Suriyawong,
Khet Bangrak, Bangkok 10500, Thailand
Tel: 66-(2) 632-9210

Investor Information

As of March 31, 1998

DATE OF FOUNDING	November 1, 1895
HEAD OFFICES	<p>Osaka 6-5, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan Tel: (06) 227-2111 Telex: J63266</p> <p>Tokyo 3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan Tel: (03) 3282-5111 Telex: J22393</p> <p>Internet URL Address: http://www.sumitombank.co.jp</p>

DOMESTIC NETWORK 360 Main Offices, Branches and Sub-Branches

OVERSEAS NETWORK 24 Branches and Agencies
5 Sub-Branches and 1 Marketing Office
33 Representative Offices
27 Subsidiaries (More than 50% ownership)

NUMBER OF EMPLOYEES 15,111

NUMBER OF SHARES	Authorized—common stock	7,500,000 thousand
	Authorized—preferred stock	500,000 thousand
	Issued and outstanding—common stock	3,141,062 thousand

NUMBER OF SHAREHOLDERS 38,389

PRINCIPAL SHAREHOLDERS The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 1998 were as follows:

	<i>Number of Shares Held (Thousands)</i>	<i>Percentage of Total Shares Outstanding (%)</i>
Sumitomo Life Insurance Company	170,002	5.41
Nippon Life Insurance Company	133,427	4.24
Matsushita Electric Industrial Co., Ltd.	103,570	3.29
The Sumitomo Trust & Banking Company, Limited	99,108	3.15
Sanyo Electric Co., Ltd.	62,337	1.98
The Sumitomo Marine & Fire Insurance Company, Limited	55,653	1.77
Sumitomo Corporation	51,980	1.65
Kubota Corporation	47,418	1.50
Nippon Steel Corporation	45,415	1.44
The Dai-ichi Mutual Life Insurance Company	44,757	1.42
Total	<u>813,671</u>	<u>25.90</u>

SHAREHOLDERS' MEETING The ordinary shareholders' meeting is held in June at the Bank's head office located at 6-5, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan.

LISTING The Bank's stock is listed on the London Stock Exchange, the Bourse de Paris, the Tokyo Stock Exchange, the Osaka Securities Exchange and other major stock exchanges in Japan.



 **SUMITOMO BANK**