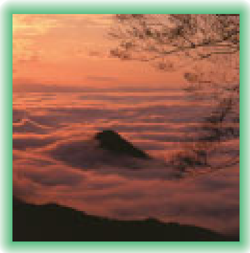
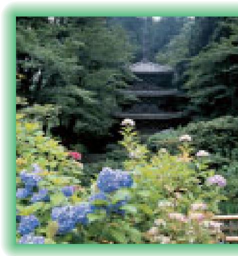
2001
Annual Report









THE BANK OF KYOTO, LTD.

Profile

The ancient city of Kyoto – capital of Japan for more than a thousand years – is the repository of the nation's cultural heritage. Kyoto is also the birthplace of finance in Japan.

The Bank of Kyoto, Ltd., is one of the most prominent regional banks in Japan, with consolidated total assets of ¥4.5 trillion (US$36.8 billion) at the close of fiscal 2000, ended March 31, 2001. The Bank was created through the merger of four regional financial institutions in 1941 and has operated under its current name since 1951.

Throughout its history, the Bank has worked to contribute to the economic growth and prosperity of the Kyoto region while enhancing its position as Kyoto's leading bank by offering a comprehensive range of products and services.

As of March 31, 2001, the Bank of Kyoto's comprehensive banking network consisted of 117 domestic offices, the Hong Kong Representative office, and an extensive global correspondent banking network.

Contents

On the cover:
Since 1982, The Bank of Kyoto, Ltd. has been conducting a campaign under the catchphrase "I Love Kyoto," aimed at stimulating public interest in Kyoto's magnificent historical heritage and its preservation for future generations. The cover of this report shows various posters featured in the campaign.

Non-Consolidated Five-Year Summary

The Bank of Kyoto, Ltd. Years Ended March 31, 2001, 2000, 1999, 1998 and 1997

	Millions of Yen					Thousands of U.S. Dollars
	2001	2000	1999	1998	1997	**2001**
FOR THE YEAR						
Total Income	**¥ 110,476**	¥ 114,925	¥ 130,152	¥ 152,114	¥ 141,679	**$ 891,659**
Interest on Loans and Discounts	**61,066**	64,076	67,941	69,794	70,954	**492,867**
Interest and Dividends on Securities	**22,151**	28,518	31,466	36,633	34,092	**178,782**
Fees and Commissions	**9,498**	9,090	8,743	8,535	8,451	**76,662**
Total Expenses	**103,250**	106,304	154,462	133,891	139,080	**833,336**
Interest on Deposits	**13,735**	12,458	18,287	26,590	31,816	**110,862**
Interest on Borrowings and Rediscounts	**935**	993	3,105	3,930	2,562	**7,549**
Fees and Commissions	**4,096**	3,998	3,761	3,613	3,403	**33,064**
General and Administrative Expenses	**48,895**	49,790	51,067	50,773	50,864	**394,635**
Income (Loss) before Income Taxes	**7,226**	8,621	(24,309)	18,223	2,598	**58,322**
Net Income (Loss)	**4,621**	5,494	(15,168)	1,724	2,164	**37,300**
Cash Dividends Paid	**1,659**	1,824	1,659	1,659	1,550	**13,390**
AT YEAR-END						
Total Assets	**¥4,561,366**	¥4,078,898	¥4,002,732	¥4,083,264	¥4,008,206	**$36,814,905**
Cash and Due from Banks	**77,148**	62,752	85,476	69,490	190,119	**622,668**
Call Loans	**140,370**	134,543	200,789	186,089	74,984	**1,132,933**
Investment Securities	**1,630,427**	1,124,950	865,164	901,494	836,538	**13,159,220**
Loans and Bills Discounted	**2,692,966**	2,683,549	2,730,128	2,668,730	2,632,324	**21,735,000**
Total Liabilities	**4,231,122**	3,925,638	3,853,143	3,941,379	3,866,387	**34,149,497**
Deposits	**3,965,561**	3,780,552	3,669,365	3,616,377	3,642,274	**32,006,149**
Call Money	**13,654**	1,418	19,462	83,356	44,886	**110,208**
Borrowed Money	**36,064**	30,069	30,078	30,103	30,094	**291,080**
Total Stockholders' Equity	**330,244**	153,259	149,589	141,885	141,819	**2,665,408**
Common Stock	**27,100**	27,100	27,100	27,100	27,100	**218,724**
	Yen					U.S. Dollars
PER SHARE						
Net Assets	**¥995.24**	¥461.87	¥450.81	¥427.59	¥427.39	**$8,032**
Net Income (Loss)	**13.92**	16.55	(45.71)	5.19	6.52	**0.112**
Cash Dividends Applicable to the Year	**5.00**	5.50	5.00	5.00	5.00	**0.040**
	Millions of U.S. Dollars					
OTHER DATA						
Foreign Exchange Transactions	**$4,810**	$4,177	$9,229	$12,043	$13,229	
Foreign Currency Assets	**1,416**	1,271	1,121	2,031	2,417	
Number of Offices	**118**	116	116	116	117	
Number of Employees	**2,776**	2,862	2,841	2,852	3,000	

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥123.90 to U.S. $1.00 on March 30, 2001, the final business day of the term.
3. "Number of Offices" includes overseas branch and sub-branch offices.

Message from the President

Targeting strong marketing and management foundations, based on the keywords "speed" and "determination," as we welcome our 60th anniversary.

Management Plan

Japan's socioeconomic structure faces unprecedented change amid deregulation of financial markets and advances in information technology. The financial services industry is entering a new era of intense competition characterized by a number of factors. These include the birth of four "megabank" financial groups, full-scale entry of newcomers to the industry, the flow of foreign capital into the Japanese financial market, and the approaching amendment to the Deposit Insurance Law in April 2002, when insurance coverage will be capped at ¥10 million per depositor.

In this new era, where only the fittest will survive, the Bank of Kyoto must act decisively in order to prevail as a preferred bank among customers. Specifically, we must further deepen ties with our region and establish an absolute competitive edge in the local retail market.

Based on these beliefs, in April 1999 the Bank embarked on a medium-term management plan with the overriding objectives of raising earnings power and improving customer satisfaction. Fiscal 2001, ending March 2002, is the final year of the three-year plan and also coincides with the Bank's 60th anniversary. In this important year, we will work to build strong marketing and management foundations, based on the keywords "speed" and "determination."

Guided by the plan, the Bank is emphasizing the following strategies.

Key Strategies

Reinforcing Marketing Power

To reinforce its marketing power, the Bank of Kyoto is focusing on initiatives in three areas. First, we are actively developing our branch network, not only in Kyoto Prefecture but also in neighboring prefectures such as Osaka and Shiga. By building a network in this region, which has expectations of high economic growth, we are striving to fortify and upgrade our marketing domain.

In August 2000, the Bank opened a branch in Kyoto Prefecture's southern district dedicated to serving individual customers through such services as housing loans and asset management. In December 2000, we opened our first staffed branch in the Konan district, south of Lake Biwa in Shiga Prefecture, which is experiencing strong economic growth due to an influx of people and companies shifting from Kyoto. In April 2001, we opened our second staffed branch in the same district, with a third planned for October 2001. By the spring of 2002, we plan to have a network in place centering on the Konan district. As for Osaka Prefecture, in January 2001 we upgraded a sub-branch located in Takatsuki City, which previously served mainly individuals, to full branch status with the addition of financial services for corporate customers.

Second, we are reinforcing our products and services. In response to growing needs arising from advances in information and communications technologies, we continue to strengthen the functions of Kyogin Direct Banking, which combines telephone, Internet, and mobile banking. In the year under review, we launched the Kyogin Point Service, which rewards customers with favorable bank fees and loan interest rates depending on the volume of their transactions with the Bank. We also began over-the-counter sales of long-term fire insurance policies for customers taking out housing loans with us. In January 2001, we connected on-line with Japan's post office system; the Bank of Kyoto cash card can now be used at ATMs in post offices nationwide. In October 2000, we introduced the Health and Nursing Care Channel, operated by the Nippon Life Insurance Group. Under this system, specialists provide certain Bank customers with advice over the telephone, as well as various information and services related to nursing care.

While traditional industries continue to thrive in Kyoto, the area has assumed another face as a hub for various high-tech enterprises that started out as venture businesses. Many blue-chip Japanese companies are located in Kyoto Prefecture, engaged in such fields as machinery and electronics. More recently, the region has given birth to a succession of multimedia-and IT-related venture businesses. Responding to this trend, we established KSO Venture Fund No. 1 to pinpoint and support promising venture businesses in Kyoto, Shiga, and Osaka. Due to investments in 15 businesses, the fund is nearly depleted; for this reason, we launched the KSO Venture Fund No. 2 in May 2001. In the future, we will continue concentrating on locating, assisting, and nurturing such companies as we reinforce marketing activities geared to our region.

Third, we are expanding investments in information technology. In fiscal 2000, we completely revamped our branch office systems and introduced a system that electronically verifies the registered seals of customers. By enhancing administrative efficiency and shortening necessary procedures, we have improved over-the-counter services and reduced time taken to process foreign exchange transactions such as foreign currency deposits.

To prevent potential seal forgery, we have registered customers' seals in our database.

In our effort to strengthen marketing power, we will broadly seek alliances with external entities as necessary. At the same time, we will work in a proactive and timely manner to raise customer satisfaction.

Strengthen Earning Power

To further reinforce earnings, we must expand the volume of loans and other assets. To this end, the head office and branches have united to undertake activities aimed at solidifying the Bank's transaction base. We are also restructuring our loan screening system and have launched various loan promotion campaigns. Reducing costs is another important factor in strengthening our earning power. To this end, the Bank joined the NTT Regional Bank Data Sharing Center. By sharing our core system with other regional bank members, the Bank can access a system with the latest functions and reduce investment costs. In these ways, we are actively pursuing strategic initiatives while promoting our ongoing policy of cost minimization. We will continue diversifying our revenue sources and implement strategies to strengthen our earning power.

Raising the Quality of our Asset Portfolio

Crucial to the successful implementation of the various strategies described above is a highly sound operating foundation. Aware of this fact, the Bank of Kyoto has already completed writing off and providing reserves for its non-performing loans. Even if bad debt arises in the future, we can respond adequately thanks to our stable and consistent earnings and reinforced equity capital. We are also working to improve compliance and enhancing our risk management ability, including integrated management of multiple types of risk.

In the interests of assuring a sound financial position, in fiscal 2000 we made a lump-sum amortization of the differential amount arising from the adoption of the new retirement benefit accounting standards. In the interim period ended September 2000, we have completed introduction of market value accounting for financial products.

As we await the amendment of the Deposit Insurance Law in April 2002, we will continue striving to improve the soundness of our operations and thus earn the trust and patronage of customers, securing our reputation as a top-class bank in the region.

Although we recognize that the road ahead will not be smooth, we will forge ahead with confidence, hand in hand with our shareholders and other investors, as we fulfill our mission of contributing to regional economic progress. We trust that the Bank of Kyoto in the 21st century will meet your expectations.

Y. Kashihara

Yasuo Kashihara
President

Non-Performing Loans

The Bank of Kyoto recognizes that securing a sound asset portfolio is its most important management objective. For this reason, the Bank carries out self-assessments at six-monthly intervals, closely monitors its asset situation, and takes an active stance toward the disposal of non-performing loans.

We have also finished compiling a set of regulations covering asset self-assessment, write-offs and provision of reserves. These regulations are based on a financial inspection manual published by the Financial Services Agency and a report by the Japanese Institute of Certified Public Accountants on verification of internal asset self-assessment systems for banks and other financial institutions and practical guidelines for auditing defaulted loan write-offs and reserves for possible loan losses. Accordingly, we have disposed of all currently conceivable non-performing loans.

Asset Assessment and Reserves Based on Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and “non-classified” (normal).

At the end of fiscal 2000, the Bank’s total disclosed loan assets, excluding non-classified loans, amounted to ¥191.6 billion. The average reserve ratio for these loans, excluding the portion covered by collateral and guarantees, was 74.7%. Adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 86.3%, which we believe to be a sufficient level.

Risk Management Loans

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. The loans are classified into four categories: loans in legal bankruptcy, non-accrual loans, accruing loans contractually past due three months or more, and restructured loans.

At the end of fiscal 2000, the Bank’s balance of risk management loans stood at ¥190.8 billion on a non-consolidated basis and ¥193.8 billion on a consolidated basis. Not all the disclosed loans will incur losses, however, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

By rigorously applying our self-assessment system, we are working harder than ever to prevent the occurrence of non-performing loans while promptly and properly disposing of such existing loans. Through these measures, we are committed to securing a sound asset portfolio.

The Financial Reconstruction Law Standard (Non-Consolidated)

	Billions of Yen		
	2001/3		2000/3
		Change from Mar. 31, 2000	
Unrecoverable or Valueless	¥ 70.5	¥6.4	¥ 64.0
Risk	60.6	(10.5)	71.2
Special Attention	60.4	8.9	51.4
Sub-Total (A)	191.6	4.8	186.7
Non-Classified	2,546.1	(0.1)	2,546.2
Total	¥2,737.7	¥4.7	¥2,733.0

Coverage in accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

	Billions of Yen		
	2001/3		2000/3
		Change from Mar. 31, 2000	
Reserve for Possible Loan Losses	¥ 77.3	¥4.7	¥ 72.5
Reserve for Specific Borrowers			
Amounts Recoverable Due to Guarantees, Collateral and Others	88.1	(2.0)	90.1
Total (B)	¥165.4	¥2.7	¥162.7
Coverage Ratio (B)/(A)	86.3%	(0.8)%	87.1%

Risk Management Loans (Consolidated)

	Billions of Yen		
	2001/3		2000/3
		Change from Mar. 31, 2000	
Loans in Legal Bankruptcy	¥ 37.5	¥5.2	¥ 32.3
Nonaccrual Loans	96.6	(9.0)	105.6
Accruing Loans Contractually Past Due Three Months or More	1.9	0.6	1.3
Restructured Loans	57.6	7.9	49.6
Total	¥ 193.8	¥4.8	¥ 188.9
Total Loans Outstanding (term-end balance)	¥2,679.3	¥7.8	¥2,671.5

Risk Management System

Liberalization and globalization of financial markets has increased the diversity and complexity of risks faced by financial institutions. The Bank of Kyoto is continually upgrading and reinforcing its risk management system to reduce risk and enable prompt and precise response in the event of the materialization of such risk, thereby stabilizing earnings.

In August 1999, the Bank put in place a system for integrated risk management. In October of the same year, we formulated our Integrated Risk Management Regulations. Then, in April 2000, we further strengthened our risk management system by reorganizing the Treasury & Securities Division and the International Division into the Treasury & Investment Division, which is responsible for domestic and overseas market transactions, and the Securities & International Division, which handles risk management, operations management and sales promotion.

Credit Risk Management

In addition to maintaining the independence of the screening section from sales-related sections, we are making efforts to enhance systems related to credit risk management and personnel development accordingly. For example, we set up the Loan Supervision Office and increased the number of screening staff. Complying with the government's Prompt Corrective Action measures, the Bank has established a specialized section for auditing implementation of self-assessments and the adequacy of write-offs and reserve provisions based on such assessments. The Bank is also audited by an external auditor. Since November 2000, we have further strengthened our risk management system by formulating financial solutions for borrowers, based on the results of our self-assessments.

Market Risk Management

The Asset Liability Management (ALM) Group within the Management Administration Office comprehensively manages assets and liabilities and implements proper risk control to secure stable earnings. Adopting the latest analysis techniques, such as VaR and EaR, the Bank is working to increase the sophistication of its risk management methods while strategically addressing risk management through ALM meetings of relevant directors.

Liquidity Risk Management

Through careful projection and verification of fund-raising and fund-management balances, the Bank of Kyoto appropriately controls its funding position. Thanks to a system that constantly monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

Risk Management

- The top organization for risk management
- Integrated risk management divisions
- Supervisory divisions determined by type of risk
- Compliance with laws, and risk management with business operations
- Major risk to be managed by the Bank

Clerical Risk Management

In addition to regulating various clerical procedures and strictly observing such regulations, the Bank is centralizing clerical processes and using computers to reinforce its checking functions. In these ways, we are devising a clerical system that minimizes the likelihood of human error. To further strengthen clerical risk management, the Inspection Division conducts inspections of the head office and branches to ensure that clerical procedures are followed rigorously and accurately, thereby preventing errors from occurring in the first place.

System Risk Management

The Bank operates a backup center as contingency against problems with the computer system, such as damage incurred through fire, earthquake or other disaster, and undertakes distributed management of important information. We also have a strict program that specifies detailed responses in case of system failure and sets rules for preventing computer crimes and malfunction in advance.

Reputation Risk

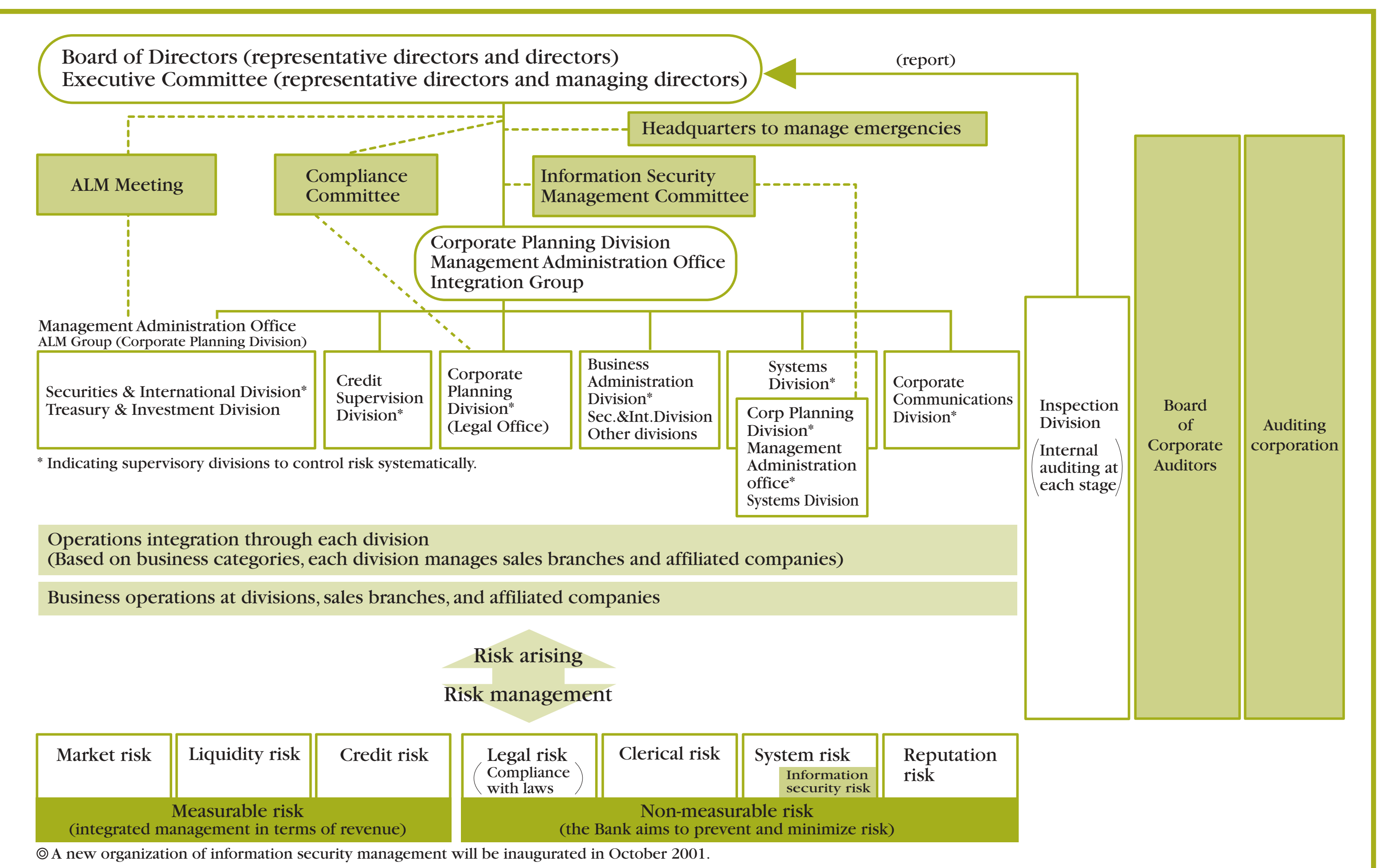
The Bank is working to minimize reputation risk: we have formulated a set of reputation risk management regulations that outlines ways to reduce reputation risk, as well as measures to be taken should such problems arise.

Information Security Risk Management

The Bank's Information Security Policies have been formulated as a blueprint incorporating measures to safeguard customer data and other confidential information. Specific safety-related action guidelines are also outlined in our Information Security Standards. In October 2001, we will further reinforce information protection by setting up an Information Security Management Committee as a top-level entity consisting of staff related to information security at the head office and branches.

Contingency Plan

In December 2000 the Bank compiled its Contingency Plan. The Plan outlines specific responses to unforeseen circumstances, such as scandal, financial industry instability, information security problems, and the advent of market-related risks, in addition to crime, computer system malfunction, and natural disasters such as fire or earthquakes.



Financial Review

Performance

In fiscal 2000, the Bank steadily attracted deposits from both individual and corporate customers. Demand deposits performed particularly well, reflecting low interest rates. The balance of deposits at fiscal year-end stood at ¥3,955.8 billion (US$31,927 million), up ¥183.8 billion, or 4.8% from a year earlier. Thanks to healthy demand for loans from individuals, especially housing loans, the balance of loans and bills discounted rose ¥7.8 billion, or 0.2%, to ¥2,679.3 billion (US$21,625 million).

The year-end balance of securities was ¥1,631.6 billion (US$13,168 million), up ¥505.5 billion, or 44.8%. Of the ¥505.5 billion increase, ¥300.4 billion was attributable to a valuation differential stemming from the introduction of market value accounting. The remaining ¥205.0 billion resulted from the Bank's effective portfolio management activities, which were characterized by close attention to market trends.

In the year under review, the Bank worked relentlessly to enhance fund-raising and fund-management efficiency while streamlining overall operations. At the same time, we proactively wrote off and provided reserves for non-performing loans, based on strict self-assessments, in an effort to raise the quality of our asset portfolio. We also made a lump-sum amortization of the ¥12,564 million shortfall in the reserve for retirement benefit liabilities. As a result, net income for the year fell ¥860 million from the previous year, to ¥4,686 million (US$37 million).

Capital Adequacy

As of March 31, 2001, the Bank's capital ratio on a consolidated basis was 10.50% based on domestic standards and 13.18% based on BIS standards. As for capital, which constitutes the numerator in calculating the capital ratio, Tier I rose ¥3.3 billion to ¥159.7 billion (US$1,289 million), due to an increase in retained earnings. Tier II increased ¥12.5 billion, to ¥64.9 billion (US$524 million), as the Bank took up new subordinated loans and also rolled over those loans that it had taken out to reinforce equity capital. Risk-weighted assets, which represent the denominator in calculating the capital ratio, declined ¥64.8 billion, to ¥2,136.8 billion (US$17,246 million), as the Bank increased its low risk-weighted assets.

The Bank's capital ratio significantly exceeds the minimum levels prescribed by domestic standards (4%) and BIS standards (8%). We will continue to endeavor to increase retained earnings in an effort to raise the capital ratio.

Dividend Policy

The Bank's basic policy is to maintain stable dividend payouts while retaining sufficient earnings to allow us to strengthen our operating foundation to cope with the deregulation and globalization of the financial markets. Based on this policy, we maintained year-end dividends at ¥2.50 (US$0.020) per share.

In October 2001, the Bank will celebrate its 60th anniversary. In commemoration of this event, we plan to pay a special extra interim dividend of ¥1.00 per share.

We will utilize retained earnings for effective investments to build a strong business foundation and expand our marketing foundation as we strive to satisfy customers' diverse requirements amid financial liberalization.

Capital Ratio

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   March 31, 2001 and 2000

	Millions of Yen		
	2001	2000	**2001**
	(Domestic)	(Domestic)	**(BIS)**
Total Capital Ratio	**10.50%**	9.47%	**13.18%**
Tier I Capital	**¥ 159,720**	¥ 156,330	**¥ 159,720**
Tier II Capital	**64,955**	52,360	**159,720**
45% of Unrealized Gains on Securities			**135,217**
General Reserve for Possible Loan Losses	**13,355**	13,760	**28,153**
Qualifying Subordinated Debt	**51,600**	38,600	**51,600**
Deducted Items	**202**		**202**
Total Capital	**¥ 224,473**	¥ 208,690	**¥ 319,238**
Risk Adjusted Assets	**¥2,136,828**	¥2,201,637	**¥2,422,104**

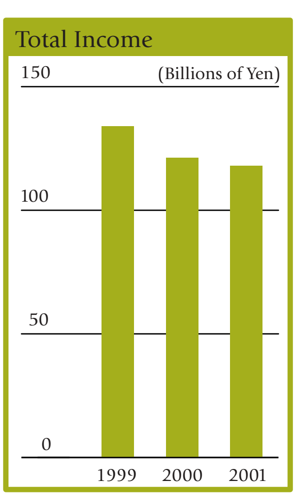
Consolidated Financial Highlights

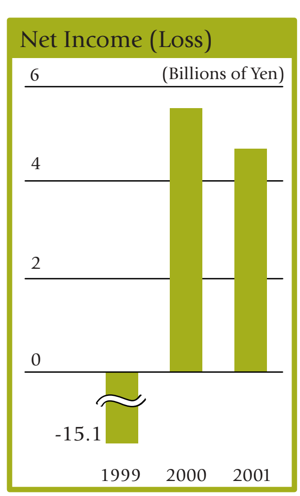
The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2001, 2000 and 1999

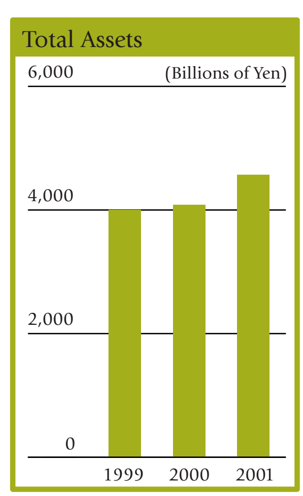
	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	**2001**
FOR THE YEAR				
Total Income	¥ **117,864**	¥ 121,270	¥ 133,834	$ **951,288**
Total Expenses	**109,843**	111,601	157,650	**886,546**
Income (Loss) before Income Taxes and Minority Interests	**8,021**	9,669	(23,815)	**64,742**
Net Income (Loss)	**4,686**	5,546	(15,122)	**37,822**
AT YEAR-END				
Total Assets	**¥4,569,997**	¥4,085,064	¥4,006,268	**$36,884,560**
Deposits	**3,955,864**	3,772,000	3,661,871	**31,927,877**
Loans and Bills Discounted	**2,679,368**	2,671,502	2,722,849	**21,625,251**
Investment Securities	**1,631,617**	1,126,042	866,709	**13,168,828**
Minority Interests	**2,760**	2,294	1,409	**22,279**
Common Stock	**27,100**	27,100	27,100	**218,724**
Total Stockholders' Equity	**331,974**	154,920	150,762	**2,679,373**

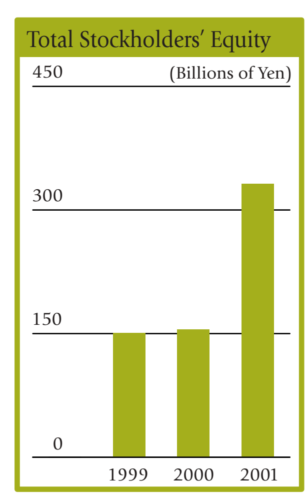
Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.
Accordingly, breakdown figures may not add up to sums.

2. U. S. dollar amounts represent translation of Japanese yen at the rate of ¥123.90 to U. S. $1.00 on March 30, 2001, the final business day of the term.









Consolidated Balance Sheets

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries As of March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
ASSETS			
Cash and Due from Banks	**¥ 77,194**	¥ 62,775	**$ 623,039**
Call Loans	**140,370**	134,543	**1,132,933**
Commercial Paper and Other Debt Purchased	**347**	27	**2,805**
Trading Securities (Note 3)	**2,332**	1,783	**18,829**
Money Held in Trust	**4,599**	8,000	**37,122**
Investment Securities (Notes 4 and 9)	**1,631,617**	1,126,042	**13,168,828**
Loans and Bills Discounted (Note 5)	**2,679,368**	2,671,502	**21,625,251**
Foreign Exchanges (Note 6)	**2,562**	2,588	**20,678**
Other Assets (Note 7)	**36,721**	37,639	**296,377**
Premises and Equipment (Note 8)	**57,727**	54,922	**465,919**
Deferred Tax Assets (Note 23)	**641**	44,475	**5,176**
Customers' Liabilities for Acceptances and Guarantees (Note 15)	**38,797**	43,630	**313,135**
Reserve for Possible Loan Losses	**(102,276)**	(102,817)	**(825,472)**
Reserve for Possible Losses on Investment Securities	**(7)**	(48)	**(64)**
Total Assets	**¥4,569,997**	¥4,085,064	**$36,884,560**
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits (Notes 9 and 11)	**¥3,955,864**	¥3,772,000	**$31,927,877**
Call Money	**13,654**	1,418	**110,208**
Borrowed Money (Note 12)	**39,999**	31,034	**322,836**
Foreign Exchanges (Note 6)	**88**	58	**713**
Convertible Bonds (Note 13)	**30,000**	30,000	**242,130**
Other Liabilities (Note 14)	**54,705**	37,803	**441,529**
Reserve for Retirement Allowances		9,120	
Reserve for Employees' Retirement Benefits	**20,696**		**167,040**
Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**3,310**	2,452	**26,715**
Deferred Tax Liabilities (Note 23)	**78,146**	330	**630,720**
Acceptances and Guarantees (Note 15)	**38,797**	43,630	**313,135**
Total Liabilities	**4,235,262**	3,927,849	**34,182,907**
MINORITY INTERESTS	**2,760**	2,294	**22,279**
STOCKHOLDERS' EQUITY			
Common Stock, ¥50 par value—authorized, 500,000,000 shares; issued and outstanding, 331,821,000 shares	**27,100**	27,100	**218,724**
Capital Surplus	**15,342**	15,342	**123,830**
Retained Earnings	**115,455**	112,478	**931,848**
Net Unrealized Gains on Available-for-sale Securities, Net of Taxes	**174,077**		**1,404,982**
Total	**331,975**	154,921	**2,679,386**
Treasury Stock—at Cost	**(1)**	(0)	**(12)**
Total Stockholders' Equity	**331,974**	154,920	**2,679,373**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥4,569,997**	¥4,085,064	**$36,884,560**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
INCOME			
Interest Income:			
Interest on Loans and Discounts	¥ 61,174	¥ 64,190	$493,744
Interest and Dividends on Securities	22,174	28,543	178,970
Other Interest Income	6,257	3,200	50,506
Fees and Commissions	12,223	11,739	98,657
Other Operating Income (Note 17)	6,388	4,965	51,561
Other Income (Note 18)	9,645	8,631	77,847
Total Income	117,864	121,270	951,288
EXPENSES			
Interest Expenses:			
Interest on Deposits	13,723	12,443	110,763
Interest on Borrowings and Rediscounts	978	1,014	7,894
Other Interest Expenses	5,985	4,250	48,312
Fees and Commissions	3,843	3,736	31,023
Other Operating Expenses (Note 19)	5,853	10,409	47,247
General and Administrative Expenses	50,376	51,761	406,591
Other Expenses (Note 20)	29,081	27,986	234,714
Total Expenses	109,843	111,601	886,546
Income before Income Taxes and Minority Interests	8,021	9,669	64,742
Income Taxes (Note 23) :			
Current	7,619	4,277	61,498
Deferred	(4,703)	(737)	(37,959)
MINORITY INTERESTS	418	582	3,380
Net Income	¥ 4,686	¥ 5,546	$ 37,822

	Yen		U.S. Dollars
PER SHARE:			
Net Income	¥14.12	¥16.71	$0.113
Diluted Net Income	13.24	16.00	0.106
Cash Dividends Applicable to the Year	5.00	5.50	0.040

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2001 and 2000

	Thousands	Millions of Yen				
	Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Available-for-sale Securities	Treasury Stock
Balance at April 1, 1999	331,821	¥27,100	¥15,342	¥108,321		¥(1)
Adjustment of Retained Earnings for Newly Consolidated Subsidiaries				435		
Net Income				5,546		
Cash Dividends Paid				(1,824)		
Net Decrease in Treasury Stock						0
Balance at March 31, 2000	331,821	27,100	15,342	112,478		(0)
Adjustment of Retained Earnings for Newly Consolidated Subsidiaries						
Net Income				**4,686**		
Cash Dividends Paid				**(1,659)**		
Bonuses to Directors and Corporate Auditors				**(50)**		
Net Unrealized Gains on Available-for-sale Securities						
Net Increase in Treasury Stock						**(0)**
Balance at March 31, 2001	**331,821**	**¥27,100**	**¥15,342**	**¥115,455**	**¥174,077**	**¥(1)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Available-for-sale Securities	Treasury Stock
Balance at March 31, 2000	$218,724	$123,830	$907,819		$(6)
Adjustment of Retained Earnings for Newly Consolidated Subsidiaries					
Net Income			**37,822**		
Cash Dividends Paid			**(13,390)**		
Bonuses to Directors and Corporate Auditors			**(403)**		
Net Unrealized Gains on Available-for-sale Securities					
Net Increase in Treasury Stock					**(5)**
Balance at March 31, 2001	**$218,724**	**$123,830**	**$931,848**	**$1,404,982**	**$(12)**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
OPERATING ACTIVITIES:			
Income before Income Taxes and Minority Interests	**¥ 8,021**	¥ 9,669	**$ 64,742**
Depreciation	**7,616**	7,831	**61,473**
Increase (Decrease) in Reserve for Possible Loan Losses	**(541)**	1,410	**(4,371)**
Increase (Decrease) in Reserve for Possible Losses on Investments	**(40)**	48	**(329)**
Increase in Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**857**	1,439	**6,924**
Increase (Decrease) in Reserve for Retirement Allowances	**(9,120)**	103	**(73,615)**
Increase in Reserve for Employees' Retirement Benefits	**20,696**		**167,040**
Interest Income	**(89,607)**	(95,934)	**(723,221)**
Interest Expenses	**20,687**	17,707	**166,970**
Gains on Investment Securities	**(7,392)**	(191)	**(59,664)**
Losses (Gains) on Money Held in Trust	**402**	(918)	**3,251**
Foreign Exchange Losses (Gains)	**(12,185)**	5,983	**(98,353)**
Losses on Sales of Premises and Equipment	**496**	12	**4,010**
Net Increase in Trading Securities	**(549)**	(820)	**(4,437)**
Net Decrease (Increase) in Loans	**(7,865)**	49,356	**(63,485)**
Net Increase in Deposits	**58,499**	147,089	**472,154**
Net Increase (Decrease) in Negotiable Certificate of Deposits	**125,363**	(36,876)	**1,011,813**
Net Increase in Borrowed Money (excluding Subordinated Loans)	**2,964**	6	**23,928**
Net Increase in Due from Banks (excluding Deposits in Bank of Japan)	**1,505**	292	**12,152**
Net Decrease (Increase) in Call Loans and Bought and Others	**(6,146)**	66,236	**(49,611)**
Net Increase (Decrease) in Call Money and Bills Sold	**12,235**	(18,043)	**98,755**
Net Increase (Decrease) in Payables under Securities Lending Transactions	**18,113**	(39,791)	**146,191**
Net Decrease (Increase) in Foreign Exchanges (Assets)	**26**	(350)	**212**
Net Increase in Foreign Exchanges (Liabilities)	**30**	18	**244**
Interest Received (Cash Basis)	**92,855**	97,769	**749,441**
Interest Paid (Cash Basis)	**(22,873)**	(20,303)	**(184,616)**
Other	**(2,234)**	(10,042)	**(18,033)**
Sub-Total	**211,815**	181,705	**1,709,565**
Income Taxes—Paid	**(5,948)**	(9,531)	**(48,012)**
Net Cash Provided by Operating Activities	**205,866**	172,173	**1,661,553**
INVESTING ACTIVITIES:			
Purchases of Investment Securities	**(913,643)**	(778,917)	**(7,374,037)**
Proceeds from Sales of Investment Securities	**429,437**	221,400	**3,466,002**
Proceeds from Redemption of Investment Securities	**294,031**	308,561	**2,373,137**
Decrease in Money Held in Trust	**3,000**	28,722	**24,213**
Purchases of Premises and Equipment	**(7,347)**	(2,437)	**(59,299)**
Proceeds from Sales of Premises and Equipment	**221**	722	**1,783**
Net Cash Used in Investing Activities	**(194,300)**	(221,947)	**(1,568,200)**
FINANCING ACTIVITIES:			
Proceeds from Borrowing of Subordinated Loans	**11,000**		**88,781**
Repayments of Subordinated Loans	**(5,000)**		**(40,355)**
Proceeds from Issuance of Convertible Bonds		29,205	
Dividends Paid by Parent	**(1,659)**	(1,824)	**(13,390)**
Dividends Paid by Subsidiaries to Minority Stockholders	**(5)**	(5)	**(40)**
Net Cash Provided by Financing Activities	**4,335**	27,375	**34,994**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**22**	(37)	**185**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,925**	(22,435)	**128,532**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,242**	82,664	**486,215**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AT BEGINNING OF YEAR		13	
CASH AND CASH EQUIVALENTS AT END OF YEAR	**¥ 76,167**	¥ 60,242	**$ 614,747**

See Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") and its significant subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2001 and 2000 have been rounded down to millions of yen by dropping the final six digits.

The translations of Japanese yen amounts into U.S. dollar amounts for the year ended March 30, 2001, the final business day of the term, are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.90 to $1, the approximate rate of exchange at March 30, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2000 consolidated financial statements to conform to the classifications used in 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation

The consolidated financial statements as of March 31, 2001 include the accounts of the Bank and its eight (eight in 2000) subsidiaries. The Group applies the control concept to its consolidation scope. Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements include the accounts of the Bank and all its subsidiaries in 2001.

Consolidation goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. Such amounts are charged to income when incurred since they are immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Cash Equivalents

For purposes of the consolidated statements of cash flows, the Group considers deposits in Bank of Japan included in "Cash and Due from Banks" in the consolidated balance sheets to be cash equivalents.

Trading and Investment Securities

Prior to April 1, 2000, trading and investment securities listed on stock exchanges were stated at the lower of cost, determined by the average method, or market.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including trading and investment securities.

The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in the earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

Derivative Transactions

The Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange contracts. The Bank also enters into interest futures, bond futures, bond options and others. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet the needs of its customers for new financial instruments.

Effective April 1, 2000, the Bank adopted a new accounting standard for derivative financial instruments. This standard requires that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

In accordance with the Industry Audit Committee Report No.15 'Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry' issued by JICPA in 2000, the Bank applied hedge accounting, abiding by the following requirements.

Loans, deposits and other interest bearing assets and liabilities as a whole shall be recognized as the hedged portfolio. Derivatives as the hedging instruments effectively reduce the interest rate exposure of the hedged portfolio. Eligibility of hedging activities shall be evaluated on a quarterly basis.

As a result of adopting the new accounting standard for derivative financial instruments, there was no effect on income before income taxes and minority interests.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation for premises and equipment is computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998 at the standard rate prescribed by the tax regulations.

Software

Software costs for internal use are capitalized as software (presented as other assets) and amortized by the straight-line method over the useful lives internally determined (five years).

Reserve for Possible Loan Losses

The amount of the provision for the reserve for possible loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators.

In accordance with the Accounting Standards for Banks, the Bank implemented the self-assessment system for asset quality. The quality of all loans are assessed by branches and the Credit Supervision Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency, including value of future cash flows, for other self-assessment categories.

Reserve for Possible Losses on Investment Securities

Reserve for possible losses on investment securities provides for the estimated devaluation losses for non-marketable investment securities held by the Group.

Reserve for Employees' Retirement Benefits

Prior to April 1, 2000, under most circumstances, employees terminating their employment were entitled to certain severance payments based on their pay rate at the time of termination, years of service and certain other factors. If the termination is involuntary, employees were usually entitled to greater payments than in the case of voluntary termination. The accrued provision for retirement allowances is calculated to state the estimated liability which would be required if all employees eligible for severance payments should voluntarily terminate their employment at each balance sheet date. The accrued provision is not funded.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounted for the reserve for retirement benefits based on projected benefit obligation and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥12,564 million ($101,405 thousand) at the beginning of the year is charged to income and presented as other expense in the consolidated statements of income. As a result, net periodic benefit costs as compared with the prior method, increased by ¥1,073 million ($8,666 thousand) and income before income taxes and minority interests decreased by ¥11,490 million ($92,739 thousand).

Reserve for Possible Losses on Collateralized Real Estate Loans Sold

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company, Limited ("CCPC") is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of real estate. In accordance with the terms of the loans collateralized by real estate sales contract, the Bank is required to cover certain portions of losses incurred as defined in the contract when the CCPC disposes of real estate in satisfaction of its debt.

Foreign Currency Items

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at balance sheet date.

Accounting for Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Income Taxes

The Group adopted an accounting standard for interperiod allocation of income taxes based on the asset and liability method. Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Per Share Information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 331,821 thousand for 2001 and 2000.

The diluted net income per share of common stock assumes full conversion of outstanding convertible bonds at the beginning of the year or at the time of issuance with an applicable adjustment for related interest expense, net of tax.

Cash dividends per share are the amounts applicable to the respective periods, including dividends to be paid after the end of the period.

3. TRADING SECURITIES:

Trading securities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Japanese government bonds	¥2,328	¥1,773	$18,790
Japanese local government bonds	4	9	38
Total	¥2,332	¥1,783	$18,829

4. INVESTMENT SECURITIES:

Investment securities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Japanese government bonds	¥ 540,158	¥ 445,512	$ 4,359,628
Japanese local government bonds	101,929	126,821	822,679
Corporate debentures	385,197	309,399	3,108,939
Corporate stocks	453,527	176,822	3,660,434
Other securities	150,804	67,485	1,217,147
Total	¥1,631,617	¥1,126,042	$13,168,828

5. LOANS AND BILLS DISCOUNTED:

Loans and bills discounted at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Bills discounted	¥ 115,611	¥ 111,559	$ 933,100
Loans on bills	336,234	336,222	2,713,756
Loans on deeds	1,772,971	1,756,048	14,309,699
Overdrafts	454,551	467,672	3,668,695
Total	¥2,679,368	¥2,671,502	$21,625,251

Loans in legal bankruptcy totaled ¥37,597 million ($303,452 thousand) and ¥32,340 million as of March 31, 2001 and 2000, respectively. Nonaccrual loans totaled ¥96,652 million ($780,087 thousand) and ¥105,657 million as of March 31, 2001 and 2000, respectively. Loans in legal bankruptcy are loans in which accrual of interest is discontinued (excluding the portion recognized as bad debts), based on the management's judgment as to the collectibility of principal or interest resulting from the considerably past due payments of interest or principal and other factors. Nonaccrual loans are loans in which accrual of interest is discontinued and those other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments are ¥1,918 million ($15,487 thousand) and ¥1,315 million as of March 31, 2001 and 2000, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans are ¥57,676 million ($465,506 thousand) and ¥49,678 million as of March 31, 2001 and 2000, respectively.

Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually be able to pay the creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded.

6. FOREIGN EXCHANGES:

Foreign exchange assets and liabilities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Assets			
Due from foreign correspondents	¥ 410	¥ 323	$ 3,312
Foreign bills of exchange purchased	1,570	1,558	12,671
Foreign bills of exchange receivable	581	705	4,694
Total	¥2,562	¥2,588	$20,678
Liabilities			
Due to foreign correspondents			
Foreign bills of exchange sold	¥ 86	¥ 50	$ 697
Foreign bills of exchange payable	1	7	15
Total	¥ 88	¥ 58	$ 713

7. OTHER ASSETS:

Other assets at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Domestic exchange settlement	¥ 0	¥ 0	$ 7
Prepaid expenses	195	183	1,575
Accrued income	7,689	7,914	62,058
Other	28,835	29,542	232,735
Total	¥36,721	¥37,639	$296,377

8. PREMISES AND EQUIPMENT:

Accumulated depreciation on premises and equipment at March 31, 2001 and 2000 amounted to ¥56,112 million ($452,887 thousand) and ¥60,469 million, respectively.

9. ASSETS PLEDGED:

Assets pledged as collateral and related liabilities at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Investment securities	¥4,544	¥6,146	$36,675

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deposits	¥8,015	¥19,204	$64,696

In addition, investment securities totaling ¥198,879 million ($1,605,157 thousand) were pledged as collateral for settlement of exchange and derivative transactions.

10. COMMITMENT LINE:

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments upon is ¥920,723 million, and the total amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments dose not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Bank and consolidated subsidiaries can reject the application from customers or reduce the contract amounts in case economic conditions are changed, the Bank and consolidated subsidiaries need to secure claims or others occur. In addition, the Bank and consolidated subsidiaries request the customers to pledge collateral such as premises and securities at conclusion of the contracts, and take necessary measures such as grasping customers' financial positions, revising contracts when need arises and securing claims after conclusion of the contracts.

11. DEPOSITS:

Deposits at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Current deposits	**¥ 158,203**	¥ 112,998	**$ 1,276,864**
Ordinary deposits	**1,092,863**	965,262	**8,820,527**
Saving deposits	**110,693**	108,434	**893,409**
Deposits at notice	**30,633**	34,507	**247,240**
Time deposits	**2,134,410**	2,265,699	**17,226,881**
Other deposits	**272,352**	253,753	**2,198,165**
Subtotal	**3,799,156**	3,740,656	**30,663,088**
Negotiable certificates of deposit	**156,707**	31,343	**1,264,789**
Total	**¥3,955,864**	¥3,772,000	**$31,927,877**

12. BORROWED MONEY:

Borrowed money at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Subordinated loans	**¥36,000**	¥30,000	**$290,556**
Borrowing from banks and other	**3,999**	1,034	**32,279**
Total	**¥39,999**	¥31,034	**$322,836**

The weighted average interest rate of the above total borrowed money due serially from April 2001 through April 2011, is 2.02% for the year ended March 31, 2001.

13. CONVERTIBLE BONDS:

Subordinated unsecured convertible bonds at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Convertible bonds	**¥30,000**	¥30,000	**$242,130**

At March 31, 2001, the 1.9% subordinated unsecured convertible bonds due September 2009 were convertible into 47,393,364 shares of common stock of the Bank, at the conversion price of ¥633, subject to adjustments under certain circumstances.

14. OTHER LIABILITIES:

Other liabilities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Domestic exchange settlement	**¥ 460**	¥ 1,171	**$ 3,714**
Accrued income taxes	**5,184**	3,513	**41,847**
Accrued expenses	**9,168**	11,395	**74,003**
Unearned income	**8,616**	9,705	**69,545**
Other	**31,274**	12,017	**252,419**
Total	**¥54,705**	¥37,803	**$441,529**

15. ACCEPTANCES AND GUARANTEES:

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown as assets representing the Bank's right of indemnity from the applicants.

16. STOCKHOLDERS' EQUITY:

The Banking Law of Japan requires that an amount equal to at least 20% of all cash payments made as appropriations of retained earnings shall be appropriated as a legal reserve until such reserve equals 100% of the Bank's stated capital. The Bank's legal reserve, which is included in retained earnings, totals ¥17,256 million ($139,275 thousand) and ¥16,890 million at March 31, 2001 and 2000, respectively. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be transferred to stated capital by resolution of the Board of Directors.

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital surplus.

Under the Code, the Bank may transfer, by resolution of the stockholders, a portion of retained earnings available for dividends to stated capital, and the Bank may issue new shares of common stock by way of a stock split to the existing stockholders, without consideration, by resolution of the Board of Directors, to the extent that the total par value of the outstanding shares after the issuance does not exceed the stated capital. However, the net assets of the Bank divided by the number of outstanding shares after the issuance shall not be less than ¥50.

17. OTHER OPERATING INCOME:

Other operating income for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Gains on foreign exchange transactions	¥ 579	¥ 321	$ 4,680
Gains on trading securities	96	34	781
Gains on sales of bonds	1,230	937	9,927
Gains on redemption of bonds	92	319	746
Other	4,389	3,353	35,425
Total	¥6,388	¥4,965	$51,561

18. OTHER INCOME:

Other income for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Gains on sales of stocks and other securities	¥8,339	¥6,398	$67,310
Gains on money held in trust		918	
Other	1,305	1,314	10,536
Total	¥9,645	¥8,631	$77,847

19. OTHER OPERATING EXPENSES:

Other operating expenses for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Losses on sales of bonds	¥ 823	¥ 841	$ 6,643
Losses on redemption of bonds	599	6,585	4,834
Other	4,431	2,982	35,769
Total	¥5,853	¥10,409	$47,247

20. OTHER EXPENSES:

Other expenses for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Provision for reserve for possible loan losses	¥11,751	¥24,220	$ 94,846
Written-off claims	586	155	4,729
Losses on sales of stocks and other securities	44	175	356
Losses on devaluation of stocks and other securities	768		6,199
Other	15,931	3,434	128,582
Total	¥29,081	¥27,986	$234,714

21. LEASES:

Lessee

The Bank and subsidiaries lease certain equipment and other assets.

Lease payment under finance leases for the years ended March 31, 2001 and 2000, amounted to ¥26 million ($215 thousand) and ¥26 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Acquisition cost	¥123	¥129	$996
Accumulated depreciation	74	55	598
Net leased property	¥ 49	¥ 73	$397

Obligations under finance leases as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥19	¥24	$160
Due after one year	31	50	253
Total	¥51	¥75	$413

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Depreciation expense	¥24	¥24	$195
Interest expense	2	2	18

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

Lessor

The consolidated subsidiaries lease certain equipment and other assets.

Lease receipts under finance leases for the years ended March 31, 2001 and 2000, amounted to ¥3,312 million ($26,731 thousand) and ¥2,640 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, lessor's receivables under finance leases, depreciation expense and interest expense for finance leases for the years ended March 31, 2001 and 2000 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Acquisition cost	¥16,649	¥13,041	$134,379
Accumulated depreciation	6,582	4,411	53,128
Net leased property	¥10,066	¥ 8,630	$ 81,250

Lessor's receivables under finance leases as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥ 2,957	¥2,399	$23,872
Due after one year	7,518	6,558	60,680
Total	¥10,476	¥8,957	$84,552

The imputed interest expense portion which is computed using the interest method is excluded from the above lessor's receivables under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Depreciation expense	**¥2,884**	¥2,296	**$23,284**
Interest expense	**525**	458	**4,237**

The minimum future rentals to be received under noncancellable operating leases at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥37**	¥53	**$301**
Due after one year	**8**	7	**68**
Total	**¥45**	¥61	**$369**

22. EMPLOYEES' RETIREMENT BENEFITS:

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

The reserve for employees' retirement benefits at March 31, 2001 consisted of the follows:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥(53,491)	$(431,731)
Pension assets (fair value)	29,131	235,123
Unfunded projected benefit obligation	(24,359)	(196,607)
Unrecognized actuarial net gain or loss	3,663	29,566
Net amount recorded on the consolidated balance sheet	(20,696)	(167,040)
Reserve for employees' retirement benefits	¥(20,696)	$(167,040)

The components of net periodic benefit costs are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,761	$ 14,220
Interest cost	1,530	12,351
Expected return on pension assets	(881)	(7,116)
Recognized actuarial net gain or loss	12,564	101,405
Net amount recorded on the consolidated balance sheet	¥14,974	$120,860

Assumptions used for the year ended March 31, 2001 is set forth as follows:

Discount rate	3.0%
Expected rate of return on pension assets	3.0%
Amortization period of prior service cost	10 years
Recognized period of actuarial gain or loss	—
Amortization period of transitional obligation	1 year

23. INCOME TAXES:

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2000. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 35,004**	¥35,998	**$ 282,523**
Reserve for retirement allowances or benefits	**7,540**	2,568	**60,861**
Depreciation	**2,081**	2,393	**16,797**
Other	**4,810**	3,799	**38,827**
Less valuation allowance	**(237)**	(269)	**(1,919)**
Total	**¥ 49,199**	¥44,491	**$ 397,089**
Deferred tax liabilities:			
Unrealized gains on other securities	**126,352**		**1,019,796**
Reserve for deduction of cost of fixed assets	**351**	339	**2,836**
Other		7	
Total	**¥126,704**	¥ 346	**$1,022,633**
Net deferred tax assets	**¥ 641**	¥44,475	**$ 5,176**
Net deferred tax liabilities	**¥ 78,146**	¥ 330	**$ 630,720**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2001	2000
Normal effective statutory tax rate	**42.0%**	42.0%
Expenses not permanently deductible for income tax purposes	**1.2**	1.2
Income not taxable for income tax purposes	**(7.9)**	(7.1)
Other—net	**1.0**	0.5
Actual effective tax rate	**36.3%**	36.6%

24. SUBSEQUENT EVENT:

The following appropriations of the Bank's retained earnings at March 31, 2001, were approved at the Bank's stockholders' meeting held on June 28, 2001.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Transfer to legal reserve	¥200	$1,614
Year-end cash dividends (¥2.50 ($0.020) per share)	829	6,695
Bonuses to directors and corporate auditors	50	403

25. MARKET VALUE INFORMATION ON SECURITIES:

Market value information on securities as of March 31, 2001 was as follows:

Securities

In addition to 'Investment Securities' in the consolidated balance sheet, 'Trading Securities' are included in the following amounts.

(1) Bond classified as trading

	Millions of Yen		Thousands of U.S. Dollars	
	Consolidated balance sheet amount	Gains included in profit/loss during this fiscal year	Consolidated balance sheet amount	Gains included in profit/loss during this fiscal year
Bonds classified as trading	¥2,332	¥1	$18,829	$12

(2) Bonds classified as held-to-maturity are not held.

(3) Available-for-sale securities that have market value

	Millions of Yen					Thousands of U.S. Dollars				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ 170,557	¥ 449,978	¥279,420	¥282,309	¥2,888	$ 1,376,577	$ 3,631,789	$2,255,211	$2,278,525	$23,313
Bonds:	984,785	1,008,171	23,385	23,486	100	7,948,227	8,136,975	188,748	189,558	810
Japanese government bonds	530,237	540,158	9,920	9,965	45	4,279,563	4,359,628	80,065	80,429	363
Japanese local government bonds	96,210	101,929	5,719	5,722	2	776,518	822,679	46,160	46,184	23
Japanese corporate bonds	358,336	366,083	7,746	7,798	52	2,892,145	2,954,667	62,521	62,944	422
Other	129,639	127,315	(2,324)	1,281	3,605	1,046,324	1,027,565	(18,759)	10,343	29,103
Total	¥1,284,983	¥1,585,465	¥300,482	¥307,077	¥6,594	$10,371,129	$12,796,330	$2,425,200	$2,478,427	$53,226

Note: Market value is calculated by using the market prices at the fiscal year end as for Stocks, Bonds and Others.

(4) Bonds classified as held-to-maturity are not sold during this fiscal year.

(5) Available-for-sale securities sold during this fiscal year

	Millions of Yen			Thousands of U.S. Dollars		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥461,590	¥9,569	¥866	$3,725,511	$77,234	$6,993

(6) Securities that have no market value

	Millions of Yen	Thousands of U.S. Dollars
	Consolidated balance sheet amount	Consolidated balance sheet amount
Bonds classified as held-to-maturity		
Available-for-sale securities:		
Investment trust on securities	¥21,077	$170,118
Non-listed bonds	19,114	154,271
Non-listed stocks(except OTC stocks)	3,549	28,644
Other	¥ 2,411	$ 19,463

(7) Classification of securities is not changed.

(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity

	Millions of Yen				Thousands of U.S. Dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds:	¥207,405	¥670,117	¥93,704	¥56,057	$1,673,978	$5,408,536	$756,289	$452,442
Japanese government bonds	52,249	390,246	41,603	56,057	421,708	3,149,690	335,786	452,442
Japanese local government bonds	9,120	48,435	44,373		73,609	390,927	358,143	
Japanese corporate bonds	146,036	231,435	7,726		1,178,660	1,867,919	62,359	
Other	3,464	34,535	18,505	57,667	27,965	278,738	149,354	465,433
Total	¥210,870	¥704,653	¥112,209	¥113,724	$1,701,944	$5,687,275	$905,643	$917,876

Money Held in Trust

(1) Money held in trust classified as trading

	Millions of Yen		Thousands of U.S. Dollars	
	Consolidated balance sheet amount	Gains included in profit/loss during this fiscal year	Consolidated balance sheet amount	Gains included in profit/loss during this fiscal year
Money held in trust classified as trading	¥4,599	¥4	$37,122	$33

(2) Money held in trust classified as held-to-maturity are not performed.

(3) Available-for-sale money held in trust (money held in trust that are classified neither as trading nor as held-to maturity) are not performed.

Net Unrealized Gains on Available-for-sale Securities

Available-for-sale securities were valuated by market value and net unrealized gains on valuation were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Consolidated balance sheet amount	Consolidated balance sheet amount
Net unrealized gains on investment securities	¥300,482	$2,425,200
Available-for-sale securities	300,482	2,425,200
Available-for-sale money held in trust	—	—
(Deferred tax liabilities)	(126,352)	(1,019,796)
Net unrealized gains(losses) on valuation (before adjustment)	174,129	1,405,404
(Minority interests)	(52)	(422)
Parent company's interest in net unrealized gains (losses) on valuation of available-for-sale securities held by affiliates accounted for by the equity method	—	—
Net unrealized gains on valuation	¥174,077	$1,404,982

Previous year's information on Securities as of March 31, 2000 was as follows:

Market value and unrealized gains and losses on trading securities and investment securities as of March 31, 2000 were as follows:

	Millions of Yen			
	Book value	Market value	Gross unrealized gains	Gross unrealized losses
Listed securities (Note 1)				
Trading securities:				
Bonds				
Investment securities:				
Bonds	¥185,321	¥193,110	¥ 8,400	¥ 611
Stocks	172,545	649,526	476,988	7
Other	22,341	22,556	605	390
Subtotal	380,208	865,193	485,994	1,008
Total	¥380,208	¥865,193	¥485,994	¥1,008
Unlisted securities (Note 2)				
Trading securities:				
Bonds	¥ 1,610	¥ 1,608	¥ 0	¥ 1
Investment securities:				
Bonds	426,337	431,492	5,637	482
Stocks	285	565	284	4
Other	6,052	6,264	235	23
Subtotal	432,675	438,322	6,158	510
Total	¥434,285	¥439,931	¥ 6,158	¥ 512

Notes: 1. Bonds consist of Japanese and Japanese local government bonds and corporate bonds. Market values are based mainly on closing prices on the Tokyo Stock Exchange.

2. The appropriate market prices for unlisted securities, in the case of over-the-counter market securities, are determined according to prices announced by the Japan Securities Dealers Association or NASDAQ in the United States; for public bonds, according to prices calculated based on index yields published in an over-the-counter bond standards quote list announced by the Japan Securities Dealers Association; and for investment certificates of securities investment trusts, according to the standard price.

3. The difference between the above carrying amounts and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

Investment securities excluded from the above information are, primarily, summarized as follows:

	Millions of Yen
Trading securities:	
Unlisted bonds—public issues due in one year or less	¥ 173
Investment securities:	
Unlisted domestic bonds other than public issues	164,175
Unlisted bonds—public issues due in one year or less	105,899
Unlisted stocks	3,991
Unlisted other	39,092

Market Value and unrealized gains on money held in trust were as follows:

	Millions of Yen			
	Book value	Market value	Gross unrealized gains	Gross unrealized losses
Money held in trust	¥8,000	¥8,067	¥81	¥14

Note: Market values for listed securities are based mainly on closing prices on the Tokyo Stock Exchange. Market values for over-the-counter market securities are determined according to prices announced by the Japan Securities Dealers Association.

26. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS:

Derivative financial instruments as of March 31, 2001 was as follows:

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterpart's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is theoretically offset by opposite movement in the value of hedged assets or liabilities. Credit risk at March 31, 2001 was ¥3,869 million. This figure is measured to calculate risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The notional amounts of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not measure the Bank's exposure to credit or market risk.

Fair value of Derivative financial instruments as of March 31, 2001 was as follows:

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	Contractual value or notional principal amount	Over 1 year	Fair value	Unrealized gains (Losses)	Contractual value or notional principal amount	Over 1 year	Fair value	Unrealized gains (losses)
Over-the-counter interest-rate swaps:								
Floating-rate receipt/ fixed-rate payment	¥ 50		¥(0)	¥(0)	$ 403		$(3)	$ (3)
Other:								
Sold	400	400	(0)	3	3,228	3,228	(0)	27
Bought	¥400	¥400	¥ 0	¥ 2	$3,228	$3,228	$ 0	$(19)

Notes: 1. The above transactions are valuated at market value and the valuated gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which hedge accounting method is applied are not included in the amounts above.

2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of OTC transactions is calculated mainly using discounted present value and option pricing models.

(2) Currency-related transactions are not performed.

Note: Forward exchange contracts, currency options and others were revalued at the end of the year and the relevant gain and loss figures have been appropriated in the consolidated statements of income. Therefore, these figures have been excluded.

Contractual value of revalued currency-swap was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Contractual value	Fair value	Unrealized gains (losses)	Contractual value	Fair value	Unrealized gains (losses)
Currency-swap	¥76,157	¥(1,101)	¥(1,101)	$614,669	$(8,887)	$(8,887)

Note: Above figures included amount also contains a contractual value of ¥45,182 million ($364,669 thousand), for exchange swaps (fund swaps), conducted for fund procurement and fund application in other currencies.

Contractual values of revalued currency-related derivatives were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Contractual value	
Over-the-counter:		
Forward exchange contracts:		
Sold	¥13,409	$108,230
Bought	13,123	105,918
Currency options:		
Sold	37,210	300,324
Bought	¥37,210	$300,324

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.
Previous year's information on derivatives as of March 31, 2000 was as follows:
Derivative financial instruments as of March 31, 2000 was as follows:
The Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps and foreign exchange contracts. The Bank also enters into interest futures, bond futures, bond options and others. No balances related to such items were outstanding at March 31, 2000. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposure on certain assets. In addition, the Bank uses derivatives actively to meet the needs of its customers for new financial instruments.

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterpart's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is theoretically offset by opposite movement in the value of hedged assets or liabilities.

Credit risk at March 31, 2000 was as follows:

	Millions of Yen
Interest-rate-related transactions	¥ 200
Currency-related transactions	5,612
Total	¥5,813

The above figures are measured to calculate risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts current exposure method stipulated by the guidelines in calculating the amounts.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The notional amounts of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not measure the Bank's exposure to credit or market risk.

Unrealized gains and losses include those of hedge on-balance-sheet transactions.

Fair value of Derivative financial instruments as of March 31, 2000 was as follows:
(1) Interest-rate-related transactions
Outstanding amounts of interest-rate-related transactions were as follows:

	Millions of Yen			
	Contractual value or notional principal amount		Fair	Unrealized
		Over 1 year	value	gains (losses)
Over-the-counter interest-rate swaps:				
Floating-rate receipt/ fixed-rate payment	¥67,098	¥39,100	¥(1,705)	¥(1,705)
Other:				
Sold	400	400		
Option premium	6		(1)	5
Bought	400	400		
Option premium	4		1	(3)

Notes: 1. Interest rate future and interest rate option transactions listed on exchanges and over-the-counter forward-rate agreements and interest rate option transactions are not performed.
2. Fair value is estimated using the discounted present value of contractual cash flows, the pricing model for options and other appropriate valuation methodologies.
3. Interest rate swap contract amounts are listed in the following table.

	Millions of Yen		
	1 year or less	Over 1 year/ 3years or less	Over 3 years
Floating-rate receipt/fixed-rate payment notional amount	¥27,998	¥39,100	
Average floating-rate receipt interest rate	0.57%	0.24%	
Average fixed-rate payment interest rate	2.50%	2.20%	
Total	¥27,998	¥39,100	

(2) Currency-related transactions

Outstanding amounts of currency-related transactions were as follows:

	Millions of Yen			
	Notional principal amount		Fair	Unrealized
		Over 1 year	value	gains (losses)
Over-the-counter currency swaps:				
U.S. dollars	¥37,371	¥15,922	¥(1,780)	¥(1,780)
Other	3,004		0	0
Total	¥40,375	¥15,922	¥(1,780)	¥(1,780)

Notes: 1. Forward exchange contracts, currency options and others were revalued at the end of the period and the relevant gain and loss figures have been appropriated in the consolidated statements of income. Therefore, these figures have been excluded from the above table. This included amount also contains a contractual value of ¥16,141 million as of March 31, 2000 respectively, for exchange swaps (fund swaps), conducted for fund procurement and fund application in other currencies.
2. Fair value is estimated using the discounted present value of contractual cash flows.

Contractual values of revalued currency-related derivatives were as follows:

		Millions of Yen
		Contractual value
Over-the-counter:		
Forward exchange contracts:		
Sold		¥5,047
Bought		5,210
Currency options:		
Sold	Call	
	Option premium	
	Put	
	Option premium	
Bought	Call	
	Option premium	
	Put	
	Option premium	

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

Independent Auditors' Report

Tohmatsu & Co.
Sumitomoseimei Kyoto Building
62, Tsukihoko-cho, Shinmachi-higashiiru
Shijo-Dori, Shimogyo-ku,
Kyoto 600-8492, Japan

Tel: +81-75-222-0181
Fax: +81-75-231-2703
www.tohmatsu.co.jp

Deloitte Touche Tohmatsu

To the Board of Directors and Stockholders
The Bank of Kyoto, Ltd.

We have examined the consolidated balance sheets of The Bank of Kyoto, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 financial position of The Bank of Kyoto, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001

Non-Consolidated Balance Sheets

The Bank of Kyoto, Ltd. As of March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
ASSETS			
Cash and Due from Banks	**¥ 77,148**	¥ 62,752	**$ 622,668**
Call Loans	**140,370**	135,543	**1,132,933**
Commercial Paper and Other Debt Purchased	**347**	27	**2,805**
Trading Securities	**2,332**	1,783	**18,829**
Money Held in Trust	**4,599**	8,000	**37,122**
Investment Securities	**1,630,427**	1,124,950	**13,159,220**
Loans and Bills Discounted	**2,692,966**	2,683,549	**21,735,000**
Foreign Exchanges	**2,562**	2,588	**20,678**
Other Assets	**17,374**	19,673	**140,230**
Premises and Equipment	**53,439**	53,175	**431,309**
Deferred Tax Assets		43,811	
Customers' Liabilities for Acceptances and Guarantees	**38,743**	43,571	**312,697**
Reserve for Possible Loan Losses	**(98,945)**	(99,491)	**(798,590)**
Reserve for Possible Losses on Investment Securities		(37)	
Total Assets	**¥4,561,366**	¥4,078,898	**$36,814,905**
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	**¥3,965,561**	¥3,780,552	**$32,006,149**
Call Money	**13,654**	1,418	**110,208**
Borrowed Money	**36,064**	30,069	**291,080**
Foreign Exchange	**88**	58	**713**
Convertible Bonds	**30,000**	30,000	**242,130**
Other Liabilities	**45,263**	28,460	**365,319**
Reserve for Retirement Allowances		9,055	
Reserve for Employees' Retirement Benefits	**20,629**		**166,497**
Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**3,310**	2,452	**26,715**
Deferred Tax Liabilities	**77,807**		**627,983**
Acceptances and Guarantees	**38,743**	43,571	**312,697**
Total Liabilities	**4,231,122**	3,925,638	**34,149,497**
STOCKHOLDERS' EQUITY			
Common Stock	**27,100**	27,100	**218,724**
Capital Surplus	**15,342**	15,342	**123,830**
Legal Reserve	**17,256**	16,890	**139,275**
Earned Surplus	**96,473**	93,926	**778,636**
Net Unrealized Gains on Available-for-sale Securities, Net of Taxes	**174,072**		**1,404,940**
Total Stockholders' Equity	**330,244**	153,259	**2,665,408**
Total Liabilities and Stockholders' Equity	**¥4,561,366**	¥4,078,898	**$36,814,905**

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥123.90 to U.S.$1.00 on March 30, 2001, the final business day of the term.

Non-Consolidated Statements of Income

The Bank of Kyoto, Ltd.   Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
INCOME			
Interest Income:			
Interest on Loans and Discounts	**¥ 61,066**	¥ 64,076	**$492,867**
Interest and Dividends on Securities	**22,151**	28,518	**178,782**
Other Interest Income	**6,230**	3,173	**50,288**
Fees and Commissions	**9,498**	9,090	**76,662**
Other Operating Income	**1,999**	1,610	**16,128**
Other Income	**9,530**	8,456	**76,919**
Total Income	**110,476**	114,925	**891,659**
EXPENSES			
Interest Expenses:			
Interest on Deposits	**13,735**	12,458	**110,862**
Interest on Borrowings and Rediscounts	**935**	993	**7,549**
Other Interest Expenses	**5,975**	4,239	**48,224**
Fees and Commissions	**4,096**	3,998	**33,064**
Other Operating Expenses	**1,468**	7,471	**11,849**
General and Administrative Expenses	**48,895**	49,790	**394,635**
Other Expenses	**28,144**	27,352	**227,151**
Total Expenses	**103,250**	106,304	**833,336**
Income before Income Taxes	**7,226**	8,621	**58,322**
Income Taxes:			
Current	**7,297**	3,937	**58,898**
Deferred	**(4,692)**	(810)	**(37,877)**
Net Income	**4,621**	5,494	**37,300**
Earnings brought forward from Previous Term	**2,171**	2,151	**17,530**
Interim Cash Dividends Paid	**829**	995	**6,695**
Transfer to Legal Reserve	**165**	199	**1,339**
Retained Earnings	**¥ 5,798**	¥6,451	**$ 46,796**

	Yen		U.S. Dollars
PER SHARE:			
Net Income	**¥13.92**	¥16.55	**$0.112**
Diluted Net Income	**13.07**	15.86	**0.105**
Cash Dividends Applicable to the Year	**5.00**	5.50	**0.040**

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥123.90 to U.S.$1.00 on March 30, 2001, the final business day of the term.

Non-Consolidated Statements of Earned Surplus

The Bank of Kyoto, Ltd.   Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Balance at Beginning of year	**¥93,926**	¥90,655	**$758,083**
Adjustment of Retained Earnings for Newly Applied for Tax Allocation			
Appropriations:			
Transfer to Legal Reserve	**365**	399	**2,953**
Cash Dividends Paid	**1,659**	1,824	**13,390**
Bonuses to Directors and Corporate Auditors	**50**		**403**
Total Appropriation	**2,074**	2,224	**16,747**
Net Income	**4,621**	5,494	**37,300**
Balance at End of Year	**¥96,473**	¥93,926	**$778,636**

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥123.90 to U.S.$1.00 on March 30, 2001, the final business day of the term.

The Bank's Organization

- General Meeting of Stockholders
  - Board of Corporate Auditors
    Corporate Auditors
- Board of Directors
- Executive Committee
  - Chairman
  - President
  - Deputy President
  - Senior Managing Directors
  - Managing Directors
- Directors

- Corporate Planning Division
- Corporate Communications Division
- Business Promotion Division
- Corporate Banking Division
- Personal Banking Division
- Public Institutions Division
- Credit Supervision Division
- Head Office Business Department
- Domestic Branches and Sub-branches (116 Offices)
- Treasury & Investment Division
- Securities & International Division
  - Hong Kong Representative Office
- General Secretariat
- Personnel Division
- General Affairs Division
- Business Administration Division
  - Business Operations Center
- Systems Division
- Inspection Division
- Tokyo Liaison Office

(As of March 31, 2001)

Board of Directors and Corporate Auditors

Chairman
Mitsuru Akimoto

President
Yasuo Kashihara

Deputy President
Yasuhiko Kumata

Senior Managing Directors
Hiroaki Ikeda
Yukitoshi Yasumura

Managing Directors
Hisashi Iwasaki
Yoshiki Kizaki
Hideo Takasaki

Directors
Toshihiko Ueda
Hideaki Shirota
Yuji Shimiya
Masanori Murase
Masahiro Morise
Shigeo Ohi
Junichi Katsuta

Standing Corporate Auditor
Akio Kimura

Corporate Auditors
Tadanao Kiuchi
Ryukou Murakami
Keiji Masuda

(As of June 28, 2001)

Corporate Data

Date of Establishment
October 1, 1941

Number of Employees
2,776

Number of Authorized Shares
500,000,000

Number of Issued Shares (Par Value ¥50)
331,821,000

Capital (Paid-in)
¥27,100,000 thousand

Major Stockholders (Number of shares in thousands)

The Industrial Bank of Japan, Limited	16,589	(4.99%)
Nippon Life Insurance Company	16,589	(4.99%)
Gunze Corporation	10,458	(3.15%)
The Bank of Kyoto Employees' Shareholding Association	9,235	(2.78%)
Aozora Bank, Ltd.	8,719	(2.62%)
Kyocera Corporation	7,980	(2.40%)
Meiji Life Insurance Company	7,664	(2.30%)
The Nissan Fire & Marine Insurance Co., Ltd.	7,530	(2.26%)
Asahi Mutual Life Insurance Company	6,670	(2.01%)
Sumitomo Life Insurance Company	6,590	(1.98%)

R&I* Rating
A+

*Rating and Investment Information, Inc.

International Service Network

Head Office

Head Office Securities & International Division
700, Yakushimae-cho, Karasuma-dori,
Matsubara-Agaru, Shimogyo-ku,
Kyoto 600-8652, Japan
Phone: (81)75-361-2211
Fax: (81)75-343-1276
Telex: J64770 BOKFD
SWIFT: BOKF JP JZ

Treasury & Investment Division
3-14, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Phone: (81)3-3281-1212
Fax: (81)3-3281-8026

Hong Kong Representative Office
Suite 3006, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong, S.A.R.,
People's Republic of China
Phone: (852)2525-0727
Fax: (852)2521-8538

Consolidated Subsidiaries

Name	Establishment	Capital (Millions of Yen)	Line of business
Karasuma Shoji Co., Ltd.	October 1958	10.0	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10.0	Centralized processing of clerical operations for the Bank
Kyogin Total Maintenance Co., Ltd.	September 1995	300.0	Disposal of real estate collateral
Kyoto Guaranty Service Co., Ltd.	October 1979	30.0	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100.0	Leasing, investment, and financial services
Kyoto Credit Service Co., Ltd.	November 1982	50.0	Credit card services
Kyogin Card Service Co., Ltd.	September 1989	50.0	Credit card services
Kyoto Research Institute, Inc.	April 1987	30.0	Research and business consulting services

(As of March 31, 2001)