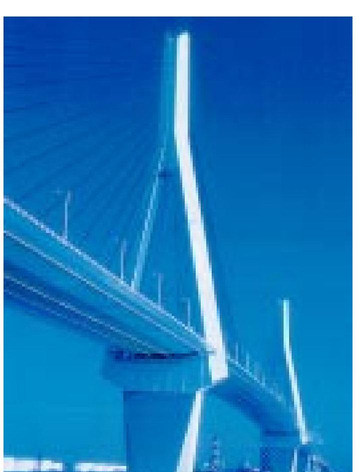
BANK OF YOKOHAMA

Annual Report 2000

Year Ended March 31, 2000



横浜銀行

PROFILE

The Bank of Yokohama, Ltd., was established on December 16, 1920, to serve the needs of individuals and companies in Kanagawa Prefecture and southwest Tokyo.

With the main business focus on its home region, the Bank has grown to become one of Japan's leading regional banks. At the end of fiscal 1999, the Bank of Yokohama's domestic network included 186 branches and an extensive network of automated banking centers. The Bank has also established a presence overseas to serve its customers in the global arena. The Bank of Yokohama maintains one overseas subsidiary and several representative offices to serve its customers in Asia, North America and Europe.

On a consolidated basis, the Bank's total assets as of March 31, 2000, amounted to ¥10,728.2 billion, while total deposits came to ¥8,853.3 billion.

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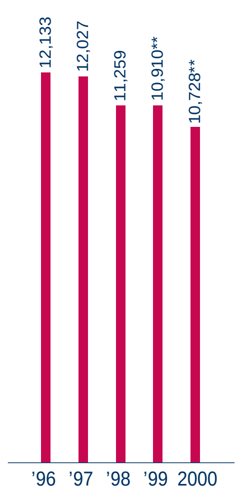
CONSOLIDATED FINANCIAL HIGHLIGHTS

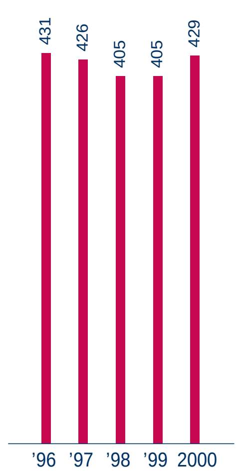
The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars* 2000
At Year-End:			
Total assets**	**¥10,728,230**	¥10,910,410	**$101,066,698**
Cash and due from banks	**450,776**	490,401	**4,246,594**
Deposits	**8,853,324**	8,866,637	**83,403,900**
Loans and bills discounted	**7,848,804**	8,132,302	**73,940,688**
Securities	**1,448,130**	1,462,075	**13,642,299**
Total stockholders' equity	**429,728**	405,234	**4,048,309**
Common stock	**134,800**	134,547	**1,269,901**
For the Year:			
Total income	**¥ 384,103**	¥ 386,325	**$ 3,618,493**
Total expenses	**328,972**	569,146	**3,099,124**
Net income (loss)	**27,901**	(122,356)	**262,845**

* U.S. dollar amounts are translated, for reference only, at the rate of ¥106.15=$1 effective on March 31, 1999.
**In line with revisions to the Enforcement Regulations for Banking Laws, the reserves for possible loan losses, listed under Liabilities until 1998 (fiscal year ended March 31, 1998), will be shown as a one time deduction from Underlying Assets in the Assets section for the current consolidated year. Introduction of this new procedure has resulted in a reduction of ¥134,920 million in both the Assets and Liabilities figures. In order to provide accurate year-on-year comparisons, the figures for the previous year have been calculated using the same method.



Total Assets
(¥ billions)



Total Stockholders' Equity
(¥ billions)

Net Income (Loss)
(¥ billions)

Business Results

Business performance for the Bank of Yokohama and consolidated subsidiaries for the fiscal year ended March 31, 2000 directly reflects special efforts designed to broaden the financial services offered by the various departments and implement a thoroughgoing program of cost reduction. Consolidated total income fell slightly by 0.6% from the previous year to ¥384,103 million ($3,618 million). With regard to profit, the net loss of ¥122.4 billion of the previous year was turned into a net income of ¥27.9 billion ($263 million) during the current fiscal year.

The principle factor behind this turnaround was the major increase in non-consolidated net operating profit, which occurred despite the continuing low interest rate and lingering nonperforming loan conditions that affect financial institutions in Japan. Consolidated total expenses dropped significantly by 42.2% to ¥328,972 million ($3,099 million). This growth in net income was facilitated by a program of thoroughgoing cost reduction and across-the-board restructuring measures.

The previous term’s large infusion of public funds for writing off nonperforming loans under the provisions of the Financial Reconstruction Law reduced the amount by ¥213.5 billion. The Bank reduced the outstanding amount by a further ¥39.8 billion ($375 million) during the current term.

The capital adequacy ratio exceeded the domestic standard of 4.0%, coming to 10.03% on both a consolidated and non-consolidated basis, remaining basically unchanged from last year.

Management Strategies — An Innovative Approach

The top priority of the Bank of Yokohama Group in recent years has been to restore a sound financial footing to group business activities and to strengthen the management structure. Innovation 21 — a four-year business plan launched in April 1997 — is designed to do just that.

Under the provisions of the Financial Function Early Strengthening Law (designed to strengthen certain financial institutions and quickly restore confidence in the industry), the Bank of Yokohama accepted an allocation of public funds in order to strengthen its financial base. The Bank adopted the Corporate Revitalization Plan, which is designed to settle nonperforming loans, implement a program of measures to strengthen the corporate management structure and revitalize business strategies.

Under this plan, special emphasis has been placed on revitalization of regional retail activities in order to increase revenues and implementation of measures designed to cut costs. Measures for the retail sector include improvements to the financial services organization and product delivery system intended to establish even broader support as of the bank of choice for regional customers. Efforts will focus on the Kanagawa Prefecture and southwest Tokyo retail operations. Other measures include closing down unprofitable business ventures and implementing a program of rationalization to maximize business efficiency.

SADAAKI HIRASAWA
PRESIDENT

Specific targets included increasing consolidated net income to ¥29.0 billion ($273 million), generating tangible returns on assets and reducing the workforce over a four-year period in line with strategies set out in the Innovation 21 plan. Strategies to improve profitability in the area of financial services include adoption of a system of variable interest rates adjusted according to customer credit risk as a measure to increase returns on assets. Although this policy initially met with resistance, our branches gave us their cooperation and we succeeded in gaining the understanding of our customers.

Under the Corporate Revitalization Plan created to implement the strategies of the Financial Function Early Strengthening Law, the Bank implemented restructuring measures to strengthen the financial base by settling nonperforming loans and improving the quality of services provided to individual and small and medium-sized corporate customers. The original aim of this law is to strengthen the financial viability of Japan's financial institutions by helping to settle nonperforming loans, quickly strengthen Japan's financial systems and serve as an economic stimulus. The Bank of Yokohama was one of the institutions that qualified to receive assistance under the program.

Restructuring and Specialization in Regional Development

The current fiscal year witnessed many major changes. These included mergers and acquisitions between metropolitan banks and between the major banks, the creation of alliances and joint ventures for investment in information technology and the entry of companies from non-banking sectors into the banking field. Given these developments, the Bank of Yokohama determined to adopt a strategy of focusing on its main strength, which is the regional retail business, and entering into business alliances with other financial institutions in less specialized business areas. This will enable the Bank to expand the range of services it offers to its customers.

Despite being one of the leading regional banks in terms of assets, the Bank of Yokohama faces intense competition from the major banks and financial institutions. The Bank believes that there is potential to further expand market share through focusing on its strongest areas.

Since the Innovation 21 medium-term management plan was launched, the Bank has implemented a broad spectrum of restructuring measures. These include such key strategies as selling U.K. merchant bank Guinness Mahon Holdings plc, and liquidating subsidiaries BOY Securities and Hamagin Investment Management. Other steps included closing overseas branch offices and scaling operations down to six local representative offices and overseas subsidiary Yokohama Finance (Europe) S.A. in Belgium. A number of Kanagawa Prefecture and Tokyo branches and offices were either merged or closed as well. Further measures designed to rebuild the company organization include staff redundancy, early retirement and the selling of real estate holdings.

As part of a measure to reform corporate governance, the Bank separated marketing and promotion activities from administration and management duties. Using the executive organization adopted last year, the Bank has created a system in which executive officers are appointed to positions in marketing and business promotion while senior management executives are assigned to administrative duties in order to speed up the decision making process.

To promote the strategy of focusing on the local retail banking business, the Bank of Yokohama introduced a stock option system (for purchasing bank shares) for junior and senior executives and other management level staff.

Strategies and Vision for the Future

The Bank of Yokohama will continue to implement strategies based on the Corporate Revitalization Plan that are designed to focus management resources on the regional retail banking business, while effecting measures to rationalize operations and improve efficiency. Additional strategies include establishing partnerships in strategic market areas and business functions in other sectors of industry in order to improve the range of services. Aggressive investment in information technology will enable the company to improve the quality and convenience of products and services it provides to customers.

The Bank of Yokohama will increase the volume of loans made available to both individual and small and medium-sized corporate customers and lay the foundations of a system for offering such risk exposure products as investment trusts and foreign-currency deposits.

The Bank of Yokohama Group will continue to implement a wide variety of strategies and specific measures designed to strengthen management structures and the financial base of the overall group in the year leading up to March 31, 2001.

It is the concerted efforts and cooperation on the part of customers, shareholders and company staff that have enabled us to restore profitability during the current fiscal year. The Bank will continue to strive to ensure profitability as it pursues its goal of establishing the strong customer trust and confidence that will enable it to maintain the leading share in the regional banking sector. In closing, the Bank of Yokohama wishes to express its sincere appreciation for the continued support and patronage of its customers, shareholders and business associates.

June 28, 2000

SADAAKI HIRASAWA
PRESIDENT

Along with fourteen of Japan's major banks, in March 1999, The Bank of Yokohama received an infusion of public funds provided in accordance with the Financial Function Early Strengthening Law (designed to strengthen certain financial institutions and quickly restore confidence in the industry), enacted the same month. These funds are provided to help Japan's banking institutions rebuild their finances. The Bank's Financial Revitalization Plan, designed to settle nonperforming loans, implement measures to strengthen management structures and revitalize marketing strategies, was instituted to make the most effective use of these funds. A report on the plan's progress is provided below.

The Financial Function Early Strengthening Law is a legal measure enacted by the government to provide relief to domestic financial institutions burdened with massive doubtful debts. During fiscal 1999, The Bank of Yokohama embarked on an aggressive program of settling doubtful debts, merging and closing of its branches, and implementing measures to reduce staff in line with the provisions of this law. In the area of loans, The Bank of Yokohama took steps to settle doubtful debts, introduce an aggressive scheme to collect nonperforming loans from the corporate sector and expand the range of financing available to local individual and small business borrowers. The cumulative effect of these measures reduced the value of outstanding nonperforming loans at the end of March 2000 by ¥185.8 billion ($1,750.4 million) from the previous year. Specific measures were also introduced during the fiscal year to broaden the range of financial resources available to small businesses and individuals located within the Bank's regional base.

Loans to small and medium-sized businesses

For the years ended March 31, (¥ billions)

	Home Prefecture			Other Regions		
	2000	1999	(+/-)	2000	1999	(+/-)
For large/medium sized corporation	¥ 420.5	¥ 455.5	¥-35.0	¥ 826.3	¥ 892.5	¥ -66.2
For small businesses	2,594.9	2,527.8	67.1	777.0	846.2	-69.2
Total	¥3,015.4	¥2,983.3	¥ 32.1	¥1,603.3	¥1,738.7	¥-135.4

The Bank of Yokohama sees servicing the financing needs of the small business market in Kanagawa Prefecture as central to its policy of concentrating on retail banking strategies. Loans to the small business sector met the target of ¥3,559.1 billion ($33,529 million) set for the end of fiscal 1999.

The Bank intends to use its capacity as a lender and make funds readily available to small and medium-sized corporations and thereby further the development of business and industry in its home region.

The Bank of Yokohama was able to meet its targets for the fiscal year through exercising the guarantees on loans guaranteed by credit guarantee corporations.

Rationalizing to Enhance Efficiency

Across-the-board streamlining measures, including staff reduction, closure of retail outlets and general cost cutting, kept the Bank’s rationalization plan on target during fiscal 1999.

Banking on Our Hinterland

The Bank of Yokohama is one of Japan’s top regional banks. Its service base includes Kanagawa Prefecture, with its key port cities of Yokohama and Kawasaki, and the southwestern area of Tokyo.

This region possesses an industrialized coastal corridor that has played a key role in the development of Japan’s economy and industry since the early days of industrialization. In addition, the Kanagawa Prefecture and southwestern Tokyo region includes large areas of residential communities that play a leading role in modern Japanese culture. Port facilities in Yokohama, Kawasaki and Tokyo also make it an important center of Japan's international trade.

Serving in its capacity as a financial services provider, the Bank of Yokohama has contributed significantly to the economic and industrial development of this economically rich and diverse region.

The Bank of Yokohama's chief strengths derive from it having been appointed the official financial institution by many of the local governments within Kanagawa Prefecture and from its traditionally active role in many of the major development projects within the region.

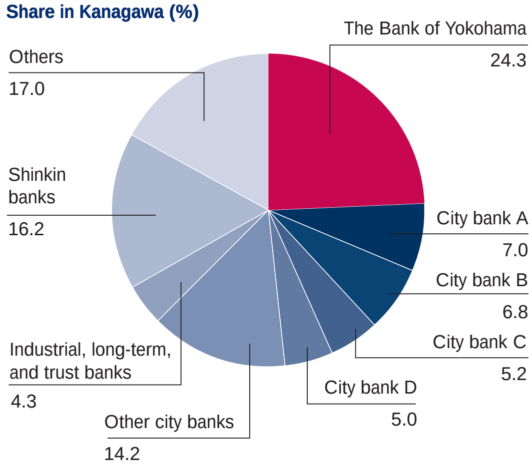
Despite intense competition in the region from the major metropolitan banks and small and medium-sized financial institutions, the Bank of Yokohama is the leading bank with a 23.2% share of the region's deposits and a 24.3% share of its loans. The Bank of Yokohama holds seven million accounts in a region with a population of 8.4 million and will continue to play a central role as the leading local financial institution in the region.

Close Ties to Local Governments

The Bank of Yokohama's secure position as the leading financial institution in the region comes, in part, from it having being designated the official financial institution of Kanagawa Prefecture, Yokohama City, Kawasaki City and many other local governments in the

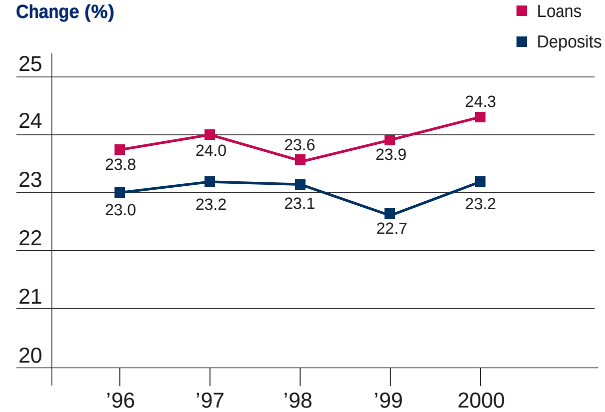
■**Loans**

Share in Kanagawa (%)



At March 31

Change (%)



region. Handling such duties as tax payments, pension payments, government financial business and coordinating the syndicate that underwrites local government bond issues has cemented close ties with both individual and small and medium-sized corporate customers in the local region.

The Bank of Yokohama also collaborates with local governments entities on large development projects in the Kanagawa Prefecture region by providing capital, specialized personnel and project management expertise. At present, the Bank of Yokohama is engaged in such major projects as the Minato Mirai 21 and Shonan International Village projects, as well as various train station area and inner city development projects.

Service Offered by the Various Branches

Having densely populated urban areas as a major part of the service base means having to operate in an intensely competitive environment with the major metropolitan banks, small and medium-sized regional banks and credit unions. Maintaining its status as the top regional bank in Japan can pose some daunting challenges, indeed.

The Bank of Yokohama's multi-point strategy for strengthening its position is to expand the range of services, conduct thorough reviews of management structures and branch management plans, review unprofitable activities, institute changes to the head office organization to promote rationalization and implement restructuring programs at affiliated companies.

As part of these measures, the Bank of Yokohama has divided up its service base into 27 strategic areas based on natural geographic and demographic demarcations and customer category. In order to raise profitability, the branches within one area are administered as a single operating unit, with the aim being able to provide services and financial products that are tailored to the needs of individual areas, ranging from business districts to residential suburbs.

Innovation Local Banking

After instituting a fundamental review of its retail system of bank branches, home loan centers and unmanned “My Bank” (ATM) booths, the Bank adopted a policy of tailoring its services more closely to local demand. This is reflected in the opening of two in-store branches in large shopping facilities and the creation of shared premisis type in-branch stores by making unused space available to other business.

The first new in-branch premisis created under the plan is the MacDonald’s restaurant at the Yohkohdai branch in Yokohama, which was opened in July 2000. The first new in-store premisis, the Espa Kawasaki, was opened in June 2000. It was followed by the opening of a mini bank branch a Daikuma discount store.

Organizational Changes at Headquarters

To better serve both the individual and the business customer, the Bank of Yokohama has changed its headquarter organization to a more customer-oriented structure. Services provided to small and medium-sized corporations are being improved with the new "Corporate Banking Department" created at the head office and the "Business Supervisory and Coordination Department" set up to manage and integrate marketing activities.

The new Business Section is designed to improve coordination between bank branches and expand the functions of affiliated companies in ways that effectively supplement services on offer.

Supporting Regional Small Businesses and Venture Corporations

In line with the Corporate Revitalization Plan, the basic thrust of which is to focus company efforts on providing services to the region's individual and small and medium-sized corporate customer base, the Bank of Yokohama is now conducting marketing activities that involve identifying and providing services to the most outstanding small and medium-sized corporations in the region. The strategy is to offer easier financing conditions, increase availability of unsecured loans and offer loan products guaranteed by the credit guarantee association.

In other areas, the Japanese government launched a new program of providing "New Business Support Loans" to venture corporations and small and medium-size corporations in accordance with the provisions of the Industry Revitalization Special Measures Law from January 2000.

In a move designed to identify and foster promising venture-capital corporations, the Bank of Yokohama and its subsidiary, Yokohama Capital, established the Kanagawa Dream Investment Fund. Members of the Bank of Yokohama Group, including Hamagin Finance, are participating in the selection of corporations in which to invest.

New Services for the Public Nursing Care Insurance System

A new system of public nursing care insurance was introduced in April 2000. In order to meet the demand for operating funds from private sector nursing care service providers, the Bank of Yokohama formed an alliance with Yasuda Marine and Fire Insurance. The Bank began providing a debt factoring service for nursing care compensation debt through its subsidiary, Hamagin Finance in April 2000.

Contributing to Local Communities

As a model corporate citizen, the activities of the Bank of Yokohama go beyond contributing to the industrial and economic development of regional communities through providing financial services alone. The Bank strives to return benefits to local communities on social and cultural levels as well. Annual "Overseas study groups," comprised of employees from small and medium-sized corporations, are dispatched to destinations in North America and Europe as a means of furthering training and development. Other activities include extending cooperation to groups that provide support to foreign students and making the lobby and halls in the head office available for concert and lectures.

Services Available by Internet and Mobile Phone

The Bank of Yokohama has begun offering services using the rapidly expanding Internet and i-Mode mobile phone system. Services include financial services and the "Debit card" shopping service.

Balance checking, money transfer and time deposit services over the Internet were launched in April 1999, followed by financial services using i-Mode mobile phones in September. In February, the Bank started a service allowing small and medium-sized corporations to submit preliminary applications for obtaining financing through the credit guarantee association. The debit card (J-Dbit) feature was launched in March. These various new services are evidence of the Bank of Yokohama's proactive approach in investing in information services to improve administrative inefficiency and effectively ride the rapidly growing wave of information technology (IT).

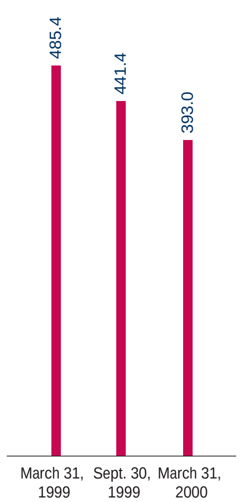
Y2K Compliance

The Bank of Yokohama recognizes the seriousness of the challenge to the banking industry posed by the Y2K Problem. The Bank, its subsidiaries, and other member companies of the group took measures to implement programs to resolve Y2K issues in advance. As a result, the Bank of Yokohama Group managed to greet the New Year without any problems and leap day on February 29 passed without a hitch as well. The key word here is preparedness. The Bank of Yokohama Group has instituted the necessary preparations to deal with the possible disruptions that can occur on the designated problem days.

The total amount of loans to borrowers undergoing rehabilitation and other loans of that class, borrowers on the watch list, and borrowers in need of attention, came to ¥393.0 billion ($3,702 million), as calculated under the provisions of the Financial Rehabilitation Law. Claims disclosed in accordance with the Financial Rehabilitation Law, which came to ¥485.4 billion as of March 31, 1999, have shown a steady decline. The claims disclosed in accordance with this law came to 5.6% of extended assets as of the end of March 1999, 5.2% as of the end of September 1999 and 4.6% as of the end of March 2000.

On March 31, 2000, risked-managed assets, calculated in accordance with the provisions of the Banking Law, declined to ¥405.1 billion ($3,816 million) on a consolidated basis. Nonconsolidated figures also point to a steady decline, with the figure of ¥435.7 billion ($4,105 million) of March 31, 1999 falling to ¥389.5 billion ($3,669 million) by March 31, 2000. The Bank of Yokohama has achieved significant success in reducing the scale of its risk-managed assets.

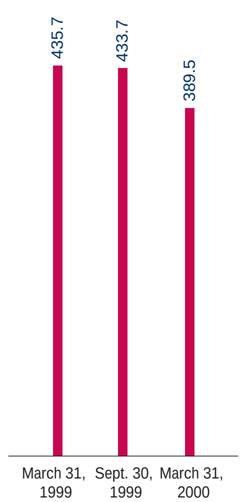
With regard to coverage, the coverage and reserve ratios for nonperforming loans to borrowers who are classified as being in a state of “legal bankruptcy” or ”virtual bankruptcy” came to 100%. For borrowers in a state of “possible bankruptcy,” the reserve ratio came to 70.0% and the coverage ratio to 85.5%. In the area of borrowers regarded as requiring “caution,” the reserve ratio was 21.7% and the coverage ratio 66.4%. Overall, the reserve ratio came to 62.8% and the coverage ratio to 85.5%.



Claims disclosed in accordance with financial rehabilitation law

(¥ billions)

Those includes loans to borrowers undergoing rehabilitation and similar loans, borrowers on the watchlist and borrowers in need of attention.



Risk managed assets

(¥ billions)

Those includes loans to bankrupt borrowers, past due loans, three-month past due loans and loans with relaxed conditions.

Credit Risk

The responsibility for credit evaluation lies with the credit department, which performs thorough credit assessments of loan applications based on prescribed criteria and standards clearly defined in the Bank's credit policy. The General Planning Department's Risk Management Office is in charge of credit portfolio management, and the Credit Portfolio Committee — a group of directors that meets quarterly to review the Bank's credit exposure — examines important credit issues and establishes the Bank's basic policy with respect to credit exposure. The Credit Portfolio Committee was established in August 1996. As part of efforts to improve portfolio management, in March 1997 the Bank introduced an internal, industry-specific credit risk management system to avoid excessive exposure to particular industries.

In October 1999, the Bank of Yokohama instituted a system of approval from the board of directors for managing credit (securities, corporate bonds and derivatives credit, in addition to loans) for major customers of the overall Bank of Yokohama Group.

In May 1999, a group of 58 regional banks, including the Bank of Yokohama, completed the development of a credit risk quantification system. The system comprises the following three main components:

1) A common database:

The database provides information on loan defaults from almost every regional bank in Japan. Because of the comprehensive coverage of this database, it is expected to be a particularly valuable tool for credit risk management.

2) A standard credit scoring system:

The system has three functions. First, it provides a common measure of credit to be attached to loan data transferred to the common database center so that the data can be processed in a uniform format. Second, it calculates an independent credit rating. Third, in the future, it will serve as a convenient reference for participating banks when purchasing or selling each other's loan assets.

3) A credit risk quantification system:

Calculations are performed using customized software developed jointly by the Industrial Bank of Japan and NTT Data Corp. The main work has been the addition of a simulation function. The system takes into account the effects of changes in regional demographic and structural economic conditions, as well as the effects of changes in the composition of loan portfolios.

Market Risk

Primary responsibility for managing market risk lies with the Risk Management Office and the Treasury and Capital Markets Department.

The risk position limit — the maximum permissible potential loss for the Bank's combined market transactions — is established by the Executive Committee, the Bank's highest decision-making body under the Board of Directors. Risk positions as well as loss-cutting rules for each trading section and business department are then set based on this value. Each department in turn observes loss-cutting rules and devises operating strategies to achieve profit targets based on its risk limits.

The Risk Management Office, a unit that is independent of the bank's market operations, measures risk exposure for individual business sections on a daily basis and reports this information to the directors in charge of the respective departments.

The front office, comprised of the Treasury and Capital Markets Department, the middle office, comprised of the Risk Management Office, and the back office, comprised of the Market Operations Department, operate completely independently of each other in order to minimize the potential for unauthorized dealings and to facilitate cross-checking.

The Bank has adopted the value-at-risk (VAR) method to manage the risk involved with trading account transactions. VAR is the maximum forecastable loss that may occur due to adverse market movements over a specified period of time, as estimated through probability analysis of historical market data. In making VAR calculations, the Bank assumes a holding period of one day and a confidence level of 99.0% (2.33σ).

Operational Risk

The Business Processing Policy was adopted in February 2000 in order to reduce administrative risk. The inspection department was created as part of an internal system of checks and balances to conduct regular internal inspections and thereby prevent occurrences of administrative error.

To counteract the growing sophistication of crimes being committed in recent years, the Bank took measures to strengthen administrative procedures for creating accounts for the mail order service in July 1999. Instituted as a measure to go hand-in-hand with enactment of the Organized Crime Prevention Law in February 2000, the Bank of Yokohama established a supervisory mechanism to enable irregular transactions to be reported to the Financial Supervisory Agency as part of a move to strengthen systems used to prevent money laundering.

System Risk Management

The Bank of Yokohama introduced a new security risk control mechanism, based on a new security policy, designed to protect the company's information resources and computer systems in January 2000. Security standards based on the new security policy were implemented in March 2000. The new standards categorize information and computer systems into three levels according to importance in order to maintain stringent control over risk.

In the area of on-line systems, measures have been instituted to ensure compliance with the safety measures for computer systems used by financial institutions and a backup center was created to protect on-line systems in the event of a major earthquake or other disaster.

Integrated Risk Management

To improve ROE while maintaining a sound asset base, it has become necessary for banks to effectively integrate their credit risk, market risk and liquidity risk management functions. The Bank aims to achieve an allocation of management resources that will maximize returns based on a thorough understanding of the overall risk.

In October 1995, the Bank established the Risk Management Office under the control of the General Planning Department as a means to achieving this goal.

The Risk Management Office assesses the degree of risk exposure according to individual risk factors, including credit, market and liquidity risk. It calculates all bank profit targets based on these exposure levels. The office also establishes whether the Bank has the financial strength to accommodate the over all degree of risk.

Special studies are conducted on the possibility of loss or damage due to risk factors (such as system and administrative risk), which are difficult to quantify.

As a satellite office of the ALM Committee and the Credit Portfolio Committee, the Risk Management Office studies risk and return information in order to provide the basis for management decisions regarding portfolio structures and risk exposure limits.

One part of the Risk Management Office performs a middle office function and is located near the Treasury and Capital Markets Department in order to assess risk and return for market transactions and provide an internal checking and monitoring system for the front and back offices.

Off-Balance Sheet Transactions

Off-balance sheet transactions are conducted by the Bank of Yokohama as a means of controlling its own interest rate and foreign exchange risk exposure. Because off-balance sheet transactions also incur market risk, credit risk and liquidity risk, it is necessary to manage them using the same systems of rigorous risk management applied to the Bank's regular business activities.

The system for managing off-balance sheet transactions involves assessing the various risk factors, implementing allowable loss limits and a position framework and conducting regular reviews. For the future, the Bank of Yokohama is planning to put in place a sophisticated system for managing financial derivatives products as a way to effectively meet a broader range of customer needs.

MARKET VALUE INFORMATION

(Consolidated Basis)

Market Value of Securities

At March 31	Millions of yen 2000 Book value	Market value	Unrealized gain Total	Gain	Loss
Securities:					
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:					
Bonds	176,038	177,251	1,212	1,666	453
Equity securities	435,071	481,160	46,088	106,114	60,025
Others	14,058	14,636	578	656	78
Total	¥625,167	¥673,047	¥47,879	¥108,437	¥60,557

Notes: 1. The trading account securities and securities listed in the above table include only listed trading account securities and listed securities. Bonds include Japanese national government bonds, Japanese local government bonds, and Japanese corporate bonds. Market values of listed securities are primarily calculated using the closing prices at the end of the fiscal year on the Tokyo Stock Exchange or calculated with reference to the rates of yield indicated in the public and corporate OTC bond (standard) quotation tables published by the Japan Securities Dealers Association.

2. The following table shows estimated market values of unlisted securities for which market values can be approximated.

Estimated market values of unlisted securities are calculated as follows: over-the-counter securities: trading prices announced by the Japan Securities Dealers Association; publicly offered bonds: prices calculated using indicated yields on over-the-counter company bonds announced by the Japan Securities Dealers Association; investment trust securities: market prices announced by authorized fund management companies; over-the-counter U.S. securities: trading prices indicated on the NASDAQ in the United States and others.

At March 31	Millions of yen 2000 Book value	Market value	Unrealized gain Total	Gain	Loss
Securities:					
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:					
Bonds	490,416	496,802	6,385	6,533	147
Equity securities	8,091	13,684	5,593	6,496	902
Others	30,675	30,721	46	440	394
Total	¥529,183	¥541,209	¥12,025	¥13,470	¥1,445

3. The following table shows the Balance Sheets values of the main securities not included in the above tables.

At March 31	Millions of yen 2000
Trading Accounts:	
Publicly offered unlisted bonds due for redemption within one year	¥ —
Securities:	
Bonds	205,974
Equity securities	19,204
Others	68,600

4. Trading account securities recorded under trading accounts and trading securities are excluded from the above table because they are revalued at the end of the fiscal year and evaluation gains or losses on such are recognized in the Statements of Operations.

Market Value of Derivatives

a. Interest-Rate-Related Transactions

At March 31	Millions of yen 2000 Contract value or notional principal amount Total	Over one year	Market value	Unrealized gain (loss)
Standardized Contracts:				
Interest rate futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest rate options:				
Sold Call	— (—)	—	—	—
Put	— (—)	—	—	—
Bought Call	— (—)	—	—	—
Put	— (—)	—	—	—
Over-the-Counter Contracts:				
Forward rate agreements (FRAs):				
Sold	—	—	—	—
Bought	—	—	—	—
Interest rate swaps:				
Receive fixed･Pay floating	**402,388**	**305,571**	**12,835**	**12,835**
Receive floating･Pay fixed	**672,776**	**497,484**	**(38,085)**	**(38,085)**
Receive floating･Pay floating	**13,994**	**6,074**	**2**	**2**
Others:				
Sold	**16,575** **(124)**	**13,475**	**65**	**59**
Bought	**16,663** **(114)**	**13,563**	**63**	**(51)**
Total				**¥(25,239)**

Notes: 1. Market values of standardized contracts are calculated using the closing price at the end of the fiscal year on the Tokyo International Financial Futures Exchange and other exchanges. Market values of over-the-counter contracts are primarily based on the discount present value or the option pricing calculation models.

2. Figures in "( )" represent the option premium recorded on the Balance Sheets.

3. Derivatives transactions included in trading transactions are excluded from the above table because they are revalued at the end of the fiscal year and evaluation gains or losses are recognized in the Statements of Operations.

The following table shows the contract values or notional principal amounts of derivatives transactions included in trading transactions.

At March 31	Millions of yen 2000 Contract value or notional principal amount	Market value
Standardized Contracts:		
Interest rate futures:		
Sold	¥ —	¥ —
Bought	—	—
Over-the Counter Contracts:		
Forward rate agreements (FRAs):		
Sold	—	—
Bought	—	—
Interest rate swaps:		
Recieve fixed･Pay floating	**234,923**	**2,187**
Receive floating･Pay fixed	**231,823**	**(2,279)**
Receive floating･Pay floating	—	—

Note: Figures in "( )" represent the initial buy and sell option premiums on the contract value or notional principal amount.

b. Currency-Related Transactions

At March 31	Millions of yen 2000 Contract value or notional principal amount Total	Over one year	Market value	Unrealized gain (loss)
Over-the-Counter Contracts:				
Currency swaps:	¥340,191	¥91,018	¥6,729	¥6,729
U.S. dollars	315,508	82,331	6,713	6,713
Others	24,683	8,686	16	16

Notes: 1. Market values are based on the discount present value.

2. Foreign exchange forward contracts, currency options, and some other transactions are excluded from the previous table because they are revalued at the end of the fiscal year and evaluation gains or losses are recognized in the Statements of Operations.

The following table shows the contractual values of currency-related derivatives transactions affecting the Statements of Operations.

At March 31		Millions of yen 2000 Contract value or notional principal amount
Over-the-Counter Contracts:		
Forward rate agreements:		
Sold		¥125,035
Bought		129,406
Currency options:		
Sold	Call	1,709
		(63)
	Put	1,360
		(19)
Bought	Call	1,625
		(55)
	Put	1,614
		(20)
Others:		
Sold		—
Bought		—

Note: Figures in "( )" represent the initial buy and sell option premiums on the contract value or notional principal amount.

c. Bond-Related Transactions

At March 31	Millions of yen 2000 Contract value or notional principal amount Total	Over one year	Market value	Unrealized gain (loss)
Standardized Contracts:				
Bond futures:				
Sold	¥4,855	¥—	¥4,865	¥(9)
Bought	—	—	—	—

Notes: 1. Market values of listed securities are calculated using the closing prices at the end of the fiscal year on the Tokyo Stock Exchange and other exchanges.

2. Figures in "( )" represent the option premium recorded on the Balance Sheets.

CONSOLIDATED FIVE-YEAR SUMMARY

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

At March 31	Millions of yen **2000**	1999	1998	1997	1996
ASSETS:					
Cash and due from banks	**¥ 450,776**	¥ 490,401	¥ 559,367	¥ 1,034,808	¥ 979,023
Call loans	**76,380**	976	46,876	3,990	1,315
Commercial paper and other debt purchased	**23,811**	23,003	4,138	3,815	8,769
Trading assets	**44,565**	52,909	148,428		
Trading account securities				19,404	27,818
Money held in trust		40,030	25,833	55,036	60,528
Securities	**1,448,130**	1,462,075	1,594,880	1,607,533	1,533,499
Loans and bills discounted	**7,848,804**	8,132,302	8,037,192	8,448,031	8,724,762
Foreign exchanges	**8,217**	10,729	27,039	41,710	34,156
Other assets	**104,153**	133,087	117,816	150,776	124,213
Premises and equipment	**259,245**	267,371	185,808	127,393	129,439
Deferred tax assets	**168,443**	193,003	128,781	108,069	111,291
Goodwill	**384**	158			
Customers' liabilities for acceptances and guarantees	**430,349**	453,504	383,544	426,778	399,139
Reserve for possible loan losses	**(134,920)**	(349,138)			
Reserve for possible losses on investments	**(107)**				
Total	**¥10,728,230**	¥10,910,410	¥11,259,702	¥12,027,343	¥12,133,952
LIABILITIES:					
Deposits	**¥ 8,853,324**	¥ 8,866,637	¥ 8,962,955	¥ 9,754,311	¥ 9,690,484
Call money and bills sold	**255,435**	217,268	320,934	550,837	587,997
Trading liabilities	**3,364**	4,760	2,144		
Borrowed money	**376,543**	443,479	374,319	276,407	399,024
Foreign exchanges	**185**	82	505	7,970	13,423
Subordinated bonds	**95,888**	146,944	153,570	144,796	
Convertible bonds		3,274	3,274	3,427	3,581
Other liabilities	**201,517**	271,169	298,126	208,552	328,254
Reserve for possible loan losses			254,434	201,504	263,494
Reserve for retirement allowances	**15,621**	15,675	15,499	14,926	14,202
Reserve for possible losses on collateralized real estate loans sold	**26,321**	30,846	26,042	8,118	
Reserve for contingent liabilities	**5,005**	2,449			
Acceptances and guarantees	**430,349**	453,504	383,544	426,778	399,139
Deferred tax liabilities for land revaluation excess	**23,905**	24,793			
Total liabilities	**10,287,807**	10,495,881	10,854,552	11,600,460	11,702,799
Minority interests	**10,695**	9,295			
STOCKHOLDERS' EQUITY:					
Common stock	**134,800**	134,547	134,547	134,547	134,470
Preferred stock	**50,000**	50,000			
Surplus, reserves and other	**244,928**	220,687	270,603	292,336	296,683
Total stockholders' equity	**429,728**	405,234	405,150	426,883	431,153
Total	**¥10,728,230**	¥10,910,410	¥11,259,702	¥12,027,343	¥12,133,952

Consolidated Statements of Operations

Years ended March 31	Millions of yen **2000**	1999	1998	1997	1996
INCOME:					
Interest on loans and discounts	**¥181,791**	¥ 194,392	¥210,593	¥222,305	¥ 281,266
Other	**202,312**	191,933	280,205	341,613	310,142
Total income	**384,103**	386,325	490,798	563,918	591,408
EXPENSES:					
Interest on deposits	**25,177**	53,151	101,516	107,003	162,176
Other	**303,795**	515,995	425,498	452,285	549,673
Total expenses	**328,972**	569,146	527,014	559,288	711,849
Income (loss) before income taxes and minority interest	**55,131**	(182,821)	(36,216)	4,630	(120,441)
Total income taxes	**25,429**	(60,100)	(20,172)	3,263	(55,179)
Minority interest in net income	**(1,801)**	365		(101)	(42)
Net income (loss)	**¥ 27,901**	¥(122,356)	¥(16,044)	¥ 1,266	¥(65,282)

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31, 2000 and 1999	**2000**	1999	**2000**
ASSETS:			
Cash and due from banks	**¥ 450,776**	¥ 490,401	**$ 4,246,594**
Call loans	**76,380**	976	**719,548**
Commercial paper and other debt purchased	**23,811**	23,003	**224,315**
Trading assets (Note 3)	**44,565**	52,909	**419,830**
Money held in trust		40,030	
Securities (Notes 4 and 10)	**1,448,130**	1,462,075	**13,642,299**
Loans and bills discounted (Notes 5 and 10)	**7,848,804**	8,132,302	**73,940,688**
Foreign exchanges (Note 6)	**8,217**	10,729	**77,409**
Other assets (Note 7)	**104,153**	133,087	**981,187**
Premises and equipment (Notes 8 and 10)	**259,245**	267,371	**2,442,252**
Deferred tax assets (Note 21)	**168,443**	193,003	**1,586,839**
Goodwill	**384**	158	**3,618**
Customers' liabilities for acceptances and guarantees (Note 9)	**430,349**	453,504	**4,054,159**
Reserve for possible loan losses	**(134,920)**	(349,138)	**(1,271,032)**
Reserve for possible losses on investments	**(107)**		**(1,008)**
Total	**¥10,728,230**	¥10,910,410	**$101,066,698**
LIABILITIES:			
Deposits (Notes 10 and 11)	**¥ 8,853,324**	¥ 8,866,637	**$ 83,403,900**
Call money and bills sold (Note 10)	**255,435**	217,268	**2,406,359**
Commercial paper		15,000	
Trading liabilities	**3,364**	4,760	**31,691**
Borrowed money (Notes 10 and 12)	**376,543**	443,479	**3,547,273**
Foreign exchanges (Note 6)	**185**	82	**1,743**
Subordinated bonds	**95,888**	146,944	**903,325**
Convertible bonds (Note 13)		3,274	
Other liabilities (Note 14)	**201,517**	271,169	**1,898,418**
Reserve for retirement allowances	**15,621**	15,675	**147,160**
Reserve for possible losses on collateralized real estate loans sold	**26,321**	30,846	**247,960**
Reserve for contingent liabilities	**5,005**	2,449	**47,150**
Other reserves		1	
Acceptances and guarantees (Note 9)	**430,349**	453,504	**4,054,159**
Deferred tax liabilities (Note 21)	**350**		**3,297**
Deferred tax liabilities for land revaluation excess	**23,905**	24,793	**225,200**
Total liabilities	**10,287,807**	10,495,881	**96,917,635**
Minority interests	**10,695**	9,295	**100,754**
STOCKHOLDERS' EQUITY:			
Capital stock (Note 15):			
Common stock	**134,800**	134,547	**1,269,901**
Preferred stock	**50,000**	50,000	**471,032**
Capital surplus (Note 15)	**146,277**	146,024	**1,378,022**
Land revaluation excess	**33,878**	34,252	**319,152**
Earned surplus (Notes 16 and 26)	**66,771**	44,457	**629,025**
Treasury stock	**(1,998)**	(4,046)	**(18,823)**
Total stockholders' equity	**429,728**	405,234	**4,048,309**
Total	**¥10,728,230**	¥10,910,410	**$101,066,698**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
INCOME:			
Interest on:			
Loans and discounts	**¥181,791**	¥ 194,392	**$1,712,586**
Securities	**35,500**	40,276	**334,433**
Other	**17,661**	41,759	**166,378**
Fees and commissions	**34,549**	34,375	**325,473**
Trading profits	**255**	555	**2,402**
Other operating income (Note 17)	**57,082**	59,376	**537,748**
Other income (Note 18)	**57,265**	15,592	**539,473**
Total income	**384,103**	386,325	**3,618,493**
EXPENSES:			
Interest on:			
Deposits	**25,177**	53,151	**237,184**
Borrowings and rediscounts	**12,430**	16,532	**117,098**
Other	**33,964**	47,120	**319,962**
Fees and commissions	**7,585**	8,856	**71,455**
Trading losses		159	
Other operating expenses (Note 19)	**57,127**	60,652	**538,173**
General and administrative expenses	**109,056**	112,544	**1,027,376**
Provision for possible loan losses	**22,595**	183,699	**212,859**
Other expenses (Note 20)	**61,038**	86,433	**575,017**
Total expenses	**328,972**	569,146	**3,099,124**
Income (loss) before income taxes and minority interests	**55,131**	(182,821)	**519,369**
INCOME TAXES (Note 21)**:**			
Current	**1,049**	1,159	**9,882**
Deferred	**24,380**	(61,259)	**229,675**
Total income taxes	**25,429**	(60,100)	**239,557**
Minority interests in net income (loss)	**(1,801)**	365	**(16,967)**
Net income (loss)	**¥ 27,901**	¥(122,356)	**$ 262,845**

	Yen 2000	Yen 1999	U.S. dollars 2000
PER SHARE DATA:			
Net income (loss) per share (Note 2)	**¥23.48**	¥(108.93)	**$0.22**
Dividend on common stock	**5.00**	5.00	**0.05**
Dividend on the first preferred stock	**5.66**	0.02	**0.05**
Dividend on the second preferred stock	**9.46**	0.03	**0.09**

See notes to consolidated financial statements.

Consolidated Statements of Earned Surplus

Years ended March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Balance, beginning of year	**¥44,457**	¥ 174,579	**$418,813**
INCREASE:			
Adjustment of retained earnings for newly applied accounting for tax allocation		233	
Reversal of land revaluation excess	**732**		**6,896**
DECREASE:			
Decrease due to consolidation of subsidiaries not consolidated in the previous year		(2,378)	
Appropriations — dividends	**(6,319)**	(5,621)	**(59,529)**
Net income (loss)	**27,901**	(122,356)	**262,845**
Balance, end of year	**¥66,771**	¥ 44,457	**$629,025**

See notes to consolidated financial statements.

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ 55,131**	¥(182,821)	**$ 519,369**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	**42,260**	38,990	**398,115**
Amortization of goodwill	**113**	39	**1,065**
Increase (decrease) in reserve for possible loan losses	**(214,218)**	55,948	**(2,018,069)**
Increase in reserve for possible losses on investments	**107**		**1,008**
Increase (decrease) in reserve for possible losses on collateralized real estate loans sold	**(4,525)**	4,804	**(42,628)**
Increase in reserve for contingent liabilities	**2,556**	2,449	**24,079**
Increase (decrease) in reserve for retirement allowances	**(54)**	131	**(509)**
Interest income	**(234,952)**	(276,427)	**(2,213,396)**
Interest expenses	**71,571**	116,803	**674,244**
Securities losses — net	**(16,071)**	33,129	**(151,399)**
Losses (gains) on monetary trust funds	**(140)**	539	**(1,319)**
Foreign exchange losses — net	**6,637**	389	**62,525**
Losses (gains) on disposal of premises and equipment — net	**(766)**	1,972	**(7,216)**
Net decrease in trading account assets	**8,344**	95,519	**78,606**
Net increase (decrease) in trading account liabilities	**(1,396)**	2,616	**(13,151)**
Net decrease (increase) in loans	**283,498**	(31,362)	**2,670,730**
Net decrease in deposits	**(13,313)**	(78,837)	**(125,417)**
Net decrease in other borrowings	**(38,936)**	(287,533)	**(366,802)**
Net decrease in due from bank	**36,015**	83,551	**339,284**
Net decrease (increase) in call loans and others	**(76,212)**	38,652	**(717,965)**
Net increase (decrease) in call money and others	**38,167**	(103,666)	**359,557**
Net increase (decrease) in commercial paper	**(15,000)**	15,000	**(141,309)**
Net decrease in margin money received under securities lending transactions	**(36,356)**	(87,321)	**(342,496)**
Net decrease in foreign exchange (assets)	**2,512**	16,310	**23,665**
Net increase (decrease) in foreign exchange (liabilities)	**103**	(423)	**970**
Interest and dividends received	**241,007**	289,860	**2,270,438**
Interest paid	**(83,497)**	(126,424)	**(786,594)**
Other-net	**(6,371)**	(17,991)	**(60,019)**
Subtotal	**46,214**	(396,104)	**435,366**
Income tax paid	**(1,142)**	(1,603)	**(10,758)**
Net cash provided by (used in) operating activities — (Forward)	**¥ 45,072**	¥(397,707)	**$ 424,608**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Net cash provided by (used in) operating activities — (Forward)	**¥ 45,072**	¥(397,707)	**$ 424,608**
INVESTING ACTIVITIES:			
Purchases of securities	**(961,268)**	(773,929)	**(9,055,751)**
Proceeds from sales of securities	**816,977**	730,706	**7,696,439**
Proceeds from maturities of securities	**160,103**	171,464	**1,508,271**
Increase in monetary trust funds	**(1,500)**	(30,640)	**(14,131)**
Decrease in monetary trust funds	**41,670**	15,904	**392,558**
Proceeds from sales of premises and equipment	**9,662**	9,111	**91,022**
Expenditures for premises and equipment	**(35,782)**	(34,417)	**(337,089)**
Net cash provided by investing activities	**29,862**	88,199	**281,319**
FINANCING ACTIVITIES:			
Proceeds from subordinated loans		252,145	
Repayments of subordinated loans	**(28,000)**	(26,198)	**(263,778)**
Repayments of subordinated bonds and convertible bonds	**(47,343)**		**(446,001)**
Issuance of preferred stock		100,000	
Dividends paid	**(6,319)**	(5,621)	**(59,529)**
Dividends paid to minority interests stockholders	**(19)**	(27)	**(179)**
Purchase of treasury stock	**(0)**	(1,241)	**(0)**
Proceeds from sales of treasury stock	**3,188**	1,931	**30,033**
Net cash provided by (used in) financing activities	**(78,493)**	320,989	**(739,454)**
Foreign currency translation adjustments on cash and cash equivalents	**(50)**	(44)	**(471)**
Net increase (decrease) in cash and cash equivalents	**(3,609)**	11,437	**(33,998)**
Cash and cash equivalents, beginning of year	**290,622**	279,185	**2,737,843**
Cash and cash equivalents, end of year	**¥287,013**	¥ 290,622	**$2,703,845**
NONCASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock	**¥ 506**		**$ 4,767**
Assets increased by consolidation of subsidiaries previously not consolidated		¥ 327,465	
Liabilities increase by consolidation of subsidiaries previously not consolidated		319,177	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2000 and 1999

1. Basis of Presentation

The accompanying consolidated financial statements of The Bank of Yokohama, Ltd. (the "Bank" or the "Parent Company") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance 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 the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made in the 1999 consolidated financial statements to conform to the classifications used in 2000.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to $1, the rate of exchange at March 31, 2000. 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries (16 and 19 in 2000 and 1999, respectively), including Yokohama Finance (Europe) S.A. (a Belgian corporation) and Hamagin Finance Co., Ltd. (a Japanese corporation). All significant intercompany balances, transactions and unrealized profits included in assets are eliminated in consolidation.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisition of subsidiaries is amortized using the straight-line method over five years.

Effective April 1, 1998, the Bank and its subsidiaries changed their consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent Company, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

The adjustment to earned surplus arising from the change in the consolidation scope is recognized as "Decrease due to consolidation of subsidiaries not consolidated in the previous year" in the consolidated statements of earned surplus for the year ended March 31, 1999.

Thirteen of the consolidated domestic subsidiaries use fiscal years ending March 31, which is the same as the fiscal year of the Bank.

Of the subsidiaries consolidated at March 31, 2000, three have fiscal years ending on December 31, which differs from the Bank's fiscal year. The consolidated financial statements include the financial statements of these subsidiaries for their respective fiscal years after making appropriate adjustments for significant transactions during the periods from their respective year-ends to the date of the consolidated financial statements.

An associated company, over which the Parent Company is able to exercise significant influence, Yokohama Shoji Co., Ltd. (a Japanese corporation), is accounted for by the equity method of accounting.

The consolidated financial statements do not include the accounts of Hamagin Leasing (USA) Inc. (a United States corporation) in 2000, because the total asset, total income, net income and earned surplus of this entity would not have had a material effect on the consolidated financial statements. Investments in this unconsolidated subsidiary and three other associated companies are stated at cost.

Trading Purpose Transactions — "Transactions for Trading purposes" (the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profit and losses on transactions for trading purposes are shown as "Trading profits" or "Trading losses" on a trade date basis.

Securities — All securities are stated at cost, cost being determined using the moving-average cost method.

When the market price of securities is substantially less than cost and the decline in the market price is considered to be permanent, the securities are valued at the market price.

Securities owned by consolidated subsidiaries are principally stated at cost determined by the moving-average cost method.

Money Held in Trust — Money held in trust includes share stocks, convertible bonds and national government bonds of foreign countries, that are listed on stock exchanges. These securities are stated at the lower of cost or market. Other securities are stated at cost. The cost of securities sold is determined using the moving-average cost method.

Premises and Equipment — Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment owned by the Bank is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

Depreciation of premises and equipment owned by consolidated subsidiaries is principally computed using the declining-balance method over the estimated useful lives of the assets and depreciation of leased property and equipment is provided on the straight-line method over lease periods.

Software — Cost of computer software obtained for internal use is principally amortized using the straight-line method over the estimated useful lives of five years.

Land Revaluation — Under the new "Law of Land Revaluation", promulgated and revised on March 31, 1998 and 1999, respectively, the Bank elected a one-time revaluation of its land to a value based on a real estate appraisal as of March 31, 1998.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of stockholders' equity. There is no effect on the consolidated statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and deferred tax liabilities. The details of the one-time revaluation as of March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Land before revaluation	**¥25,684**	¥25,798	**$241,959**
Land after revaluation	**83,467**	84,843	**786,311**
Land revaluation excess	**¥57,783**	¥59,045	**$544,352**
(Net of income taxes)	**(¥33,878)**	(¥34,252)	**($319,152)**

The difference between reevaluated carrying amount and fair value of land is ¥16,539 million ($155,808 thousand) and ¥9,430 million as of March 31, 2000 and 1999, respectively.

Stock Issuance Costs — Stock issuance costs are charged to income when paid.

Reserve for Possible Loan Losses — The Bank and certain consolidated finance companies provide reserve for possible loan losses which 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.

The Bank has implemented the self-assessment system to determine its asset quality. The quality of all loans is assessed by branches and the credit supervisory 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."

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.

As of April 1, 1999, for collateralized or guaranteed claims to debtors who are in "virtual bankruptcy" or "legal bankruptcy," the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, is being written off for the amount of ¥217,550 million ($2,049,458 thousand).

In addition, reserve for loans to specific foreign borrowers is provided based on the amount of expected losses due to the political and economic situation of their respective countries.

Other consolidated subsidiaries maintain reserves for possible loan losses which are provided as deemed necessary to cover expected losses based on their own experience.

In accordance with the revised Enforcement Regulation for the Banking Law, the reserve for possible loan losses is presented as a deduction from assets.

Reserve for Possible Losses on Investments — Reserve for possible losses on investments is provided based on the estimated possible losses on ivestments.

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 contracts, the Bank is required to cover certain portions of losses incurred, as defined in the contract, when CCPC disposes of real estate in satisfaction of debt.

Reserve for Contingent Liabilities — Reserve for contingent liabilities is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of loans sold under loan participation agreements.

Reserve for Retirement Allowances — Reserve for retirement allowances is determined based on the amount which would have been required if all employees had voluntarily retired at the balance sheet date.

In addition, the Bank has a contributory funded pension plan covering substantially all employees. The unamortized balance of prior service costs of the pension plan as of March 31, 1998, is being amortized over 2 years beginning from April 1,1999. The unamortized balance of prior service costs of pension plan as of March 31, 1999 (the most recent date for which information is available) amounting to ¥7,885 million ($74,282 thousand) is being amortized over 4 years and 11 months. Certain consolidated subsidiaries also have funded pension plans for employees.

Leases — All leases of the Bank and the consolidated domestic subsidiaries are accounted for as operating leases. Under the 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 consolidated financial statements.

Translation of Foreign Currencies — The financial statements of foreign consolidated subsidiaries are translated into Japanese yen at exchange rates as of the balance sheet date, except for stockholders' equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Other assets" in the accompanying consolidated balance sheets.

Assets and liabilities denominated in foreign currencies held by the Bank at the year-end are translated into Japanese yen at exchange rates prevailing at the end of each fiscal year, except certain special accounts that are translated at historical rates.

Foreign currency accounts held by consolidated foreign subsidiaries are translated into Japanese yen at the respective fiscal year-end exchange rates.

Income Taxes — 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.

Statements of Cash Flows — For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from The Bank of Japan.

The scope of cash and cash equivalents in 1999 was changed from cash and due from banks to cash and due from the Bank of Japan to conform with the scope used in 2000.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and such statements for the years ended March 31, 2000 and 1999, are presented herein.

Net Income per Share — Net income (loss) per share calculations represent net income (loss) less dividends on preferred shares, divided by the weighted average number of shares of common stock outstanding during each fiscal year.

Anti-dilution — Fully diluted net income per share is not disclosed because the Bank has no securities with dilutive effect in 2000 and the Bank's net loss position in 1999.

3. Trading Assets

Trading assets at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Trading securities	**¥20,296**	¥13,598	**$191,201**
Trading-related financial derivatives	**3,272**	4,516	**30,824**
Other	**20,997**	34,795	**197,805**
Total	**¥44,565**	¥52,909	**$419,830**

4. Securities

Securities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Japanese national government bonds	**¥ 355,315**	¥ 345,164	**$ 3,347,291**
Japanese local government bonds	**179,306**	116,498	**1,689,176**
Japanese corporate bonds	**337,808**	322,625	**3,182,365**
Japanese corporate stocks	**474,146**	522,384	**4,466,755**
Other securities	**101,555**	155,404	**956,712**
Total	**¥1,448,130**	¥1,462,075	**$13,642,299**

The carrying values and aggregate market values of the securities which are listed on stock exchanges or over-the-counter markets, at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
Securities:		
Carrying value	**¥1,154,351**	**$10,874,715**
Aggregate market value	**1,214,256**	**11,439,058**

Securities not included above are generally not listed on stock exchanges or over-the-counter markets and are as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
Securities	**¥293,779**	**$2,767,584**

Corporate stocks in unconsolidated subsidiaries and associated companies total ¥386 million ($3,636 thousand) and ¥2,154 million at March 31, 2000 and 1999, respectively.

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Bills discounted	**¥ 135,417**	¥ 132,229	**$ 1,275,713**
Loans on bills	**794,667**	943,213	**7,486,265**
Loans on deeds	**5,262,643**	5,286,553	**49,577,419**
Overdrafts	**1,656,077**	1,770,307	**15,601,291**
Total	**¥7,848,804**	¥8,132,302	**$73,940,688**

"Nonaccrual loans" are defined as loans in respect of which the Bank and certain consolidated subsidiaries discontinue the accrual of interest income on loans where the borrowers are generally placed on nonaccrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for certain period or for other reasons. Loans to borrowers in bankruptcy represent nonaccrual loans, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payment is deferred in order to assist the financial recovery of debtor in financial difficulties. Such loans include loans held by the Bank and certain consolidated subsidiaries to borrowers in legal bankruptcy totaling ¥20,429 million ($192,454 thousand) and ¥116,846 million as of March 31, 2000 and 1999, respectively, and past due loans held by the Bank and certain consolidated subsidiaries totaling ¥332,307 million ($3,130,542 thousand) and ¥252,289 million as of March 31, 2000 and 1999, respectively.

As described in the section of Reserve for Possible Loan Losses of Note 2, the amount of loans to borrowers in bankruptcy and past due loans as of March 31, 2000 decreased by ¥82,905 million ($781,017 thousand) and ¥132,139 million ($1,244,833 thousand), respectively, as compared with the previous year.

As from current fiscal year, the Bank and certain consolidated subsidiaries discontinued the accrual of interest income on loans based on the results of "self assessment" of assets. Therefore, the loan amount for past due loans now includes the following amounts: ¥8,194 million ($77,193 thousand) in loans overdue for at least three months, ¥196,545 million ($1,851,578 thousand) in loans with concessions in terms, and ¥32,532 million ($306,472 thousand) in other loans that do not come under past due loans, according to the standard based on the Corporate Tax Law Criteria.

"Accruing loans past due three months or more" are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded. The balance of accruing loans past due three months or more was ¥13,488 million ($127,065 thousand) and ¥17,330 million as of March 31, 2000 and 1999, respectively.

"Restructured loans" are defined as loans in which the lender is providing financial support to its borrower by reduction of the interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded. The balance of restructured loans was ¥38,915 million ($366,604 thousand) and ¥203,844 million as of March 31, 2000 and 1999, respectively.

Reserve for possible loan losses are not deducted from the amounts of loans shown in the above five paragraphs.

Additionally, the decrease in reserve for possible loan losses and net decrease in loans in consolidated statements of cash flows in 2000 include the effect of writing off the amount of ¥217,550 million (decrease) ($2,049,458 thousand) and ¥215,700 million (decrease) ($2,032,030 thousand), respectively.

Loans Sold under Loan Participation Agreement

The total principal balance of loans transferred to participating entities under loan participation agreements, which are accounted for as sales due to their nonrecourse nature, was ¥79,809 million ($751,851 thousand) and ¥149,879 million as of March 31, 2000 and 1999, respectively.

6. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Assets			
Foreign exchange bills bought	**¥5,137**	¥ 6,881	**$48,394**
Foreign exchange bills receivable	**2,354**	2,895	**22,176**
Due from foreign correspondent accounts	**726**	953	**6,839**
Total	**¥8,217**	¥10,729	**$77,409**
Liabilities			
Foreign exchange bills sold	**¥ 106**	¥ 29	**$ 999**
Foreign exchange bills payable	**3**	4	**28**
Due to foreign correspondent accounts	**76**	49	**716**
Total	**¥ 185**	¥ 82	**$ 1,743**

7. Other Assets

Other assets at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	**2000**
Accrued income	**¥ 29,057**	¥ 37,300	**$273,735**
Prepaid expenses	**4,702**	5,790	**44,296**
Other	**70,394**	89,997	**663,156**
Total	**¥104,153**	¥133,087	**$981,187**

8. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2000 and 1999, amounted to ¥252,552 million ($2,379,199 thousand) and ¥246,687 million, respectively.

9. Customers' Liabilities for 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 presented as assets, representing the Bank's right of indemnity from the applicants.

10. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
Assets pledged as collateral:		
Securities	**¥201,629**	**$1,899,472**
Loans and bills discounted	**164,370**	**1,548,469**
Premises and equipment	**925**	**8,714**
Relevant liabilities to above assets:		
Deposits	**52,383**	**493,481**
Bills sold	**28,000**	**263,778**
Borrowed money	**3,546**	**33,406**

Additionally, securities amounting to ¥140,315 million ($1,321,856 thousand) and deposits amounting to ¥1,000 million ($9,421 thousand) are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others. Other than the items shown above, rights under finance leases amounting to ¥29,296 million ($275,987 thousand) are pledged for borrowed money amounting to ¥22,696 million ($213,811 thousand).

11. Deposits

Deposits at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current deposits	**¥ 368,252**	¥ 329,012	**$ 3,469,166**
Ordinary deposits	**2,754,960**	2,415,368	**25,953,462**
Savings deposits	**310,977**	302,499	**2,929,600**
Deposits at notice	**303,128**	180,403	**2,855,657**
Time deposits	**4,657,035**	4,868,650	**43,872,209**
Negotiable certificates of deposit	**213,420**	386,410	**2,010,551**
Other deposits	**245,552**	384,295	**2,313,255**
Total	**¥8,853,324**	¥8,866,637	**$83,403,900**

12. Borrowed Money

Borrowed money includes rediscounted bills and borrowings from The Bank of Japan and other financial institutions. The subordinated borrowed money included in borrowed money at March 31, 2000 and 1999, amounted to ¥224,000 million ($2,110,221 thousand) and ¥398,947 million, respectively.

13. Convertible Bonds

Convertible bonds at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
2-3/8% U.S. dollar convertible bonds due 2001		¥3,274	

The above convertible bonds were redeemed at par at December 17, 1999. The balance at redemption was ¥2,768 million.

14. Other Liabilities

Other liabilities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Domestic exchange settlement account credit (see below)	**¥ 17,758**	¥ 16,339	**$ 167,292**
Accrued expenses	**42,031**	51,845	**395,959**
Unearned income	**25,531**	24,382	**240,518**
Income taxes	**914**	1,007	**8,611**
Employees' deposits		5,658	
Borrowed bond		25,000	
Margin money received under securities lending transactions	**13,942**	50,298	**131,342**
Other	**101,341**	96,640	**954,696**
Total	**¥201,517**	¥271,169	**$1,898,418**

The domestic exchange settlement account consists of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks which have not been settled.

15. Capital Stock and Capital Surplus

At March 31, 2000 and 1999, the authorized numbers of shares were 2,600 million shares of common stock with a par value of ¥50 per share and 400 million shares of non-voting, non-cumulative preferred stock without par value.

The changes in common stock, preferred stock and capital surplus for the years ended March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Common stock:			
Balance, beginning of year	**¥134,547**	¥134,547	**$1,267,517**
Add — conversion of convertible bonds	**253**		**2,384**
Balance, end of year	**¥134,800**	¥134,547	**$1,269,901**
	Thousands of shares		
Shares issued and outstanding, end of year	**1,138,624**	1,137,998	
Preferred stock:			
Balance, beginning of year	**¥ 50,000**		**$ 471,032**
Issuance of preferred stocks		¥ 50,000	
Balance, end of year	**¥ 50,000**	¥ 50,000	**$ 471,032**
	Thousands of shares		
Shares issued and outstanding, end of year	**200,000**	200,000	
Capital surplus:			
Balance, beginning of year	**¥146,024**	¥ 96,024	**$1,375,638**
Add — issuance of preferred stock		50,000	
Add — conversion of convertible bonds	**253**		**2,384**
Balance, end of year	**¥146,277**	¥146,024	**$1,378,022**

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

The Bank may transfer capital surplus to stated capital by resolution of the Board of Directors and also portions of unappropriated earned surplus, available for dividends, to stated capital by resolution of the stockholders.

Under the Code, the Bank may issue new common shares to existing stockholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Bank may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed the stated capital. However, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50.

Under the Code, the amount available for dividends is based on earned surplus as recorded on the Bank's books. At March 31, 2000, earned surplus recorded on the Bank's books which is available for future dividends subject to the approval of stockholders and legal reserve requirements amounted to ¥31,081 million ($292,803 thousand) (see Note 26).

On March 31, 1999, the Bank issued 200,000,000 shares of non-voting, non-cumulative preferred stock without par value convertible into shares of common stock at the issue price of ¥500 per share. The preferred stock shall be entitled, in priority to any payment of dividends on or in respect of any other class of shares, to an annual dividend of ¥5.66 (the first preferred) and ¥9.46 (the second preferred) per share.

16. Earned Surplus

Under the Bank Law of Japan, an amount equivalent to at least 20% of all cash payments made as an appropriation of earned surplus must be appropriated as a legal reserve until the reserve equals 100% of the Bank's stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors.

Earned surplus at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Legal reserve	**¥31,024**	¥29,748	**$292,266**
Voluntary reserve	**19,892**	22,859	**187,395**
Unappropriated profit (loss)	**15,855**	(8,150)	**149,364**
Total	**¥66,771**	¥44,457	**$629,025**

Under the Code, the voluntary reserve is available for future dividends subject to approval by the stockholders.

17. Other Operating Income

Other operating income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Gain on foreign exchange transactions — net	**¥ 2,257**	¥ 1,096	**$ 21,262**
Gain on sales and redemption of bonds and other securities	**4,529**	8,498	**42,666**
Lease receipt	**38,647**	38,117	**364,079**
Other	**11,649**	11,665	**109,741**
Total	**¥57,082**	¥59,376	**$537,748**

18. Other Income

Other income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Gain on sales of stocks and other securities	**¥49,366**	¥11,069	**$465,059**
Gain on money held in trust	**173**	354	**1,630**
Gain on sales of premises and equipment	**2,228**	605	**20,989**
Other	**5,498**	3,564	**51,795**
Total	**¥57,265**	¥15,592	**$539,473**

19. Other Operating Expenses

Other operating expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Losses on sales and redemption of bonds and other securities	**¥12,801**	¥15,492	**$120,593**
Losses on write-down of bonds and other securities		40	
Lease costs	**34,081**	30,386	**321,066**
Other	**10,245**	14,734	**96,514**
Total	**¥57,127**	¥60,652	**$538,173**

20. Other Expenses

Other expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Provision for possible losses on collateralized real estate loans sold	**¥ 2,180**	¥13,635	**$ 20,537**
Loss on sales of stocks and other securities	**16,775**	12,169	**158,031**
Loss on money held in trust	**33**	893	**311**
Loss on write-down of stocks and other securities	**8,248**	24,994	**77,701**
Loss on sales of premises and equipment	**1,462**	2,577	**13,773**
Loss on sales of loans and bills discounted	**1,676**	6,600	**15,789**
Loss on write-down of loans	**22,449**	3,763	**211,484**
Other	**8,215**	21,802	**77,391**
Total	**¥61,038**	¥86,433	**$575,017**

21. Income Taxes

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.0% and 47.6% for the years ended March 31, 2000 and 1999, respectively.

On March 30, 2000, "Municipal Ordinance concerning Special Treatment of Tax Base Etc. for Enterprise Tax on Banking Business etc. in Tokyo Metropolis" ("the Ordinance") was adopted by the Tokyo Metropolitan Assembly. Pursuant to the Ordinance, "gross business profit" will be the new basis for calculating enterprise taxes imposed by the Tokyo Metropolitan Government from the fiscal periods beginning on or after April 1, 2000. Since such new enterprise taxes can no longer be included in the calculation of the effective statutory tax rate of the Bank, it decreases to approximately 41.4%, which is used in the calculation of deferred income tax. As a result, deferred tax assets decreased by ¥2,433 million ($22,920 thousand), and income taxes — deferred increased by the same amount. In addition, deferred tax liabilities on land revaluation excess decreased by ¥358 million ($3,373 thousand), and land revaluation excess increased by the same amount.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Deferred tax assets:			
Reserve for possible loan losses	**¥103,204**	¥100,171	**$ 972,247**
Reserve for retirement allowances	**4,318**	4,133	**40,678**
Premises and equipment	**3,273**	3,985	**30,834**
Securities	**10,138**	18,757	**95,507**
Reserve for possible losses on collateralized real estate loans sold	**10,889**	12,952	**102,581**
Tax loss carryforwards	**27,782**	46,349	**261,724**
Other	**9,027**	6,656	**85,040**
Total deferred tax assets	**168,631**	193,003	**1,588,611**
Deferred tax liabilities — Premises and equipment	**538**		**5,069**
Net of deferred tax assets	**¥168,093**	¥193,003	**$1,583,542**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2000 and 1999, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2000	1999
Normal effective statutory tax rate	**42.0%**	47.6%
Effect of tax rate reduction	**4.4**	(13.7)
Other — net	**(0.3)**	(1.0)
Actual effective tax rate	**46.1%**	32.9%

22. Leases

Lessee

The Bank and its consolidated subsidiaries lease certain equipment and other assets.

Lease payments under finance leases for the years ended March 31, 2000 and 1999, amounted to ¥576 million ($5,426 thousand) and ¥562 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of 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, 2000 and 1999, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
	Equipment	Equipment
Acquisition cost	**¥2,469**	**$23,259**
Accumulated depreciation	**998**	**9,402**
Net leased property	**¥1,471**	**$13,857**

	Millions of yen		
	1999		
	Equipment	Other assets	Total
Acquisition cost	¥2,195	¥15	¥2,210
Accumulated depreciation	913	12	925
Net leased property	¥1,282	¥ 3	¥1,285

Obligations under finance leases as of March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Due within one year	**¥ 474**	¥ 385	**$ 4,465**
Due after one year	**1,098**	839	**10,344**
Total	**¥1,572**	¥1,224	**$14,809**

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Depreciation expense	**¥426**	¥400	**$4,013**
Interest expense	**58**	51	**546**
Total	**¥484**	¥451	**$4,559**

Depreciation expense and interest expense, which are not refleted in the accompanying consolidated statement of operations, are computed by the straight-line method and the interest, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Due within one year	**¥111**	¥142	**$1,046**
Due after one year	**250**	389	**2,355**
Total	**¥361**	¥531	**$3,401**

Lessor

The consolidated subsidiaries lease certain equipment and other assets to various customers.

Lease receipts under finance leases for the years ended March 31, 2000 and 1999, were ¥38,017 million ($358,144 thousand) and ¥38,378 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest income of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2000 and 1999, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2000			**2000**		
	Equipment	Other assets	Total	Equipment	Other assets	Total
Acquisition cost	**¥199,153**	**¥25,759**	**¥224,912**	**$1,876,147**	**$242,666**	**$2,118,813**
Accumulated depreciation	**124,029**	**13,976**	**138,005**	**1,168,431**	**131,663**	**1,300,094**
Net leased property	**¥ 75,124**	**¥11,783**	**¥ 86,907**	**$ 707,716**	**$111,003**	**$ 818,719**

	Millions of yen		
	1999		
	Equipment	Other assets	Total
Acquisition cost	¥195,257	¥5,020	¥200,277
Accumulated depreciation	109,818	2,643	112,461
Net leased property	¥ 85,439	¥2,377	¥ 87,816

Rights under finance leases at March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Due within one year	**¥28,762**	¥30,235	**$270,956**
Due after one year	**58,991**	61,543	**555,732**
Total	**¥87,753**	¥91,778	**$826,688**

Depreciation expense and interest income under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Depreciation expense	**¥28,647**	¥33,679	**$269,873**
Interest income	**4,475**	4,793	**42,157**
Total	**¥33,122**	¥38,472	**$312,030**

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

The minimum rental commitments under noncancelable operating leases at March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Due within one year	**¥ 631**	¥424	**$ 5,944**
Due after one year	**541**	447	**5,097**
Total	**¥1,172**	¥871	**$11,041**

23. Segment Information

Business Segment Information

	Millions of yen				
	2000				
	Banking business	Leasing business	Other business	Eliminations/ Corporate	Consolidated
Ordinary income:					
Outside customers	¥ 322,519	¥ 48,262	¥ 11,077		¥ 381,858
Intersegment income	1,348	2,315	8,004	¥(11,667)	
	323,867	50,577	19,081	(11,667)	381,858
Ordinary expense	272,356	49,625	17,525	(11,997)	327,509
	¥ 51,511	¥ 952	¥ 1,556	¥ 330	54,349
Other income and expense — net					782
Income before income taxes and minority interests					¥ 55,131
Assets, depreciation and amortization, and capital expenditure:					
Assets	¥10,490,124	¥173,319	¥219,872	¥(155,085)	¥10,728,230
Depreciation and amortization	7,925	26,896	187		35,008
Capital expenditure	8,123	26,711	947		35,781

	Thousands of U.S. dollars				
	2000				
	Banking business	Leasing business	Other business	Eliminations/ Corporate	Consolidated
Ordinary income:					
Outside customers	$ 3,038,333	$ 454,659	$ 104,352		$ 3,597,344
Intersegment income	12,699	21,809	75,403	$ (109,911)	
	3,051,032	476,468	179,755	(109,911)	3,597,344
Ordinary expense	2,565,765	467,499	165,097	(113,019)	3,085,342
	$ 485,267	$ 8,969	$ 14,658	$ 3,108	512,002
Other income and expense — net					7,367
Income before income taxes and minority interests					$ 519,369
Assets, depreciation and amortization, and capital expenditure:					
Assets	$98,823,589	$1,632,775	$2,071,333	$(1,460,999)	$101,066,698
Depreciation and amortization	74,658	253,377	1,762		329,797
Capital expenditure	76,524	251,635	8,921		337,080

"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statements of operations. Such ordinary income and ordinary expenses are summarized by type of consolidated companies.

"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of operations.

The Bank and its consolidated subsidiaries operate predominantly in the banking business, while certain subsidiaries operate in securities trust and leasing businesses and other business which were minor in relation to the total business for the year ended March 31, 1999. Accordingly, the presentation of industry segment information was not required under the related regulations.

Segment Information by Geographic Area
Ordinary income and total assets as of and for the year ended March 31, 2000 was primarily concentrated in Japan. Accordingly, the presentation of segment information by geographic area is not required under the related regulations.

	Millions of yen					
	1999					
	Japan	Europe	Asia	North and Middle America	Eliminations	Consolidated
Ordinary Income:						
Outside customers	¥ 372,231	¥ 4,485	¥6,344	¥ 2,604		¥ 385,664
Interarea transfer	3,438	582	700	4,824	¥ (9,544)	
	375,669	5,067	7,044	7,428	(9,544)	385,664
Ordinary expense	553,888	6,017	7,446	8,724	(9,506)	566,569
	¥ (178,219)	¥ (950)	¥ (402)	¥ (1,296)	¥ (38)	¥ (180,905)
Other income and expense — net						(1,916)
Loss before income taxes and minority interests						¥ (182,821)
Assets	¥11,605,785	¥18,405	Nil	¥151,722	¥(516,364)	¥11,259,548

"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statements of operations. Such ordinary income and ordinary expenses are summarized by geographic area based on the countries where branches or subsidiaries are located.

"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of operations.

Ordinary Income from International Operations
Ordinary income arising from international operations both in and outside Japan was minor in relation to the total ordinary income for the year ended March 31, 2000. Accordingly, the presentation of ordinary income from international operations is not required under the related regulations.

For the year ended March 31, 1999, ordinary income arising from international operations was ¥51,820 million.

24. Derivative Information

The Bank and its consolidated subsidiaries use swap, futures, forward and option contracts, and other similar types of contracts based on either interest rates or foreign exchange rates. These financial instruments are used in trading activities to generate trading revenues and fee income, and also used in asset and liability management activities to control exposure to fluctuations in interest and foreign exchange rates.

The Bank and its consolidated subsidiaries use derivatives to provide customers with risk hedging methods, to complement its Asset/Liability Management ("ALM") activities and to strengthen earnings. The Bank and its consolidated subsidiaries carefully study the risks involved with derivatives transactions and maintains a policy of limiting the volume of transaction risk within a range it is capable of managing based on its financial strength.

Similar to other market transactions, derivatives transactions are subject to a variety of risks, including market, credit, liquidity, systematic and legal risks. Among those risks, the Bank and its consolidated subsidiaries emphasize the management of market risk and credit risk. Derivative-related credit risk of the Bank and its consolidated subsidiaries exposure at March 31, 2000, was ¥53.1 billion.

The Bank and its consolidated subsidiaries have adopted an integrated management approach in developing an organization wide risk management system that is based on global standards. The Bank has established a Risk Management Office ("RMO") to perform the integrated management of all market and credit risks of the Bank and its consolidated subsidiaries. Teams from the RMO are assigned to the Treasury and Capital Markets Department ("TCMD"), where, having a middle office function, they inspect and audit front office activities on a daily basis. To secure the independence of its market risk management sections, the Bank's front (TCMD), middle (RMO) and back (Market Operations Department) office activities are completely separated.

The volume of risk associated with interest rate, currency, securities and other transactions is gathered and managed on an integrated basis. The ultimate decision on a risk position limit is made by the Executive Committee. Based on this limit, each department establishes loss-cutting rules and maximum risk exposures for each type of derivatives transaction and product. The middle office ensures that risk exposure limits and other rules are observed while using value-at-risk ("VAR"), basis points value, and other methods to calculate quantitative measures of risk volume. The RMO reports the total volume of the Bank's market risk to the ALM Committee. Credit risk associated with derivatives transactions are managed in combination with other off-balance-sheet as well as on-balance-sheet transactions. The RMO calculates the Bank's total credit exposure and reports this amount to the Credit Portfolio Committee quarterly.

The Bank and its consolidated subsidiaries have the following derivatives contracts, which are quoted on listed exchanges, outstanding at March 31, 2000:

	Millions of yen		Thousands of U.S. dollars	
	2000		2000	
	Contract or Notional amount	Fair value	Contract or Notional amount	Fair value
Bond contract — futures written	**¥4,856**	**¥4,866**	**$45,745**	**$45,836**

The Bank and its consolidated subsidiaries have the following derivatives contracts, which are not quoted on listed exchanges, outstanding at March 31, 2000:

	Millions of yen		Thousands of U.S. dollars	
	2000		2000	
	Contract or Notional amount	Fair value (Loss)	Contract or Notional amount	Fair value (Loss)
Interest rate contracts:				
Interest rate swaps	**¥1,089,159**	**¥(25,248)**	**$10,260,565**	**$(237,852)**
Cap written	**16,575**	**65**	**156,147**	**613**
Cap purchased	**16,663**	**63**	**156,977**	**598**
Foreign exchange:				
Forward exchange contracts written	**125,035**		**1,177,917**	
Forward exchange contracts purchased	**129,406**		**1,219,087**	
Currency swap	**340,191**	**6,729**	**3,204,820**	**63,396**
Options written	**3,070**		**28,922**	
Options purchased	**3,240**		**30,527**	

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the exposure to credit or market risk of the Bank and its consolidated subsidiaries.

25. Stock Option Plan

At the stockholders meeting held on June 25, 1999, the Bank's stock option plan for directors and executive officers was approved. The Bank was authorized to issue up to 310 thousand shares of the Bank's common stock. The options were granted at the price of 105% of the fair market value at the date of option grant.

Another stock option plan was approved at the stockholders meeting held on June 28, 2000. (See Note 26.)

26. Subsequent Events

At the general stockholders meeting held on June 28, 2000, the Bank's stockholders approved the following appropriations of earned surplus as of March 31, 2000, and stock option plan:

a. Appropriation of Earned Surplus as of March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Transfer to legal reserve	¥ 710	$ 6,689
Dividends:		
The first preferred (¥2.83–$0.03 per share)	396	3,731
The second preferred (¥4.73–$0.04 per share)	284	2,675
Common (¥2.5–$0.02 per share)	2,847	26,821

b. Stock Option Plan

The plan provides for granting options to directors, executive officers and managers to purchase up to 1,507 thousand shares of the Company's common stock in the period from June 29, 2002 to June 28, 2010. The options will be granted at the price of 105% of the fair market value at the date of option grant. The Company plans to use acquired treasury stock to issue shares upon exercise of the stock options.

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Deloitte
Touche
Tohmatsu

To the Board of Directors of

The Bank of Yokohama, Ltd.:

We have examined the consolidated balance sheets of The Bank of Yokohama, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, earned surplus, 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 Yokohama, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, 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.

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, 2000

The Bank of Yokohama, Ltd.

Non-Consolidated Balance Sheets

March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars 2000
ASSETS:			
Cash and due from banks	**¥ 443,271**	¥ 482,894	**$ 4,175,893**
Call loans	**76,380**	976	**719,548**
Commercial paper and other debt purchased	**4,797**	4,292	**45,191**
Trading assets	**44,565**	50,909	**419,830**
Money held in trust		40,030	
Securities	**1,413,670**	1,455,401	**13,317,664**
Loans and bills discounted	**7,905,657**	8,136,791	**74,476,279**
Foreign exchanges	**8,217**	10,629	**77,409**
Other assets	**72,749**	98,880	**685,341**
Premises and equipment	**156,537**	160,597	**1,474,677**
Deferred tax assets	**163,136**	187,512	**1,536,844**
Customers' liabilities for acceptances and guarantees	**418,857**	501,647	**3,945,897**
Reserve for possible loan losses	**(128,223)**	(328,325)	**(1,207,942)**
Reserve for possible losses on investments	**(96)**		**(904)**
Total	**¥10,579,517**	¥10,802,233	**$99,665,727**
LIABILITIES:			
Deposits	**¥ 8,908,705**	¥ 8,913,127	**$83,925,624**
Call money and bills sold	**255,435**	217,268	**2,406,359**
Commercial paper		15,000	
Trading liabilities	**3,364**	4,760	**31,691**
Borrowed money	**363,649**	474,312	**3,425,803**
Foreign exchanges	**185**	85	**1,743**
Convertible bonds		3,274	
Other liabilities	**131,537**	193,105	**1,239,162**
Reserve for retirement allowances	**15,551**	15,604	**146,500**
Reserve for possible losses on collateralized real estate loans sold	**26,321**	30,846	**247,960**
Reserve for contingent liabilities	**5,005**	2,449	**47,150**
Other reserves		1	
Acceptances and guarantees	**418,857**	501,647	**3,945,897**
Deferred tax liabilities for land revaluation excess	**23,905**	24,793	**225,200**
Total liabilities	**10,152,514**	10,396,271	**95,643,089**
STOCKHOLDERS' EQUITY:			
Capital stock:			
Common stock	**134,800**	134,547	**1,269,901**
Preferred stock	**50,000**	50,000	**471,032**
Capital surplus	**146,277**	146,024	**1,378,022**
Land revaluation excess	**33,878**	34,252	**319,152**
Earned surplus	**62,048**	41,139	**584,531**
Total stockholders' equity	**427,003**	405,962	**4,022,638**
Total	**¥10,579,517**	¥10,802,233	**$99,665,727**

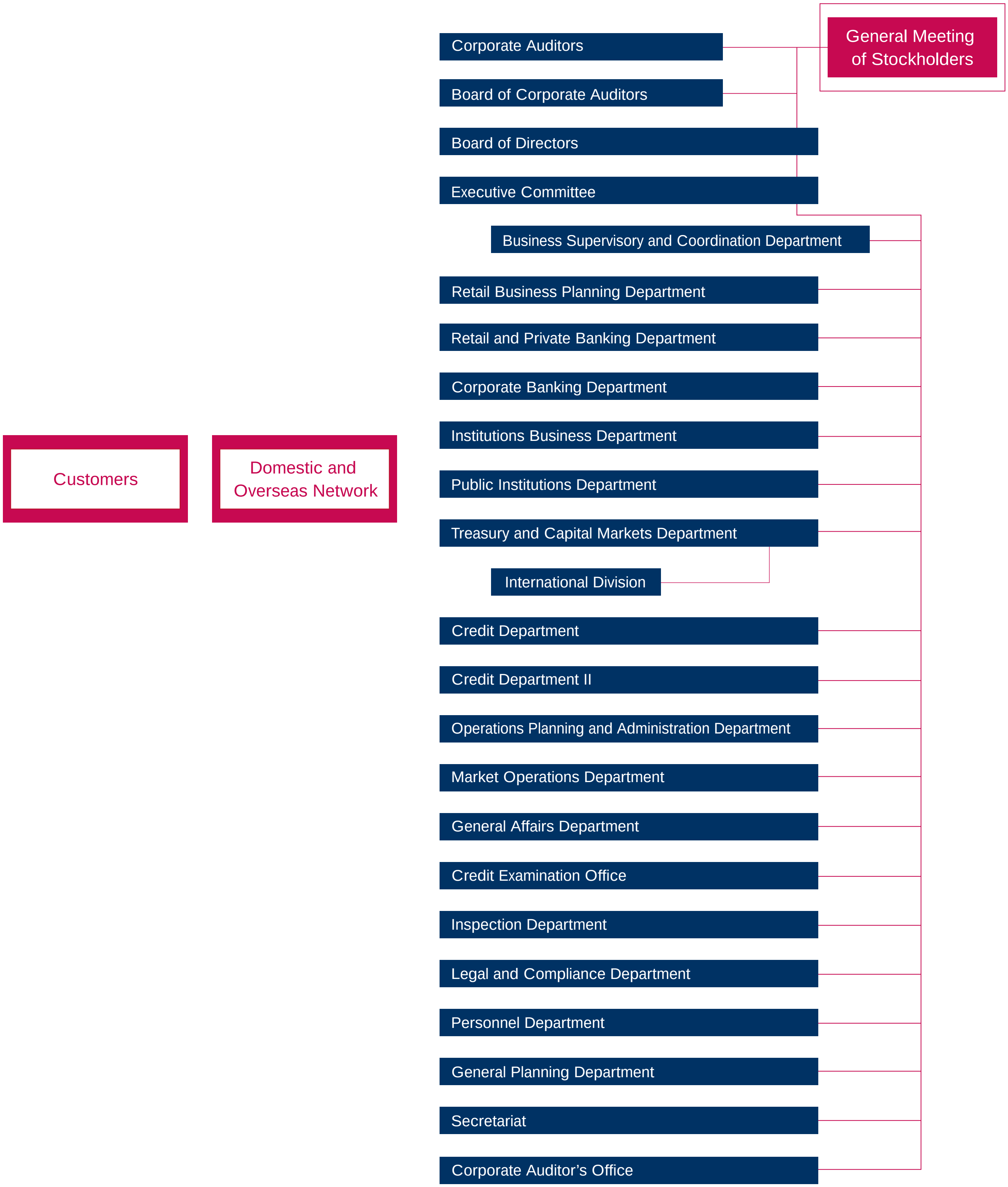
Non-Consolidated Statements of Operations

Years ended March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars 2000
INCOME:			
Interest on:			
Loans and discounts	**¥180,554**	¥(193,518	**$1,700,933**
Securities	**34,475**	39,241	**324,776**
Other	**17,624**	42,287	**166,029**
Fees and commissions	**31,710**	31,401	**298,728**
Trading profits	**238**	549	**2,242**
Other operating income	**6,717**	9,585	**63,278**
Other income	**51,363**	13,486	**483,872**
Total income	**322,681**	330,067	**3,039,858**
EXPENSES:			
Interest on:			
Deposits	**25,198**	53,241	**237,381**
Borrowings and rediscounts	**10,668**	18,563	**100,499**
Other	**31,300**	41,320	**294,866**
Fees and commissions	**9,022**	8,816	**84,993**
Other operating expenses	**12,749**	15,533	**120,104**
General and administrative expenses	**107,502**	112,648	**1,012,736**
Provision for possible loan losses	**19,026**	181,650	**179,237**
Other expenses	**56,697**	83,616	**534,121**
Total expenses	**272,162**	515,387	**2,563,937**
Income (loss) before income taxes	**50,519**	(185,320)	**475,921**
INCOME TAXES:			
Current	**120**	119	**1,130**
Deferred	**23,847**	(77,693)	**224,654**
Total income taxes	**23,967**	(77,574)	**225,784**
Net Income (loss)	**¥026,552**	¥(107,746)	**$0,250,137**

	Yen 2000	Yen 1999	U.S. dollars 2000
Net income (loss) per share	**¥22.13**	¥(94.68)	**$0.21**

Non-Consolidated Statements of Earned Surplus

Years ended March 31, 2000 and 1999	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars 2000
Balance, beginning of year	**¥41,139**	¥(044,757	**$387,555**
Increase — Reversal of land revaluation excess	**732**		**6,896**
Decrease — Dividends	**(6,375)**	(5,690)	**(60,057)**
Net income (loss)	**26,552**	(107,746)	**250,137**
Adjustment of retained earnings for newly applied accounting for tax allocation		109,818	
Balance, end of year	**¥62,048**	¥(041,139	**$584,531**



General Meeting of Stockholders
Corporate Auditors
Board of Corporate Auditors
Board of Directors
Executive Committee
Business Supervisory and Coordination Department
Retail Business Planning Department
Retail and Private Banking Department
Corporate Banking Department
Institutions Business Department
Public Institutions Department
Treasury and Capital Markets Department
International Division
Credit Department
Credit Department II
Operations Planning and Administration Department
Market Operations Department
General Affairs Department
Credit Examination Office
Inspection Department
Legal and Compliance Department
Personnel Department
General Planning Department
Secretariat
Corporate Auditor's Office
Customers
Domestic and Overseas Network

JAPAN

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Kentaro Nihei

Bank Relations

Senior Deputy General Manager
Masato Kawase

Market Operations Department

General Manager
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Senior Deputy General Manager
Kazuo Yamagishi

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Managing Director and
General Manager
Mikihiko Sato

BOARD OF DIRECTORS
As of June 30, 2000

President
Sadaaki Hirasawa

Managing Directors
Takao Kobayashi
Kazumi Shimizu
Norito Ikeda

Senior Managing Executive Officer
Hiroshi Matsuzaki (Director)
Jiro Goto

Managing Executive Officer
Isao Yamashita (Director)
Yasunaka Fujikawa (Director)
Hiroshi Hayakawa (Director)

Executive Officers
Ichio Iwase
Shinichiro Koga
Toshio Wakui
Koichi Okubo
Junzo Ogita
Tadashi Mike
Kazutaka Tsumura

Corporate Auditors
Nobuyuki Shimizu
Yoshihiro Nozaki
Takehiko Sekine
Yutaka Ueno

CORPORATE DATA
As of March 31, 2000

Date of Establishment
December 16, 1920

Number of Branches and Offices
193
Domestic:186
Overseas: 7

Number of Employees
5,323

Authorized Stocks
3,000,000 thousand
Common stock:2,600,000 thousand
Preferred stock: 400,000 thousand

Outstanding Stocks
1,338,624 thousand
(Including 7,347 thousand incomplete stock units)
Common Stocks:1,138,624 thousand
Preferred Stocks: 200,000 thousand

Paid-in Capital
¥184,800 million

Number of Stockholders
29,020
(Incomplete stock units are not included)

Stock Listing
First Section of the Tokyo Stock Exchange

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Tel: 81 (45) 225-1111
Fax: 81 (45) 225-1160

Major Stockholders (Common stocks)	Number of stocks held (thousand)	%
The Meiji Mutual Life Insurance Company	36,494	3.20
The Yasuda Mutual Life Insurance Company	36,494	3.20
The Dai-ichi Mutual Life Insurance Company	36,494	3.20
Nippon Life Insurance Company	28,732	2.52
Sumitomo Life Insurance Company	18,194	1.59
The Bank of Yokohama Employees' Shareholdings Association	13,770	1.20
Yokohama Maruuo Co., Ltd.	12,350	1.08
Nishino Trading Corporation	11,539	1.01
The Dowa Fire and Marine Insurance Co., Ltd.	11,000	0.96
State Street Bank and Trust Company	10,851	0.95

Stockholder Area (Common stocks)	Number of stocks held (thousand)	%
Kanagawa	360,831	31.90
Tokyo	569,036	50.30
Osaka	52,911	4.68
Other area	56,280	4.97
Overseas	92,219	8.15
Total	1,131,277	100.00