Annual Report 1999

Sanwa Bank

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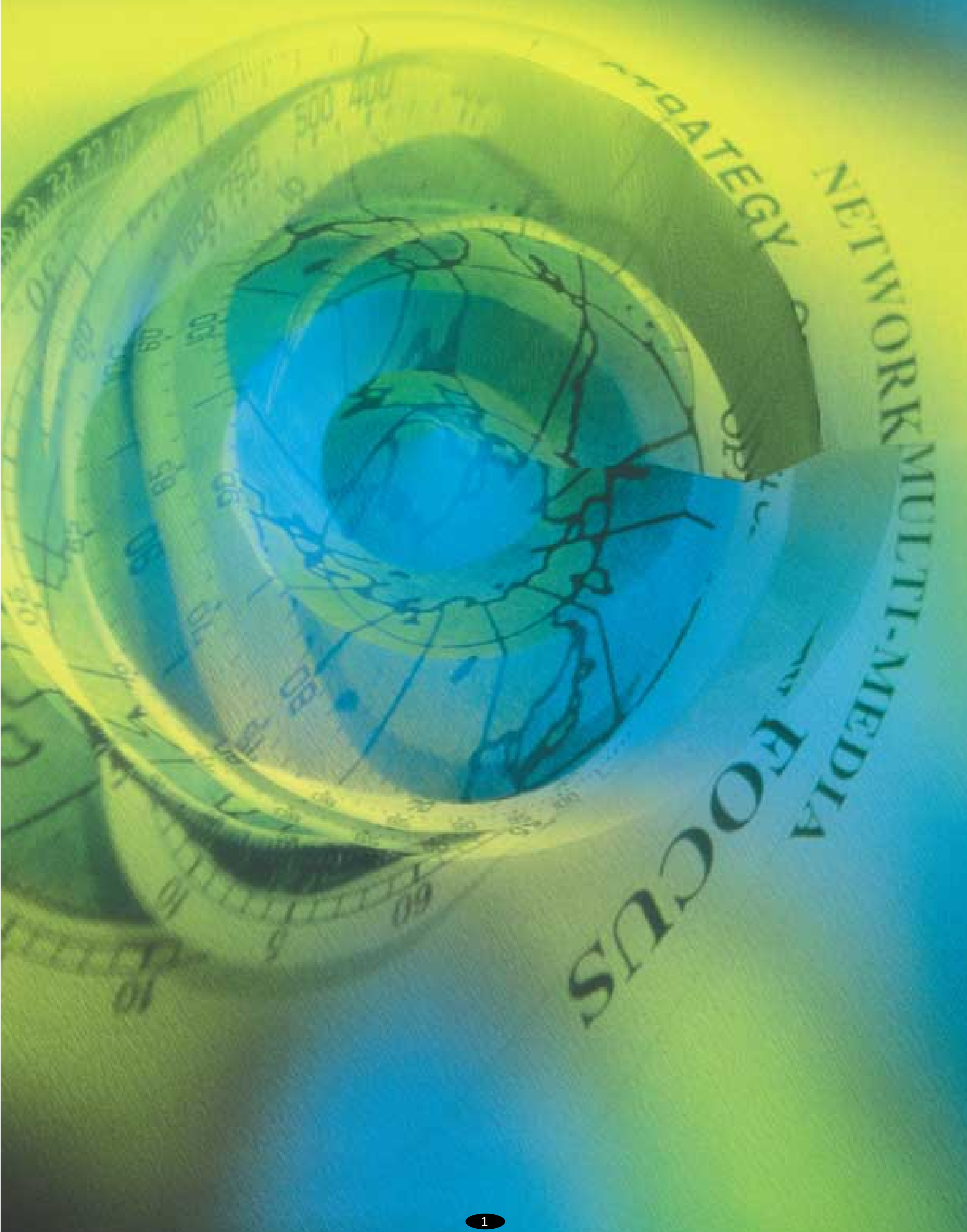

NETWORK MULTI-MEDIA
FOCUS

Highlights of Operations

Sanwa Bank at a Glance

Consolidated Basis

	Millions of yen **1999**	Millions of yen 1998	Millions of yen 1997	Millions of yen 1996	Millions of yen 1995	Millions of U.S. dollars **1999**
For the Year Ended March 31						
Income (Loss) before Income Taxes	**¥(647,256)**	¥(297,190)	¥55,354	¥(221,100)	¥51,101	**$(5,369)**
Net Income (Loss)	**(470,570)**	(182,362)	25,854	(124,945)	22,339	**(3,904)**
	Billions of yen	*Billions of yen*	*Billions of yen*	*Billions of yen*	*Billions of yen*	*Millions of U.S. dollars*
As of March 31						
Total Assets	**¥50,372**	¥56,951	¥55,456	¥55,652	¥54,228	**$417,853**
Loans and Bills Discounted	**32,839**	35,176	37,510	36,364	34,136	**272,411**
Deposits	**35,220**	37,801	39,402	40,600	40,368	**292,164**
Total Stockholders' Equity	**2,082**	1,830	1,887	1,882	2,032	**17,272**
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*U.S. dollars*
Per Share Data						
Net Income (Loss)	**¥(163.19)**	¥ (62.87)	¥ 8.91	¥ (43.06)	¥ 7.70	**$(1.35)**
Stockholders' Equity	**460.13**	578.90	650.68	648.77	700.75	**3.82**
BIS Capital Ratio (%)	**11.06%**	9.60%	9.10%	9.12%	9.17%	**11.06%**

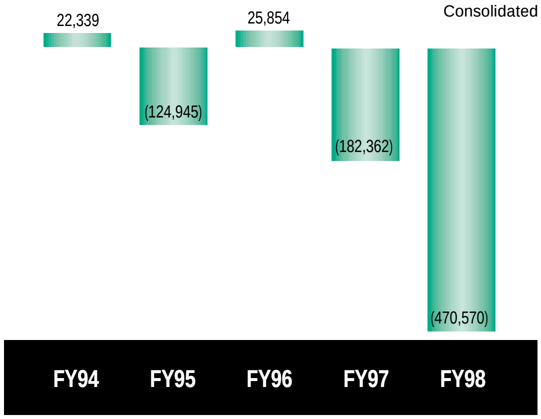
Non-Consolidated Basis

	Millions of yen **1999**	Millions of yen 1998	Millions of yen 1997	Millions of yen 1996	Millions of yen 1995	Millions of U.S. dollars **1999**
For the Year Ended March 31						
Business Profit	**¥246,480**	¥351,916	¥355,389	¥490,889	¥304,894	**$2,045**
Income (Loss) before Income Taxes	**(620,136)**	(340,732)	41,491	(261,471)	46,848	**(5,144)**
Net Income (Loss)	**(394,414)**	(340,938)	41,287	(279,534)	36,778	**(3,272)**
	Billions of yen	*Billions of yen*	*Billions of yen*	*Billions of yen*	*Billions of yen*	*Millions of U.S. dollars*
As of March 31						
Total Assets	**¥47,592**	¥52,708	¥53,158	¥53,131	¥51,849	**$394,796**
Loans and Bills Discounted	**31,868**	33,526	36,029	35,181	33,251	**264,359**
Deposits	**34,418**	36,877	38,608	39,841	39,696	**285,516**
Total Stockholders' Equity	**2,105**	1,438	1,653	1,632	1,935	**17,463**
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*U.S. dollars*
Per Share Data						
Net Income (Loss)	**¥(136.55)**	¥(117.52)	¥ 14.22	¥(96.35)	¥ 12.67	**$(1.13)**
Stockholders' Equity	**466.93**	444.05	569.90	562.66	667.36	**3.87**
Dividend Declared						
Common Stock	**7.00**	8.50	8.50	7.00	8.50	**0.06**
First Series Preferred Stock	**37.50**	1.55	—	—	—	**0.31**
First Series Class A Preferred Stock	**0.05**	—	—	—	—	**0.004**

Note: The amounts in U.S. dollars represent the arithmetical results of translating Japanese yen amounts to U.S. dollars at ¥120.55 to $1, the exchange rate at March 31, 1999.

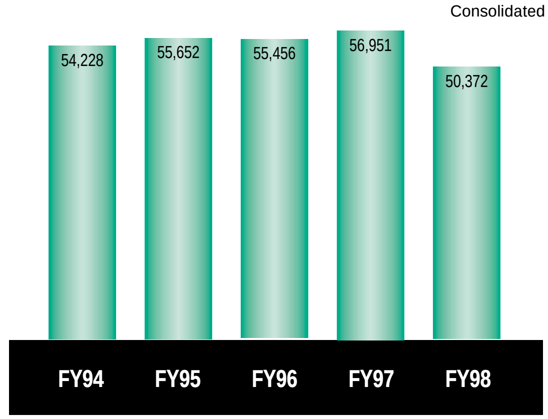
NET INCOME (LOSS)

(¥ Million)



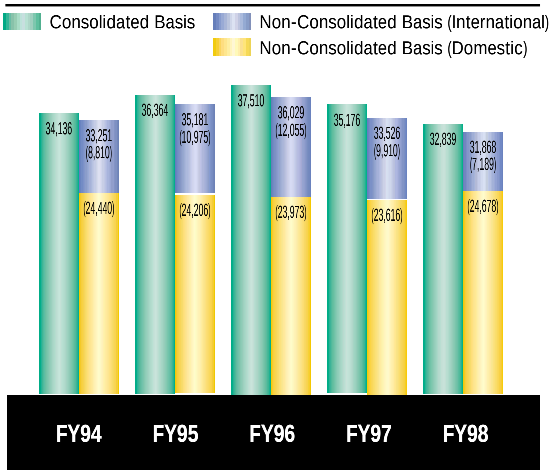
TOTAL ASSETS

(¥ Billion)



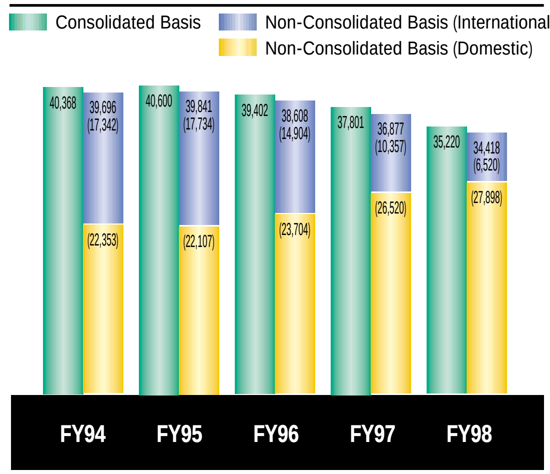
LOANS AND BILLS DISCOUNTED

(¥ Billion)



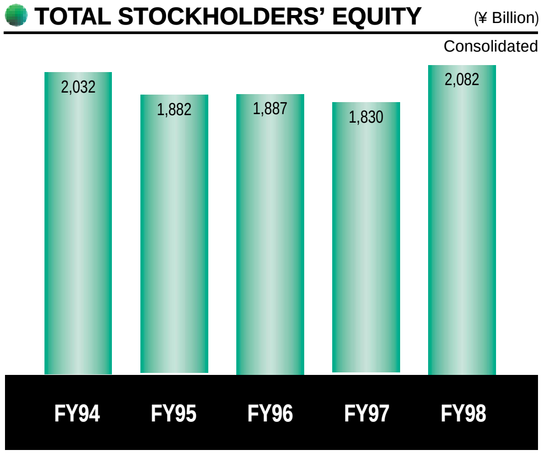
DEPOSITS

(¥ Billion)



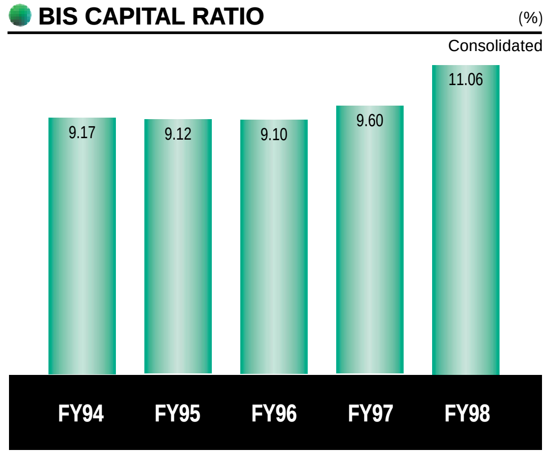
TOTAL STOCKHOLDERS' EQUITY

(¥ Billion)



BIS CAPITAL RATIO

(%)



Message from the President

I would like to begin by thanking our stockholders and business associates for their support during fiscal 1998, ended March 31, 1999. By way of preface to this year's *Annual Report,* I would like to review briefly the major developments in fiscal 1998 and our policies for guiding the Sanwa Bank, Limited, into the 21st century.

The Bank faced a challenging business environment throughout the year. Although it appears that the declining trend is nearing an end, the Japanese economy failed to escape from the prolonged downturn, and the large number of corporate bankruptcies as well as trends in other indicators reflected continuing economic weakness.

Also, accompanying the implementation of the Japanese version of the Big Bang, foreign financial institutions and new entrants from other industries are working to build their presence in Japan's banking markets, leading to a marked increase in competition.

In this challenging environment, the Bank reported non-consolidated Gross Operating Profit of ¥754.5 billion (US$6,259 million), a ¥58.1 billion increase from fiscal 1997. This increase was due in part to a significant rise in gains from Japanese Goverment Bond and other bond transactions. Moreover, as a result of continuing efforts to rationalize the Bank's operational efficiency, expenses were reduced by ¥10.3 billion, to ¥337.7 billion (US$2,801 million). Thus, before the deduction of the transfer to the General Reserve for Possible Loan Losses, the Bank reported Business Profit Excluding Net Transfer to the General Reserve of ¥416.7 billion (US$3,457 million), an increase of ¥68.5 billion from the previous fiscal year.

However, due to the absorption of substantial credit costs, we reported Recurring Loss of ¥653.4 billion (US$5,420 million) before taxes and other consolidated adjustments and Net Loss of ¥394.4 billion (US$3,272 million) on a consolidated basis. The cash dividend per common stock was lowered ¥1.50, to ¥7.00 (US$0.06) for the year.

Credit costs increased, reflecting the Bank's view that comprehensive solutions for problem loans are essential for the Bank to set its operations back on track toward further growth and development. As a result of these measures, we believe that now the Bank is well poised for future expansion with its well-balanced financial position.

As we pass through this turbulent period, we are devoting our utmost efforts to attain the goals of "Stage 1", our current management plan that began in April 1998. To bolster our competitiveness, we are working to reform our operations and are actively pursuing alliances with other companies. During the fiscal year under review, these efforts included forging closer working relationships with The Toyo Trust & Banking Co., Ltd., and Universal Securities Co., Ltd.

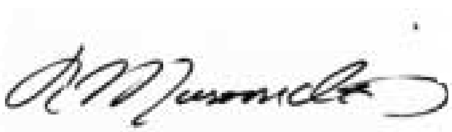
Also, in fiscal 1998, the Bank proceeded to enhance its financial soundness. In March 1999, the Bank decided to utilize ¥700 billion in public funds, and, combined with ¥180 billion in funds raised through its own initiative from institutional investors in Japan and overseas, it added ¥880 billion in capital during fiscal 1998. With this additional capital, the Bank's BIS capital ratio rose to 11.06% at March 31, 1999, placing it among the ranks of the world's leading banking institutions.

Kaneo Muromachi
President and CEO

In June 1999, we reformed our Board of Directors by substantially reducing the number of internal directors and inviting outside members to join the board. We have also introduced a system of executive officers whose mission will be solely to implement management policies set by senior management. These and other reforms represent important departures from past practice and will facilitate the realization of quick decision-making processes and transparent corporate governance.

Through the implementation of these reforms, we are working to achieve high levels of efficiency and profitability as well as maintain our position among the leading financial groups in Japan into the 21st century. The management and staff of the Bank will join together to attain these objectives and build a new Sanwa Bank, providing high-value-added services for customers and creating more value for our stockholders. As we work toward these objectives, we look forward to your continuing support.

August 1999



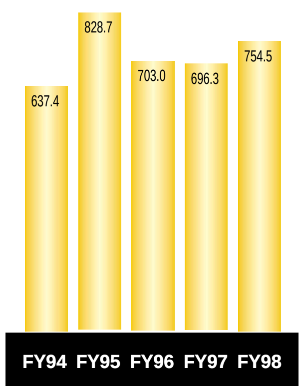
Kaneo Muromachi
President and Chief Executive Officer

Strengthening the Bank's Financial Position

Financial Results for Fiscal 1998

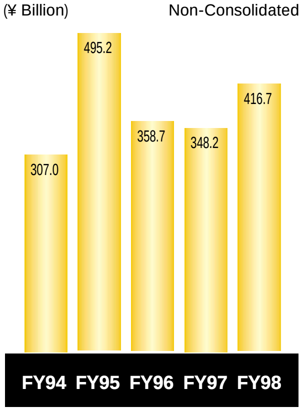
GROSS OPERATING PROFIT

(¥ Billion) Non-Consolidated



BUSINESS PROFIT

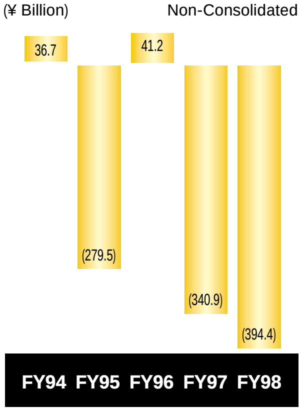
(¥ Billion) Non-Consolidated



Note: Business Profit Excluding Net Transfer to General Reserve

NET INCOME (LOSS)

(¥ Billion) Non-Consolidated



Although there were some signs of a braking of the downward trend in the Japanese economy toward the end of fiscal 1998, the decline in incomes and deterioration in domestic employment conditions brought stagnation in personal consumption, and the movement toward restructuring in the corporate sector resulted in a large decline in capital investment by the private sector.

In the international economy, the United States remained strong, and the turmoil in Asia that stemmed from currency crises in 1997 began to subside, bringing signs of recovery. In continental Europe, however, economic trends in Germany and elsewhere have weakened since the introduction of the euro.

In domestic financial markets, the short-term interbank call market rate fell to near zero following the monetary relaxation policy implemented by the Bank of Japan. On the other hand, long-term interest rates showed a temporary sharp rise but have subsequently stabilized. Stock market prices began to rise toward the end of the fiscal year, in part because of the impact of the monetary relaxation policy.

To take necessary measures for the financial system, the Diet passed nine laws aimed at stabilizing the system in October 1998 and set aside ¥60 trillion in public funds to be used for this purpose. In March 1999, 15 of Japan's major banks received an infusion of public funds totaling ¥7,459.2 billion under the terms of the Law Concerning Emergency Measures for Early Stabilization of Financial Functions.

Amid this operating environment, the Bank reported non-consolidated Gross Operating Profit of ¥754.5 billion (US$6,259 million), ¥58.1 billion higher than for the previous fiscal year, owing in part to a substantial rise in income from Japanese Government Bond and other bond transactions. In addition, as a result of measures taken by the Bank to rationalize its operations, including reductions in the number of outlets and personnel expenses, expenses were reduced to ¥337.7 billion (US$2,801 million), ¥10.3 billion below fiscal 1997. As a consequence, Business Profit Excluding Net Transfer to the General Reserve amounted to ¥416.7 billion (US$3,457 million), ¥68.5 billion higher than for the previous fiscal year.

However, because of the increase in credit costs, including substantially larger additions to the General Reserve, Business Profit fell ¥105.4 billion, to ¥246.4 billion (US$2,045 million); the Recurring Loss amounted to ¥653.4 billion (US$5,420 million); and the Net Loss was ¥394.4 billion (US$3,272 million). As a result of these circumstances, the Bank decided to reduce its cash dividend per common stock by ¥1.5, to ¥7.00 (US$0.06).

Performance by Business Division

Business Profit by Division (managerial accounting basis)

Based on the concept of the division company system, the Bank divided its business into three divisions, namely, the Retail Banking Division, the Corporate Banking Division, and the Global Finance & Investment Banking Division. Business Profit by division in fiscal 1998 on a managerial accounting basis was as follows.

	Billions of yen	*Billions of yen*	*Change*
	1999	1998	
Retail Banking Division			
Business Profit	**¥ 61.7**	¥ 66.5	¥ (4.8)
Gross Operating Profit	**187.5**	192.1	(4.6)
Interest Income	**173.9**	178.7	(4.8)
Fees and Commissions	**10.1**	10.0	0.1
Expenses	**125.8**	125.6	0.2
Corporate Banking Division			
Business Profit	**129.4**	131.7	(2.3)
Gross Operating Profit	**283.7**	295.4	(11.7)
Interest Income	**217.3**	229.2	(11.9)
Fees and Commissions	**35.9**	35.0	0.9
Income Related to Foreign Exchange	**20.7**	22.9	(2.2)
Expenses	**154.3**	163.7	(9.4)
Global Finance & Investment Banking Division			
Business Profit	**54.2**	58.9	(4.7)
Gross Operating Profit	**108.2**	121.8	(13.6)
Trading	**51.3**	44.2	7.1
Investment Banking	**24.9**	26.0	(1.1)
Overseas Commercial Banking	**32.0**	51.6	(19.6)
Expenses	**54.0**	62.9	(8.9)
Subtotal of Business Profit	**245.3**	257.1	(11.8)
Other Business Profit	**1.2**	94.8	(93.6)
Grand Total of Business Profit	**¥246.4**	¥351.9	¥(105.4)

Retail Banking Division

Net interest income declined by ¥4.8 billion. The main reason was the Bank reduced its high-risk exposure to individual borrowers, such as loans for an individual's enterprise. On the other hand, the rate of increase in the balance of deposits from individuals was higher than for Japanese city banks as a whole, leading to a steady increase in interest income from deposits.

The Bank is making substantial investments in Information Technology (IT) that are necessary for the ongoing implementation of its business strategy. These investments for future growth led to an increase in depreciation expenses, which are included among nonpersonnel expenses. Because of the reduction of personnel expenses, however, total expenses were virtually the same as for the previous fiscal year.

Although Business Profit fell, this was because of measures adopted to increase the quality of assets and make strategic investments for the future in retail banking operations.

Corporate Banking Division

It has been a major issue for the division to improve asset quality. As a result of measures to recover problem loans and reduce exposure to borrowers with low credit ratings, the volume of loans declined, leading to a drop in interest income. On the other hand, to improve profitability in corporate banking activities, the Bank has been working to increase lending spreads, so that profit margins, excluding the impact of fluctuations in market rates, have steadily improved. This is the result of loan pricing based on Risk and Cost Adjusted Return (RACAR), which makes use of statistical risk and return characteristics. Moreover, the application of RACAR contributed to improvement in the Bank's asset quality.

By restraining both personnel and non-personnel expenses, total expenses were below those of the previous fiscal year.

Global Finance & Investment Banking Division

In overseas commercial banking operations, the Bank has adopted thoroughgoing restructuring measures to reduce the number of offices as well as the levels of assets and expenses. Although this resulted in a marked decline in Business Profit in Overseas Commercial Banking, the Bank was able to reduce its lower yield assets as well as expenses.

Other Divisions

Business Profit of other divisions was favorably influenced by income from investments in Japanese Government Bonds. On the other hand, the addition to the General Reserve of ¥170.2 billion had an adverse effect on profit.

Absorption of Problem Loans

Taking account of economic conditions and other factors, the Bank decided to adopt conservative criteria and take strong measures to deal with its problem loans in fiscal 1998. Specifically, including the provision to the General Reserve for Possible Loan Losses, the Bank absorbed credit costs of ¥1,003.0 billion (US$8,320 million). This included the losses accompanying the final disposal of problem loans through securitization and sale and the substantially larger additions to the General Reserve and Specific Reserves. As a consequence, the reserve ratio to problem loans rose significantly, thus showing the Bank substantially strengthened its financial position to adequately deal with potential future loan losses.

Based on the New Disclosure Standard established under the Law Concerning Emergency Measures for Early Stabilization of Financial Functions, the makeup of the Bank's asset portfolio at fiscal year-end was as shown in the following chart:

New Disclosure Standard *Millions of yen*	*Outstanding as of* *March 31, 1999*	*Coverage*	*Coverage Ratio*
Bankrupt and Quasi-bankrupt	¥ 785,865	¥ 785,865	100.0%
After the Write-offs of Category IV	326,021	326,021	100.0%
Doubtful	1,083,118	917,935	84.7%
Sub-standard	321,794	98,972	30.7%
Total Problem Loans under the New Disclosure Standard	2,190,777	1,802,772	82.2%
After the Write-offs of Category IV	1,730,933	1,342,928	77.5%
Normal	33,207,746	—	—
Total Exposure	35,398,523	—	—
After the Write-offs of Category IV	34,938,679	—	—

Note: Coverage is the portion secured by collateral or guarantees or covered by the Specific Reserves.

Under the New Disclosure Standard (see page 11 for a more-detailed explanation), the total amount of problem loans, including bankrupt and quasi-bankrupt, doubtful, and sub-standard at fiscal year-end was ¥2,190.7 billion (¥1,730.9 billion after the Write-offs of Category IV). This represented 6.1% of the Bank's total loans (4.9% after the Write-offs of Category IV).

The total amount of the Specific Reserves plus collateral and guarantees against the problem loans was ¥1,802.7 billion (¥1,342.9 billion after the Write-offs of Category IV). This represented a Specific Reserve, collateral, and guarantee coverage ratio of 82.3% (77.6% after the Write-offs of Category IV), implying that most of the problem loans under the New Disclosure Standard have been covered.

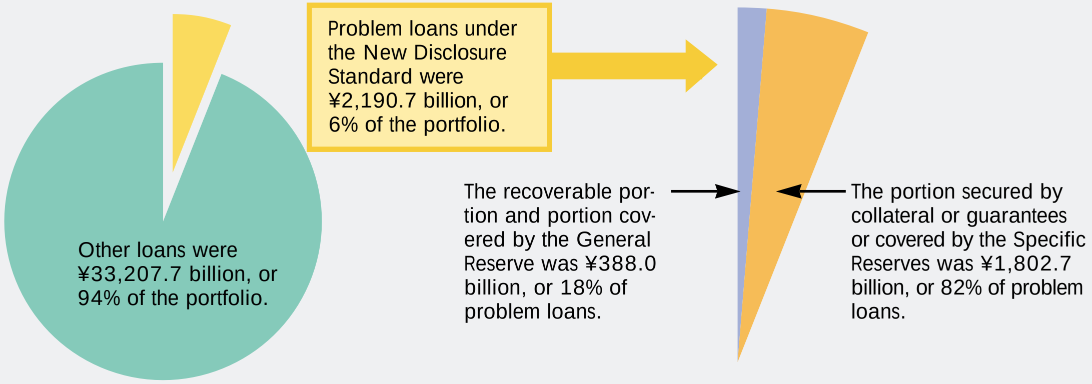
The amount of reserves provided by the Bank is in excess of the guidelines established by the Financial Reconstruction Committee (FRC) in its directive, *The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection*.

For the Doubtful category, the Bank has provided the Specific Reserves for 73.4% of the unsecured portion (the portion not covered by collateral or guarantees), compared with the FRC guideline of 70%. For the Sub-standard category, it reserved 20.8% of the unsecured portion, compared with the guideline of 15%. Moreover, for the Bankrupt and Quasi-bankrupt category, reserves for 100% of the unsecured portion have been provided.

As stated above, the Bank has taken decisive measures to deal with its problem loans. Although this resulted in Net Loss for fiscal 1998, it believes that appropriate treatment of problem loans has been completed. Therefore, the amounts of problem loans to be absorbed in later years is expected to decline substantially.

PROBLEM LOANS UNDER THE NEW DISCLOSURE STANDARD

SECURITY PROVIDED FOR PROBLEM LOANS



As of March 31, 1999, 82% of problem loans disclosed according to the New Disclosure Standard were covered by provisions to the Specific Reserve for Possible Loan Losses or secured by collateral or guarantees. For the remaining 18% of problem loans, the Bank deems the possibility of recovery to be high or has made provisions to the General Reserve to cover this portion.

Classification under the New Disclosure Standard, Self-Assessment, and the Banking Law

Classification under Self-Assessment Criteria	Classification under the New Disclosure Standard (Loans and other claims,	Classification under the Banking Law	Definitions	The Bank s Standards for Making Provisions to Reserves	Guidelines of the Financial Reconstruction	The Bank s Reserve Ratio as of March 31,
Normal	Normal		Loans to borrowers experiencing good operating conditions and having no particular financial problems	Provisions are made to the General Reserve based on the expected default ratio for each internal credit rating category over the coming one-year period and the amount of exposure.		0.16%
Special Mention			Loans with problems in terms or repayment situation, or loans to borrowers with weak, unstable business performance, including reporting losses	Provisions are made to the General Reserve based on the expected default ratio over the coming three-year period and the amount of exposure.	Use appropriate default ratios considering average terms to maturity	3.5%
	Sub-standard	Restructured Past Due 3 Months or More	Loans in the category immediately above, whose payments are past due 3 months or more or whose terms have been restructured	Provisions are made to the General Reserve based on the default ratio and the amount of exposure, for which reserves should be provided, after the amount recoverable from collateral and guarantees is subtracted.	15%	20.8%
Possible Non-performing	Doubtful		Loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a strong possibility of going into bankruptcy	Provisions are made to the Specific Reserves for the amount of exposure for which reserves should be provided, after the amount recoverable from collateral and guarantees is subtracted.	70%	73.4%
Quasi Non-Performing	Bankrupt and Quasi-bankrupt (Claims against companies undergoing bankruptcy procedures)	Restructured Past Due 3 Months or More Other Delinquent	Loans to borrowers who are not currently in legal bankruptcy but in quasi-bankruptcy: that is, having poor financial situations without prospects for recovery	For the amount of exposure, after the amount recoverable from collateral and guarantees is subtracted, the remainder is written off or provisions are made to the Specific Reserves.		100%
Non-Performing		Bankrupt	Loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement			

Definition of Problem Loans under the New Disclosure Standard and the Banking Law

	New Disclosure Standard	Banking Law
Claims included	Loans, foreign exchange, customers' liabilities for acceptances and guarantees, unpaid interest, advances, securities lent	Loans
Object of classification	Obligor	Individual loan

Additional Comments

***The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection* Published by the Financial Reconstruction Committee**

In January 1999, prior to the infusion of public funds into the banking sector, the Financial Reconstruction Committee provided the following guidelines for provisions to loan loss reserves:

1. Exposure for Doubtful obligors not covered by collateral or guarantees: around 70%.
2. Exposure for Sub-standard obligors not covered by collateral or guarantees: around 15%
3. Exposure for Special Mention obligors other than Sub-standard: appropriate default ratio considering average terms to maturity.

Problem Loans under the New Disclosure Standard
Under the New Disclosure Standard, "Problem Loans" includes exposure to obligors classfied as Bankrupt and Quasi-Bankrupt, Doubtful, and Sub-Standard.

Write-offs of Category IV
Beginning with the fiscal year under review, the following accounting method, which the Bank has not applied, for write-offs of certain loans has been approved. Specifically, both the unsecured claims against obligors classified as Bankrupt or Quasi-bankrupt, for which the possibility of recovery is deemed to be extremely low (Category IV under Self-Assessment) and the Specific Reserves for such claims may be removed from the balance sheet.

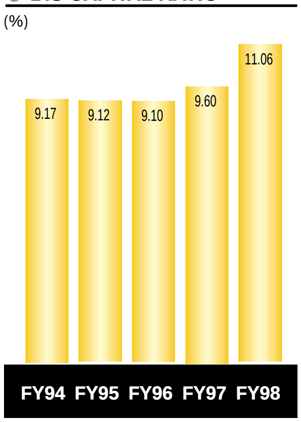
Injection of Public Funds

The Bank raised additional capital of ¥880 billion in fiscal 1998. Of this total, ¥700 billion was obtained from public funds and ¥180 billion from the Bank's own efforts in financing from market sources through a placement with institutional investors. Details of the increase in capital are shown in the accompanying table. As a consequence, the Bank significantly strengthened its financial position and raised its BIS capital ratio to 11.06% at March 31, 1999.

Even without the injection of public funds, the Bank would have been able to sustain a capital ratio around the mid-8% level. However, the management of the Bank resolved to make an application for public funds, recognizing the necessity of securing a strong financial position meeting international standards with the objectives of enhancing market confidence in the Bank, both in Japan and overseas, and implementing the Bank's strategies for the new era at the earliest possible time.

The additional capital will be used to respond more actively than previously to meet the demand for funds from sound medium- and small-sized companies. At the same time, the Bank will make investments in implementing the formation of alliances as part of the strategies of the Sanwa Bank Group and in the infrastructure necessary for offering higher-value-added financial services.

BIS CAPITAL RATIO



ADDITIONAL CAPITAL RAISED DURING FISCAL 1998

Source	Issue Date	Type of Security	Amount Raised	Principal Features
Public funds	March 1999	First Series Class A Preferred Shares (Tier I)	¥600 billion	• Preferred shares convertible into common shares of the Bank • Full amount directly allotted to The Resolution and Collection Bank, Limited
	March 1999	Second Series Perpetual Unsecured Subordinated Bonds (Upper Tier II)	¥100 billion	• Perpetual unsecured subordinated bonds issued by the Bank • Full amount directly allotted to The Resolution and Collection Bank, Limited
Market (Japanese and foreign institutional investors)	March 1999	Noncumulative perpetual preference shares issued by overseas subsidiaries of the Bank (Tier I)	¥180 billion	• Not convertible into the common shares of the Bank • Private placement with Japanese and foreign institutional investors
	Total		¥880 billion	

Notes regarding the issuance of ¥600 billion in preferred shares to the government.

1. The preferred shares are convertible into common shares of the Bank at an initial conversion price of ¥1,156 per share, subject to reset and adjustment, (i) at the option of the holder at any time between July 1, 2001, and July 31, 2008, and (ii) on a mandatory basis on August 1, 2008.

2. Through the implementation of the Bank's Plan for Achieving Sound Management, retained earnings available for payment as dividends by March 31, 2003, are expected to amount to about ¥600 billion, which is the amount originally invested in the preferred shares.

Plan for Achieving Sound Management

The Bank began to implement its new management plan, "Stage 1" in April 1998. The Plan for Achieving Sound Management ("the Plan"), which was prepared in January and February 1999 in connection with the Bank's application for public funds, incorporates the basic concepts contained in "Stage 1." Accordingly, "the Plan" detailed the initial plan of "Stage 1" and included measures to implement "Stage 1" more quickly. Especially, the initial financial targets in "Stage 1" regarding profit plans, restructuring measures, and business plans by each division were reconsidered, taking into account the rapid transition of the operating environment.

Therefore, the management directions and objectives contained in "the Plan" are consistent with the Bank's management plan under "Stage 1". The Bank recognizes that the implementation of "the Plan" shall be the first priority of the management. Management is also aware that making "the Plan" publicly available constitutes a commitment to society for implementation and, at the same time, believes that achieving the objectives of "Stage 1" is needed to respond to the expectations of the market and society.

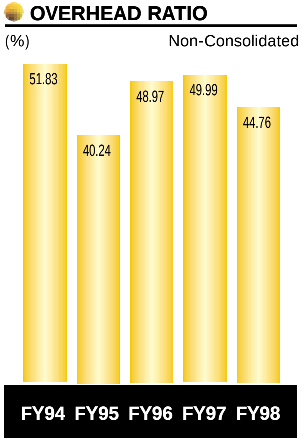
Restructuring the Bank's Operations and Investing for Future Growth

The Bank has worked to eliminate the waste of resources and enhance the efficiency of its operations. As a consequence, its overhead ratio and Business Profit per employee show that the Bank's operations are among the most efficient of Japanese city banks. In fiscal 1998, the Bank made major reductions in entertainment, advertising, and other expenses. Other measures to reduce costs included consolidating and closing certain offices in Japan and overseas as well as restraining personnel costs by reviewing compensation for directors and employees.

Specifically, in fiscal 1998, the Bank consolidated or closed 23, or approximately 40%, of its overseas outlets, thus virtually completing the rationalization of its overseas network. In Europe and the Americas, the Bank will reduce its less profitable exposure to non-Japanese customers and operate mainly to provide financial support for Japanese corporations which is more profitable for the Bank. Furthermore, the Bank sold its subsidiary Sanwa Business Credit Corporation (SBCC) in Chicago, whose main functions were providing asset-based lending and commercial leasing.

In Japan, 24 manned branches were consolidated or closed in fiscal 1998, and another 25 domestic offices will be consolidated or closed in fiscal 1999. Thus, in fiscal 1998 and fiscal 1999, the Bank will have reduced the total number of domestic offices by 10%. Moreover, in retail banking, the Bank is planning to implement a policy of

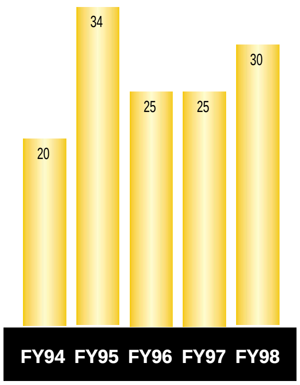
OVERHEAD RATIO



Note: Ratio of Expenses to Gross Operating Profit

BUSINESS PROFIT PER EMPLOYEE

(¥ million) Non-Consolidated



Note: Business Profit Excluding Net Transfer to the General Reserve

shifting a certain number of branches toward lower-cost branches that specialize in specific activities, such as handling consumer and housing loans and providing investment advice. Plans also call for selling certain assets, principally nonoperating real estate and welfare facilities, such as athletic grounds, resorts, as well as some of the Bank's housing and dormitories for employees.

In personnel matters, as a result of a thorough review of management systems, the Bank has substantially reduced the number of directors. Also, through the restructuring of marketing and processing systems, the Bank will reduce the number of personnel by 2,300 over four years. Through completion of these rationalization plans, the reduction in the Bank's expenses will amount to ¥120 billion on an accumulated basis over the five years from fiscal 1998 to fiscal 2002.

On the other hand, to respond to changes in the financial environment and the growing diversity and sophistication of customer needs, the Bank plans to make effective investments of its resources that will contribute to enhancing profitability and efficiency. In line with its aggressive IT-related investments in the past, the Bank appropriated about ¥40 billion to make investments to enhance the competitiveness of its business operations in fiscal 1998. These include capital outlays needed for operating ATM services 24 hours a day, expanding delivery channels, and providing settlement services for corporate customers. Investments were also made in infrastructure, such as the development of a new branch operating system (see page 22) and countermeasures to cope with the year 2000 problem (see page 32).

From fiscal 1998 through 2002, the Bank plans to spend about ¥200 billion on the development and implementation of a highly efficient Core Operating System (see page 30), which will allow the Bank to respond flexibly to business tie-ups and facilitate the quick development of new systems, as well as on aggressive IT-related investments in strategic areas. In parallel with these activities, it will give consideration to the joint development of systems with partner companies and to the outsourcing of certain functions.

The Bank will reform its cost structure to enhance the efficiency of operations, through the implementation of cost reductions as well as aggressive investment for enhancing its profitability and the restructuring of its business activities.

Enhancing Competitiveness of the Bank's Operations

Providing Value-Added Services

Improving the Bank's competitive position in retail banking is one of the key objectives of its management strategy because of the medium- to long-term prospects for growth in this area. Combining the Bank's network and services with the network and products of companies in consumer-related industries, with which the Bank has developed close relationships, will substantially benefit the Bank as well as these companies. At the same time, because the corporate banking business is the largest generator of income for the Bank, it will be crucial to improve competitiveness in this market as well.

To enhance competitiveness, the most important requirement is to provide the value-added products and services that satisfy customers in the best way and with the best timing. Needless to say, it is indispensable for the Bank to attain both profitability and efficiency as well as to offer value to customers through pursuing returns that are commensurate with the risks and costs it incurs.

To achieve these objectives, the Bank is making substantial changes in its branch organization, which is the most important channel for interfacing with customers, while developing new service delivery channels and new financial services, especially in the settlement and asset management fields. In addition, by differentiating market segments based on customer needs, the Bank adopted a more efficient and effective approach to each market and is expanding its operations while pursuing returns that are commensurate with risks and costs.

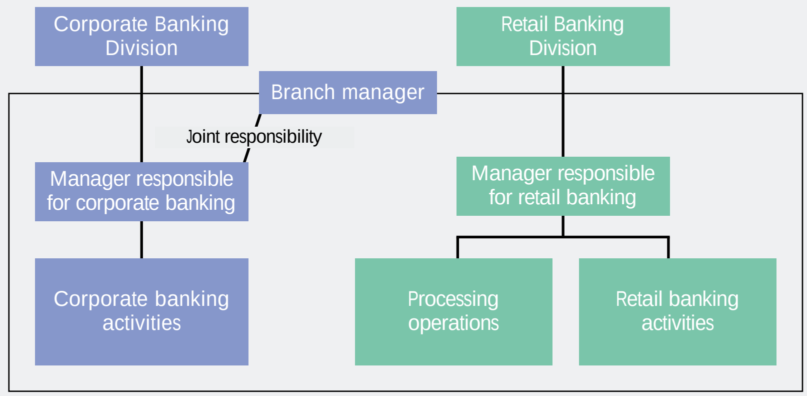
In the pursuit of these activities, the Bank is also giving careful consideration to strategic alliances with other companies to strengthen its position in core businesses.

Separation of Corporate and Retail Functions at Branch Level

The Bank has set a policy of clearly separating the marketing front and other organizational functions for corporate and retail banking at the branch level, since the value sought by corporate and retail customers are substantially different in nature. To satisfy both of these different expectations, the Bank reorganized its branches appropriately for corporate and retail banking business. In addition, based on the concepts underlying the division company system (see page 28), the separation will make it possible to monitor profitability for each division and achieve the proper allocation of resources.

In addition to the separation, the Bank will consolidate corporate banking activities in a more limited number of outlets. This enables the Bank to concentrate staff with expertise in such outlets and to cope with corporate customers' more sophisticated and diversified demands. Moreover, by reducing the number of branches providing corporate banking services, the Bank will be able to eliminate various costs. There were 335 domestic outlets as of March 1999. According to the Plan for Achieving Sound Management, the Bank will reduce the total number of outlets to 310, while reducing the number of outlets for corporate banking activities to 160.

OUTLINE OF NEW BRANCH ORGANIZATION



Note: In some cases, the branch manager may have joint responsibility with managers for retail banking rather than corporate banking.

On the other hand, the needs of individual customers differ in a more complicated manner. Customers' priorities are sometimes on quicker service and sometimes on quality of consultatory services. To respond to this spectrum of needs accurately, the Bank has developed a range of channels, including ATMs located off Bank premises, telephone banking, and Internet banking. It is also necessary to differentiate the roles of each branch according to demands from customers. For example, some branches will specialize in financial advisory functions, and others will focus on quick processing of daily transactions. Reviewing the roles of individual branches, the Bank will enhance its competitiveness in retail banking by increasing the convenience and specialization as well as promoting low-cost operations.

Clarifying performances by branch for corporate and retail banking activities, the Bank will be able to recognize the performance of each division and allocate resources more appropriately.

The accompanying chart shows an outline of the new branch organization. This new organization was implemented in 11 branches in February 1999, and the implementation at all other branches will begin in the latter half of fiscal 1999.

The Number of Domestic Outlets (Plan for Achieving Sound Management Basis)

		Retail Banking			Total
		Full-size Branches	Specialty Branches	Small Branches	
Corporate Banking	Yes	80	80	(0)	160 (*1)
	No	30	120	(100)	150 (*2)
Total		110	200	(100)	310

*(*1) Branches providing both retail and corporate banking services*
*(*2) Branches specialized in retail banking*

Types of Branches
1. Full-size Branches: Core branches providing all retail banking functions
2. Specialty Branches: Branches providing a portion of retail banking services
3. Small Branches: Speciality branches specialized in selected retail banking services

Strategy by Market Segment: Corporate Banking

To offer services to customers more effectively and efficiently, the Bank has segmented its corporate and retail customers based on their needs and the nature of services provided.

Corporate customers have been classified into the following four groups according to their size, demands for banking services, and other considerations. The Bank has clarified relationship managers for each segment and is effectively and efficiently offering the value-added services which satisfy customers' needs.

Market I: Corporations in this segment have annual sales of ¥100 billion or more. While the financial demands of these companies are becoming increasingly sophisticated, demands for commercial banking services have matured. Moreover, competition in this segment with foreign financial institutions and domestic financial institutions in other fields is becoming more intense. Accordingly, although loans to companies in this market will not increase, the Bank will offer other functions, principally investment banking.

Market II: Corporations in this segment have annual sales of ¥3 billion or more. The Bank expects considerable potential for the steady expansion of transactions with corporations in this market. Customers in this market look to the Bank to provide not only loan financing but also settlement services, investment banking services, business referrals to assist their marketing activities, and other services.

Market III: Corporations in this segment have annual sales of ¥1 billion or more. They expect the Bank to provide financing functions. In addition to lending, the Bank is considering broadening the range of services it offers to these companies, drawing on its experience gained in dealing with Market II companies.

Market IV: This group of customers comprises national and local governmental entities, nonprofit organizations, and certain other clients. This market is not significantly influenced by economic fluctuations, and the Bank is aiming for stable transaction relationships.

Selection of Core Markets

Among the four markets described, the Bank has positioned markets II and III as its core markets, to which it is allocating resources on a priority basis, for the purpose of substantially increasing profitability in corporate banking.

The Bank has decided to focus on these two market segments after taking account of the profitability of the segments on a RACAR (Risk and Cost Adjusted Return: see page 31) basis, the market share it has already gained in these two market segments, and other factors. Accordingly, the Bank is placing emphasis on allocating management resources to these segments.

For customers classified in the Business Banking market (see page 21) that were formerly serviced by the Corporate Banking Division, the Bank will provide services for these customers through the Retail Banking Division, making use of its retail banking know-how, in order to respond more effectively to their demands as well as to reduce costs.

New Corporate Marketing System

To implement its strategy of market segmentation, the Bank has reviewed its marketing systems. First, at the branch level, beginning in the first half of fiscal 1998, the Bank tested a cross-regional corporate marketing system and is now applying this system nationwide. This system is based on the idea that through concentrating personnel for corporate banking services with expertise in a limited number of outlets, the Bank will be able to deal most effectively with customers whose demands are sophisticated and diversified.

In the Head Office, the Bank established a Corporate Desk in November 1998. This new unit is supporting branches to provide customers with services responsive to their needs and sharing information about customers with branches. Specifically, the Corporate Desk coordinates branches and various departments in the Head Office providing specific services, including making requests to such departments for the development of new products and services based on analyses of customer needs. In addition, in the reorganization of the Bank's Head Office in February 1999, specific departments were designated to be responsible for each market segment described previously.

Following this reorganization, the headquarters and branches are working together effectively and efficiently to provide higher-value-added services that customers demand.

Functions Provided by the Head Office

Through this improved organization for serving corporate customers, the Bank is providing customers with a diverse range of financial functions through the various departments of the Head Office to meet their needs.

To assist customers in fund-raising, the Corporate Finance Department provides support for private bond placements, asset securitization, and other funding activities. The Structured Finance Department responds to demands for project finance in Japan and overseas. Similarly, to meet increasingly diverse and sophisticated financial needs, the Derivative Products Department is engaged in developing various types of loan products making use of derivatives. This department also provides investment products and financial services to assist corporate customers in risk management.

In response to customers' need to pursue efficiency in processing related to their accounting and in utilizing their financial resources through appropriate cash management, the Network Strategy Department provides electronic banking and Global CMS (Cash Management Services).

To meet demands for M&A services, the Corporate Finance Department offers advisory assistance and implementation services. In addition, the Marketing Support Office responds to customer needs for introductions to new business partners, advice on stock listings and IPOs, and assistance in transferring ongoing businesses to the subsequent generations or to new owners, as well as support for venture businesses.

Strategy by Market Segment: Retail Banking

In retail banking, the Bank has classified its customers into the five market segments described below, based on the types of transactions and their needs, for the purpose of providing them with higher-quality services suited to their demands. Among these segments, the Bank has defined the Core and Gold markets as its core markets and is allocating resources on a priority basis to these segments, considering the Bank's competitiveness in these areas and the growth potential of business in these markets. (Figures in parentheses are the approximate number of customers in these segments having regular transactions with the Bank.)

Mass market (6 million): Customers in this segment rely on the Bank primarily for settlement services, including the payment of public utility charges. The Bank plans to expand the number of its customers in this market by strengthening its ATM network and direct banking services. At the same time, to enable the shifting of the customers in this segment to the Core category, the Bank is working to expand the range of transactions through sales of more asset management and loan products in addition to settlement services.

Core market (3.5 million): Customers in this segment make use principally of various asset management products as well as housing and consumer loans. The Bank plans to expand the range of transactions with this market by utilizing advanced IT-based marketing techniques to continually provide these customers with the best products and services for their needs with the best timing.

Gold market (100,000): Customers in this segment rely on the Bank primarily for asset management consultations, including proposals for asset portfolios and housing loans. This segment includes a large number of persons who are retired. The Bank is working to expand transactions with the customers in this segment by providing services appropriate for various stages in their lives.

Financial Advice market (20,000): Services for this segment are centered on providing advice for managing substantial volumes of assets. This segment also includes customers interested in enterprise-type financing for the development of real estate properties and other purposes. To respond to such broad and sophisticated consultation needs, the Bank is planning to assign account officers with expertise for the customers in this segment.

Business Banking market (Number of borrowers: 30,000): Although the customers in this segment are corporate entities, their needs, principally for loans and settlement services, can be served mainly through standardized services and products. The Bank will respond to their needs most accurately by making use of know-how developed in retail banking activities.

New Branch Operating System

Beginning in March 2000, the Bank plans to introduce a new branch operating system that will provide the infrastructure to support future branch operations and processing activities. This new system will enable the Bank to offer services to meet the diverse needs of customers visiting branches, enhance the convenience for customers, and increase the efficiency of processing systems.

Processing operations at the Bank's branches are complex and various. Moreover, there have been technical limits on how much of this work can be centralized in the processing centers. Under the new branch operating system, these issues will be solved through the use of the latest technologies, including image processing technology, which will make it possible to concentrate much of the clerical operations of branches in the processing centers.

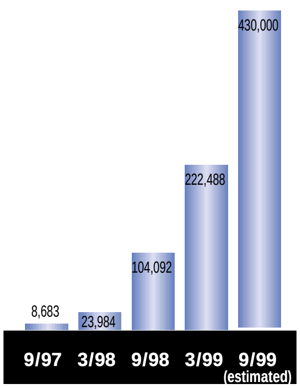
Conventional branches of Japanese banks had dealt with complicated asset management consultation and simple processing services at a same counter. To maximize the quality of consulting services and rationalize processing services, the Bank will rearrange each counter to offer specific types of services. At the same time, staff will be assigned to each specialized service to meet customer needs better and offer more appropriate financial services.

In addition, a system is under development that will make it possible for staff to refer to appropriate information related to a customer, which is accumulated in the Bank's database. With this system in place before a customer sits down at the counter, a teller will be able to access the information database of the customer, as the card reader, which is located at the entrance, has recognized the customer's identification, when he or she entered the branch, and necessary information has been delivered on the teller's monitor screen.

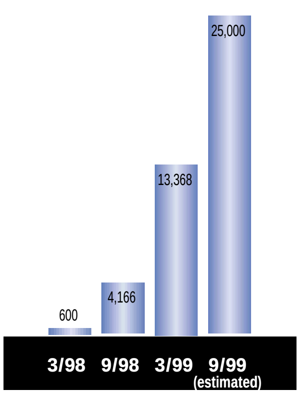
Moreover, by improving the capabilities of automated equipment, ATMs and other newly installed equipment will be able to perform certain operations that heretofore could only be processed at teller counters—such as accepting large amounts of cash, issuing new passbooks, and dealing with public utilities and other charges. This will result in services becoming more convenient for customers and speed up processing operations. At the same time, processing operations will become substantially more efficient and less costly for the Bank itself.

New Service Delivery Channels

TELEPHONE BANKING: NUMBER OF CUSTOMERS



INTERNET BANKING: NUMBER OF CUSTOMERS



In Japan, roughly 70% of the population own a mobile telephone, and 30% of households have PCs. These types of information-related equipment are therefore becoming regular fixtures in our daily lives. At the same time, information and telecommunications technology is progressing rapidly, and as a result of the application of this technology to financial services, the volume of transactions via telephone and other media is increasing.

With these developments, the Bank believes, especially in the retail banking sector, that transactions utilizing remote banking services available 24 hours a day will increase rapidly. The Bank has endeavored to develop the most advanced delivery channels in the financial service industry, making use of information technologies, and intends to further upgrade the convenience of its services for customers. Offering advanced delivery channels is also an important key from a management perspective, since it contributes to reducing manned transactions. Furthermore, these developments will help the Bank to expand its potential market by allowing it to provide services in areas distant from the branch network.

New service delivery channels developed in recent years are described below.

Telephone Banking: Services began in June 1997, enabling customers to access account information and utilize various services like remittances on a 24-hours-a-day, 365-days-a-year basis. Other lines of services are also available, including opening savings accounts and foreign currency accounts, making payments for mail order purchases as well as placing orders for foreign currency exchange. In addition, beginning in February 1999, the Bank began to offer the Sanwa Mobile Banking service, which utilizes mobile telephones with LCD screens as if they were ATMs.

Internet Banking: The Bank introduced Internet banking services in February 1998. This service offers account information and enables customers to conduct various transactions, like the Bank's Telephone Banking services. In addition, the Bank has managed EC Direct, an on-line shopping facility in cyberspace, within which the Bank provides settlement services with immediate debiting from customer accounts. The Bank plans to continue increasing on-line shops in EC Direct.

Other Activities: Other activities to develop new service delivery channels include a joint project with the Daiei Group to link the Bank's network to cash dispensers in the outlets of Lawson, a leading convenience store chain. In addition, the Bank is developing the Sanwa Home Security Banking Service to offer home banking services in cooperation with SECOM Co., Ltd., Japan's leading security systems company.

Innovation in Cash Settlement Methods

In Japan, although cash and credit cards have been the main ways of payment, debit cards were introduced in January 1999. At the same time, various tests of electronic money are under way. The following describes the Bank's activities related to these projects.

Debit Cards: Debit cards allow direct and immediate settlement from customer accounts at the time of purchase from member companies, such as department stores and retail outlets. The Bank has participated in the Japan Debit Card Promotion Association from the beginning to promote the scheme.

Electronic Money: The Bank is participating as the managing settlement bank in the Super Cash electronic money experiments that began in April 1999 in the Shinjuku area of Tokyo. In addition, the Bank is promoting the MONDEX project, an international electronic money project with JCB, a leading credit card company in Japan, and has obtained the franchise rights in Japan.

Asset Management Services

Along with the demographic aging of Japan's population and introduction of defined contribution pension plans, growing demands for asset management services among individual customers are expected to accelerate its pace. Especially in the retail banking sector, the Bank responds to these emerging needs for asset management services in Japan as a leading financial institution.

Investment Trust Business

Investment trusts are expected to be one of the core asset management products in the Japanese retail market, as they are in other parts of the world.

Within the Sanwa Bank Group, an integrated system for the promotion of investment trusts business, from upstream to downstream in this business, has been established. Partners Asset Management Co., Ltd., will be responsible for the development and management of investment trusts; Japan TPP Securities Co., Ltd., will provide advisory services to customers; and related securities companies, including Universal Securities Co., Ltd., will market the investment trusts to customers.

Defined Contribution Pension Plan Business

Defined benefit pension plans in Japan, which heretofore have been the principal type of pension plan in the country, now face a number of problems, including deterioration in financial positions owing to the decline in investment returns and changes in Japanese accounting standards, which set stricter rules for corporations regarding disclosure of potential pension liabilities. Also, it has been pointed out that defined benefit pension plans that assume Japan's traditional lifetime employment are disadvantageous to persons who change employers. One of the solutions recently proposed to these problems is the introduction of defined contribution pension plans, which are scheduled to be introduced in Japan in 2000.

The Bank believes that reform of the pension system must be an important issue which will have a major impact on society as well as a good opportunity for the Bank to expand its business activities. Accordingly, the Bank is working to assist in the introduction and management of the new pension plans and provide participants with a diverse lineup of services, based on the close ties with a broad range of customers and the financial know-how accumulated in the Sanwa Bank Group.

Specifically, in September 1999, the Bank plans to establish a new sales planning company together with The Toyo Trust & Banking Co., Ltd., and Daido Life Insurance Co. to promote new pension plans. Moreover, the Bank has decided to strengthen the capabilities of Japan TPP Securities Co., Ltd., which will provide consultation and other services to pension participants, and to invest in Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), a pension record-keeping company proposed by The Nomura Securities Co., Ltd., and The Industrial Bank of Japan, Limited.

Strategic Alliances

To strengthen the Bank's position in its core fields of retail banking and the corporate middle market, the Bank is actively working to conclude strategic tie-ups with other financial institutions.

Alliance with Toyo Trust

In January 1999, the Bank and The Toyo Trust & Banking Co., Ltd. (Toyo Trust) decided to conclude a comprehensive alliance. In March 1999, to substantially strengthen this alliance, the Bank purchased the full amount of a third-party allotment of shares from Toyo Trust amounting to ¥100 billion. As a consequence, the Bank is now a leading stockholder, owning approximately 12% of Toyo Trust's shares.

The alliance with Toyo Trust aims to realize synergies between the Bank's strong business franchises in the corporate middle and retail markets and Toyo Trust's expertise in asset management business and other trust banking fields. Specific steps toward a closer working relationship have included providing free access to services at any ATM of the Bank or Toyo Trust for customers of both banks; consolidation of trust business functions, including real estate, corporate agency, and pension businesses; and other collaboration in various fields.

Strengthening of the Bank's Retail Securities Network

In order to strengthen its asset management services, the Bank has already invested in Partners Asset Management Co., Ltd. (formerly Yamaichi Investment Trust Management Co., Ltd.), and adopted other measures to strengthen the capabilities of the Sanwa Bank Group in this area. In view of the importance of having integrated capabilities from financial product development to retail sales, the Bank is taking steps to strengthen its retail presence.

In addition to Towa Securities Co., Ltd., a consolidated subsidiary of the Bank, in April 1999, the Bank enhanced its securities business in the retail market by adding Universal Securities Co., Ltd., and Dai-ichi Securities Co., Ltd. into its Group, through the purchase of their shares. These companies have established strengths in the retail securities market for the sale of investment trusts and are highly regarded for the efficiency of their operations. Towa, Universal, and Dai-ichi plan to merge with Taiheiyo Securities Co., Ltd., in April 2000. The new company will rank sixth in managed assets in Japan and play a key role in the Sanwa Bank Group's retail securities activities.

Overseas Commercial Banking Activities

In its overseas operations, the Bank conducted a thorough review in line with its current management plan, "Stage 1", under which the Bank is focusing its overseas business resources in Asia. In the fiscal year ended March 31, 1999, the Bank reduced the number of its overseas outlets from 81 to 53. The majority of the consolidation or closure of outlets took place in the Americas and Europe, where the Bank had concentrated its operations into major branches, including New York, Los Angeles, London, and Brussels. The reduction in overseas activities also included the sale of the Bank's equity interests in Sanwa Business Credit Corporation, a leasing subsidiary based in Chicago.

In the Americas and Europe, the Bank downsized its business with local corporates while maintaining its relationships with Japanese corporates. The decision was made to enhance the Bank's profitability in its overseas commercial banking activities as business with U.S. and European local corporates tends to produce thinner margins and lower profitability levels for the Bank.

The Bank continues to maintain its presence as a leading global financial institution in the Japanese banking sector by further strengthening its supportive functions for Japanese corporates operating overseas and enhancing its network throughout Asia. Although the economies of Southeast Asia have been unstable for the last several years, and the Bank has taken a cautious stance toward the various risks in the region, the Bank still recognizes Asia as one of its core markets in view of the future economic growth potential of the region.

Implementation of Advanced Management Systems

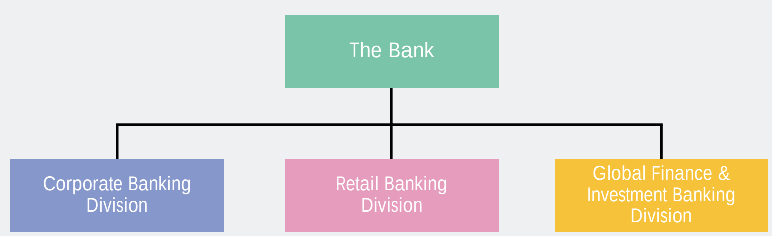
Innovation in the Bank's Management Systems

Division Company System

The Bank introduced the concept of the division company system to its organization in April 1998. The objectives of this system are to strengthen operational competitiveness through the enhancement of professionalism within each division and to accelerate the speed of the decision-making process through the granting of increased autonomy. Specifically, the Bank was divided into three divisions, namely, the Corporate Banking Division, which is responsible for corporate customers; the Retail Banking Division, which is in charge of providing services to individuals and smaller corporations; and the Global Finance & Investment Banking Division, which is responsible for investment banking and overseas commercial banking operations. Given broad authority for planning strategies and managing activities with greater independence, each division will take responsibility for profit performance.

During fiscal 1998, the Bank took further steps toward the full implementation of the division company system through granting greater autonomy and responsibility to each division. For example, the Global Finance & Investment Banking Division introduced a personnel compensation system separate from that of the rest of the Bank in order to implement a more performance-based compensation system. Also, at domestic branches, a new organizational system under which the corporate sections and retail sections operate independently has been introduced.

DIVISION COMPANY SYSTEM



New Management System

The Bank introduced a new innovative management system in June 1999. This innovation included strengthening the functions of the Board of Directors and the introduction of the Executive Officer System. The objective of this new system is to separate the functions of decision making and governance from the functions of the execution of management as well as to strengthen each function.

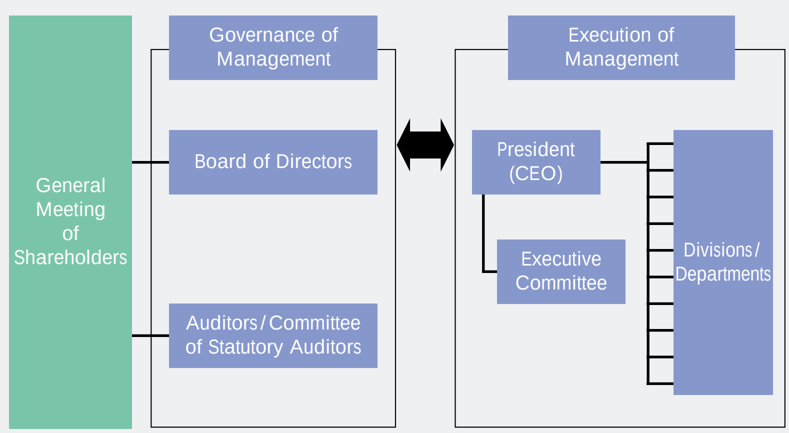
Concerning the governance function, the Board of Directors was reformed, and the number of directors was reduced from 35 to 11 to facilitate faster and more responsive decision making. Furthermore, two outside directors joined the Board with the aim of increasing transparency of the Bank's management. In addition, the responsibilities of the Chairman of the Board were redefined. The Chairman, who no longer has representative rights, is not involved in the management of day-to-day operations and, instead, devotes himself to corporate governance from an objective perspective.

As for the execution of management, the Executive Officer System was introduced. Thirty-one executives have been appointed as Executive Officers, 8 of whom simultaneously hold the position of Director. At the same time, the President is clearly defined as the Chief Executive Officer, so that his authority as the supreme management decision maker has been clarified. The Executive Committee, consisting of Executive Officers, supports the President in the execution of management.

Stock Option Compensation Plan

Together with the introduction of this new management system, the Bank has also introduced a stock option compensation plan. Giving substantially greater incentives to management to focus on improving the Bank's performance, this plan will encourage management to have a stronger awareness of shareholders' interests. At this point, all of the Directors and Executive Officers have been given stock options.

NEW MANAGEMENT SYSTEM



Information Systems for the New Era

To cope with anticipated changes in the operating environment and the growing sophistication and diversity of customer needs, the Bank is actively upgrading its system infrastructure. Key initiatives in this area are as follows:

Next-Generation Core Operating System

The Bank is working to introduce the concept of "hub and spokes" to its systems as well as to disperse the accounting systems through reorganization. The hub and spokes configuration, utilizing the most-advanced IT, will enable the Bank to connect a system to new service delivery channels and to facilitate interface among multiple systems without modifying other existing systems. This will accelerate the development of new systems. Furthermore, because it enables the Bank to easily connect its systems with those of other companies, which heretofore has been extremely difficult, the Bank will be able to cope with strategic alliances flexibly.

This new system will enable the Bank to provide combinations of products and services offered by Sanwa Bank Group companies.

In addition, information belonging to the Group companies will be integrated through a "data highway." This is a device to automatically arrange access to necessary data accumulated in multiple, dispersed systems, and thus give easy access at any time. By this means, the Bank will be able to offer optimal financial products and services of the Group companies to its customers with optimal timing.

The Bank plans to invest approximately ¥20 billion on the development of this new core operating system, which is scheduled to go into operation during fiscal 2001.

New Branch Operating System

The Bank is developing a new branch operating system that will provide the infrastructure to support new banking activities and related processing operations. Investment in this system is budgeted at approximately ¥29 billion. Introduction of new processing terminals for the new system will begin in March 2000, and installation in all branches will be completed by March 2001.

This new system will incorporate state-of-the-art image processing technology that will be able to identify letters and seals on slips as those registered and will make possible the digitalization of slips and ledgers. Also, by introducing an electronic authorization process within the Bank, this system will also make paperless processing possible and allow concentrated processing at remote centers. Therefore, it will substantially reduce the volume of processing burden at branches. At the same time, the new processing terminals will simplify tellers' processing operations, allowing them to devote themselves to offering better consultation services.

Executive Information System

The Executive Information System (EIS) is essential for managing numerical information necessary for decision making and the formulation of business strategies. The EIS will support the division company system and eventually the organization under a bank holding company. The Bank has already begun managing its operations by division and by business, and the EIS will further improve the sophistication and the accuracy of such management, making use of the latest information technology.

Specifically, the EIS will incorporate a managerial accounting system under which income, cost, risk, and other indicators are analyzed from a variety of perspectives, including by division, by business, by market, and by product and then integrated in matrix form. This will enable the Bank to enhance the sophisticated management of its business portfolio and ROE. The EIS will facilitate the pricing of loans appropriate for risk and cost, by substantially enhancing the sophistication of the Risk and Cost Adjusted Return (RACAR) system through more precise recognition of costs based on improved unit cost computations.

The Bank will begin the operation of this new system in fiscal 1999 and continue to expand its capabilities.

Note: The Bank introduced the concept of the Risk and Cost Adjusted Return (RACAR) in its management of credit risk. RACAR is determined for individual loans as well as individual customers by deducting the average loss and other costs from the apparent revenues. The RACAR is then reflected in the determination of lending rates.

Approach to the Year 2000 Problem

The Bank regards the Year 2000 (Y2K) Problem as a vital issue for the management and is addressing it systematically on a Bank-wide basis.

The Y2K Problem refers to the failure of computers to recognize the two-digit field "00" , interpreting it as the year 1900, instead of 2000. This may lead to a huge information crisis, creating obstacles to the proper conduct of operations. Since this method of processing dated information is common to virtually all computer systems, the Y2K Problem is a worldwide issue and may give rise to a chain reaction. The problem is, therefore, believed to be extremely serious and may potentially have a major social and economic impact. Therefore, it is highly critical that the potential risks and the seriousness of the problem be fully identified and that necessary measures be taken within a limited period.

Organizational Structure

To deal with the Y2K Problem, the Bank established a special committee for the Y2K Problem, known as the "Y2K Committee", which is in charge of developing, administrating, monitoring, and directing Y2K plans for the entire Sanwa Bank Group. The Committee has taken into consideration both the internal risks and external risks that may occur in transactions with our business associates to which appropriate direction has been provided. At present, a Deputy President is the chair of the Committee, which meets at least once a month.

The Y2K Committee has organized subcommittees to deal with various types of risks. The chair of each subcommittee is an Executive Officer of the related business division, and the members are the general managers of the related departments. Each subcommittee is in charge of examining important issues, preparing detailed plans for remedial measures, and monitoring the progress toward the implementation of countermeasures.

Reports on Y2K countermeasures are provided to the President of the Bank and other management through, for example, the Board of Directors meetings at least once a month. Important issues discussed by the Y2K Committee will continue to be placed on the agenda and reported to the Board of Directors and other management committees.

Corrective Actions

The Bank began a comprehensive assessment of potential Y2K Problems in April 1995 and prepared a plan to complete all required Y2K countermeasures and internal testing by the end of 1998 based on its internal standards. Systems and equipment subject to such assessment have included not only the software, hardware, and telecommunication equipment of the Bank and its principal subsidiaries and affiliates but also safes, elevators, HVAC, security systems, and manufacturing equipment containing microchips.

Internal Testing

Integrated tests, with 20 future test dates, have been performed on all important systems. Furthermore, internal point-to-point testing on the whole accounting system and settlement system connected thereto operated in the daily working circuits, in principle, with roll-over dates and essential future dates, was undertaken in June 1999. As a result of such testing, no problem was found in respect of Year 2000 readiness.

Thus, the Bank had taken all necessary measures in the phase of internal tests on the existing important systems in the Y2K program as of the end of June 1999.

External Tests with Financial Infrastructure

The Bank has participated in industry-wide tests conducted by Japanese settlement operators (BOJ-NET, Foreign Exchange Yen Clearing System, Zengin Data Telecommunication System, and so on) since October 1998, by

Japanese systemic data intermediaries (BANCS, MICS, ANSER, and so on) and by overseas or international settlement operators (FedWire, CHIPS, S.W.I.F.T., and so on) since September 1998, with individual data exchange among specific financial institutions. As a result, no problem was found in exchanging data from or to the Bank's systems. The Bank also took part into the "Year 2000 Global Payments Systems Test" in June 1999, in which the operators report that test participants from Japan, including the Bank, successfully completed their part of the global test.

System Freeze

Until the beginning of October 1999, the Bank will continue confirming validation of Y2K readiness in respect of its systems and equipment. Then it will freeze any new releases or maintenance of hardware and programs until February 29, 2000, to preserve such Y2K readiness.

Point-to-Point Tests with Customers

In exchanging data with customers, the Bank has been carrying out point-to-point tests after confirming the customers' Y2K systemic readiness. The Bank will keep the channel open to provide testing environments to customers who are already scheduled to have the testing to be performed in the coming days as well as to those who are planning to apply. Proxy tests are conducted to cover more customers interfacing with the Bank using their personal computers. Furthermore, the Bank is considering substitute measures to minimize operation risks based on estimated business flow through the systems which may not be fit for testing.

Remediation and Investment Costs

The cost incurred purely for Y2K readiness is estimated to be ¥9 billion (US$75 million) since fiscal 1995 for the entire Sanwa Bank Group, including the Bank's affiliates and subsidiaries in Japan and overseas. The necessary budget and staff have been effectively allocated as planned. At the end of June 1999, total expenditure amounted to approximately two-thirds of the above estimate.

If costs for the relocation of outdated systems and the revision of existing systems are to be added to the above estimate, the total sum of costs for Y2K readiness will rise to ¥26 billion (US$220 million) for the Group and period, approximately 85% of which has already been spent.

Contingency Plans

Having taken into account the possibility of characteristically unique events occurring simultaneously and causing a chain reaction, and also having considered any confusion of the social infrastructure caused by such events in addition to the systemic, operation, credit, liquidity, legal and reputational risks, the Bank set in place contingency plans in June 1999. The contingency plans consist of precautionary measures to mitigate and avoid risks, special plans for the dawn of the year 2000, system recovery plans and business continuity plans.

The Bank will continue to carry out the precautionary measures to avoid risks. The Bank will also strive to have contingency plans enforced through internal training and rehearsals and increase its efficiency to perform necessary business in an emergency.

Although it is taking all necessary steps to minimize Year 2000 risk, the Bank makes no express or implied warranties and representations of any kind with regard to its Year 2000 readiness.

Risk Management

Basic Policies

Monitoring and controlling various types of risk—including credit risk, market risk, liquidity risk, as well as operation and legal risk—are fundamental requirements for the management of financial institutions. The key rule for risk management, however, should not always be risk minimization but controlling risks to make an optimal contribution to corporate value. The Bank believes that controlling the extent and volume of various risks within appropriate limits—which are determined by the nature of the risks involved—is essential for ensuring the soundness of the Bank's operations, enhancing profitability, and thereby responding to stockholders' demands for maximizing corporate value.

Along with the deregulation and globalization of the financial services industry as well as the expansion of the derivatives market, the risks inherent in banking activities are becoming increasingly diverse and complex. At the same time, along with the development of financial technologies, the potential for sophisticated risk control has increased. Under such circumstances, the necessity for upgrading capabilities to deal proactively with risk has grown. Based on this awareness, the Bank considers the strengthening of risk management capabilities to be one of the important issues in its business strategy. Accordingly, the Bank is working to improve its risk control systems, establish more advanced risk analysis and evaluation procedures, and ensure the effectiveness of its compliance system.

Approach to Risk Management

The Bank's fundamental approach to risk management is as follows:

• Objective

The Bank supervises and manages various types of risks from a comprehensive perspective with the participation and oversight of top management.

• Scope of Risk Management

The Bank classifies and defines risks inherent in its operations into credit risk, market risk, liquidity risk, operation risk, system risk, compliance, and reputational risk. These contingencies, which the Bank has divided into two groups, depending on whether they can be quantified or not, arise in the following and similar circumstances:

Quantifiable Risk (Risk which should be jointly controlled with profit)

Credit risk is the risk that the Bank's claims on obligors may become unrecoverable owing to a deterioration in the credit condition of the obligor and other circumstances.

Market risk is the risk that the value of the Bank's assets may decline or the size of its liabilities increase owing to fluctuations in interest rates or foreign currency exchange rates or accompanying changes in the prices of securities and other financial instruments.

Liquidity risk is the risk that the Bank may become unable to meet its payment obligations because of the inability to secure sufficient liquidity against its liabilities and when funding costs rise substantially.

Unquantifiable Risk (Risk which should be minimized)

Operation risk is the risk that the Bank may incur losses as a result of errors, unethical activities, or other circumstances related to the Bank's processing operations.

System risk is the risk that the Bank may incur losses because of system errors or failures, natural disasters, or unethical activities.

Compliance issues, or legal risk, are the risk that the Bank may incur losses as a result of activities or other circumstances not in compliance with applicable laws and regulations.

Reputational risk is the risk that the Bank may incur losses owing to the deterioration of its reputation in the market or among its customers.

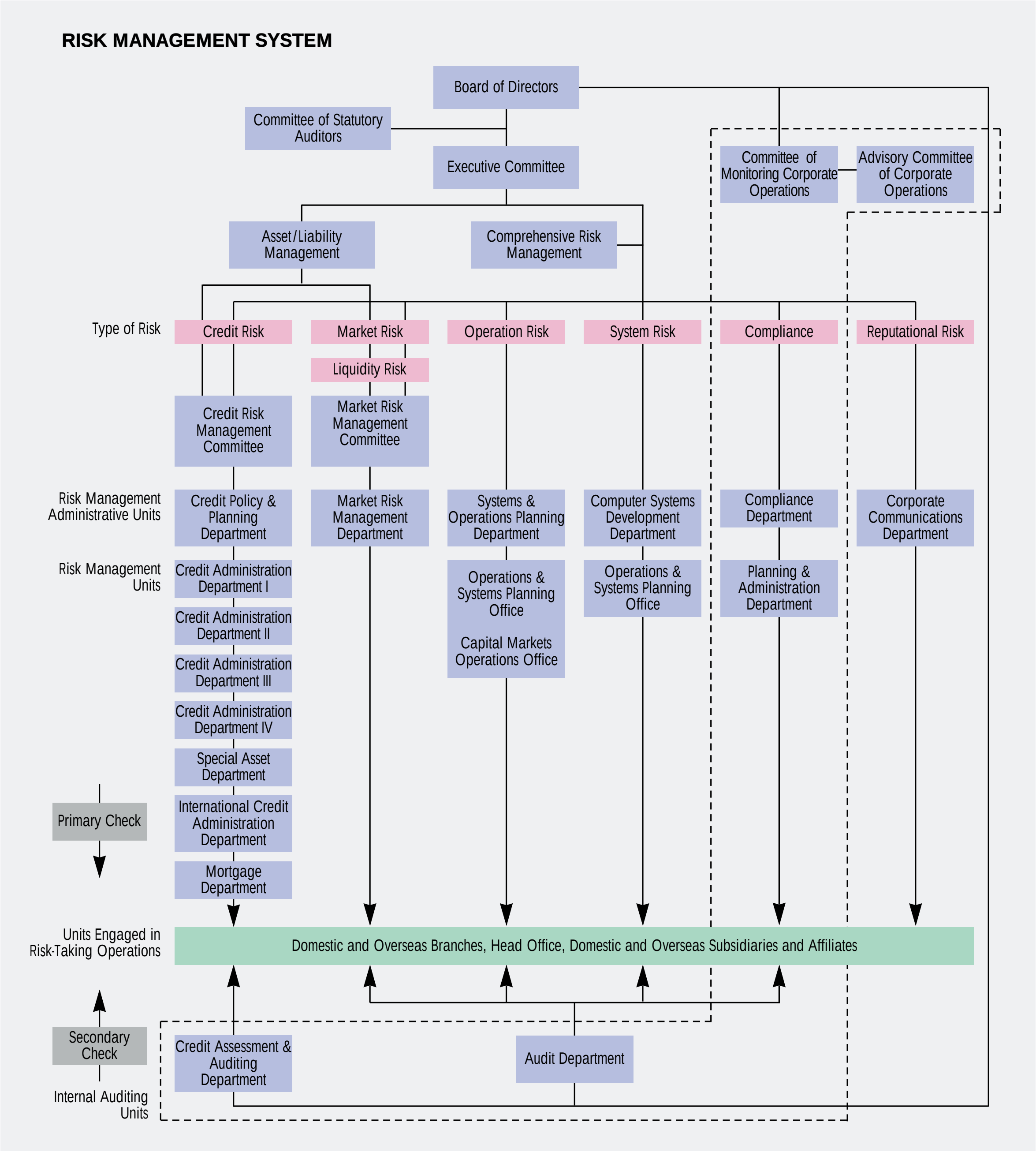
• Organization

For each type of risk, the Bank has established organizational units that mutually conduct primary and secondary checks on all divisions having risks inherent in their operations. The specific content of these checking functions is as follows:

Primary checking (preventive) functions: Risk management divisions prepare basic rules for risk control and risk minimization and provide thorough instruction on these rules to the relevant operational divisions.

Secondary checking (monitoring) function: Inspection divisions conduct examinations and audits to determine whether all relevant operational divisions are in compliance with rules for risk management.

Depending on the characteristics of each type of risk, the Bank has established definitive guidelines regarding the division of primary and secondary checking functions among relevant departments.



• Reporting

Risk management administration units are responsible for reports on risk volumes and related matters on a regular basis. These are submitted to the Board of Directors, the Executive Committee, and other related committees.

• Basic Risk Management Policies

The Board of Directors has established basic policies for credit risk, market and liquidity risk, as well as compliance. These policies are reviewed on a regular basis.

Asset/Liability Management (Unified management of profit and risk)

Along with deregulation, progress in financial technology, and other developments, the structure of sources and uses of funds have rapidly come to have a major impact on banks' profitability. In its asset/liability management (ALM) operations, the Bank has developed a system to achieve the optimal balance of profit and risk through the unified management of profit and market risk, credit risk, and liquidity risk. The Bank is continuing to enhance the sophistication of this ALM system.

Under the ALM system, the Bank determines its ALM policies as follows:

1. Determination of the ALM operations framework within Basic Risk Management Policies

ALM policies regarding credit risk, market risk, and liquidity risk are determined based on the framework set by the Basic Risk Management Policies.

The objectives of various risk management activities under the Basic Risk Management Policies are as follows:

Credit risk

• The Bank restructures its asset portfolio through the application of rules for dispersal and other techniques with the aim of reducing the volume of credit risk and increasing return.

Market risk

• To provide for flexibility in market operations and limit the impact of these operations on profitability, the Bank sets risk limits on risk volumes on a consolidated basis as well as loss limits on performance at market prices. (Performance at market prices means increases or decreases in gain or loss, including the realized gain or loss as presented in the financial statements, and the unrealized gain or loss.)

Liquidity risk

• To provide for necessary liquidity and avoid difficulties in funding that may result from excessive dependence on short-term funding as well as avoiding funding at higher interest rates than necessary, the Bank sets limits for liquidity risk on short-term sources.

• To achieve an optimal balance of medium-term and long-term funding and fund uses, plans for funding and fund uses are determined on a semiannual basis.

2. Consideration of ALM policies and determination of the Basic Plan

Based on the ALM policies that have been set after discussion and formal decision within the framework of the Basic Risk Management Policies, a Basic Plan is determined for the allocation of resources to individual departments. Limits for market risk are set in accordance with the Basic Plan, and individual departments prepare their operating plans based on the resources allocated to them.

3. Follow-up on specific operating conditions

Follow-up on specific ALM operations is conducted by the Market Risk Management Committee and the Credit Risk Management Committee. In addition, the Credit Policy & Planning Department and the Market Risk Management Department are responsible for monitoring to ensure day-to-day operations are conducted according to rules set under the Basic Risk Management Policies.

Credit Risk Management

Credit risk management is a fundamental activity for banks that accept funds from their depositors and are expected to invest these safely in performing the role of intermediaries in giving credit to borrowers. The ultimate objective of risk management is not simply to avert risk but to accurately recognize and take risks as well as to generate an appropriate return.

The Bank utilizes its know-how, developed over many years, for corporate credit analysis to manage credit risks of individual corporate borrowers. In addition, in recent years, the Bank has adopted fast-developing financial technologies and prepared to introduce systems for quantifying and managing total credit risks from a portfolio perspective.

Organization and Systems

The Credit Administration Departments I through IV, which are independent of departments interfacing with customers, are responsible for credit analysis. The Credit Policy & Planning Department, which is independent of the Credit Administration Departments, is in overall charge of credit risk, and the Credit Assessment & Auditing Department, which is independent of all other departments, performs a secondary checking function.

In addition, the Bank is working to develop appropriate credit analysis and risk management systems that take account of differences in credit risk by market. For example, the Bank is considering the introduction of credit analysis and risk management systems for the retail market that make use of statistical methods.

Regarding human resources, the Bank is upgrading its training curricula on a Bankwide basis for all levels of personnel to expand know-how regarding credit analysis and evaluation of customers' credit.

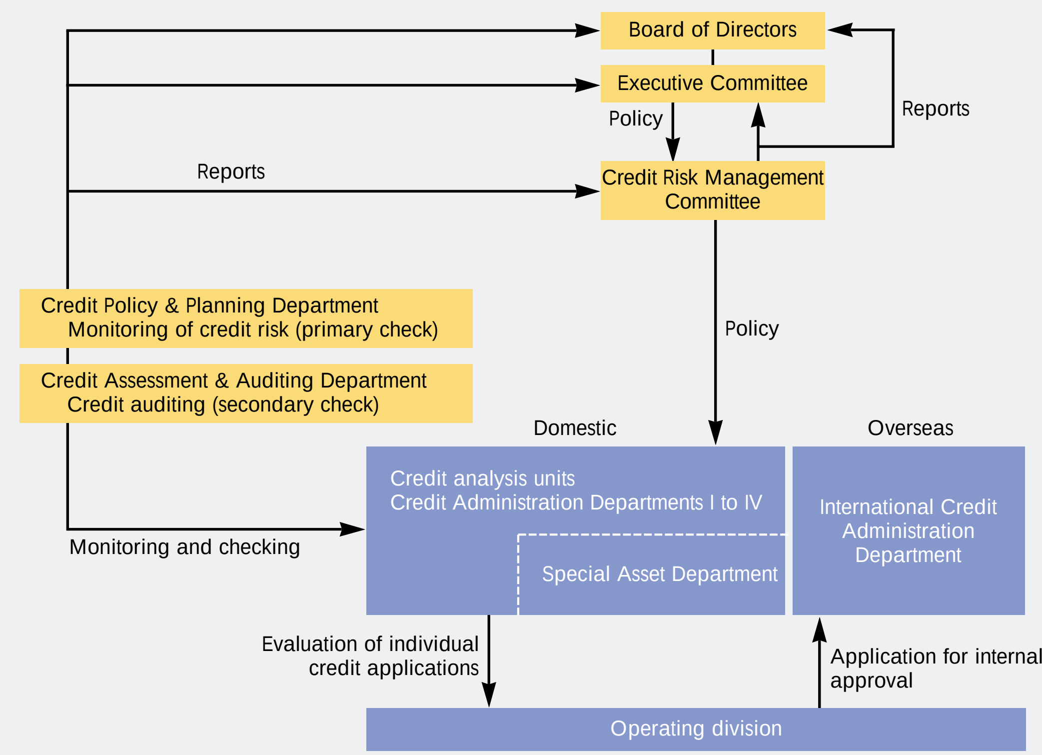
Credit Risk Management

A. Internal Credit Rating System

The basis for credit risk management is the Bank's internal credit rating system. Under this system, the financial data of customers are examined from three perspectives, namely, soundness, profitability, and cash flow. Each borrower is objectively assigned a credit rating in one of 10 categories.

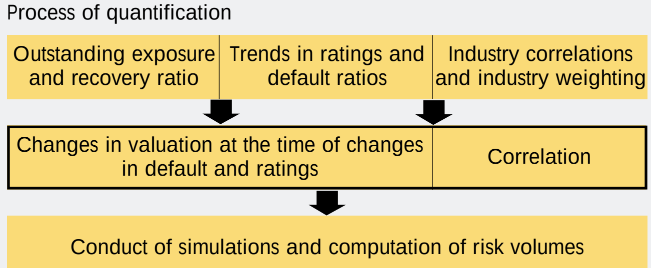
In addition to annual reviews of these credit ratings, reexaminations may be conducted as appropriate, depending on the condition of the borrower. The objective of these reviews is to obtain a clear understanding of the borrowers' financial positions and to strengthen capabilities for making accurate credit analyses.

CREDIT RISK MANAGEMENT SYSTEM



QUANTIFICATION OF CREDIT RISK AND RISK MANAGEMENT

Process of quantification

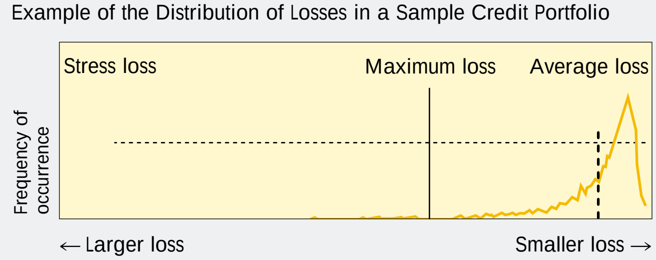


Estimation of expected credit losses over the coming year, based on statistical analysis of past data

Default ratio: Computed using data over the past 10 years
Recovery ratio: Establishment of recovery ratios by type of collateral

Losses from default depend on which obligor defaults. Accordingly, 10,000 scenarios for all obligors are used in the simulation to determine the distribution of losses.

Example of the Distribution of Losses in a Sample Credit Portfolio



Average loss: The average amount of expected loss
Maximum loss: The largest expected loss (99th percentile and other conditions)
Stress loss: The amount of loss in excess of the conditions of estimation

The objective of credit risk management is to control the difference between the average loss and the maximum loss.

B. Measuring Credit Risk

The Bank has developed a method to measure credit risk based on internal credit ratings and uses this in its risk management. The measurement of credit risk involves computing the expected future losses (risk volumes) for the loan portfolio, which may arise when obligors fail to fulfill their obligations, making use of statistical methods. Specifically, the method first involves computing the default ratio by each credit rating category based on financial data of obligors for 10 years. Then, the distribution of future losses on the portfolio is calculated based on the Monte Carlo simulation, which is a statistical method for simulating future data. This series of computations provides estimates of the risk of the average loss and the maximum loss on the portfolio. The average loss represents the average amount of expected loss that may be incurred over a one-year period. The maximum loss is the largest expected loss to occur over a one-year period.

The estimates cover domestic and foreign corporations, individuals, and financial institutions. At the same time, the scope of transactions covered are loans, guarantees, and foreign exchange assets as well as off-balance-sheet transactions and bonds. Quantifying credit risk in this way enables the Bank to determine the effects of concentration and dispersal of credit risk, which had been difficult to compute.

The published draft of the revision to BIS capital adequacy regulations recommends using risk measurement models as well as continuing to improve the models. The Bank's activities are therefore in accordance with BIS recommendations.

C. Managing Credit Risk

The measurement of credit risk has contributed to the Bank's lending activities in the following ways.

• The average loss is the risk cost of lending activities. The average loss and other operational costs are deducted from the apparent revenues to arrive at the Risk and Cost Adjusted Return (RACAR) for individual loans as well as individual customers. The Bank then reflects the RACAR in determining lending rates to take account of the risk and costs associated with loans and borrowers.

• The Bank uses the maximum loss in managing the volume of risk within a certain percentage of its capital. Furthermore, the maximum loss is used in the implementation of management based on ROE in which the Bank pursues the optimal balance of risk and return.

D. Structuring an Optimal Credit Portfolio

The Bank manages credit risk through structuring an optimal credit portfolio. Exposure as a whole is viewed as a portfolio and checks are run to detect any excessive concentrations of risk by credit rating, country, or industry. Then, corrective action is taken to achieve a better dispersal of risk to enable the Bank to control the maximum loss.

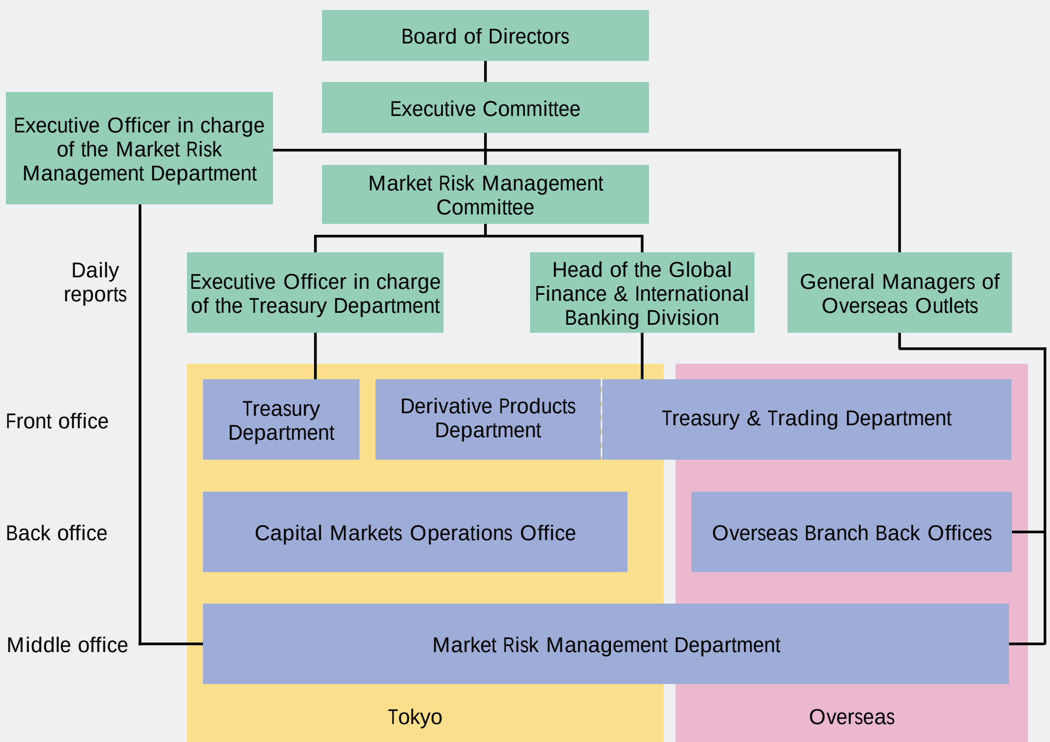
Specifically, excessive concentrations of risk are prevented by the establishment of credit limits for individual companies, corporate groups, and industries. The Credit Risk Management Committee examines and analyzes trends in the domestic and international portfolios. In parallel with these activities, the Industrial Research Department provides appropriate information based on industry trends to be referred to in setting lending policy.

Market Risk Management

A. Market Risk Management System

To achieve an efficient allocation of resources and respond quickly in risk management activities, the Market Risk Management Department, which is independent of front offices, monitors market risk conditions on a daily basis. In addition, to upgrade capabilities for the risk management of credit derivatives and other new financial products, the department is conducting research and development programs.

MARKET RISK MANAGEMENT SYSTEM



B. Market Risk Conditions

(1) Quantification of Market Risk

The Bank uses value at risk (VAR), the maximum expected loss under a specific set of assumptions to quantify market risk. In calculating VAR, the following assumptions are made.

Holding period: One day

Confidence interval: 99% (one tailed)

Period of data analysis: Previous one year

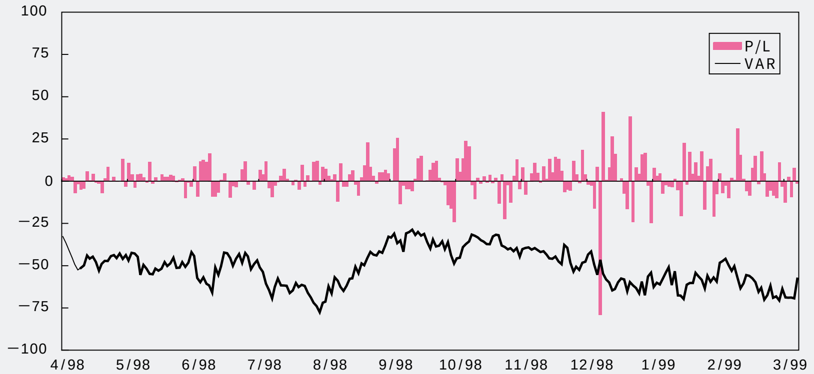
(2) Market Risk Profile in Fiscal 1998

The risk of market-related transactions (excluding investment securities) is computed using the method outlined. The VAR profile in fiscal 1998 is shown in the accompanying graphs.

VAR AND ACTUAL PROFIT OR LOSS

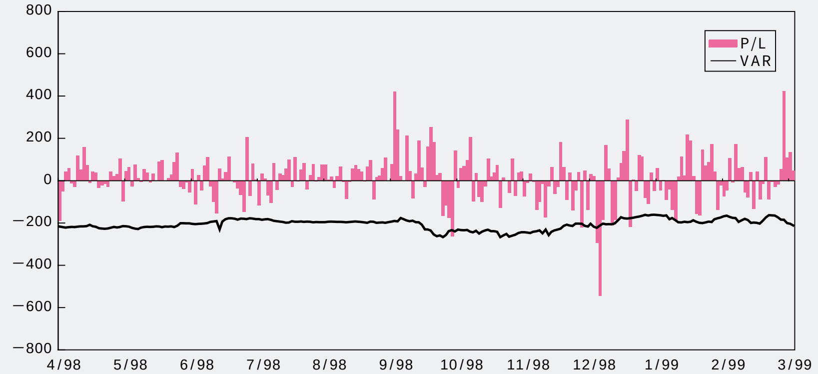
(Trading Account)

(¥ billion)



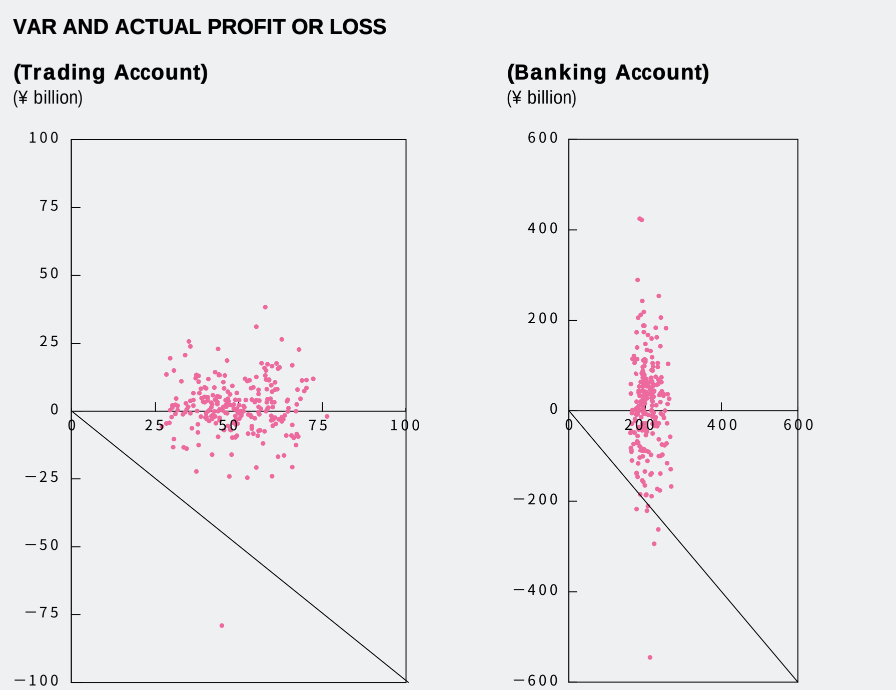
(Banking Account)

(¥ billion)



(3) Tests of Measurement Accuracy

To test the accuracy of the method employed to measure risk, the Bank compares data on VAR and actual profit or loss to determine how well the estimates of the volume of risk forecast the impact on profitability. This approach—which consists of comparing estimated risk volumes and actual profits or losses over a set period—is known as back testing. If the number of times actual profit or loss exceeds estimated risk volume is within the confidence interval adopted, the method of estimating VAR is statistically reliable.



From the middle to the end of December 1998, the market fluctuations exceeded the Bank's expectations, such as the sharp rise in long-term interest rates. This resulted in actual profits or losses in excess of VAR once for the trading account and six times for the banking account.

The fluctuations in the trading account were within the confidence interval adopted, while in the banking account, the fluctuations in excess of VAR were above the confidence interval. This implies that the method of measurement must be further improved. The profit or loss of the banking account was measured using a daily internal market value indicator.

Operation Risk Management

Along with deregulation and internationalization of banking activities, operations have become more sophisticated so that a broader range of skills is required. Being aware of this operating environment, the Bank has established criteria for its operational procedures from the perspective of international standards. The Systems & Operations Planning Department, which is primarily responsible for operation risk management, endeavors to continue upgrading the level of operational processing and take preventive measures against problems. In addition, in the latter half of fiscal 1998, the Bank began considering ways to quantify operation risk.

System Risk Management

Since computer systems have become indispensable for the operations of financial institutions, ensuring their reliable as well as effective operations is a major issue. To ensure the maintenance of sophisticated and reliable system functions, the Computer Systems Development Department, which is in charge of managing system risk, has established risk management criteria that follow the standards set by Japan's Financial Information Systems Center, the U.S. Federal Financial Institutions Examination Council, the U.K. British Standard Institute, and other organizations. Based on these standards, the department is promoting security management, the maintenance of backup computer systems, and other objectives. Also, as part of activities to upgrade system management, in the latter half of fiscal 1998, the Bank began considering ways to quantify system risk.

Compliance

Accompanying deregulation, the range of banking activities has expanded, and financial technologies have become more sophisticated. Consequently, financial products have become more complex, and the number of products and services that require the customer to bear risk has increased, thus leading to the possibility of complaints against the Bank and other difficulties. In line with these changes in the operating environment for financial institutions, the Compliance Department is principally responsible for ensuring compliance with applicable laws and regulations in order to reduce legal and other risks which are inherent in the new products and various contracts.

Secondary Checks by the Audit Department and Credit Assessment & Auditing Department

The departments responsible for monitoring whether the risk management systems described are operating properly are the Audit Department and the Credit Assessment & Auditing Department. The latter department is in charge of monitoring whether domestic and overseas branches as well as related departments in the Head Office are conducting credit management pursuant to prescribed procedures. The Audit Department is responsible for conducting examinations of domestic and overseas branches, departments within the Head Office, as well as domestic and overseas subsidiaries to confirm that they are conducting risk management and other operations properly, in accordance with established rules.

In particular, to respond to the trend toward increasingly diverse and complex risk in market-related operations, the Market Risk Subcommittee has been formed within the Audit Department to examine market-related activities. By assigning additional personnel to this unit and by introducing the latest techniques for market risk management, the department is working to ensure the effectiveness of the auditing system.

In addition, being aware of the importance of the internal auditing systems at overseas outlets, the Bank has formed independent internal auditing units for its operations in London, Singapore, Hong Kong, and New York.

Corporate Citizenship

Sanwa Midori Fund

The Sanwa Midori Fund, founded by the Bank in 1971, has been engaged in various activities with the objectives of contributing to the improvement of the living environment through planting greenery and other activities. Since its founding, the fund has planted about 810,000 trees at around 13,000 locations throughout Japan, including schools, parks, and nursing homes for senior citizens. It has also donated about 110,000 tree identification plates to approximately 7,600 primary and other schools.

In addition, the fund has sponsored art contests for children, entitled “Pictures of Green.” The contest was held for the 23rd time during the fiscal year, and, since its inception, about 850,000 drawings have been submitted.

Furthermore, the fund has compiled a series of pictorial books entitled *The Tree Books*, which have been used as a reference by more than 910,000 nature lovers. The books in the series are entitled: *The Book of Trees; The Book of Trees, Part II; The Book of Wild Grasses; The Book of Flowers;* and *The Book of Alpine Flora*. Besides these activities, to promote academic studies of the natural environment, the fund has contributed to the establishment of academic courses at Sophia University, Doshisha University, and Hitotsubashi University.

In June 1996, the fund marked its 25th anniversary with a forum entitled “Land, Cities, and Forests–A 21st Century Perspective.” Based on suggestions made during the forum, in January 1997, the fund launched a new afforestation project called “Forests as a Water Source,” near the source of the Tone River, which provides the water supply for the Tokyo metropolitan area. The project mainly involves developing forestlands that

Forests as a Water Source
(Suigen no Mori)

The Sanwa Bank Foundation has sponsored numerous scholarship programs at universities throughout Asia.

serve as a source of water. The forestlands offer visitors opportunities to become more familiar with nature and a place to take a rest and experience the healthy and peaceful beauty of forestlands.

The fund plans to continue its activities under the motto, "Thinking on a Global Scale and Taking Action Here and Now."

Sanwa High-Tech Venture Development Foundation

Founded in 1983 to commemorate the Bank's 50th anniversary, the Sanwa High-Tech Venture Development Foundation was one of the first private-sector venture funds to be established in Japan. The foundation's objective is to contribute to the further development of the economy by providing comprehensive assistance to high-technology venture businesses.

Since its establishment, the foundation has provided grants for R&D related to the development of new technologies and products as well as guarantees for borrowings to finance venture businesses. In fiscal 1998, it provided 10 grants totaling ¥33 million and 13 guarantees with a total amount of ¥326 million. Since its inception, it has given 131 grants, totaling ¥469 million, and 192 guarantees amounting to ¥6,910 million. In addition, it provides consulting services, lectures, and seminars.

The foundation has become known for its accomplishments and has earned a strong reputation. Supporting venture businesses is recognized as an important issue to revitalize the Japanese economy. Accordingly, it will continue contributing to society through assistance to newly formed high-technology businesses.

Sanwa Bank Foundation

To commemorate the 50th anniversary of the Bank, the Sanwa Bank Foundation was established to promote international exchange through the sponsorship of educational and cultural programs.

Sponsorship of the Long-Thibaud International Music Concours Gala Concert series is just one way that Sanwa participates as a corporate citizen in the communities it serves.

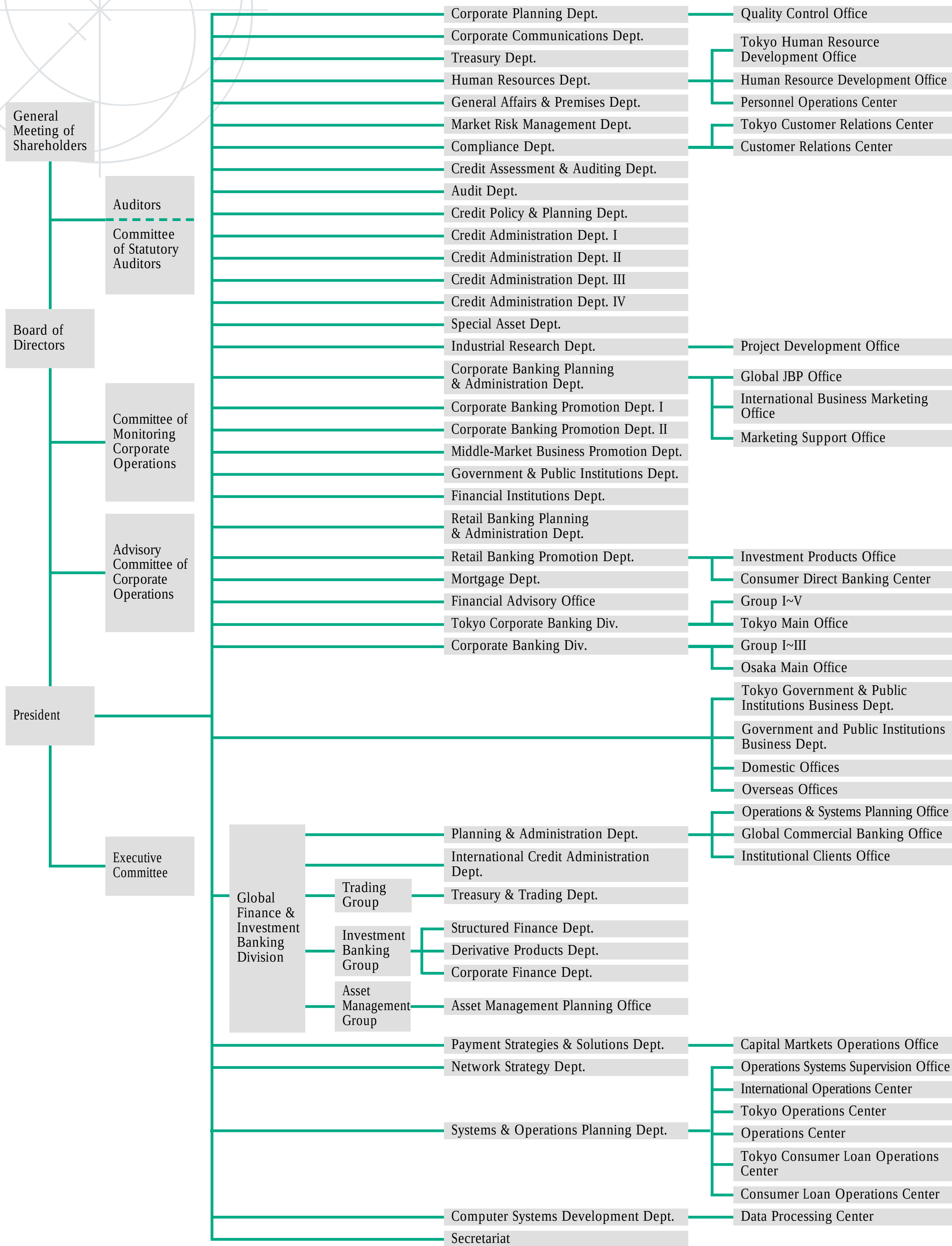
The foundation provides three types of assistance: scholarships, grants for research, and sponsorships of international exchange. Particular emphasis is placed on providing scholarships for developing human resources in Asia. The foundation offers scholarships to students enrolled in major colleges and universities in the ASEAN countries and China. The foundation's scholarship program for Asian students was one of the first of its kind. During fiscal 1998, scholarships were provided to 558 students at 25 universities in seven Asian countries. Over the last 15 years, more than 3,600 students have received scholarships.

In addition, the foundation supports scholars in the fields related to Japan through grants for research. At present, 113 Japan-related specialists in the United States, Europe, and Australia are taking an active part in academia, business, and politics. The foundation plans to continue its activities to promote education and research overseas in the years ahead.

Long-Thibaud International Music Concours Gala Concerts

The International Long-Thibaud Concours competition in Paris is one of the four most prestigious international music festivals, featuring the participation of young musicians from around the world. During the year, the Bank sponsored its 10th annual Sanwa Bank Long-Thibaud International Music Concours Gala Concert, inviting winners of the Paris competition to perform in Japan. Agreeing to the objective of the concours to support promising young performers, the Bank has supported these concerts from the beginning as part of its international cultural exchange activities.

Organization of the Bank



The Management


Mitsuaki Naito
Chairman of the Board


Kaneo Muromachi
President


Hiroya Nobuhara
Deputy President


Hiroki Murao
Deputy President


Kimisuke Fujimoto
Senior Managing Director


Takayo Mochizuki
Senior Managing Director


Akio Fujiwara
Senior Managing Director


Norimasa Yoshida
Senior Managing Director


Masashi Teranishi
Senior Managing Director


Hiroshi Itagaki
Director


Tetsuo Suzuki
Director

BOARD OF DIRECTORS

Chairman of the Board

Mitsuaki Naito

REPRESENTATIVE DIRECTORS

President

Kaneo Muromachi

Deputy Presidents

Hiroya Nobuhara
Hiroki Murao

Senior Managing Directors

Kimisuke Fujimoto
Takayo Mochizuki
Akio Fujiwara
Norimasa Yoshida
Masashi Teranishi

DIRECTORS

Hiroshi Itagaki
Tetsuo Suzuki

STATUTORY AUDITORS

Shoichi Itoh
Shinji Yoshimizu
Yoshiharu Senoue
Junichi Goto
Izumi Nonoshita

EXECUTIVE OFFICERS

Chief Executive Officer

Kaneo Muromachi

Senior Executive Officers

Hiroya Nobuhara
Hiroki Murao
Kimisuke Fujimoto
Takayo Mochizuki
Akio Fujiwara
Norimasa Yoshida
Masashi Teranishi
Takashi Mori
Tamio Takakura
Kazuo Mizutani
Yoshihisa Asaumi
Toshihiro Okawa
Michitaka Motoda
Kazuyoshi Okazaki
Junji Sugiyama
Ryosuke Tamakoshi
Masao Hiruta
Koichi Miyazaki
Norizumi Yoshihara

Executive Officers

Syunsaku Yahata
Masanobu Nakamura
Takashi Miura
Yoshio Ishikawa
Eiji Ohno
Masaki Hashikawa
Yusei Yamaguchi
Jihei Yamazaki
Shouji Watanabe
Mahito Kageyama
Takao Kawanishi

(As of June 25, 1999)

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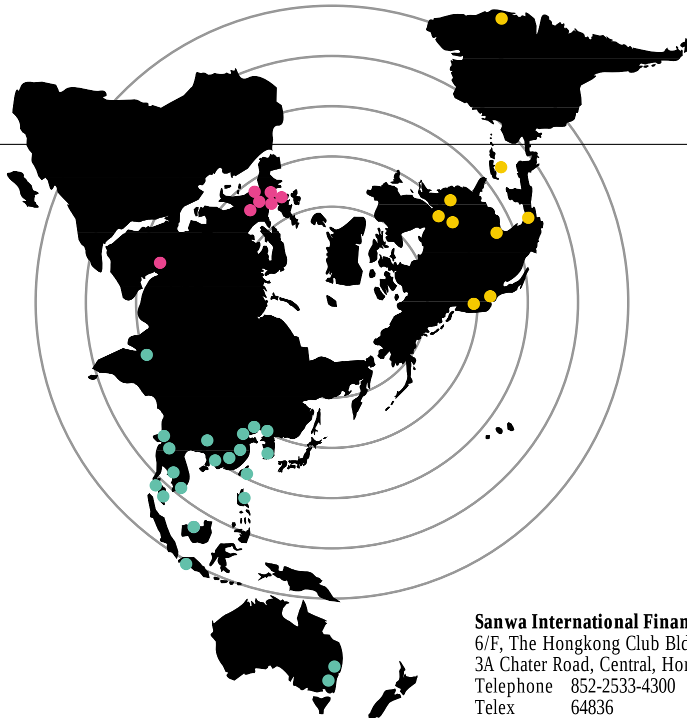

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(As of March 31, 1999)

Financial Information

Financial Highlights

Selected Consolidated Financial Information

Income Statement Data:

Years ended 31st March	Millions of yen **1999**	Millions of yen 1998	Millions of yen 1997	Millions of yen 1996	Millions of yen 1995	Millions of U.S. dollars **1999**
Interest Income	**¥1,722,625**	¥2,177,589	¥2,506,188	¥2,746,348	¥2,386,983	**$14,290**
Interest Expenses	**1,149,985**	1,592,506	1,853,313	2,027,330	1,808,565	**9,539**
Net Interest Income	**572,640**	585,082	652,874	719,017	578,417	**4,751**
Net Fees and Commissions Income	**120,731**	84,536	92,760	90,769	70,654	**1,001**
Net Trading Revenue	**53,741**	78,413	—	—	—	**446**
Net Other Operating Income	**145,252**	45,276	43,301	88,469	42,460	**1,205**
General and Administrative Expenses	**453,700**	436,382	416,812	401,221	391,005	**3,764**
Other Income	**80,600**	314,066	457,857	294,252	261,216	**669**
Other Expenses	**1,166,522**	968,182	774,627	1,012,388	510,642	**9,677**
Income (Loss) before Income Taxes	**(647,256)**	(297,190)	55,354	(221,100)	51,101	**(5,369)**
Income Taxes	**(172,786)**	(94,390)	30,295	(95,536)	29,176	**(1,433)**
Minority Interests	**3,899**	(228)	(760)	(886)	(683)	**32**
Amortisation of Goodwill	**—**	19,494	(96)	—	—	**—**
Equity in Earnings of Affiliates	**—**	1,171	1,653	1,504	1,097	**—**
Net Income (Loss) for Year	**(470,570)**	(182,362)	25,854	(124,945)	22,339	**(3,904)**
	Yen	Yen	Yen	Yen	Yen	U.S. dollars
Net Income (Loss) per Share	**¥(163.19)**	¥(62.87)	¥8.91	¥(43.06)	¥7.70	**$(1.35)**
Dividend Declared per Share:						
First Series Preferred Stock	**37.50**	1.55	—	—	—	**0.31**
First Series Class A Preferred Stock	**0.05**	—	—	—	—	**0.13**
Common Stock	**7.00**	8.50	8.50	7.00	8.50	**0.06**

Balance Sheet Data (at fiscal year-end):

	Millions of yen **1999**	Millions of yen 1998	Millions of yen 1997	Millions of yen 1996	Millions of yen 1995	Millions of U.S. dollars **1999**
Total Assets	**¥50,372,153**	¥56,951,243	¥55,456,075	¥55,652,637	¥54,228,578	**$417,853**
Loans and Bills Discounted	**32,839,151**	35,176,742	37,510,322	36,364,637	34,136,517	**272,411**
Securities	**6,413,027**	6,983,529	6,423,079	6,152,149	5,638,138	**53,198**
Deposits	**35,220,326**	37,801,343	39,402,722	40,600,103	40,368,078	**292,164**
Total Stockholders' Equity	**2,082,169**	1,830,000	1,887,981	1,882,400	2,032,828	**17,272**

Risk-Adjusted Capital Data (at fiscal year-end):

	Millions of yen **1999**	Millions of yen 1998	Millions of yen 1997	Millions of yen 1996	Millions of yen 1995	Millions of U.S. dollars **1999**
Tier I Capital	**¥ 2,136,506**	¥ 1,822,931	¥ 1,880,734	¥ 1,878,654	¥ 2,023,563	**$ 17,723**
Total Qualifying Capital	**3,909,566**	3,645,862	3,761,469	3,757,309	3,562,687	**32,431**
Total Risk Weighted Assets	**35,327,694**	37,957,311	41,301,882	41,183,821	38,821,426	**293,054**
Total Risk Weighted Capital Ratio	**11.06%**	9.60%	9.10%	9.12%	9.17%	**11.06%**

Overview of Sanwa Bank Group's Results for the Fiscal Year Ended 31st March, 1999

During the fiscal year ended 31st March, 1999, Sanwa Bank undertook a comprehensive restructuring program and downsized its international operations especially in Europe and the United States by closing or consolidating two-thirds of the offices in those areas and by selling or closing certain of its U.S. subsidiaries. As a result of the downsizing, Total Assets of the Group decreased ¥6,579 billion, or 11.6%, and Loans and Bills Discounted decreased ¥2,337 billion, or 6.7%, from the previous fiscal year-end. Reflecting a large decrease in the assets, deposits and other external liabilities also decreased, and, as a result, Total Liabilities decreased ¥7,051 billion, or 12.8%, from the previous year-end.

Stockholders' Equity, however, increased ¥252 billion, or 13.8%, mainly due to Sanwa Bank's receipt of public funds and the change in accounting treatment of "Excess of Land Revaluation." The effects of the receipt of public funds and the change of the accounting treatment of "Excess of Land Revaluation" to Stockholders' Equity were ¥600 billion and ¥156 billion, respectively. These effects counterbalanced the net loss of ¥470 billion for the fiscal year ended 31st March, 1999. In addition, due to the increase in Stockholders' Equity and the reduction of risk assets through the downsizing of international operations, the Risk-Weighted Capital Ratio of the Group improved 1.46% to 11.06% as at 31st March, 1999, from 9.60% as at 31st March, 1999.

As regards the Statements of Income, Net Interest Income for the fiscal year ended 31st March, 1999 decreased ¥12 billion from the previous fiscal year, mainly due to a decrease in interest-earning assets, such as loans, bills discounted, and interest-bearing deposits in other banks. On the other hand, Net Fees and Commissions Income increased ¥36 billion, mainly due to the newly consolidated subsidiaries in the fiscal year. General and Administrative Expenses also increased ¥17 billion, mainly due to the newly consolidated subsidiaries while Sanwa Bank's General and Administrative Expenses decreased ¥8 billion. Furthermore, Other Expenses increased ¥198 billion, reflecting high credit-related expenses, such as losses on the sales of loans (e.g., dispositions of loans to bankrupt companies and other delinquent loans). As a result, the Group recorded a Loss before Income Taxes of ¥647 billion and a Net Loss of ¥470 billion for the fiscal year ended 31st March, 1999.

—Geographical Analysis of Total Income

Total income for the fiscal years ended 31st March, 1999, 1998 and 1997 is as follows:

Years ended 31st March	**1999**	1998	1997
Japan	**66%**	59%	59%
The Americas	**16**	18	16
Europe	**7**	10	14
Asia and Oceania	**11**	13	11
Total	**100%**	100%	100%

Balance Sheet Analysis
—Loans and Bills Discounted

Loans and bills discounted of the Group decreased ¥2,337 billion, or 6.6%, from ¥35,176 billion as at 31st March, 1998 to ¥32,839 billion as at 31st March, 1999, and Sanwa Bank's loans and bills discounted decreased ¥1,657 billion, or 4.9%, from ¥33,526 billion as at 31st March, 1998 to ¥31,868 billion as at 31st March, 1999, mainly due to the downsizing of the Group's international operations.

	Millions of yen	*Millions of yen*	*Millions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	1997	**1999**
Sanwa Bank	**¥31,868,520**	¥33,526,352	¥36,029,792	**$264,359**
Consolidated Subsidiaries	**2,522,384**	2,699,037	2,311,256	**20,924**
Elimination of Intercompany Transactions	**(1,551,752)**	(1,048,647)	(830,726)	**(12,872)**
Consolidated Balance	**¥32,839,151**	¥35,176,742	¥37,510,322	**$272,411**

Problem Loans under the Japanese Banking Law

		Non-Consolidated		Consolidated	
	Millions of yen	*Millions of yen*	*Millions of U.S. dollars*	*Millions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	**1999**	**1999**	**1999**
Loans to Bankrupt Companies	**¥ 264,099**	¥ 244,299	**$ 2,191**	**¥ 270,772**	**$ 2,246**
Other Delinquent Loans	**461,539**	433,820	**3,828**	**632,307**	**5,245**
Loans Past Due 3 Months or More	**215,390**	328,136	**1,787**	**222,860**	**1,849**
Restructured Loans	**438,958**	281,325	**3,641**	**356,230**	**2,955**
Total	**¥1,379,988**	¥1,287,581	**$11,447**	**¥1,482,171**	**$12,295**
Reserve for Possible Loan Losses (*)	**¥1,216,119**	¥ 883,546	**$10,088**	**¥1,315,749**	**$10,915**
Reserve Ratio to Problem Loans	**88.13%**	68.62%	**88.13%**	**88.77%**	**88.77%**

** The amounts of Reserve for Possible Loan Losses are the same as those on the balance sheets.*

Problem loans are classified into "Loans to Bankrupt Companies," "Other Delinquent Loans," "Loans Past Due 3 Months or More," and "Restructured Loans" for financial reporting purposes under the Japanese Banking Law. The definition of each category above is as follows:

• "Loans to Bankrupt Companies" are the loans to legally bankrupt borrowers, on which Sanwa Bank has stopped accruing interest in accordance with the Japanese Tax Law.
• "Other Delinquent Loans" are the loans on which Sanwa Bank has stopped accruing interest in accordance with the Japanese Tax Law but excludes "Loans to Bankrupt Companies."
• "Loans Past Due 3 Months or More" are the loans on which principal and/or interest are past due 3 months or more.
• "Restructured Loans" are the loans with concessionary interests, as well as loans with negotiated conditions including schedule and/or maturities.

Secured Loans and Bills Discounted by Type of Collateral (Sanwa Bank Only)

	Millions of yen	*Millions of yen*	*Millions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	1997	**1999**
Stocks and Bonds	**¥ 370,909**	¥ 430,841	¥ 483,117	**$ 3,077**
Time Deposits, Drafts, for Collateral, etc.	**781,005**	1,093,023	1,136,833	**6,479**
Commodities	**4,984**	7,328	12,974	**41**
Real Estate	**3,817,832**	4,483,113	5,203,452	**31,670**
Other Collateral	**224,034**	371,337	323,114	**1,858**
Total Secured Loans and Bills Discounted	**¥ 5,198,766**	¥ 6,385,644	¥ 7,159,491	**$ 43,125**
Guaranteed Loans and Bills Discounted	**13,621,191**	14,050,627	14,643,551	**112,992**
Total Secured and Guaranteed Loans and Bills Discounted	**¥18,819,957**	¥20,436,271	¥21,803,042	**$156,117**
As a % of Total Loans and Bills Discounted	**59%**	61%	61%	**59%**

Loans and Bills Discounted by Type of Borrower

As at the dates indicated, Sanwa Bank's loans and bills discounted, classified by types of borrower, were as set forth below:

	Billions of yen	*Billions of yen*	*Billions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	1997	**1999**
Domestic Offices (excluding offshore loans)				
Wholesale and Retail	**¥ 3,679**	¥ 3,568	¥ 3,688	**$ 30,521**
Manufacturing	**3,129**	3,041	3,163	**25,964**
Services	**3,392**	3,284	3,393	**28,139**
Real Estate	**3,944**	3,589	3,321	**32,726**
Finance and Insurance	**2,377**	2,127	2,204	**19,724**
Construction	**1,089**	1,045	1,200	**9,036**
Transportation and Communication	**917**	1,100	1,128	**7,613**
Agriculture, Forestry, Fishing, and Mining	**189**	181	196	**1,570**
Local Governments	**222**	199	168	**1,845**
Individuals and Others	**6,273**	6,110	6,159	**52,037**
Total Domestic	**¥25,216**	¥24,247	¥24,624	**$209,175**
Overseas Offices (including offshore loans of domestic offices)				
Governments and Official Institutions	**40**	94	128	**335**
Banks and Other Financial Institutions	**968**	1,575	1,785	**8,035**
Commercial and Industrial	**5,521**	7,503	9,340	**45,798**
Others	**122**	105	150	**1,016**
Total Overseas	**¥ 6,652**	¥ 9,279	¥11,405	**$ 55,184**
Total	**¥31,868**	¥33,526	¥36,029	**$264,359**

—Securities

Securities on a consolidated basis decreased ¥570 billion, or 8.2%, from ¥6,983 billion as at 31st March, 1998 to ¥6,413 billion as at 31st March, 1999, mainly due to a decrease in Japanese Local Government Bonds.

	Millions of yen	*Millions of yen*	*Millions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	1997	**1999**
Japanese National Government Bonds	**¥1,411,272**	¥1,445,643	¥ 760,760	**$11,707**
Japanese Local Government Bonds	**346,174**	727,674	822,032	**2,872**
Japanese Debentures	**445,596**	457,960	564,618	**3,696**
Japanese Equities	**3,235,289**	3,264,615	3,076,923	**26,838**
Others	**974,695**	1,087,635	1,198,746	**8,085**
Total	**¥6,413,027**	¥6,983,529	¥6,423,079	**$53,198**

In accordance with the amendment of the Uniform Accounting Standards for Banks in Japan, the historical cost method has been adopted instead of the lower of cost or market value method for the valuation of Japanese listed stocks held by Sanwa Bank for the fiscal year ended 31st March, 1998 and 1999.

—Deposits

Total deposits on a consolidated basis at fiscal year-end decreased by ¥2,581 billion, or 6.8%, from ¥37,801 billion as at 31st March, 1998 to ¥35,220 billion as at 31st March, 1999, mainly because Sanwa Bank's international deposits decreased, reflecting the downsizing of international operations.

	Millions of yen	*Millions of yen*	*Millions of yen*	*Millions of U.S. dollars*
31st March	**1999**	1998	1997	**1999**
Current Deposits	**¥ 1,891,289**	¥ 1,705,882	¥ 1,776,313	**$ 15,689**
Ordinary Deposits	**5,684,510**	5,003,545	4,467,529	**47,155**
Deposits at Notice	**2,332,994**	3,030,214	4,987,877	**19,353**
Time Deposits	**14,920,239**	16,706,225	19,022,957	**123,768**
Other Deposits	**3,644,656**	4,295,435	3,602,761	**30,233**
Subtotal	**¥28,473,690**	¥30,741,302	¥33,857,437	**$236,198**
Negotiable Certificates of Deposit	**6,746,636**	7,060,040	5,545,284	**55,966**
Total	**¥35,220,326**	¥37,801,343	¥39,402,722	**$292,164**

—Stockholders' Equity

Consolidated stockholders' equity increased by ¥252 billion, or 13.8%, from ¥1,830 billion as at 31st March, 1998 to ¥2,082 billion as at 31st March, 1999, mainly due to the injection of public funds to Sanwa Bank of ¥600 billion, offsetting a net loss of ¥470 billion for the fiscal year ended 31st March, 1999.

—Capital Ratio

The Group's ratio of capital to risk-weighted assets, computed according to the Ministry of Finance (MOF) and the Financial Supervisory Agency (FSA) guidelines based on requirements set by the Bank for International Settlements (BIS), was 11.06% as at 31st March, 1999.

	Millions of yen	*Millions of yen*	*Millions of yen*
31st March	**1999**	1998	1997
Tier I (Basic Items)			
Total Tier I Capital (Mainly Stockholders' Equity)	**¥ 2,136,506**	¥ 1,822,931	¥ 1,880,734
Tier II (Supplementary Items)			
Unrealised Gains on Securities, after 55% Discount	**15,124**	11,225	318,648
Reserve for Possible Loan Losses, excluding Specific Reserve	**301,481**	139,502	137,485
Excess of Land Revaluation, after 55% Discount (*1)	**121,767**	143,229	—
Subordinated Debts	**1,437,299**	1,539,428	1,464,521
Total Tier II Capital	**1,875,673**	1,833,385	1,920,655
Tier II Capital Included as Qualifying Capital	**1,875,673**	1,822,931	1,880,734
Less: Investment in Non-consolidated Subsidiaries Engaged in Financial Activities which will be Liquidated	**—**	1	—
Holdings of Capital Instruments Issued by Other Financial Institutions	**102,613**	—	—
Total Capital	**¥ 3,909,566**	¥ 3,645,862	¥ 3,761,469
Risk-Weighted Assets (*2)	**¥35,327,694**	¥37,957,311	¥41,301,882
Capital Ratio (%)	**11.06%**	9.60%	9.10%

**1. Excess of land revaluation for the fiscal year ended 31st March, 1999 comprises excesses of land revaluation and deferred tax liabilities related to land revaluation while that for the fiscal year ended 31st March, 1998 comprises excess of land revaluation only, due to the amendment of the law.*

**2. For the year ended 31st March, 1999 and 1998, market risk equivalent assets were also included here, which were ¥954,039 million and ¥659,865 million, respectively. (The guidelines did not require banks to hold capital to support their exposure to market risk as well as credit risk for the fiscal year ended 31st March, 1997.)*

Off-Balance-Sheet Transactions

Off-balance-sheet transactions can be classified into two categories: financial derivatives transactions and credit-related transactions. Primary financial derivative transactions are interest rate and currency swaps, options, futures and forwards, and major credit-related transactions are commitments and guarantees. (Although guarantees are required to be recognised as on-balance-sheet transactions under generally accepted accounting principles and practices in Japan, they are shown in this category because they are recognised as off-balance-sheet transactions under generally accepted accounting principles in many countries.)

—Financial Derivative Transactions

Sanwa Bank utilises various financial derivative instruments to meet clients' needs, to capture the profits through its trading activities, and to manage its exposure to fluctuations in interest rates, currency rates, and prices. The majority of financial derivative transactions are conducted over-the-counter because, unlike instruments traded on public exchanges, terms and conditions of these transactions are flexible and are tailored to the specific needs of clients and Sanwa's own asset/liability management objectives. Risk management of Sanwa Bank on the risks associated with these transactions (e.g., market risks and credit risks) are discussed in the "Risk Management" section.

As at 31st March, 1999, Sanwa Bank's notional principal amount associated with those transactions was ¥216,516 billion ($1,796 billion) on a consolidated basis, approximately four times as large as Sanwa Bank's ¥50,372 billion in consolidated total assets although actual credit and market risks on such transactions are much smaller than the notional principal amount.

Interest Rate and Currency Swaps

Swap contracts are commitments to exchange cash flows at a future date or dates between the contracted parties. Such arrangements involve market risk because expected future cash flows may change along with fluctuations in interest rates and/or foreign exchange rates. Credit risk, especially in the case of contractual commitments that do not involve the exchange of the principal amount, is small relative to the notional principal amount.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts involve a commitment to exchange one foreign currency for another at a predetermined date and currency conversion rate.

Interest Rate and Currency Options

These options involve the buying and selling of rights to purchase or dispose of currencies or other financial instruments at a predetermined time with rates and other conditions fixed in advance. When the Bank sells an option, it receives a premium from the buyer but it incurs an obligation to honor the options contract. These transactions therefore involve market risk mainly arising from fluctuations of interest and foreign exchange rates and volatilities.

Other Derivative Instruments

This category includes mainly Forward Rate Agreements (FRAs) (contracts providing for the payment of interest in advance) and such transactions as currency and interest rate futures with standard transaction units, date of settlement, and other terms that are traded on public exchanges. To avoid credit risk, public exchanges set certain conditions for participants and require members to adjust their deposits held with the exchange based upon the daily market value of their positions. Therefore, with public exchange transactions, credit risk from nonperformance of obligations is considered to be very low.

—Credit-Related Transactions

In this type of off-balance-sheet financial instrument, the Bank may be exposed to losses in the event of nonperformance by the other party in the transaction. Usually, the maximum exposure can be the contractual value in this event. To mitigate such exposure, the Bank may require collateral, guarantees, and other arrangements.

Loan and Other Commitments

The Bank has an obligation to lend up to a specified amount in such transactions as overdraft facilities, commercial paper backup lines, and other commitment arrangements, provided that contractual conditions are met. The Bank's total unused commitments, however, do not necessarily reflect the amount of funds the Bank will have to raise in the future. These commitments involve credit risk and, especially in the case of foreign currency transactions, liquidity risk. The Bank's ALM Committee is primarily responsible for managing these risks and other kinds of market risk.

Guarantees

As discussed before, under generally accepted accounting principles and practices in Japan, guarantees are classified as on-balance-sheet transactions. However, since under most of the internationally recognised accounting principles they are categorised as off-balance-sheet transactions, guarantees are disclosed in this section.

Other Transactions

These include negotiable certificates of deposit and securities sold under repurchase agreements. Transactions of asset securitization in which the assets are deemed to have been transferred with recourse are also included.

(1) Financial Derivative Transactions

a) Financial Derivatives Transactions based on Capital Adequacy Guidelines by the BIS

	Contractual value or notional principal amount			*Credit equivalent amount*		
	Billions of yen	*Billions of yen*	*Millions of U.S. dollars*	*Billions of yen*	*Billions of yen*	*Millions of U.S. dollars*
31st March	**1999**	*1998*	**1999**	**1999**	1998	**1999**
Interest Rate Swaps	**¥109,422**	¥129,188	**$ 907,694**	**¥1,826**	¥1,715	**$15,148**
Currency Swaps	**2,368**	2,707	**19,650**	**269**	423	**2,239**
Foreign Exchange Forward Contracts	**20,035**	39,876	**166,200**	**693**	2,087	**5,749**
Interest Rate Options Purchased	**3,545**	4,318	**29,415**	**52**	52	**436**
Currency Options Purchased	**488**	594	**4,054**	**12**	30	**107**
Other Derivative Instruments	**8,288**	6,090	**68,757**	**6**	8	**53**
Effects of Master Netting Agreements (*)	**—**	—	**—**	**(1,706)**	(2,402)	**(14,158)**
Total	**¥144,150**	¥182,775	**$1,195,770**	**¥1,154**	¥1,915	**$ 9,574**

** Master netting agreements mitigate credit risk by allowing the offset of amounts due from and to individual counterparties in the event of counterparty default.*

b) Financial Derivatives Transactions excluded from the Capital Adequacy Guidelines by the BIS (*)

	Contractual value or notional principal amount		
	Billions of yen	*Billions of yen*	*Millions of U.S. dollars*
31st March	**1999**	*1998*	**1999**
Foreign Exchange Forward Contracts	**¥ 2,547**	¥ 3,388	**$ 21,130**
Interest Rate Options Written	**15,513**	12,188	**128,686**
Interest Rate Options Purchased	**3,438**	1,481	**28,520**
Currency Options Written	**410**	582	**3,409**
Currency Options Purchased	**21**	8	**179**
Other Derivative Instruments	**50,435**	51,618	**418,380**
Total	**¥72,366**	¥69,266	**$600,304**

** These derivative transactions are the transactions on public exchanges and the foreign exchange related transactions whose original duration in the original contracts are 14 days or less. These transactions are excluded from the Capital Adequacy Guidelines set by the BIS.*

(2) Credit-Related Transactions

	Contractual value or notional principal amount		
	Billions of yen	*Billions of yen*	*Millions of U.S. dollars*
31st March	**1999**	*1998*	**1999**
Loan Commitments	**¥11,658**	¥12,024	**$ 96,708**
Guarantees	**1,913**	2,030	**15,874**
Other Transactions	**977**	1,202	**8,112**
Total	**¥14,549**	¥15,257	**$120,694**

Consolidated Balance Sheets

The Sanwa Bank, Limited and Subsidiaries   As at 31st March, 1999 and 1998

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	**1999**
Assets:			
Cash and Due from Banks	**¥ 1,835,718**	¥ 2,461,594	**$ 15,227,861**
Call Loans	**435,499**	1,685,253	**3,612,607**
Monetary Receivables Bought	**99,917**	109,182	**828,849**
Trading Assets (Note 2 (c), 3)	**1,300,909**	1,008,303	**10,791,454**
Money Held in Trust	**315,484**	523,161	**2,617,040**
Securities (Note 2 (d), 4)	**6,413,027**	6,983,529	**53,198,070**
Loans and Bills Discounted (Note 5)	**32,839,151**	35,176,742	**272,411,048**
Foreign Exchange Assets (Note 6)	**298,530**	359,788	**2,476,406**
Other Assets (Note 7)	**3,645,874**	5,494,673	**30,243,672**
Premises and Equipment (Note 2 (e), 8)	**635,268**	753,209	**5,269,751**
Deferred Tax Assets (Note 27)	**603,958**	362,486	**5,010,027**
Customers' Liabilities for Acceptances and Guarantees (Note 16)	**1,948,812**	2,033,316	**16,166,006**
Total Assets	**¥50,372,153**	¥56,951,243	**$417,852,791**
Liabilities, Minority Interests and Stockholders' Equity:			
Liabilities:			
Deposits (Note 9)	**¥35,220,326**	¥37,801,343	**$292,163,634**
Call Money	**3,760,835**	5,765,536	**31,197,311**
Commercial Paper	**176,459**	—	**1,463,784**
Trading Liabilities (Note 2 (c), 10)	**543,659**	529,148	**4,509,827**
Borrowed Money (Note 11)	**1,046,996**	1,541,833	**8,685,163**
Foreign Exchange Liabilities (Note 6)	**45,903**	31,745	**380,788**
Corporate Bonds (Note 12)	**1,186,241**	1,487,051	**9,840,241**
Convertible Bonds and Notes (Note 13)	**17,568**	17,689	**145,738**
Other Liabilities (Note 14)	**2,545,643**	4,512,895	**21,116,906**
Reserve for Possible Loan Losses (Note 2 (f))	**1,315,749**	917,126	**10,914,555**
Reserve for Retirement Allowances (Note 2 (g))	**29,653**	28,607	**245,986**
Reserve for Contingent Liabilities Related to Loans Sold (Note 2 (h))	**112,637**	53,922	**934,359**
Reserve for Supporting Specific Borrowers (Note 2 (i))	**—**	77,359	**—**
Other Reserves (Note 15)	**33**	37	**278**
Deferred Tax Liabilities (Note 27)	**5,604**	—	**46,494**
Deferred Tax Liabilities Related to Land Revaluation (Note 2 (e))	**113,785**	—	**943,883**
Minority Interests (Note 2 (m))	**—**	5,342	**—**
Acceptances and Guarantees (Note 16)	**1,948,812**	2,033,316	**16,166,006**
Excess of Land Revaluation (Note 2 (e), (m), 8)	**—**	318,287	**—**
Total Liabilities	**¥48,069,909**	¥55,121,242	**$398,754,953**
Minority Interests:			
Minority Interests (Note 2 (m))	**¥ 220,074**	¥ —	**$ 1,825,588**
Stockholders' Equity:			
First Series Preferred Stock (Note 17)	**75,000**	75,000	**622,148**
First Series Class A Preferred Stock (Note 17)	**300,000**	—	**2,488,594**
Common Stock (Note 17)	**466,902**	466,842	**3,873,106**
Additional Paid-in Capital (Note 17)	**732,894**	432,834	**6,079,592**
Excess of Land Revaluation (Note 2 (e), (m), 8)	**156,809**	—	**1,300,786**
Retained Earnings (Note 2 (m))	**365,676**	855,336	**3,033,403**
Less: Treasury Shares of Common Stock	**(13)**	(12)	**(113)**
Less: Parent Bank Stocks Held by Subsidiaries	**(15,100)**	—	**(125,266)**
Total Stockholders' Equity	**¥ 2,082,169**	¥ 1,830,000	**$ 17,272,250**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥50,372,153**	¥56,951,243	**$417,852,791**

The accompanying Notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated **S**tatements of **I**ncome

The Sanwa Bank, Limited and Subsidiaries For the years ended 31st March, 1999 , 1998 and 1997

	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	1997	**1999**
Income:				
Interest Income:	**¥1,722,625**	¥2,177,589	¥2,506,188	**$14,289,718**
Interest on Loans and Discounts	**1,079,526**	1,266,160	1,252,492	**8,955,012**
Interest on and Dividends from Securities	**167,727**	177,217	199,799	**1,391,354**
Other Interest Income (Note 18)	**475,371**	734,211	1,053,896	**3,943,352**
Fees and Commissions (Note 19)	**207,252**	130,834	136,114	**1,719,223**
Trading Revenue (Note 20)	**53,885**	78,413	—	**446,994**
Other Operating Income (Note 21)	**345,059**	98,545	150,409	**2,862,376**
Other Income (Note 22)	**80,600**	314,066	457,857	**668,605**
Total Income	**¥2,409,422**	¥2,799,449	¥3,250,569	**$19,986,916**
Expenses:				
Interest Expenses:	**1,149,985**	1,592,506	1,853,313	**9,539,490**
Interest on Deposits	**449,118**	744,721	814,559	**3,725,582**
Interest on Borrowings and Rediscounts	**162,362**	238,639	228,981	**1,346,850**
Other Interest Expenses (Note 23)	**538,503**	609,146	809,773	**4,467,058**
Fees and Commissions (Note 24)	**86,520**	46,298	43,353	**717,714**
Trading Expenses (Note 20)	**143**	—	—	**1,190**
Other Operating Expenses (Note 25)	**199,807**	53,269	107,107	**1,657,464**
General and Administrative Expenses	**453,700**	436,382	416,812	**3,763,585**
Other Expenses (Note 2 (m), 26)	**1,166,522**	968,182	774,627	**9,676,671**
Total Expenses	**¥3,056,679**	¥3,096,639	¥3,195,215	**$25,356,114**
Income (Loss) before Income Taxes	**(647,256)**	(297,190)	55,354	**(5,369,198)**
Income Taxes (Note 2 (m), (j)):				
Current	**45,506**	11,856	10,917	**377,488**
Deferred	**(218,292)**	(106,246)	19,378	**(1,810,809)**
	(172,786)	(94,390)	30,295	**(1,433,321)**
Minority Interests	**3,899**	(228)	(760)	**32,348**
Amortisation of Goodwill (Note 2 (a), (m))	**—**	19,494	(96)	**—**
Equity in Earnings of Affiliates	**—**	1,171	1,653	**—**
Net Income (Loss) for Year	**¥ (470,570)**	¥ (182,362)	¥ 25,854	**$ (3,903,529)**
	Yen	*Yen*	*Yen*	*U.S. dollars*
Net Income (Loss) per Share (Note 2 (l))	**¥ (163.19)**	¥ (62.87)	¥ 8.91	**$ (1.35)**
Dividend Declared per Share:				
First Series Preferred Stock	**¥ 37.50**	¥ 1.55	¥ —	**$ 0.31**
First Series Class A Preferred Stock	**¥ 0.05**	¥ —	¥ —	**$ 0.00**
Common Stock	**¥ 7.00**	¥ 8.50	¥ 8.50	**$ 0.06**

The accompanying Notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statements of Changes in Stockholders' Equity

The Sanwa Bank, Limited and Subsidiaries For the years ended 31st March, 1999, 1998 and 1997

	Millions of yen 1999	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1999
First Series Preferred Stock:				
Balance at Beginning of Year	**¥ 75,000**	¥ —	¥ —	**$ 622,148**
Add: Issuance	**—**	75,000	—	**—**
Balance at End of Year	**¥ 75,000**	¥ 75,000	¥ —	**$ 622,148**
Number of Shares of First Series Preferred Stock Issued and Outstanding at End of Year (thousands of shares)	**50,000**	50,000	—	
First Series Class A Preferred Stock:				
Balance at Beginning of Year	**¥ —**	¥ —	¥ —	**$ —**
Add: Issuance	**300,000**	—	—	**2,488,594**
Balance at End of Year	**¥300,000**	¥ —	¥ —	**$2,488,594**
Number of Shares of First Series Class A Preferred Stock and Issued Outstanding at End of Year (thousands of shares)	**200,000**	—	—	
Common Stock:				
Balance at Beginning of Year	**¥466,842**	¥ 466,503	¥ 466,478	**$3,872,605**
Add: Conversion of Convertible Bonds and Notes	**60**	338	25	**501**
Balance at End of Year	**¥466,902**	¥ 466,842	¥ 466,503	**$3,873,106**
Number of Shares of Common Stock Issued and Outstanding at End of Year (thousands of shares)	**2,902,156**	2,902,059	2,901,520	
Additional Paid-in Capital:				
Balance at Beginning of Year	**¥432,834**	¥ 357,496	¥ 357,470	**$3,590,497**
Add:				
Issuance of Preferred Stock	**300,000**	75,000	—	**2,488,594**
Conversion of Convertible Bonds and Notes	**60**	338	25	**501**
Balance at End of Year	**¥732,894**	¥ 432,834	¥ 357,496	**$6,079,592**
Excess of Land Revaluation:				
Balance at Beginning of Year	**¥ —**	¥ —	¥ —	**$ —**
Add: Change in Presentation	**156,809**	—	—	**1,300,786**
Balance at End of Year	**¥156,809**	¥ —	¥ —	**$1,300,786**
Retained Earnings:				
Balance at Beginning of Year	**¥855,336**	¥1,063,989	¥1,058,489	**$7,095,283**
Additions:				
Increase Resulting from Consolidation of Additional Subsidiaries	**3,265**	—	—	**27,091**
Increase Resulting from Application of Equity Method to an Affiliate	**3,266**	—	—	**27,101**
Deductions:				
Appropriation of Retained Earnings (Note 2 (k)):				
Cash Dividends	**(25,622)**	(24,663)	(20,310)	**(212,543)**
Decrease due to Companies Ceasing to be a Consolidated Subsidiary or to be an Affiliate Accounted for under Equity Method	**—**	(1,627)	(44)	**—**
Net Income (Loss) for Year	**(470,570)**	(182,362)	25,854	**(3,903,529)**
Balance at End of Year	**¥365,676**	¥ 855,336	¥1,063,989	**$3,033,403**

The accompanying Notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statements of Cash Flows

The Sanwa Bank, Limited and Subsidiaries   For the years ended 31st March, 1999, 1998 and 1997

	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	1997	**1999**
Cash Flows from Operating Activities:				
Net Income (Loss) for Year	**¥ (470,570)**	¥ (182,362)	¥ 25,854	**$(3,903,529)**
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortisation	**88,465**	25,896	46,524	**733,852**
Transfer to Reserve for Possible Loan Losses	**352,008**	386,011	105,750	**2,920,023**
Write-off of Loans	**31,743**	7,694	7,914	**263,321**
Losses on Sales of Loans	**577,312**	456,181	353,746	**4,788,986**
Securities Gains, Net	**(21,136)**	(254,128)	(263,372)	**(175,334)**
Deferred Income Taxes	**(235,866)**	(134,420)	23,917	**(1,956,591)**
Minority Interests	**(3,899)**	228	760	**(32,348)**
Equity in Earnings of Affiliates	**1,027**	(1,171)	(1,653)	**8,520**
Net Change in Trading Assets/Liabilities	**(278,094)**	86,285	—	**(2,306,880)**
Net Change in Trading Account Securities	**—**	—	(155,254)	**—**
Net Change in Accruals	**181,363**	3,488	(9,243)	**1,504,471**
Other, Net	**181,672**	(66,429)	(173,831)	**1,507,034**
Net Cash Provided by (Used in) Operating Activities	**404,026**	327,275	(38,887)	**3,351,525**
Cash Flows from Investing Activities:				
Net Change in Due from Banks	**643,982**	810,895	1,977,832	**5,342,033**
Net Change in Call Loans	**1,249,753**	(465,702)	(23,860)	**10,367,099**
Net Change in Monetary Receivables Bought	**9,265**	(94,932)	(7,262)	**76,856**
Net Change in Money Held in Trust	**207,677**	(181,659)	5,666	**1,722,748**
Net Change in Loans and Bills Discounted	**1,775,149**	1,837,742	(1,816,293)	**14,725,419**
Net Change in Collateral Deposits on Securities Borrowed	**583,975**	(1,736,203)	(25,757)	**4,844,261**
Proceeds from Sales of Securities	**11,395,468**	8,247,683	7,295,750	**94,528,976**
Proceeds from Maturities of Securities	**407,164**	414,833	638,126	**3,377,558**
Purchases of Securities	**(11,319,500)**	(8,890,748)	(7,938,097)	**(93,898,804)**
Purchases of Premises and Equipment	**(27,662)**	(40,822)	(31,932)	**(229,469)**
Other, Net	**51,965**	156,819	(194,182)	**431,068**
Net Cash Provided by (Used in) Investing Activities	**4,977,237**	57,905	(120,010)	**41,287,745**
Cash Flows from Financing Activities:				
Net Change in Deposits	**(2,581,017)**	(1,601,378)	(1,197,381)	**(21,410,348)**
Net Change in Call Money	**(2,004,700)**	(358,361)	427,471	**(16,629,620)**
Net Change in Commercial Paper	**176,459**	—	—	**1,463,784**
Net Change in Borrowed Money	**(352,366)**	(130,145)	164,306	**(2,922,992)**
Net Change in Corporate Bonds	**(384,252)**	434,695	—	**(3,187,496)**
Net Change in Subordinated Debt	**(59,028)**	172,636	227,458	**(489,660)**
Net Change in Collateral Deposits on Securities Lent	**(945,378)**	987,087	289,828	**(7,842,214)**
Proceeds from Issuance of Preferred Stock	**600,000**	150,000	—	**4,977,188**
Proceeds from Issuance of Preference Shares of Consolidated Subsidiaries	**180,000**	—	—	**1,493,156**
Dividends Paid	**(25,622)**	(24,663)	(20,310)	**(212,543)**
Other, Net	**38,482**	(40,177)	28,173	**319,224**
Net Cash Used in Financing Activities	**(5,357,425)**	(410,308)	(80,453)	**(44,441,521)**
Net Change in Cash and Cash Equivalents	**23,838**	(25,128)	(239,350)	**197,749**
Foreign Currency Translation Adjustments	**(5,732)**	5,170	3,335	**(47,554)**
Cash and Cash Equivalents at Beginning of Year	**962,855**	982,813	1,218,828	**7,987,187**
Cash and Cash Equivalents at End of Year	**¥ 980,961**	¥ 962,855	¥ 982,813	**$ 8,137,382**

Note: For the purpose of the consolidated statements of cash flows, "Cash and Cash Equivalents" consists of "Cash" and "Demand Deposit with the Bank of Japan."

"Cash and Due from Banks" on the consolidated balance sheets as at 31st March, 1999, 1998 and 1997 consisted of the following:

Cash and Cash Equivalents	***¥ 980,961***	*¥ 962,855*	*¥ 982,813*	***$ 8,137,382***
Other Due from Banks	***854,757***	1,498,739	2,309,635	***7,090,479***
Cash and Due from Banks on the Consolidated Balance Sheets	***¥1,835,718***	*¥2,461,594*	*¥3,292,448*	***$15,227,861***

The accompanying Notes to the Consolidated Financial Statements form an integral part of these statements.

Notes to the **C**onsolidated **F**inancial **S**tatements

1 Basis of Presentation

The accompanying consolidated financial statements of The Sanwa Bank, Limited ("Sanwa Bank") and its consolidated subsidiaries (together referred to as "Sanwa Group") have been prepared in conformity with generally accepted accounting principles and practices in Japan, which consist of several sources including, but not limited to, Financial Statements Regulation and Consolidated Financial Statements Regulation promulgated by the Ministry of Finance (the "MOF"), and Statements and Opinions issued by the Business Accounting Deliberation Council (the "BADC"), an advisory body to the Minister of Finance. In addition, Sanwa Bank, as a Japanese bank, complies with the Uniform Accounting Standards for Banks in Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Also, accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements.

The accompanying consolidated balance sheets and income statements have been filed with the MOF as required by the Securities and Exchange Law of Japan, while the accompanying consolidated statements of change in shareholders' equity and statements of cash flows have been prepared solely for the purpose of inclusion in this report since such statements are not customarily prepared by banks in Japan and are not currently required to be filed with the MOF.

Certain items presented in the consolidated financial statements filed with the MOF have been reclassified for the convenience of readers outside Japan.

The amounts in Japanese yen are presented in millions of yen by rounding down figures. Accordingly, the sum of each amount appearing in the accompanying consolidated financial statements and the notes thereto may not be equal to the sum of the individual account balances. The amounts in U.S. dollars are included solely for the convenience of readers outside Japan and represent the arithmetical results of translating original Japanese yen amounts to U.S. dollars at ¥120.55 to $1, the effective exchange rate prevailing at the latest balance sheet date of 31st March, 1999. The translations should not be construed as implying that the Japanese yen amounts have been, or could have been, converted, realized, or settled in U.S. dollars at that or any other exchange rate.

2 Summary of Significant Accounting Policies

(a) Principles of Consolidation

(i) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of Sanwa Bank and its subsidiaries after the elimination of all material intercompany transactions. The scope of consolidation is determined based on the Opinion of the BADC as well as the Financial Statements Regulation and the Consolidated Financial Statements Regulation.

On 30th October, 1998, the BADC issued a new standard to determine the scope of consolidation of subsidiaries or affiliates based on control or influence rather than the traditional standard based on the voting shares. Under the traditional standard, majority-owned companies (directly and/or indirectly) were classed as subsidiaries and 20% to 50% owned companies (directly and/or indirectly) were classed as affiliates. Sanwa Bank has adopted the new standard for the fiscal year ended 31st March, 1999, while, up until the fiscal year ended 31st March, 1998, Sanwa Bank used the traditional standard to determine its scope of consolidation. A summary of the new standard is described in the following paragraph.

Subsidiaries

Under the new standard, subsidiaries are, in general, the companies in which Sanwa Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares, or 2) holds, directly and/or indirectly, 40% or more of the voting shares and, at the same time, has effective control over the decision-making body on their business policies, financial and operating issues through personnel, finance, and other relationships, unless evidence exists which shows that Sanwa Bank does not have such control. The number of subsidiaries determined by the new standard as at 31st March, 1999 was 172, of which 80 subsidiaries were consolidated and 92 were not consolidated. Among the consolidated subsidiaries, the major ones are as follows:

Sanwa Securities Co., Ltd. (Japan)
Sanwa Trust and Banking Company, Limited (Japan)
Partners Asset Management Co., Ltd. (Japan)
Sanwa Bank California (U.S.A.)
Sanwa International Finance Limited (Hong Kong)
Sanwa Australia Limited (Australia)
Sanwa International plc (United Kingdom)
Sanwa Bank Canada (Canada)
Sanwa Securities (Delaware) Inc. (U.S.A.)
Sanwa Financial Products Co., L.L.C. (U.S.A.)
(A former major subsidiary, Sanwa Business Credit Corporation, was sold during the fiscal year ended 31st March, 1999.)

Of the 92 non-consolidated subsidiaries, 89 were not consolidated based on the Article 5 Paragraph 1 Item 2 of the Consolidated Financial Statements Regulation since the subsidiaries are special purpose companies organised only for lease transactions and their assets and profits/losses substantially belonged to the investors in the leased assets, instead of to the subsidiaries.

Affiliates

Affiliates are, under the new standard, the companies other than subsidiaries in which Sanwa Bank i) holds, directly and/or indirectly, 20% or more of the voting shares, or ii) holds, directly and/or indirectly, 15% or more of voting shares and also, in material degree, is able to influence decision-making through personnel, finance, and other relationships, unless evidence exists which shows that Sanwa Bank does not have such influence. As at 31st March, 1999, the number of affiliates was 8, of which, 2 affiliates listed below are accounted for under the equity method while 6 non-material affiliates are carried at cost, less amounts written off, if any.

Towa Securities Co., Ltd. (Japan)
Rizal Commercial Banking Corporation (The Philippines)

As at 31st March, 1999, 1998 and 1997, the amounts of the investment in non-consolidated subsidiaries and affiliates not accounted for under the equity method were ¥685 million, ¥1,255 million, and ¥1,778 million, respectively. These were reported as “Securities” in the accompanying consolidated balance sheets.

The number of subsidiaries and affiliates as at 31st March, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
Consolidated Subsidiaries	**80**	63	60
Unconsolidated Subsidiaries	**92**	5	4
Affiliates (accounted for under the equity method)	**2**	2	2
Affiliates (not accounted for under the equity method)	**6**	7	6

(ii) Balance sheet date of subsidiaries

The accompanying consolidated financial statements include the accounts of consolidated subsidiaries, some of whose fiscal year-ends are other than 31st March. The year-end of such subsidiaries are principally 31st December and the accounts of these subsidiaries have been included after making appropriate adjustments for any material transactions during the period between 1st January and 31st March.

(iii) Goodwill

Any difference between cost and underlying equity in the fair value of the net assets of the consolidated subsidiaries is charged or credited to the Statement of Income, as the case may be, in the year of acquisition.

(iv) Translation of foreign currency financial statements of overseas entities

Financial statements of overseas entities denominated in foreign currencies are translated into Japanese yen using the exchange rate prevailing at each entity’s balance sheet date, instead of at the consolidated balance sheet date, except for items in “Stockholders’ Equity” which are translated at historical rates. The resulting differences are recorded as translation adjustments and included in “Other Assets” or “Other Liabilities.”

(b) Foreign Currency Translations and Revaluation

Sanwa Bank maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at each balance sheet date, except for certain special accounts which are translated at historical rates in accordance with the Uniform Accounting Standards for Banks in Japan.

Foreign exchange trading positions, including all foreign currency spot, forward contracts and option positions, are valued at prevailing market rates at each balance sheet date, and gains or losses from foreign exchange trading are reported net in foreign exchange gains or losses. Premiums or discounts associated with currency swaps and spot and forward exchange swaps relating to funding transactions are amortised over the life of the swap agreements as adjustments to interest income or expenses, as appropriate.

Foreign currency accounts held by the consolidated overseas subsidiaries are translated into the local currency of such subsidiaries principally at the respective exchange rates prevailing at each balance sheet date.

The consolidated overseas subsidiaries recognise gains or losses arising from the revaluation of foreign currency accounts in accordance with generally accepted accounting principles and practices in their respective countries.

(c) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from differences between markets, interest rates or currency exchange rates. Such transactions are reported as “Trading Assets” and “Trading Liabilities” in the Consolidated Balance Sheets on a trade date basis. Profits and losses on the transactions for trading purposes are shown as “Trading Revenue” or “Trading Expenses” in the Consolidated Statements of Income on a trade date basis.

Trading account securities and monetary receivables, etc., held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures and options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of securities and monetary receivables, etc., held for trading purposes, “Trading Revenue/Expenses” include the interest received/paid during the fiscal year and the increase/decrease between the valuation profits/losses at the end of the fiscal year and those at the end of the previous fiscal year.

In the case of trading-related financial derivatives, “Trading Revenue/Expenses” include the interest received/paid during the fiscal year and the increase/decrease between the amount of profits/losses based on the assumption that transactions were settled at the end of the fiscal year and that at the end of the previous fiscal year.

Profits/losses from the valuation of securities and monetary receivables, etc. or the assumed settlement of trading-related derivatives at the end of the previous fiscal year are included in the profits/losses for the fiscal year ended 31st March, 1998, because these “Trading Accounts” were established during the fiscal year ended 31st March, 1998 under article 17-2 of the Japanese Banking Law. Securities and monetary receivables, etc. included in “Trading Assets” or “Trading Liabilities” are stated at market value, and trading-related financial derivatives are stated at the amounts based on the assumption that they were settled at the end of the fiscal year.

As a result of these changes, “Total Assets” decreased by ¥58,668 million and “Total Liabilities” decreased by ¥79,364 million as at 31st March, 1998.

In addition, the effect of these changes, on profits and losses for the fiscal year ended 31st March, 1998 were as follows:

“Total Income” decreased by ¥275,874 million.
  “Interest Income” decreased by ¥294,281 million.
  “Trading Revenue” increased by ¥18,406 million.
“Total Expenses” decreased by ¥296,570 million.
  “Interest Expenses” decreased by ¥296,570 million.
“Loss before Income Taxes” decreased by ¥20,696 million.

Transactions made by consolidated subsidiaries for trading purposes are principally treated as the same as above.

Due to the amendment of the Enforcement Regulations of the Japanese Banking Law with respect to the establishment of "Trading Accounts," the format of the Consolidated Balance Sheets have been changed since the year ended 31st March, 1998 as follows:

1) "Trading Account Securities" and "Trading Account Securities Sold but not yet Purchased" which was previously included in "Other Liabilities" are included in "Trading Account Securities" and "Trading Account Securities Sold but not yet Purchased" within "Trading Assets" and "Trading Liabilities," respectively. Underwriting balance of government bonds and other bonds based on underwriting agreement for which the public offering period has not yet terminated at the end of the fiscal year is also included in "Trading Account Securities."
2) Option premiums on transactions of trading account securities, which were previously included in "Other Assets" or "Other Liabilities," are included in "Derivatives of Trading Account Securities" within "Trading Assets" or "Trading Liabilities."
3) "Securities" and "Securities Sold but not yet Purchased" which was previously included in "Other Liabilities" are included in "Securities Related to Trading Transactions" and "Securities Related to Trading Transactions Sold but not yet Purchased," respectively, in the case that they are held for the purposes prescribed in article 17-2, Paragraph 1, Subparagraph 2 of the Japanese Banking Law.
4) Option premiums on transactions of investment securities, which were previously included in "Other Assets" or "Other Liabilities," are included in "Derivatives of Securities Related to Trading Transactions" within "Trading Assets" or "Trading Liabilities" in the case that these securities are held for the purposes prescribed in article 17-2, Paragraph 1, Subparagraph 2 of the Japanese Banking Law.
5) Premiums on interest rate options for trading purposes, which were previously included in "Other Assets" or "Other Liabilities," are included in "Trading-Related Financial Derivatives" within "Trading Assets" or "Trading Liabilities."
6) "Cash and Due from Banks" and "Monetary Receivables Bought" held for trading purposes are included in "Other Trading Assets" within "Trading Assets."

Due to the amendment of the Enforcement Regulations of the Japanese Banking Law with respect to the establishment of "Trading Accounts," the format of the Consolidated Statements of Income has also been changed as follows:

1) Gains/losses on trading account securities transactions, which were previously included in "Other Operating Income/Expenses," are included in "Revenue/Expenses from Trading Securities and Derivatives," within "Trading Revenue/Expenses," together with valuation profits/losses, interest on trading account securities which was previously included in "Interest Income/Expenses," securities transaction tax and exchange tax on trading account securities which was previously included in "General and Administrative Expenses," and underwriting fees on trading account securities which were previously included in "Fees and Commissions (Income)."
2) Gains/losses on sales, gains/losses on redemption and revaluation losses of securities held for the purposes prescribed in article 17-2, Paragraph 1, Subparagraph 2 of the Japanese Banking Law, which were previously included in "Other Operating Income/Expenses," are included in "Revenue/Expenses from Securities and Derivatives Related to Trading Transactions" within "Trading Revenue/Expenses," together with the related valuation profits/losses, interest on securities held for such purposes which was previously included in "Interest Income/Expenses," and securities transaction tax and exchange tax on securities held for such purposes which was previously included in "General and Administrative Expenses."
3) Interest received/paid on interest rate swaps and other interest received/paid on trading-related financial derivatives, which was previously included in "Interest Income/Expenses," is included in "Revenue/Expenses from Trading-Related Financial Derivatives" within "Trading Revenue/Expenses," together with the related valuation profits/losses and exchange tax on trading-related financial derivatives which was previously included in "General and Administrative Expenses."
4) Interest on negotiable certificates of deposit and on monetary receivables bought for trading purposes, which was previously included in "Interest Income/Expenses," is included in "Other Trading Revenue/Expenses" within "Trading Revenue/Expenses," together with the related valuation profits/losses.

(d) Valuation of Securities

Up until the fiscal year ended 31st March, 1997, listed Japanese corporate bonds, listed Japanese stocks, listed foreign securities, and listed other securities held by Sanwa Bank and included in "Securities" were carried at the lower of moving average cost or market value, and others were carried at moving average cost.

In the fiscal year ended 31st March, 1998, the Uniform Accounting Standards for Banks in Japan for the valuation of securities were amended and, in accordance with the amended standards, Sanwa Bank adopted the historical cost method for the valuation of Japanese listed stocks held by Sanwa Bank for the fiscal year ended 31st March, 1998. Due to this change, "Loss before Income Taxes" decreased by ¥246,867 million. The valuation method of securities other than Japanese listed stocks remained unchanged.

As regards the valuation of securities held in individually managed Designated Money Held in Trust where the trust invests mainly in securities, listed bonds, listed stocks and other listed securities are valued at the lower of moving average cost or market value, and others were carried at moving average cost.

For the fiscal year ended 31st March, 1999, in accordance with the amendment of the Corporation Tax Law, subsequent recoveries of the market value of securities, such as listed Japanese corporate bonds, which are accounted for by the lower of moving average cost or market value were recognised from the fiscal year beginning 1st April, 1998, although such recoveries were not recognised up until the fiscal year ended 31st March, 1998. However, this change in accounting treatment had no impact for the fiscal year ended 31st March, 1999.

Securities held by consolidated subsidiaries are carried principally at moving average cost and reported in "Securities".

(e) Premises and Equipment

(i) Premises and Equipment

Premises and equipment owned by Sanwa Bank are depreciated using the declining-balance method in accordance with the Uniform Accounting Standards for Banks in Japan.

Up until the fiscal year ended 31st March, 1997, the depreciation rate used for buildings was 160% of the rate provided by the Corporation Tax Law. In the fiscal year ended 31st March, 1998, however, due to the amendment of the Uniform Accounting Standards for Banks in Japan, the depreciation rate used for buildings was changed to 100% of the rate provided by the Corporation Tax Law. As a result, "Loss before Income Taxes" decreased by ¥5,084 million for the fiscal year ended 31st March, 1998.

In addition, the useful life for buildings for tax purposes was shortened in the fiscal year ended 31st March, 1999. As a result, "Loss before Income Taxes" for the fiscal year increased by ¥514 million.

Premises and equipment owned by consolidated subsidiaries are stated at cost less accumulated depreciation. Depreciation of premises and equipment owned by consolidated subsidiaries is computed principally by the straight-line method based on the estimated useful life of each asset.

Sanwa Bank and the consolidated domestic subsidiaries (lessees) account for finance lease transactions, other than those in which the ownership of the leased equipment is recognised to be transferred to lessees, as operating lease transactions with certain disclosure in notes such as future minimum lease payments, in accordance with accounting principles and practices in Japan.

Consolidated overseas subsidiaries capitalise the finance lease equipment in accordance with generally accepted accounting principles and practices in their respective countries.

Finance lease receivables held by the consolidated overseas subsidiaries are included in "Financing Receivables, including Leasing," within "Loans and Bills Discounted."

(ii) Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on 31st March, 1998, the land used for business owned by Sanwa Bank was revalued, and the unrealised gain was reported as "Excess of Land Revaluation" within Liabilities for the fiscal year ended 31st March, 1998. Such revaluation, however, was allowed only once under the law and will not be made at each fiscal year-end.

Book value of land before revaluation	¥125,822 million
Book value of land after revaluation	¥444,110 million
Date of revaluation	31st March, 1998

The method of revaluation is as follows:

Under article 3-3 of the enforcement ordinance for the law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan, after appropriate adjustments for the shape of land and the timing of the assessment.

On 31st March, 1999, the Law concerning Revaluation of Land was amended. To comply with the amended law, the unrealised gain on the revaluation of land, net of deferred tax, was reclassified to "Excess of Land Revaluation" within Stockholders' Equity, and the relevant deferred tax was included in Liabilities as "Deferred Tax Liabilities related to Land Revaluation" for the fiscal year ended 31st March, 1999. As a result, Total Liabilities decreased by ¥156,809 million and Stockholders' Equity increased by the same amount as at 31st March, 1999.

As at 31st March, 1999, the book value of the land after revaluation was below its fair value by ¥24,230 million.

(f) Reserve for Possible Loan Losses

Up until the fiscal year ended 31st March, 1997, "Reserve for Possible Loan Losses" of Sanwa Bank consisted of "General Reserve", "Specific Reserve" and "Specific Reserve for Loans to Certain Refinancing Countries". The Uniform Accounting Standards for Banks in Japan required banks to establish a general reserve based on their total outstanding eligible assets as determined by the Corporation Tax Law. The rate used for the general reserves was 0.3% as at 31st March, 1997.

"Specific Reserve" was set up in accordance with Sanwa Bank's evaluation of the collectibility of each loan. "Specific Reserve for Loans to Certain Refinancing Countries" had been established in accordance with the regulations of the MOF to cover potential losses from specific overseas loans to such countries. Sanwa Bank maintained a 35% reserve for such loans outstanding as at 31st March, 1997.

For the fiscal year ended 31st March, 1998 and 1999, due to the amendment of the Uniform Accounting Standards for Banks in Japan, "Reserve for Possible Loan Losses" of Sanwa Bank was provided as follows, in accordance with internal criteria regarding write-offs and providing reserves for possible credit losses:

1) The reserve for claims on debtors who are legally or substantially bankrupt is provided based on the amount remaining after deductions of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.
2) The reserve for claims on debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the necessary amount considering the overall solvency assessment of the amounts remaining after deductions of the expected amounts to be collected through the disposal of collateral or through the execution of guarantees.
3) The reserve for claims on debtors other than the above is provided based on the default rate, calculated by the actual defaults during a certain period in the past.
4) The specific reserve for loans to certain refinancing countries is provided based on the expected loss amount due to the political and economic situation.

All claims are assessed by the operating sections based on the internal rules for self-assessment of asset quality. Subsequently, the Credit Assessment & Auditing Department, which is independent from the operating sections, audits these self-assessments, and the reserve is provided based on the results of the assessment.

The consolidated subsidiaries provide the "Reserve for Possible Loan Losses" as the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

(g) Reserve for Retirement Allowances, and Pension Plans

"Reserve for Retirement Allowances" is provided by Sanwa Bank in accordance with the Uniform Accounting Standards for Banks in Japan and represents the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

With respect to pension plans, Sanwa Bank has contributory and non-contributory funded pension plans for eligible employees and annual contributions are charged to the Statement of Income when paid. The consolidated subsidiaries principally have funded pension plans for their employees.

(h) Reserve for Contingent Liabilities Related to Loans Sold

"Reserve for Contingent Liabilities Related to Loans Sold" is provided based on the estimated liabilities of future losses for the loans sold, considering the fair value of collateral of loans sold to the Cooperative Credit Purchasing Company, Limited.

(i) Reserve for Supporting Specific Borrowers

"Reserve for Supporting Specific Borrowers" is provided based on the adequate amount expected to be necessary for the financial support of specific borrowers which are undergoing restructuring or are supported by Sanwa Bank.

(j) Income Taxes

Income taxes in Japan applicable to Sanwa Bank for the years ended 31st March, 1999, 1998 and 1997 consisted of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local).

	1999	1998	1997
Statutory Maximum Rates of Income Taxes:			
Corporation Tax	**34.5%**	37.5%	37.5%
Inhabitant Taxes	**7.1%**	7.8%	7.8%
Enterprise Taxes	**11.6%**	12.6%	12.6%
	53.2%	57.9%	57.9%
Effective Rates of Income Taxes	**47.7%**	51.4%	51.4%

For consolidated financial statement purposes, Sanwa Bank recognises deferred tax assets/liabilities using the effective future tax rates as at each fiscal year-end (i.e., 42.1%, 47.7%, and 51.4% for the years ended 31st March, 1999, 1998 and 1997, respectively).

For non-consolidated financial statement purposes, Sanwa Bank has adopted tax effect accounting for the fiscal year ended 31st March, 1999. As a result, total assets increased by ¥592,556 million, net loss decreased by ¥262,949 million, and retained earnings increased by ¥592,568 million for the fiscal year.

(k) Appropriation of Retained Earnings

"Cash Dividends" and "Bonuses to Directors and Statutory Auditors" are recorded in the financial year in which a proposed appropriation of retained earnings is approved by the Board of Directors and/or the general meeting of shareholders.

(l) Net Income (Loss) per Share

"Net Income (Loss) per Share" is computed as "Net Income (Loss)" less dividends for preferred stock divided by the weighted average number of shares of common stock outstanding during the year, excluding treasury shares held by Sanwa Bank and its consolidated subsidiaries.

For the year ended 31st March, 1997, fully diluted net income per share was not shown, because net income per share was not diluted. For the year ended 31st March, 1998 and 1999, fully diluted net income per share was not applicable due to the net loss.

(m) Change in Presentation of Accounts

Due to the amendments of the Consolidated Financial Statements Regulation, the following presentations of the accounts in the consolidated financial statements have been changed for the fiscal year ended 31st March, 1999.

1) "Legal Reserve", which was previously reported as a separate account within Stockholders' Equity, is included in "Retained Earnings". Accordingly, the beginning balance, the movements during the fiscal year, and the ending balance of "Retained Earnings" include "Legal Reserve".
2) "Minority Interests", which were previously reported within Liabilities, are reported as a separate section between Liabilities and Stockholders' Equity.
3) "Equity in Earnings of Affiliates", which was previously reported as a separate account after "Net Income (Loss) before Income Taxes", is included in "Other Income" or "Other Expenses".
4) "Enterprise Taxes", which were previously included in "Other Expenses", are included in "Income Taxes".
5) "Amortisation of Goodwill", which was previously reported as a separate account after "Income (Loss) before Income Taxes", is included in "Other Income" or "Other Expenses".

In addition, due to the amendment of the Law concerning Revaluation of Land, "Excess of Land Revaluation", which was previously reported within Liabilities, is reported within Stockholders' Equity after the net of deferred tax. Such deferred tax is reported as "Deferred Tax Liabilities related to Land Revaluation" within Liabilities. (See Note 2 (e).)

Furthermore, "Commercial Paper" has been established in Liabilities for the fiscal year ended 31st March, 1999 under the Japanese Banking Law since Japanese banks, including Sanwa Bank, have been allowed to issue commercial paper during the fiscal year.

3 Trading Assets

Trading Assets as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Trading Account Securities	**¥ 528,479**	¥ 658,920	**$ 4,383,902**
Derivatives of Trading Account Securities	**618**	586	**5,131**
Derivatives of Securities Related to Trading Transactions	**386**	9	**3,207**
Trading-Related Financial Derivatives	**368,556**	269,422	**3,057,292**
Other Trading Assets	**402,868**	79,365	**3,341,922**
Total	**¥1,300,909**	¥1,008,303	**$10,791,454**

4 Securities

Securities as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Japanese National Government Bonds	**¥1,411,272**	¥1,445,643	**$11,706,944**
Japanese Local Government Bonds	**346,174**	727,674	**2,871,622**
Japanese Corporate Bonds and Financial Debentures	**445,596**	457,960	**3,696,362**
Japanese Equities	**3,235,289**	3,264,615	**26,837,738**
Others	**974,695**	1,087,635	**8,085,404**
Total	**¥6,413,027**	¥6,983,529	**$53,198,070**

Book values of the securities included in "Securities" held by Sanwa Bank, excluding investments in its subsidiaries, as at 31st March, 1999 and 1998 were ¥5,939,276 million and ¥6,629,120 million, respectively, and market values of these securities were ¥6,284,028 million and ¥6,951,130 million, respectively.

Two affiliates were accounted for under the equity method, and the book values of these investments as at 31st March, 1999 and 1998 were adjusted. The amounts of the adjustment, however, were not material at both fiscal year-ends.

5 Loans and Bills Discounted

Loans and Bills Discounted as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Bills Discounted	**¥ 509,788**	¥ 631,978	**$ 4,228,851**
Loans on Notes	**5,946,919**	6,586,555	**49,331,563**
Loans on Deeds	**20,921,792**	22,692,993	**173,552,821**
Overdrafts	**5,318,553**	4,871,561	**44,119,065**
Financing Receivables, including Leasing	**142,098**	393,654	**1,178,748**
Total	**¥32,839,151**	¥35,176,742	**$272,411,048**

Problem Loans held by Sanwa Bank in accordance with the Uniform Accounting Standards for Banks in Japan were as follows:

As at 31st March, 1998, loans to bankrupt companies and other delinquent loans, on which Sanwa Bank suspended to recognise accrual interest in accordance with the Corporate Tax Law, were ¥244,299 million and ¥433,820 million, respectively. Interest reduced or suspended loans, i.e., loans where, in order to provide financial assistance to the borrowers, the loan conditions were renegotiated such that; (i) the interest rate was reduced to below the official discount rate; (ii) the spread margin was reduced to zero or negative; or (iii) interest payments were deferred, were ¥90,705 million. Loans to supported companies, which were loans to certain borrowers whom Sanwa Bank supported by means of disposal of loan claims and/or other means, were ¥104,566 million.

As at 31st March, 1999, loans to bankrupt companies and other delinquent loans were ¥264,099 million and ¥461,539 million, respectively. Loans past due 3 months or more, other than loans to bankrupt companies and other delinquent loans, were ¥215,390 million. Restructured loans, i.e., loans with concessionary interest rates and loans with negotiated terms regarding the timing of interest and principal payments were ¥438,958 million ("Interest Reduced or Suspended Loans" and "Loans to Supported Companies" under the former standards are included in this category).

On a consolidated basis, loans to bankrupt companies, other delinquent loans, loans past due 3 months or more, and restructured loans as at 31st March, 1999 were ¥270,772 million, ¥632,307 million, ¥222,860 million, and ¥356,230 million, respectively.

6 Foreign Exchange Assets and Liabilities

Foreign Exchange Assets and Foreign Exchange Liabilities as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Foreign Exchange Assets:			
Due from Foreign Banks	**¥ 34,064**	¥ 78,704	**$ 282,572**
Foreign Exchange Bills Bought	**170,883**	172,492	**1,417,528**
Foreign Exchange Bills Receivable	**93,583**	108,591	**776,306**
Total	**¥298,530**	¥359,788	**$2,476,406**
Foreign Exchange Liabilities:			
Due to Foreign Banks	**¥ 42,976**	¥ 26,877	**$ 356,506**
Foreign Exchange Bills Sold	**750**	2,196	**6,227**
Foreign Exchange Bills Payable	**2,176**	2,670	**18,055**
Total	**¥ 45,903**	¥ 31,745	**$ 380,788**

7 Other Assets

Other Assets as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Domestic Exchange Settlement (debit)	**¥ 166**	¥ 151	**$ 1,385**
Accrued Income	**506,336**	815,197	**4,200,221**
Prepaid Expenses	**8,889**	8,445	**73,740**
Securities Deposited from Others	**1,318,391**	2,176,798	**10,936,472**
Collateral Deposits on Securities Borrowed	**1,177,984**	1,761,960	**9,771,754**
Others	**634,105**	732,119	**5,260,100**
Total	**¥3,645,874**	¥5,494,673	**$30,243,672**

8 Premises and Equipment

Premises and Equipment as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Land	**¥398,583**	¥448,891	**$3,306,376**
Buildings	**100,546**	113,658	**834,063**
Equipment	**51,388**	55,443	**426,283**
Others	**84,750**	135,215	**703,029**
Total	**¥635,268**	¥753,209	**$5,269,751**
Accumulated Depreciation Deducted	**¥313,231**	¥329,987	**$2,599,929**

In accordance with the Law concerning Revaluation of Land, which was promulgated on 31st March, 1998, land used for business was revalued on 31st March, 1998. (See Note 2 (e).)

9 Deposits

Deposits as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Current Deposits	**¥ 1,891,289**	¥ 1,705,882	**$ 15,688,837**
Ordinary Deposits	**5,684,510**	5,003,545	**47,154,791**
Deposits at Notice	**2,332,994**	3,030,214	**19,352,918**
Time Deposits	**14,920,239**	16,706,225	**123,768,061**
Other Deposits	**3,644,656**	4,295,435	**30,233,569**
Subtotal	**28,473,690**	30,741,302	**236,198,176**
Negotiable Certificates of Deposit	**6,746,636**	7,060,040	**55,965,458**
Total	**¥35,220,326**	¥37,801,343	**$292,163,634**

10 Trading Liabilities

Trading Liabilities as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Trading Account Securities Sold but not yet Purchased	**¥329,000**	¥331,842	**$2,729,161**
Derivatives of Trading Account Securities	**668**	430	**5,544**
Derivatives of Securities Related to Trading Transactions	**2,677**	28	**22,208**
Trading-Related Financial Derivatives	**211,313**	196,846	**1,752,914**
Total	**¥543,659**	¥529,148	**$4,509,827**

11 Borrowed Money

Borrowed Money as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Borrowings from The Bank of Japan and Other Financial Institutions	**¥1,039,335**	¥1,524,379	**$8,621,613**
Bills Rediscounted	**7,660**	17,454	**63,550**
Total	**¥1,046,996**	¥1,541,833	**$8,685,163**

Subordinated debts included in Borrowings from The Bank of Japan and Other Financial Institutions as at 31st March, 1999 and 1998 were ¥535,609 million and ¥678,080 million, respectively.

12 Corporate Bonds

The balance of Corporate Bonds as at 31st March, 1999 and 1998 was ¥1,186,241 million and ¥1,487,051 million, respectively.

The subordinated bonds issued by Sanwa Bank and bonds issued by the consolidated subsidiaries and guaranteed by Sanwa Bank on a subordinated basis were ¥1,135,798 million and ¥1,052,356 million as at 31st March, 1999 and 1998, respectively, which were included in Corporate Bonds.

The issue costs of bonds issued by Sanwa Bank were charged to the Statement of Income when incurred.

13 Convertible Bonds and Notes

Convertible Bonds and Notes as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
2.75% Convertible Bonds due 2000 in U.S. Dollars	**¥ 3,359**	¥ 3,480	**$ 27,869**
1.75% Convertible Bonds due 2002 in U.S. Dollars	**14,209**	14,209	**117,869**
Total	**¥17,568**	¥17,689	**$145,738**

The number of shares of common stock, which would have been issued upon full conversion of the bonds and notes described previously as at 31st March, 1999, at the current conversion prices and the fixed exchange rates, was as follows:

	Exchange rates	*Conversion price (yen)*	*Number of shares (thousands)*
2.75% Convertible Bonds due 2000 in U.S. Dollars	U.S.$1=¥244.90	¥1,268.50	2,683
1.75% Convertible Bonds due 2002 in U.S. Dollars	U.S.$1=¥142.90	2,692.80	5,284
Total			7,968

The conversion prices are subject to adjustment for subsequent stock splits, free share distributions and certain other factors.

14 Other Liabilities

Other Liabilities as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Domestic Exchange Settlement (credit)	**¥ 4,368**	¥ 4,131	**$ 36,237**
Accrued Expenses	**495,090**	622,587	**4,106,933**
Unearned Income	**79,017**	35,720	**655,477**
Income Taxes Payable	**3,152**	3,703	**26,149**
Employees' Savings Deposits	**43,929**	43,133	**364,408**
Trading Account Securities Borrowed	**1,014,280**	1,279,400	**8,413,770**
Securities Borrowed	**294,070**	880,600	**2,439,403**
Collateral Deposits on Securities Lent	**331,537**	1,276,915	**2,750,204**
Others	**280,197**	366,702	**2,324,325**
Total	**¥2,545,643**	¥4,512,895	**$21,116,906**

15 Other Reserves

Other Reserves as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Reserves for:			
Contingent Liabilities from Brokering of Financial Futures Transactions	**¥28**	¥28	**$233**
Contingent Liabilities from Brokering of Securities Transactions	**5**	9	**45**
Total	**¥33**	¥37	**$278**

The "Reserve for Contingent Liabilities from Brokering of Financial Futures Transactions" was computed on the basis prescribed by the Financial Futures Transactions Law of Japan.

The "Reserve for Contingent Liabilities from Brokering of Securities Transactions" was computed on the basis prescribed by the Securities and Exchange Law of Japan.

16 Acceptances and Guarantees

Acceptances and Guarantees as at 31st March, 1999 and 1998 consisted of the following:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Acceptances	**¥ 15,890**	¥ 24,903	**$ 131,820**
Letters of Credit	**143,835**	160,847	**1,193,163**
Guarantees	**1,789,085**	1,847,564	**14,841,023**
Total	**¥1,948,812**	¥2,033,316	**$16,166,006**

17 Preferred Stock, Common Stock and Additional Paid-in Capital

Authorised Number of Shares of Preferred Stock and Common Stock

The authorised number of shares of common stock at ¥50 per share as at 31st March, 1998 was 4,000,000,000 shares.

The authorised number of shares of preferred stock, with no par value, as at 31st March, 1998 was 100,000,000 shares.

At an extraordinary general meeting of shareholders and a meeting of preferred shareholders both held on 17th February, 1999, it was resolved to amend Sanwa Bank's Articles of Incorporation to; (i) increase the number of its authorised preferred stock from 100,000,000 to 1,400,000,000 (of which, 1,000,000,000 shares are convertible and 400,000,000 shares are nonconvertible and all of which are noncumulative and rank in parity as to rights to dividends and liquidation preferences upon dissolution, liquidation or winding up of the Bank); (ii) increase the number of its authorised common stock from 4,000,000,000 to 7,000,000,000; and (iii) authorise Sanwa Bank's Board of Directors to purchase common stocks and preferred stocks at their discretion for the purposes of redemption.

First Series Preferred Stock

On 17th March, 1998, Sanwa Bank issued 50 million preferred stocks, at a price of ¥3,000 per share for gross proceeds of ¥150 billion, of which ¥75 billion was transferred to "Additional Paid-in Capital" in accordance with the Japanese Commercial Code. The issue costs were charged to the Statement of Income when incurred. The preferred stockholders are entitled, with priority over any payment of dividends and distributions on the liquidation of Sanwa Bank to common stockholders of Sanwa Bank, to receive annual noncumulative dividends of ¥37.50 per preferred stock and a distribution of ¥3,000 per preferred stock.

The preferred stocks are convertible at the election of the holders from and including 1st July, 1998 to and including 31st July, 2005, except during certain excluded periods, into fully paid shares of common stock of Sanwa Bank at an initial conversion price of ¥1,283 per common stock, subject to adjustment in certain events. The conversion price will be subject to reset on 1st August in each of 1999, 2000, 2001, 2003 and 2004 to the then prevailing average market price of the common stock, if lower than the conversion price prior to such reset, but not lower than ¥750 per common stock. All preferred stocks outstanding on 1st August, 2005 will be converted into common stock.

First Series Class A Preferred Stock

On 31st March, 1999, Sanwa Bank issued 200 million preferred stocks, at a price of ¥3,000 per share for gross proceeds of ¥600 billion, of which ¥300 billion was transferred to "Additional Paid-in Capital" in accordance with the Japanese Commercial Code. The issue costs were charged to the Statement of Income when incurred. The preferred stockholders are entitled, with priority over any payment of dividends and distributions on the liquidation of Sanwa Bank to common stockholders of Sanwa Bank, to receive annual noncumulative dividends of ¥15.90 per preferred stock and a distribution of ¥3,000 per preferred stock.

The preferred stocks are convertible at the election of the holders from and including 1st July, 2001 to and including 31st July, 2008, except during certain excluded periods, into fully paid shares of common stock of Sanwa Bank at an initial conversion price of ¥1,156 per common stock, subject to adjustment in certain events. The conversion price will be subject to reset on 1st August in each of 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 and 2007 to the then prevailing average market price of the common stock, if lower than the conversion price prior to such reset, but not lower than ¥1,050 per common stock.
All preferred stocks outstanding on 1st August, 2008 will be converted into common stock.

18 Other Interest Income

The composition of Other Interest Income for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Interest on Deposits with Banks	**¥ 67,090**	¥139,575	¥ 180,457	**$ 556,540**
Interest on Interest Swaps	**332,775**	464,234	610,200	**2,760,480**
Other Interest Income	**75,504**	130,401	263,237	**626,332**
Total	**¥475,371**	¥734,211	¥1,053,896	**$3,943,352**

19 Fees and Commissions (Income)

The composition of Fees and Commissions (Income) for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Fees and Commissions (Income) on:				
Domestic and Foreign Exchanges	**¥ 49,500**	¥ 50,974	¥ 49,112	**$ 410,619**
Others	**157,752**	79,860	87,001	**1,308,604**
Total	**¥207,252**	¥130,834	¥136,114	**$1,719,223**

20 Trading Revenue and Expenses

The composition of Trading Revenue for the years ended 31st March, 1999 and 1998 was as follows:

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Revenue from Trading Account Securities and Derivatives	**¥17,644**	¥44,867	**$146,367**
Revenue from Securities and Derivatives Related to Trading Transactions	**—**	239	**—**
Revenue from Trading-Related Financial Derivatives Transactions	**33,905**	31,967	**281,255**
Other Trading Revenue	**2,335**	1,338	**19,372**
Total	**¥53,885**	¥78,413	**$446,994**

Under article 17-2 of the Japanese Banking Law, "Trading Accounts" were established during the fiscal year ended 31st March, 1998. (See Note 2 (c).)

Trading Expenses, which consisted of Expenses on Securities and Derivatives Related to Trading Transactions only, for the years ended 31st March, 1999 was ¥143 million.

21 Other Operating Income

The composition of Other Operating Income for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Foreign Exchange Transaction Gains (Net)	**¥ 32,609**	¥ —	¥ 16,161	**$ 270,509**
Gains on Sales of Bonds included in Securities	**297,742**	86,173	127,221	**2,469,871**
Gains on Redemption of Bonds included in Securities	**2,984**	6,513	2,856	**24,755**
Others	**11,722**	5,858	4,170	**97,241**
Total	**¥345,059**	¥98,545	¥150,409	**$2,862,376**

22 Other Income

The composition of Other Income for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Gains on Sales of Stocks and Other Equity Securities	**¥21,399**	¥226,286	¥350,524	**$177,517**
Gains on Money Held in Trust	**1,687**	5,008	2,627	**14,002**
Gains on Sales of Premises and Equipment	**38,407**	60,288	13,844	**318,599**
Collection of Written-off Claims	**180**	164	371	**1,496**
Others	**18,925**	22,319	90,490	**156,991**
Total	**¥80,600**	¥314,066	¥457,857	**$668,605**

"Others" for the fiscal year ended 31st March, 1997 included extraordinary gains of ¥85,588 million on the sales of certain stocks for the appropriation of the losses incurred on the cancellation of unit trusts.

23 Other Interest Expenses

The composition of Other Interest Expenses for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Interest on Corporate Bonds	**¥ 53,009**	¥ 54,039	¥ —	**$ 439,729**
Interest on Convertible Bonds	**273**	270	260	**2,266**
Interest on Interest Swaps	**398,844**	513,799	648,310	**3,308,540**
Other Interest Expenses	**86,376**	41,035	161,201	**716,523**
Total	**¥538,503**	¥609,146	¥809,773	**$4,467,058**

24 Fees and Commissions (Expenses)

The composition of Fees and Commissions (Expenses) for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Fees and Commissions (Expenses) on:				
Domestic and Foreign Exchanges	**¥12,302**	¥13,170	¥11,330	**$102,052**
Others	**74,218**	33,127	32,022	**615,662**
Total	**¥86,520**	¥46,298	¥43,353	**$717,714**

25 Other Operating Expenses

The composition of Other Operating Expenses for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Foreign Exchange Transaction Losses (Net)	**¥ —**	¥ 4,975	¥ —	**$ —**
Losses on Trading Account Securities Transactions (Net)	**—**	—	1,482	**—**
Losses on Sales of Bonds included in Securities	**184,098**	37,729	98,018	**1,527,156**
Losses on Redemption of Bonds included in Securities	**6,397**	6,676	4,798	**53,071**
Revaluation Loss of Bonds included in Securities	**6,412**	1,403	2,765	**53,196**
Others	**2,898**	2,484	43	**24,041**
Total	**¥199,807**	¥53,269	¥107,107	**$1,657,464**

26 Other Expenses

The composition of Other Expenses for the years ended 31st March, 1999, 1998 and 1997 was as follows:

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Transfer to Reserve for Possible Loan Losses	**¥ 352,008**	¥386,011	¥105,750	**$2,920,023**
Write-off of Loans	**31,743**	7,694	7,914	**263,321**
Losses on Sales of Stocks and Other Equity Securities	**42,714**	15,211	4,560	**354,333**
Revaluation Loss of Stocks and Other Equity Securities	**61,366**	3,823	107,087	**509,054**
Losses on Money Held in Trust	**287**	438	3,710	**2,385**
Enterprise Taxes	**—**	(30,454)	5,224	**—**
Amortisation of Goodwill	**1,084**	—	—	**8,996**
Equity in Earnings of Affiliates	**1,027**	—	—	**8,520**
Losses on Sales of Premises and Equipment	**5,162**	2,178	14,525	**42,827**
Transfer to Reserve for Possible Losses from Transactions in Trading Account Securities	**—**	—	51	**—**
Losses on Sales of Corporate Mortgage Loans to the Cooperative Credit Purchasing Company, Limited	**34,209**	126,663	68,869	**283,781**
Others	**636,917**	456,615	456,933	**5,283,431**
Total	**¥1,166,522**	¥968,182	¥774,627	**$9,676,671**

"Enterprise Taxes" for the fiscal year ended 31st March, 1998 were negative due to the tax effects for the consolidated financial statements.

In accordance with the amendments of Consolidated Financial Statements Regulation, "Enterprise Taxes" were included in "Income Taxes" for the year ended 31st March, 1999. In addition, "Amortisation of Goodwill" and "Equity in Earnings of Affiliates," which had been presented after "Income (Loss) before Income Taxes," were included in "Other Expenses" for the year ended 31st March, 1999.

"Others" for the fiscal year ended 31st March, 1999 included the losses of ¥68,924 million for the supported companies, the transfer of ¥71,122 million to "Reserve for Contingent Liabilities Related to Loans Sold," and the losses of ¥473,824 million on the sales of loans, such as loans to bankrupt companies and other delinquent loans.

"Others" for the fiscal year ended 31st March, 1998 included the losses of ¥152,131 million taken in support of Sanwa Business Credit Co., Ltd. and others, the transfer of ¥29,972 million to "Reserve for Contingent Liabilities Related to Loans Sold," the transfer of ¥77,359 million to "Reserve for Supporting Specific Borrowers," and the losses of ¥176,384 million on the sales of loans, such as loans to bankrupt companies and other delinquent loans.

"Others" for the fiscal year ended 31st March, 1997 included the losses of ¥237,181 million taken in support of Sanwa Business Credit Co., Ltd. and others, extraordinary losses of ¥86,160 million on cancellation of unit trusts, and the transfer of ¥52,054 million to "Reserve for Contingent Liabilities Related to Loans Sold."

* Sanwa Business Credit Co., Ltd., a 5%-owned investee of Sanwa Bank, conducts mainly mortgage financing, factoring and leasing in Japan and became a Sanwa Bank's consolidated subsidiary in the fiscal year ended March 31, 1999 due to the amendment of the Consolidated Financial Statements Regulation.

27 Deferred Tax Assets & Liabilities

Deferred Tax Assets and Deferred Tax Liabilities as at 31st March, 1999 consisted of the following:

	Millions of yen	*Thousands of U.S. dollars*
	1999	**1999**
Deferred Tax Assets:		
Reserve for Possible Loan Losses	**¥412,905**	**$3,425,180**
Reserve for Contingent Liabilities Related to Loans Sold	**47,363**	**392,898**
Revaluation Loss on Securities	**28,786**	**238,790**
Tax Loss Carryforwards	**88,531**	**734,400**
Other Taxable Items	**35,444**	**294,022**
Subtotal	**¥613,031**	**$5,085,290**
Valuation Allowance	**(5,662)**	**(46,975)**
Total Deferred Tax Assets	**¥607,368**	**$5,038,315**
Deferred Tax Liabilities:		
Reserve for Losses on Overseas Investments and Other	**¥ 9,014**	**$ 74,782**
Total Deferred Tax Liabilities	**¥ 9,014**	**$ 74,782**
Net Deferred Tax Assets	**¥598,353**	**$4,963,533**

Disclosure of the above information was not required as of 31st March, 1997 and 1998.

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the effective statutory tax rate for the year ended 31st March, 1999 was as follows:

	1999
Effective Statutory Tax Rate	47.7%
Increase (Decrease) in Taxes Resulting from:	
Tax Rate Change (from 47.7% to 42.1%)	(12.2%)
Tax Exempt Income	(4.8%)
Others (Net)	(4.0%)
Effective Income Tax Rate	26.7%

Disclosure of the above information was not required as of 31st March, 1997 and 1998.

Due to the amendment of tax law, Sanwa Bank's effective statutory tax rate decreased from 47.7% to 42.1%. As a result, "Deferred Tax Assets" decreased by ¥79,072 million and "Income Taxes" increased by the same amount for the fiscal year ended 31st March, 1999.

28. Lease Transactions

(a) Information of finance lease transactions, other than those which the ownership of the leased equipment was recognised to be transferred to lessees, was as follows (Figures marked with "*" are not presented since they were not required at respective fiscal years):

(1) Lessee side

	Millions of yen	*Thousands of U.S. dollars*
	1999	**1999**
Estimated Cost	**¥1,982**	**$16,446**
Estimated Accumulated Depreciation Deducted	**1,285**	**10,663**
Net Estimated Balance	**¥ 697**	**$ 5,783**

	Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	**1999**
Total of Future Lease Payment to Be Paid:			
Within 1 Year	**¥ 440**	¥1,645	**$3,656**
More than 1 Year	**607**	6,501	**5,038**
Total	**¥1,048**	¥8,146	**$8,694**

	Millions of yen	*Millions of yen*	*Millions of yen*	*Thousands of U.S. dollars*
	1999	1998	1997	**1999**
Amount during the Term:				
Lease Payment	**¥465**	¥1,914	¥1,404	**$3,865**
Estimated Depreciation	**445**	*	*	**3,697**
Estimated Interest Payment	**76**	*	*	**632**

Estimated depreciation was computed on the concise declining balance method using a contract term as a lease life in accordance with an instruction issued by the Japanese Institute of Certified Public Accountants.

Estimated interest payment was computed based on the difference between the total lease payment and the estimated cost, which was spread over the lease life by the interest method.

(2) Lessor side

	Millions of yen	*Thousands of U.S. dollars*
	1999	**1999**
Cost	**¥208,497**	**$1,729,553**
Accumulated Depreciation Deducted	**109,890**	**911,580**
Net Balance	**¥ 98,606**	**$ 817,973**

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	**1999**
Total of Future Lease Payment to Be Received:			
Within 1 Year	**¥ 43,512**	¥—	**$ 360,948**
More than 1 Year	**90,113**	—	**747,522**
Total	**¥133,626**	¥—	**$1,108,470**

	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	1997	**1999**
Amount during the Term:				
Lease Receipt	**¥42,333**	¥—	¥—	**$351,166**
Depreciation	**37,402**	*	*	**310,267**
Estimated Interest Receipt	**4,930**	*	*	**40,899**

Estimated interest receipt was computed based on the difference between the total lease receipt and the cost, which was spread over the lease life by the straight-line method.

(b) Information of operating lease transactions was as follows:

(1) Lessee side

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	**1999**
Total of Future Lease Payment to Be Paid:			
Within 1 Year	**¥ 6,232**	¥ 8,253	**$ 51,704**
More than 1 Year	**36,472**	50,689	**302,550**
Total	**¥42,705**	¥58,943	**$354,254**

(2) Lessor side

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	**1999**
Total of Future Lease Payment to Be Received:			
Within 1 Year	**¥ 224**	¥ 9,801	**$ 1,865**
More than 1 Year	**1,090**	28,670	**9,049**
Total	**¥1,315**	¥38,472	**$10,914**

29 Subsequent Events

At the general meeting of shareholders of Sanwa Bank held on 25th June, 1999, the payments of final dividends for the year ended 31st March, 1999 of ¥2.75 per share and totalling ¥7,980 million in common stock, and of ¥18.75 per share and totalling ¥937 million in first series preferred stock, and ¥0.05 per share and totalling ¥10 million in First Series Class A preferred stock were approved. In accordance with Japanese accounting practices, the dividend was not accrued in the accompanying consolidated financial statements.

The issuance of stock options to directors and employees as provided for by article 280-19 of the Japanese Commercial Code was also approved at the general meeting of shareholders. The number of shares to be issued upon the exercise of stock options issued to directors (11 directors in total) and to executive officers (23 executive officers in total) is 97,000 and 139,000, respectively.

30 Segment Information

(a) Segment Information by Type of Business

Some subsidiaries conduct businesses other than banking, such as securities, trust banking or leasing besides banking business. However, since the ratio of these businesses to the whole is not material, segment information by the type of business is not provided.

(b) Segment Information by Location

Millions of yen	*Japan*	*The Americas*	*Europe*	*Asia/ Oceania excluding Japan*	*Total*	*Elimination and Corporate Assets*	*Consolidated*
Year ended 31st March, 1999							
I Recurring Income	**¥ 1,908,245**	**¥ 472,494**	**¥ 293,847**	**¥ 322,841**	**¥ 2,997,429**	**¥ (626,598)**	**¥ 2,370,830**
(1) Recurring Income from Outside Customers	**1,543,436**	**392,772**	**167,695**	**266,926**	**2,370,830**	**—**	**2,370,830**
(2) Internal Recurring Income between Segments	**364,809**	**79,722**	**126,151**	**55,915**	**626,598**	**(626,598)**	**—**
II Recurring Expenses	**2,525,108**	**432,944**	**295,762**	**402,061**	**3,655,876**	**(604,360)**	**3,051,516**
Recurring Profit (Loss) (I-II)	**¥ (616,862)**	**¥ 39,550**	**¥ (1,914)**	**¥ (79,220)**	**¥ (658,447)**	**¥ (22,237)**	**¥ (680,685)**
III Assets	**¥47,216,889**	**¥4,902,885**	**¥2,964,871**	**¥6,305,867**	**¥61,390,513**	**¥(11,018,359)**	**¥50,372,153**

Millions of yen	*Japan*	*The Americas*	*Europe*	*Asia/ Oceania excluding Japan*	*Total*	*Elimination and Corporate Assets*	*Consolidated*
Year ended 31st March, 1998							
I Recurring Income	¥ 1,924,185	¥ 634,463	¥ 423,439	¥ 484,032	¥ 3,466,121	¥ (741,669)	¥ 2,724,451
(1) Recurring Income from Outside Customers	1,586,474	488,989	282,007	366,980	2,724,451	—	2,724,451
(2) Internal Recurring Income between Segments	337,710	145,473	141,432	117,052	741,669	(741,669)	—
II Recurring Expenses	2,344,210	605,077	413,847	457,356	3,820,491	(726,030)	3,094,460
Recurring Profit (Loss) (I-II)	¥ (420,024)	¥ 29,385	¥ 9,592	¥ 26,676	¥ (354,370)	¥ (15,638)	¥ (370,008)
III Assets	¥49,388,411	¥6,657,297	¥3,909,293	¥10,622,645	¥70,577,648	¥(13,626,405)	¥56,951,243

Millions of yen	*Japan*	*Others*	*Total*	*Elimination and Corporate Assets*	*Consolidated*
Year ended 31st March, 1997					
I Recurring Income	¥ 2,168,953	¥ 1,676,640	¥ 3,845,593	¥ (694,833)	¥ 3,150,760
(1) Recurring Income from Outside Customers	1,810,547	1,340,213	3,150,760	—	3,150,760
(2) Internal Recurring Income between Segments	358,405	336,427	694,833	(694,833)	—
II Recurring Expenses	2,177,348	1,601,838	3,779,186	(684,715)	3,094,471
Recurring Profit (Loss) (I-II)	¥ (8,395)	¥ 74,802	¥ 66,407	¥ (10,117)	¥ 56,289
III Assets	¥45,830,121	¥24,225,285	¥70,055,407	¥(14,599,332)	¥55,456,075

Thousands of U.S. dollars	Japan	The Americas	Europe	Asia/ Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
Year ended 31st March, 1999							
I Recurring Income	**$ 15,829,497**	**$ 3,919,489**	**$ 2,437,557**	**$ 2,678,070**	**$ 24,864,613**	**$ (5,197,828)**	**$ 19,666,785**
(1) Recurring Income from Outside Customers	**12,803,290**	**3,258,167**	**1,391,091**	**2,214,237**	**19,666,785**	**—**	**19,666,785**
(2) Internal Recurring Income between Segments	**3,026,207**	**661,322**	**1,046,466**	**463,833**	**5,197,828**	**(5,197,828)**	**—**
II Recurring Expenses	**20,946,566**	**3,591,406**	**2,453,442**	**3,335,230**	**30,326,644**	**(5,013,358)**	**25,313,286**
Recurring Profit (Loss) (I-II)	**$ (5,117,069)**	**$ 328,083**	**$ (15,885)**	**$ (657,160)**	**$ (5,462,031)**	**$ (184,470)**	**$ (5,646,501)**
III Assets	**$391,678,885**	**$40,670,974**	**$24,594,536**	**$52,309,142**	**$509,253,537**	**$(91,400,746)**	**$417,852,791**

Notes: 1. For the fiscal year ended 31st March, 1999 and 1998, in place of Net Sales and Operating Profit for non-financial companies, the above tables show Recurring Income and Recurring Profit (Loss) of Sanwa Bank and its consolidated subsidiaries, respectively. Recurring Income and Recurring Profit (Loss) are divided into Japan and other areas according to the booked location.
Other areas are classified into The Americas, Europe and Asia/Oceania excluding Japan, based on the degrees of geographic adjacency, similarity of economic activities, and relationships of business operations.
2. For the fiscal year ended 31st March, 1997, in place of Net Sales and Operating Profit (Loss) for non-financial companies, the above tables show Recurring Income and Recurring Profit (Loss) of Sanwa Bank and its consolidated subsidiaries, respectively. Recurring Income and Recurring Profit (Loss) are divided into either Japan or Others according to the booked location.
3. The Americas includes the United States, Canada, etc. Europe includes England, Belgium, etc. Asia/Oceania excluding Japan includes Hong Kong, Australia, etc.
4. Recurring Income represents “Total Income” excluding mainly “Gains on Sales of Premises and Equipment,” “Collection of Written-off Claims,” and “Transfer from Reserve for Possible Losses from Transactions in Trading Account Securities.”
5. Recurring Expense represents “Total Expenses” excluding mainly “Losses on Sales of Premises and Equipment.”
6. In accordance with the amendment of the Uniform Accounting Standards for Banks in Japan, the valuation method of Japanese listed stocks held by Sanwa Bank has been changed for the fiscal year ended 31st March, 1998.
As a result of this change, “Recurring Loss” in Japan decreased by ¥246,867 million for the fiscal year ended 31st March, 1998. (See Note 2 (d).)
7. Recurring Loss for the fiscal year ended 31st March, 1999 increased by ¥514 million and Assets as at the end of the fiscal year decreased by the same amount since the useful life for buildings was shortened in the fiscal year. (See Note 2 (e).)
8. Recurring Loss in Japan and Asia/Oceania for the fiscal year ended 31st March, 1999 increased by ¥773 million and ¥1,083 million, respectively, due to the change in accounting treatments on “Enterprise Taxes”, “Amortisation of Goodwill” and “Equity in Earnings of Affiliates”. (See Note 2 (m).)

(c) Recurring Income from International Operations

Millions of yen	*Recurring Income from International Operations*	*Consolidated Recurring Income*	*Ratio of Recurring Income from International Operations over Consolidated Recurring Income*
Years ended 31st March,			
1999	**¥1,176,716**	**¥2,370,830**	**49.6%**
1998	1,573,523	2,724,451	57.7%
1997	1,795,186	3,150,760	56.9%

Thousands of U.S. dollars	*Recurring Income from International Operations*	*Consolidated Recurring Income*	*Ratio of Recurring Income from International Operations over Consolidated Recurring Income*
Year ended 31st March,			
1999	**$9,761,235**	**$19,666,785**	**49.6%**

Notes: 1. For the ratios, the second decimal place is omitted.
2. Recurring Income from International Operations is shown in place of the Overseas Sales Amount for non-financial companies.
3. Recurring Income from International Operations primarily includes income from domestic transactions in foreign currencies, income from transactions of Sanwa Bank's overseas branches, and income from transactions of overseas consolidated subsidiaries (excluding Internal Recurring Income between consolidated entities). Segment Information by Location on Recurring Income from International Operations is not shown here since Recurring Income from International Operations is not classified by the domicile of obligators.

31 Market Values of Securities (Sanwa Bank only)

Book values, market values or estimated market values and unrealised profit/(loss) of securities held by Sanwa Bank as at 31st March, 1999 and 1998 are shown below in accordance with the revised Financial Statements Regulation.

Listed Securities

Millions of yen	*Book Value*	*Market Value*	*Net*	*Unrealised Profit/(Loss)* *Profit*	*Loss*
31st March, 1999					
Securities					
Bonds	**¥ 885,016**	**¥ 887,492**	**¥ 2,476**	**¥ 5,941**	**¥ (3,465)**
Stocks	**2,983,031**	**3,290,640**	**307,609**	**593,955**	**(286,346)**
Others	**241,407**	**265,742**	**24,334**	**24,601**	**(266)**
Affiliate Companies included in Others	***2,526***	***9,437***	***6,911***	***6,911***	**—**
Total	**¥4,109,455**	**¥4,443,875**	**¥334,419**	**¥624,498**	**¥(290,078)**

Millions of yen	*Book Value*	*Market Value*	*Net*	*Unrealised Profit/(Loss)* *Profit*	*Loss*
31st March, 1998					
Securities					
Bonds	¥1,157,839	¥1,188,103	¥ 30,264	¥ 30,565	¥ (301)
Stocks	3,092,555	3,363,985	271,429	519,006	(247,576)
Others	370,912	401,363	30,451	30,513	(62)
Affiliate Companies included in Others	*3,181*	*13,405*	*10,224*	*10,226*	*(2)*
Total	¥4,621,306	¥4,953,452	¥332,145	¥580,085	¥(247,939)

Thousands of U.S. dollars	*Book Value*	*Market Value*	*Net*	*Unrealised Profit/(Loss)* *Profit*	*Loss*
31st March, 1999					
Securities					
Bonds	**$ 7,341,489**	**$ 7,362,030**	**$ 20,541**	**$ 49,290**	**$ (28,749)**
Stocks	**24,745,180**	**27,296,893**	**2,551,714**	**4,927,046**	**(2,375,332)**
Others	**2,002,553**	**2,204,416**	**201,862**	**204,073**	**(2,211)**
Affiliate Companies included in Others	***20,957***	***78,289***	***57,332***	***57,332***	**—**
Total	**$34,089,222**	**$36,863,339**	**$2,774,117**	**$5,180,409**	**$(2,406,292)**

Notes: 1. "Securities" on the above table included only listed securities.
Bonds include Japanese national government bonds, Japanese local government bonds and Japanese debentures.
2. Market values of listed securities as of 31st March, 1998 are primarily calculated by using the closing prices as at the end of the fiscal year of the Tokyo Stock Exchange.
However, market values of listed securities as of 31st March, 1999 are calculated by using indicated yields announced by the Japan Securities Dealers Association.
3. For the Affiliate Companies, refer to the Note 2 (a) i) "Scope of Consolidation".

4. The following table shows the estimated market values of unlisted securities of which market values can be evaluated.

Unlisted Securities

Millions of yen	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)* *Net*	*Profit*	*Loss*
31st March, 1999					
Securities					
Bonds	**¥668,177**	**¥685,442**	**¥17,265**	**¥17,403**	**¥ (138)**
Stocks	**29,298**	**57,799**	**28,501**	**32,735**	**(4,234)**
Others	**94,127**	**94,708**	**580**	**1,316**	**(735)**
Total	**¥791,603**	**¥837,950**	**¥46,346**	**¥51,455**	**¥(5,108)**

Millions of yen	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)* *Net*	*Profit*	*Loss*
31st March, 1998					
Securities					
Bonds	¥479,933	¥491,296	¥11,363	¥11,494	¥ (130)
Stocks	32,935	42,501	9,566	17,015	(7,449)
Others	43,144	46,047	2,903	3,156	(253)
Total	¥556,013	¥579,846	¥23,832	¥31,666	¥(7,833)

Thousands of U.S. dollars	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)* *Net*	*Profit*	*Loss*
31st March, 1999					
Securities					
Bonds	**$5,542,737**	**$5,685,960**	**$143,222**	**$144,368**	**$ (1,146)**
Stocks	**243,039**	**479,465**	**236,426**	**271,553**	**(35,127)**
Others	**780,820**	**785,634**	**4,815**	**10,917**	**(6,102)**
Total	**$6,566,596**	**$6,951,059**	**$384,463**	**$426,838**	**$(42,375)**

Notes: Estimated market values are calculated as follows:
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association
Publicly placed bonds: Prices calculated by using indicated yields announced by the Japan Securities Dealers Association
Securities of unit trust: Market prices announced by authorised fund management companies
U.S. securities traded over-the-counter: Transaction prices indicated on NASDAQ in the U.S.A. and others.

32 Estimated Market Values of Money Held in Trust (Sanwa Bank only)

Book values, estimated market values and unrealised profit/(loss) of Money Held in Trust held by Sanwa Bank as at 31st March, 1999 and 1998 are shown below in accordance with the revised Financial Statements Regulation.

Millions of yen	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)*		
			Net	*Profit*	*Loss*
31st March, 1999					
Money Held in Trust	**¥315,484**	**¥315,875**	**¥391**	**¥473**	**¥(81)**

Millions of yen	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)*		
			Net	*Profit*	*Loss*
31st March, 1998					
Money Held in Trust	¥523,161	¥523,179	¥18	¥180	¥(162)

Thousands of U.S. dollars	*Book Value*	*Estimated Market Value*	*Unrealised Profit/(Loss)*		
			Net	*Profit*	*Loss*
31st March, 1999					
Money Held in Trust	**$2,617,040**	**$2,620,287**	**$3,247**	**$3,926**	**$(679)**

Notes: Estimated market values are based at the price calculated by trustee of money held in trust pursuant to conditions as follows:
Listed securities: Closing prices as at the end of the fiscal year of the Tokyo Stock Exchange or the prices calculated by using indicated yields announced by the Japan Securities Dealers Association
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association

33 Derivative Financial Instruments (Sanwa Bank only)

Contractual values or notional principal amounts, market values or estimated market values and unrealised profit/(loss) of derivative financial instruments of Sanwa Bank as at 31st March, 1999 and 1998 are shown below in accordance with the revised Financial Statements Regulation.

(a) Interest Rate Related Transactions

Millions of yen	*Contractual Value or Notional Principal Amount*	*Over 1 Year*	*Market Value*	*Unrealised Profit/ (Loss)*
31st March, 1999				
Standardised				
Interest Rate Futures				
Sold	**¥ 733,916**	**¥ —**	**¥734,285**	**¥ (368)**
Bought	**250,009**	**—**	**250,277**	**268**
Over-the-counter				
Forward Rate Agreements				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest Rate Swaps				
Receipts Fixed • Payments Floating	**25,941,613**	**14,172,874**	**668,880**	**668,880**
Receipts Floating • Payments Fixed	**29,328,345**	**16,410,518**	**(677,821)**	**(677,821)**
Basis Swaps	**1,502,680**	**1,221,413**	**(3,606)**	**(3,606)**
Caps				
Sold	**1,288,238**	**1,050,059**		
Option Premium	***8,668***		***907***	***7,761***
Bought	**889,565**	**719,843**		
Option Premium	***9,748***		***529***	***(9,218)***
Floors				
Sold	**28,905**	**19,952**		
Option Premium	***4***		***613***	***(608)***
Bought	**32,500**	**31,000**		
Option Premium	***135***		***1,377***	***1,241***
Others				
Sold	**119,580**	**57,525**		
Option Premium	***363***		***2,645***	***(2,281)***
Bought	**65,644**	**65,644**		
Option Premium	***410***		***2,146***	***1,736***
Total				**¥(14,019)**

Millions of yen		*Contractual Value or Notional Principal Amount*	*Over 1 Year*	*Market Value*	*Unrealised Profit/ (Loss)*
31st March, 1998					
Standardised					
Interest Rate Futures					
Sold		¥ 243,873	¥ —	¥245,178	¥ (1,304)
Bought		182,861	—	183,735	873
Over-the-counter					
Forward Rate Agreements					
Sold		15,737	—	5	5
Bought		21,673	—	(6)	(6)
Interest Rate Swaps					
Receipts Fixed•Payments Floating		34,484,194	15,164,863	861,644	861,644
Receipts Floating•Payments Fixed		35,672,968	16,996,862	(746,012)	(746,012)
Basis Swaps		1,559,592	1,270,588	1,039	1,039
Caps					
Sold		2,176,857	1,678,846		
	Option Premium	*15,936*		*1,982*	*13,954*
Bought		1,607,501	1,270,773		
	Option Premium	*13,489*		*1,512*	*(11,976)*
Floors					
Sold		89,013	83,160		
	Option Premium	*44*		*1,132*	*(1,088)*
Bought		61,056	38,801		
	Option Premium	*236*		*2,060*	*1,823*
Others					
Sold		772,603	105,210		
	Option Premium	*2,655*		*5,301*	*(2,646)*
Bought		143,383	115,583		
	Option Premium	*1,341*		*4,365*	*3,024*
Total					¥ 119,330

Thousands of U.S. dollars	Contractual Value or Notional Principal Amount	Over 1 Year	Market Value	Unrealised Profit/ (Loss)
31st March, 1999				
Standardised				
Interest Rate Futures				
Sold	**$ 6,088,070**	**$ —**	**$6,091,131**	**$ (3,061)**
Bought	**2,073,906**	**—**	**2,076,133**	**2,227**
Over-the-counter				
Forward Rate Agreements				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest Rate Swaps				
Receipts Fixed • Payments Floating	**215,193,811**	**117,568,436**	**5,548,571**	**5,548,571**
Receipts Floating • Payments Fixed	**243,287,812**	**136,130,390**	**(5,622,743)**	**(5,622,743)**
Basis Swaps	**12,465,203**	**10,132,008**	**(29,921)**	**(29,921)**
Caps				
Sold	**10,686,339**	**8,710,574**		
Option Premium	***71,912***		***7,531***	***64,381***
Bought	**7,379,223**	**5,971,326**		
Option Premium	***80,869***		***4,396***	***(76,473)***
Floors				
Sold	**239,780**	**165,515**		
Option Premium	***35***		***5,086***	***(5,051)***
Bought	**269,598**	**257,155**		
Option Premium	***1,128***		***11,428***	***10,300***
Others				
Sold	**991,958**	**477,192**		
Option Premium	***3,016***		***21,945***	***(18,929)***
Bought	**544,544**	**544,544**		
Option Premium	***3,403***		***17,808***	***14,405***
Total				**$ (116,294)**

Notes: 1. Market values of standardised transactions are calculated by using the closing prices of the Tokyo International Financial Futures Exchange and others. Market values of over-the-counter transactions are based on the discount present value or the option pricing calculation model.

2. Market value and unrealised profit/(loss) of interest rate swaps include the difference of ¥49,619 million (unrealised profit) and ¥196,060 million (unrealised profit) between accrued interest receivable and accrued interest payable as at 31st March, 1999 and 1998, respectively.

3. "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents the option premium recorded on the Balance Sheets.

4. The following table shows contractual values or notional principal amounts and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above tables since the profit/(loss) affected the Non-Consolidated Statements of Income of Sanwa Bank. Derivatives positions are carried at fair value.

			Millions of yen		*Thousands of U.S. dollars*
		Contractual Value or Notional Principal Amount	*Market Value*	*Contractual Value or Notional Principal Amount*	*Market Value*
31st March, 1999					
Standardised					
Interest Rate Futures					
Sold		**¥ 4,496,284**	**¥4,503,936**	**$ 37,298,091**	**$37,361,566**
Bought		**5,345,742**	**5,351,239**	**44,344,607**	**44,390,210**
Interest Rate Options					
Sold	Call	**5,285,751**		**43,846,967**	
	Option Premium	***1,862***	***1,508***	***15,449***	***12,511***
	Put	**4,896,323**		**40,616,540**	
	Option Premium	***1,282***	***810***	***10,640***	***6,720***
Bought	Call	**2,553,882**		**21,185,252**	
	Option Premium	***1,004***	***663***	***8,334***	***5,507***
	Put	**795,293**		**6,597,212**	
	Option Premium	***169***	***121***	***1,407***	***1,010***
Over-the-counter					
Forward Rate Agreements					
Sold		**217,902**	**405**	**1,807,572**	**3,367**
Bought		**432,537**	**(1,130)**	**3,588,037**	**(9,382)**
Interest Rate Swaps					
Receipts Fixed•Payments Floating		**26,977,994**	**587,333**	**223,790,915**	**4,872,113**
Receipts Floating•Payments Fixed		**23,624,113**	**(554,955)**	**195,969,423**	**(4,603,527)**
Basis Swaps		**1,453,154**	**2,004**	**12,054,374**	**16,628**
Caps					
Sold		**1,364,795**		**11,321,408**	
	Option Premium	***11,419***	***4,697***	***94,730***	***38,971***
Bought		**843,674**		**6,998,543**	
	Option Premium	***5,237***	***3,521***	***43,451***	***29,211***
Floors					
Sold		**345,848**		**2,868,918**	
	Option Premium	***659***	***4,060***	***5,474***	***33,680***
Bought		**286,390**		**2,375,701**	
	Option Premium	***1,101***	***8,272***	***9,135***	***68,627***
Others					
Sold		**1,069,776**		**8,874,131**	
	Option Premium	***3,918***	***4,404***	***32,504***	***36,533***
Bought		**587,536**		**4,873,797**	
	Option Premium	***4,271***	***7,970***	***35,434***	***66,120***

		Millions of yen	
		Contractual Value or Notional Principal Amount	Market Value
31st March, 1998			
Standardised			
Interest Rate Futures			
Sold		¥ 4,982,083	¥4,984,678
Bought		5,450,502	5,453,202
Interest Rate Options			
Sold	Call	2,615,167	
	Option Premium	*676*	*423*
	Put	2,089,192	
	Option Premium	*402*	*397*
Bought	Call	752,970	
	Option Premium	*376*	*256*
	Put	449,140	
	Option Premium	*89*	*117*
Over-the-counter			
Forward Rate Agreements			
Sold		2,257,039	525
Bought		1,441,838	(929)
Interest Rate Swaps			
Receipts Fixed•Payments Floating		32,469,337	453,046
Receipts Floating•Payments Fixed		30,577,759	(449,718)
Basis Swaps		1,679,292	1,851
Caps			
Sold		1,235,031	
	Option Premium	*11,860*	*4,575*
Bought		710,184	
	Option Premium	*4,582*	*2,272*
Floors			
Sold		384,367	
	Option Premium	*647*	*2,887*
Bought		211,704	
	Option Premium	*657*	*4,875*
Others			
Sold		1,261,188	
	Option Premium	*4,520*	*4,567*
Bought		434,357	
	Option Premium	*3,688*	*6,012*

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents the initial option premium of the contractual value indicated.

(b) Foreign Exchange Related Transactions

31st March, 1999	Notional Principal Amount	Over 1 Year	Market Value	Unrealised Profit /(Loss)
				Millions of yen
Over-the-counter				
Currency Swaps				
U.S. Dollars	**¥3,506,167**	**¥1,294,480**	**¥(17,756)**	**¥(17,756)**
Swiss Francs	**212,907**	**8,415**	**(524)**	**(524)**
British Pounds	**202,399**	**14,949**	**1,727**	**1,727**
Deutsche Marks	**154,093**	**73,034**	**2,139**	**2,139**
Others	**403,665**	**204,473**	**459**	**459**
Total	**¥4,479,233**	**¥1,595,354**	**¥(13,955)**	**¥(13,955)**

31st March, 1998	Notional Principal Amount	Over 1 Year	Market Value	Unrealised Profit /(Loss)
				Millions of yen
Over-the-counter				
Currency Swaps				
U.S. Dollars	¥3,617,142	¥1,683,988	¥(11,658)	¥(11,658)
Swiss Francs	105,507	65,058	(383)	(383)
British Pounds	54,076	19,576	(1,066)	(1,066)
Deutsche Marks	161,790	130,204	(1,641)	(1,641)
Others	458,520	198,657	(1,479)	(1,479)
Total	¥4,397,038	¥2,097,484	¥(16,229)	¥(16,229)

31st March, 1999	Notional Principal Amount	Over 1 Year	Market Value	Unrealised Profit /(Loss)
				Thousands of U.S. dollars
Over-the-counter				
Currency Swaps				
U.S. Dollars	**$29,084,759**	**$10,738,122**	**$(147,298)**	**$(147,298)**
Swiss Francs	**1,766,138**	**69,811**	**(4,350)**	**(4,350)**
British Pounds	**1,678,965**	**124,009**	**14,326**	**14,326**
Deutsche Marks	**1,278,254**	**605,847**	**17,744**	**17,744**
Others	**3,348,529**	**1,696,174**	**3,809**	**3,809**
Total	**$37,156,645**	**$13,233,963**	**$(115,769)**	**$(115,769)**

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

2. Market value and unrealised profit/(loss) of interest rate swaps include the difference of ¥12 million (unrealised profit) and ¥431 million (unrealised profit) between accrued interest receivable and accrued interest payable as at 31st March, 1999 and 1998, respectively.

3. The following table shows notional principal amount and market value of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) affected the Non-Consolidated Statements of Income of Sanwa Bank. Derivatives positions are carried at fair value.

	Millions of yen		*Thousands of U.S. dollars*	
	Notional Principal Amount	*Market Value*	*Notional Principal Amount*	*Market Value*
31st March, 1999				
Over-the-counter				
Currency Swaps				
U.S. Dollars	**¥1,081,668**	**¥6,547**	**$ 8,972,782**	**$54,313**
Swiss Francs	**26,839**	**(61)**	**222,646**	**(507)**
British Pounds	**17,819**	**(525)**	**147,821**	**(4,361)**
Deutsche Marks	**49,081**	**(95)**	**407,149**	**(794)**
Others	**31,331**	**385**	**259,905**	**3,197**
Total	**¥1,206,742**	**¥6,250**	**$10,010,303**	**$51,848**

	Millions of yen	
	Notional Principal Amount	*Market Value*
31st March, 1998		
Over-the-counter		
Currency Swaps		
U.S. Dollars	¥799,095	¥3,094
Swiss Francs	28,720	(18)
British Pounds	11,509	(437)
Deutsche Marks	33,267	282
Others	32,031	644
Total	¥904,623	¥3,565

4. Foreign exchange forward contracts, currency options and some other transactions are excluded from the above table, since they are revalued at the end of the fiscal year and their profits or losses are affected to the Non-Consolidated Statements of Income of Sanwa Bank.

The following table shows the contractual values of foreign exchange related transactions affecting the Non-Consolidated Statements of Income of Sanwa Bank by revaluation at the end of the fiscal year.

			Millions of yen	*Millions of yen*	*Thousands of U.S. dollars*
			Contractual Value	*Contractual Value*	*Contractual Value*
31st March,			***1999***	*1998*	***1999***
Standardized					
Currency Futures					
Sold			**¥ 7,712**	¥ 21,681	**$ 63,975**
Bought			**48,783**	16,901	**404,677**
Over-the-counter					
Foreign Exchange Forward Contracts					
Sold			**11,197,025**	16,536,827	**92,882,835**
Bought			**10,520,050**	13,366,213	**87,267,109**
Currency Options					
Sold	Call		**249,774**	302,840	**2,071,957**
		Option Premium	***3,178***	*18,295*	***26,369***
	Put		**158,121**	285,589	**1,311,669**
		Option Premium	***4,319***	*1,313*	***35,832***
Bought	Call		**288,979**	316,373	**2,397,174**
		Option Premium	***2,619***	*18,837*	***21,728***
	Put		**210,318**	272,881	**1,744,654**
		Option Premium	***4,672***	*1,126*	***38,758***

Note: "Option Premium" in the column of "Contractual Value" represents the option premium recorded on the Balance Sheets.

(c) Equity Related Transactions

	Millions of yen				Thousands of U.S. dollars			
	Contractual Value	Over 1 Year	Market Value	Unrealised Profit/ (Loss)	Contractual Value	Over 1 Year	Market Value	Unrealised Profit/ (Loss)
31st March, 1999								
Standardised								
Stock Index Futures								
Sold	**¥8,914**	**¥—**	**¥8,881**	**¥32**	**$73,944**	**$—**	**$73,675**	**$269**
Bought	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total				**¥32**				**$269**

	Millions of yen			
	Contractual Value	Over 1 Year	Market Value	Unrealised Profit/ (Loss)
31st March, 1998				
Standardised				
Stock Index Futures				
Sold	¥10,339	¥—	¥9,840	¥499
Bought	—	—	—	—
Total				¥499

Notes: 1. Market values of standardised transactions are calculated by using the closing prices of the Tokyo Stock Exchange and others. Market values of over-the-counter transactions are based on the discount present value or the option pricing calculation model.
2. There are no equity related derivative transactions included in "Trading Assets/Liabilities."

(d) Bond Related Transactions

31st March, 1999			Contractual Value	Over 1 Year	Market Value	Unrealised Profit/(Loss)
						Millions of yen
Standardised						
Bond Futures						
Sold			**¥215,014**	**¥—**	**¥216,686**	**¥(1,671)**
Bought			**13,860**	**—**	**13,815**	**(45)**
Bond Futures Options						
Sold	Call		**—**	**—**		
		Option Premium	**—**		**—**	**—**
	Put		**—**	**—**		
		Option Premium	**—**		**—**	**—**
Bought	Call		**—**	**—**		
		Option Premium	**—**		**—**	**—**
	Put		**—**	**—**		
		Option Premium	**—**		**—**	**—**
Over-the-counter						
Bond Options						
Sold	Call		**100,000**	**—**		
		Option Premium	***838***		***1,092***	***(254)***
	Put		**—**	**—**		
		Option Premium	**—**		**—**	**—**
Bought	Call		**—**	**—**		
		Option Premium	**—**		**—**	**—**
	Put		**100,000**	**—**		
		Option Premium	***949***		**143**	**(805)**
Total						**¥(2,776)**

31st March, 1998			Contractual Value	Over 1 Year	Market Value	Unrealised Profit/(Loss)
						Millions of yen
Standardised						
Bond Futures						
Sold			¥89,495	¥—	¥89,643	¥(147)
Bought			12,995	—	13,018	22
Bond Futures Options						
Sold	Call		50,000	—		
		Option Premium	*82*		*47*	*35*
	Put		—	—		
		Option Premium	—		—	—
Bought	Call		—	—		
		Option Premium	—		—	—
	Put		—	—		
		Option Premium	—		—	—
Over-the-counter						
Bond Options						
Sold	Call		10,000	—		
		Option Premium	*15*		*1*	*13*
	Put		—	—		
		Option Premium	—		—	—
Bought	Call		—	—		
		Option Premium	—		—	—
	Put		—	—		
		Option Premium	—		—	—
Total						¥ (75)

			Thousands of U.S. dollars		
		Contractual Value	*Over 1 Year*	*Market Value*	*Unrealised Profit/(Loss)*
31st March, 1999					
Standardised					
Bond Futures					
Sold		**$1,783,613**	**$—**	**$1,797,480**	**$(13,867)**
Bought		**114,981**	**—**	**114,606**	**(375)**
Bond Futures Options					
Sold	Call	—	—		
	Option Premium	—		—	—
	Put	—	—		
	Option Premium	—		—	—
Bought	Call	—	—		
	Option Premium	—		—	—
	Put	—	—		
	Option Premium	—		—	—
Over-the-counter					
Bond Options					
Sold	Call	**829,531**	—		
	Option Premium	***6,951***		***9,060***	***(2,109)***
	Put	—	—		
	Option Premium	—		—	—
Bought	Call	—	—		
	Option Premium	—		—	—
	Put	**829,531**	—		
	Option Premium	**7,872**		***1,190***	***(6,682)***
Total					**$(23,033)**

Notes: 1. Market values for standardised products are calculated by using the closing prices of the Tokyo Stock Exchange and others. Market values for over-the-counter trading are primarily based on the options price calculation model.
2. “Option Premium” in the column of “Contractual Value” represents the option premium recorded on the Balance Sheets.

3. The following table shows the contractual value and market value of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) affected the Non-Consolidated Statements of Income of Sanwa Bank. Derivatives positions are carried at fair value.

			Millions of yen		*Thousands of U.S. dollars*	
			Contractual Value	*Market Value*	*Contractual Value*	*Market Value*
31st March, 1999						
Standardised						
Bond Futures						
Sold			**¥422,105**	**¥424,786**	**$3,501,501**	**$3,523,735**
Bought			**193,485**	**193,660**	**1,605,027**	**1,606,476**
Bond Futures Options						
Sold	Call		**35,000**		**290,336**	
		Option Premium	***210***	***226***	***1,749***	***1,880***
	Put		**4,500**		**37,329**	
		Option Premium	***30***	***28***	***250***	***232***
Bought	Call		**6,205**		**51,477**	
		Option Premium	***72***	***71***	***601***	***593***
	Put		**46,000**		**381,584**	
		Option Premium	***468***	***221***	***3,888***	***1,836***

			Millions of yen	
			Contractual Value	*Market Value*
31st March, 1998				
Standardised				
Bond Futures				
Sold			¥77,918	¥77,995
Bought			62,089	62,099
Bond Futures Options				
Sold	Call		—	
		Option Premium	—	—
	Put		—	
		Option Premium	—	—
Bought	Call		—	
		Option Premium	—	—
	Put		—	
		Option Premium	—	—

Note: "Option Premium" represents the initial option premium of the contractual value indicated.

(e) Commodity Related Transactions

The following table shows the contractual value and market value of derivatives included in "Trading Assets/Liabilities." The profit/(loss) affected the Non-Consolidated Statements of Income of Sanwa Bank. Derivatives positions are carried at fair value.

There are no commodity related transactions other than those included in "Trading Assets/Liabilities."

	Millions of yen		*Thousands of U.S. dollars*	
	Contractual Value	*Market Value*	*Contractual Value*	*Market Value*
31st March, 1999				
Over-the-counter				
Commodity Swaps (Fuel)	**¥—**	**¥—**	**$—**	**$—**

	Millions of yen	
	Contractual Value	*Market Value*
31st March, 1998		
Over-the-counter		
Commodity Swaps (Fuel)	¥506	¥1

Note: Market values of over-the-counter transactions are based on the discount present value.

(f) Credit Derivative Transactions

The following table shows the contractual value and market value of derivatives included in "Trading Assets/Liabilities." The profit/(loss) affected the Non-Consolidated Statements of Income of Sanwa Bank. Derivatives positions are carried at fair value.

There are no credit derivative transactions other than those included in "Trading Assets/Liabilities."

	Millions of yen		*Thousands of U.S. dollars*	
	Contractual Value	*Market Value*	*Contractual Value*	*Market Value*
31st March, 1999				
Over-the-counter				
Credit Default Swaps				
Sold	**¥500**	**¥(2)**	**$4,148**	**$(20)**
Bought	**500**	**3**	**4,148**	**29**

Note: Market values of over-the-counter transactions are based on the discount present value.

Report of Independent Certified Public Accountants

To: The Board of Directors of
The Sanwa Bank, Limited

We have audited the accompanying consolidated balance sheets of The Sanwa Bank, Limited and its consolidated subsidiaries (the “Group”) as at 31st March, 1999 and 1998, together with the related consolidated statements of income, of changes in stockholders’ equity and of cash flows for each of the three years in the period ended 31st March, 1999, all expressed in Japanese Yen. Our audits 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 consolidated financial position of the Group as at 31st March, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31st March, 1999, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except for the change, with which we concur, in the method of accounting for listed equity securities as described in Note 2 (d).

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set out in Note 1 of the Notes to the accompanying consolidated financial statements.

Chuo Audit Corporation

Chuo Audit Corporation
Independent Certified Public Accountants

Tokyo, Japan
25th June, 1999

Non-Consolidated Balance Sheets

The Sanwa Bank, Limited 31st March, 1999 and 1998

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	**1999**
Assets:			
Cash and Due from Banks	**¥ 1,822,322**	¥ 2,543,158	**$ 15,116,735**
Call Loans	**298,953**	831,525	**2,479,911**
Monetary Receivables Bought	**86,571**	109,076	**718,134**
Trading Assets	**653,625**	329,259	**5,422,026**
Money Held in Trust	**315,484**	523,161	**2,617,040**
Securities	**6,579,494**	7,102,227	**54,578,966**
Loans and Bills Discounted	**31,868,520**	33,526,352	**264,359,358**
Foreign Exchange Assets	**293,869**	361,884	**2,437,740**
Other Assets	**1,377,568**	3,329,865	**11,427,363**
Premises and Equipment	**604,228**	672,620	**5,012,267**
Deferred Tax Assets	**592,556**	—	**4,915,444**
Customers' Liabilities for Acceptances and Guarantees	**3,099,467**	3,379,227	**25,711,053**
Total Assets	**¥47,592,662**	¥52,708,359	**$394,796,037**
Liabilities and Stockholders' Equity:			
Liabilities:			
Deposits	**¥34,418,987**	¥36,877,766	**$285,516,276**
Call Money	**2,872,958**	3,923,373	**23,832,088**
Commercial Paper	**136,500**	—	**1,132,310**
Trading Liabilities	**221,446**	242,330	**1,836,967**
Borrowed Money	**1,806,244**	2,029,840	**14,983,368**
Foreign Exchange Liabilities	**47,592**	34,173	**394,798**
Corporate Bonds	**200,000**	100,000	**1,659,063**
Convertible Bonds and Notes	**17,568**	17,689	**145,738**
Other Liabilities	**1,195,786**	3,303,879	**9,919,427**
Reserve for Possible Loan Losses	**1,216,119**	883,546	**10,088,096**
Reserve for Retirement Allowances	**28,419**	28,251	**235,750**
Reserve for Contingent Liabilities Related to Loans Sold	**112,637**	53,922	**934,359**
Reserve for Supporting Specific Borrowers	**—**	77,359	**—**
Other Reserves	**28**	33	**233**
Deferred Tax Liabilities Related to Land Revaluation	**113,785**	—	**943,883**
Acceptances and Guarantees	**3,099,467**	3,379,227	**25,711,053**
Excess of Land Revaluation	**—**	318,287	**—**
Total Liabilities	**45,487,542**	51,269,681	**377,333,409**
Stockholders' Equity:			
First Series Preferred Stock	**75,000**	75,000	**622,148**
First Series Class A Preferred Stock	**300,000**	—	**2,488,594**
Common Stock	**466,902**	466,842	**3,873,106**
Additional Paid-in Capital	**732,894**	432,834	**6,079,592**
Legal Reserve	**96,738**	91,584	**802,477**
Excess of Land Revaluation	**156,809**	—	**1,300,786**
Retained Earnings	**276,773**	372,417	**2,295,925**
Total Stockholders' Equity	**2,105,119**	1,438,678	**17,462,628**
Total Liabilities and Stockholders' Equity	**¥47,592,662**	¥52,708,359	**$394,796,037**

Retained Earnings include the unrealised profits from the transactions for trading purposes, which are not available for dividends. Such amounts as at March 31, 1999 and 1998 were ¥47,336 million ($392,667 thousand) and ¥18,363 million, respectively.

The accompanying Notes to the Non-Consolidated Financial Statements form an integral part of these statements.

Non-Consolidated Statements of Income and Retained Earnings

The Sanwa Bank, Limited   For the years ended 31st March, 1999, 1998 and 1997

	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1999	1998	1997	**1999**
Income:				
Interest Income:	**¥1,483,916**	¥1,919,638	¥2,262,867	**$12,309,552**
Interest on Loans and Discounts	**869,731**	1,030,532	1,055,773	**7,214,694**
Interest on and Dividends from Securities	**171,630**	178,499	169,992	**1,423,730**
Other Interest Income	**442,554**	710,606	1,037,102	**3,671,128**
Fees and Commissions	**109,356**	112,610	112,200	**907,150**
Trading Revenue	**35,467**	31,303	—	**294,216**
Other Operating Income	**322,364**	92,790	148,714	**2,674,116**
Other Income	**99,940**	314,403	457,577	**829,036**
Total Income	**2,051,046**	2,470,745	2,981,360	**17,014,070**
Expenses:				
Interest Expenses:	**959,487**	1,365,005	1,674,727	**7,959,252**
Interest on Deposits	**423,995**	716,005	786,525	**3,517,177**
Interest on Borrowings and Rediscounts	**82,205**	120,631	129,869	**681,921**
Other Interest Expenses	**453,286**	528,368	758,332	**3,760,154**
Fees and Commissions	**46,635**	46,733	45,823	**386,857**
Trading Expenses	**143**	—	—	**1,190**
Other Operating Expenses	**194,574**	53,578	105,334	**1,614,057**
General and Administrative Expenses	**350,254**	358,871	352,092	**2,905,472**
Other Expenses	**1,120,086**	987,290	761,890	**9,291,465**
Total Expenses	**2,671,182**	2,811,478	2,939,868	**22,158,293**
Income (Loss) before Income Taxes	**(620,136)**	(340,732)	41,491	**(5,144,223)**
Income Taxes (Current)	**37,227**	206	204	**308,815**
Income Taxes (Deferred)	**(262,949)**	—	—	**(2,181,245)**
Net Income (Loss) for Year	**(394,414)**	(340,938)	41,287	**(3,271,793)**
Retained Earnings at Beginning of Year	**372,417**	742,985	726,074	**3,089,319**
Adjustment to Retained Earnings Due to Initial Application of Deferred Tax Accounting	**329,607**	—	—	**2,734,199**
Appropriation of Retained Earnings:				
Transfer to Legal Reserve	**(5,154)**	(4,966)	(4,066)	**(42,756)**
Cash Dividends	**(25,682)**	(24,663)	(20,310)	**(213,044)**
Total Appropriations	**(30,836)**	(29,629)	(24,376)	**(255,800)**
Retained Earnings at End of Year	**¥ 276,773**	¥ 372,417	¥ 742,985	**$ 2,295,925**

The accompanying Notes to the Non-Consolidated Financial Statements form an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1 Basis of Presentation

The accompanying non-consolidated financial statements of The Sanwa Bank, Limited have been prepared in conformity with generally accepted accounting principles and practices in Japan, which consist of several sources including, but not limited to, the provisions set forth in the Japanese Commercial Code, the Japanese Banking Law, the Financial Statements Regulation (Ordinance promulgated by the Ministry of Finance), and the Uniform Accounting Standards for Banks in Japan. Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position, results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Also, accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Finance have been reclassified for the convenience of readers outside Japan.

The amounts in Japanese yen are presented in millions of yen by rounding down figures. Accordingly, the sum of each amount appearing in the accompanying non-consolidated financial statements may not be equal to the sum of the individual account balances. The amounts in U.S. dollars are included solely for the convenience of readers outside Japan.

2 Summary of Significant Accounting Policies

Refer to Notes to the Consolidated Financial Statements.

3 Net Loss per Share

Net Loss per Share for the year ended 31st March, 1999 and 1998 amounted to ¥136.55 ($1.13) and ¥117.52 respectively. “Net Loss per Share” is computed by deducting dividends for preferred stock from “Net Loss,” divided by the weighted average number of shares of common stock outstanding during the year.

4 Subsequent Events

Refer to Notes to the Consolidated Financial Statements.

(Notes to the Non-Consolidated Financial Statements mentioned above have been simplified to avoid duplication of the contents of each account included in Notes to the Consolidated Financial Statements.)

Report of Independent Certified Public Accountants

To: The Board of Directors of
The Sanwa Bank, Limited

We have audited the accompanying non-consolidated balance sheets of The Sanwa Bank, Limited (the "Bank") as at 31st March, 1999 and 1998, together with the related non-consolidated statements of income and retained earnings for each of the three years in the period ended 31st March, 1999, all expressed in Japanese Yen. Our audits 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 non-consolidated financial statements referred to above present fairly the non-consolidated financial position of the Bank as at 31st March, 1999 and 1998, and the non-consolidated results of its operations for each of the three years in the period ended 31st March, 1999, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except for the change, with which we concur, in the method of accounting for listed equity securities as described in Note 2.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set out in Note 1 of the Notes to the accompanying non-consolidated financial statements.

Chuo Audit Corporation

Chuo Audit Corporation
Independent Certified Public Accountants

Tokyo, Japan
25th June, 1999

General Information

DIRECTORS AND STATUTORY AUDITORS

The Articles of Incorporation of the Bank provide that there must be no fewer than three Directors and no fewer than three Statutory Auditors. Directors and Statutory Auditors are elected by the general shareholders' meeting. The Board of Directors is responsible for the administration of the business of the Bank.

Share Interests

As at June 28, 1999, the shareholdings of the Directors and Statutory Auditors were as follows:

	Number of Shares (in thousands)		*Number of Shares (in thousands)*
Chairman		Directors	
Mitsuaki Naito	34	Hiroshi Itagaki	0
		Tetsuo Suzuki	102
President			
Kaneo Muromachi	24	Statutory Auditors	
		Shoichi Itoh	15
		Shinji Yoshimizu	38
Deputy Presidents		Yoshiharu Senoue	9
Hiroya Nobuhara	18	Junichi Goto	12
Hiroki Murao	21	Izumi Nonoshita	11
Senior Managing Directors			
Kimisuke Fujimoto	14		
Takayo Mochizuki	15		
Akio Fujiwara	11		
Norimasa Yoshida	14		
Masashi Teranishi	18		

Material Contracts

No contract of significance subsisted during or at the end of the fiscal year in which any Director and Statutory Auditor, directly or indirectly, was materially interested.

PRINCIPAL SHAREHOLDERS

The holdings of the 20 largest shareholders appearing on the shareholders' register as at March 31, 1999 were as follows:

Shareholders	*Number of Shares (in thousands)*	**Percentage of Total Shares in Issue*
Nippon Life Insurance Co.	117,127	4.03
Meiji Life Insurance Co.	91,223	3.14
Daido Life Insurance Co.	88,364	3.04
Toyota Motor Corporation	65,994	2.27
The Sumitomo Trust and Banking Company, Limited	62,811	2.16
The Toyo Trust and Banking Company, Limited	56,024	1.93
The Dai-ichi Mutual Life Insurance Co.	53,468	1.84
The Mitsui Trust and Banking Company, Limited	50,919	1.75
Teijin Limited	48,967	1.68
The Yasuda Trust and Banking Company, Limited	46,800	1.61
The Mitsubishi Trust and Banking Corporation	44,596	1.53
Nippon Express Co., Ltd.	42,368	1.45
Daihatsu Motor Co., Ltd.	40,312	1.38
Kubota Corporation	38,894	1.34
The Daiwa Bank, Limited	38,678	1.33
Hitachi, Ltd.	33,617	1.15
Osaka Gas Co., Ltd.	32,860	1.13
The Koa Fire and Marine Insurance Co., Ltd.	31,005	1.06
Kokusai Kogyo Co., Ltd.	30,300	1.04
Obayashi Corporation	28,659	0.98
Total	1,042,991	35.93

**Rounded off at two decimal places*

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STOCK EXCHANGE LISTINGS

Domestic: Tokyo, Osaka, Kyoto

Overseas: London, Paris, Frankfurt

Sanwa Bank
since 1656

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