

Linking finance

and services

ANNUAL REPORT 2000

Year ended March 31, 2000



... to create a new approach

to the provision

of financial services.

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Japan's financial services sector is undergoing dramatic shifts. Sanwa Bank is responding with equally dramatic moves of its own. At the core of the Bank's actions is a determination to create a new paradigm for successful financial service organizations in the next century. Many initiatives are well under way. Others are just taking shape. This year's report explains the transformation taking place at Sanwa Bank, and how it contributes to putting "service" first in all aspects of operations.

SANWA BANK AT A GLANCE

Consolidated Basis

Years ended March 31	¥ million (except per share data)					US\$ million
	2000	1999	1998	1997	1996	2000
INCOME STATEMENT DATA						
Net interest income	¥ 552,258	¥ 572,640	¥ 585,082	¥ 652,874	¥ 719,017	\$ 5,203
Interest income	1,297,820	1,722,625	2,177,589	2,506,188	2,746,348	12,226
Interest expenses	745,561	1,149,985	1,592,506	1,853,313	2,027,330	7,023
Net fees and commissions income	109,822	120,731	84,536	92,760	90,769	1,034
Net trading revenue	36,811	53,741	78,413	—	—	347
Net other operating income	54,491	145,252	45,276	43,301	88,469	513
General and administrative expenses	432,154	453,700	436,382	416,812	401,221	4,071
Other income	452,404	80,600	314,066	457,857	294,252	4,262
Other expenses	539,465	1,166,522	968,182	774,627	1,012,388	5,082
Income (loss) before income taxes	234,167	(647,256)	(297,190)	55,354	(221,100)	2,206
Income taxes (current)	68,241	45,506	(94,390)	30,295	(95,536)	643
Income taxes (deferred)	39,848	(218,292)	—	—	—	375
Minority interests	(6,581)	3,899	(228)	(760)	(886)	(62)
Amortisation of goodwill	—	—	19,494	(96)	—	—
Equity in earnings of affiliates	—	—	1,171	1,653	1,504	—
Net income for year (loss)	119,495	(470,570)	(182,362)	25,854	(124,945)	1,126
Return on equity	8.26%	—	—	1.37%	—	—
BALANCE SHEET DATA						
Total assets	¥46,901,986	¥50,372,153	¥56,951,243	¥55,456,075	¥55,652,637	\$441,846
Loans and bills discounted	30,957,742	32,839,151	35,176,742	37,510,322	36,364,637	291,641
Securities	7,679,866	6,413,027	6,983,529	6,423,079	6,152,149	72,349
Deposits	34,501,958	35,220,326	37,801,343	39,402,722	40,600,103	325,030
Total stockholders' equity	2,187,952	2,082,169	1,830,000	1,887,981	1,882,400	20,612
PER SHARE DATA						
Net income (loss)—						
Basic (yen)	¥ 39.51	¥ (163.19)	¥ (62.87)	¥ 8.91	¥ (43.06)	\$ 0.37
Fully diluted (yen)	34.15	—	—	—	—	0.32
Stockholders' equity (yen)	496.30	460.13	578.90	650.68	648.77	4.68
RISK-ADJUSTED CAPITAL DATA						
Tier I capital	¥ 2,264,243	¥ 2,136,506	¥ 1,822,931	¥ 1,880,734	¥ 1,878,654	\$ 21,331
Total qualifying capital	4,053,634	3,909,566	3,645,862	3,761,469	3,757,309	38,188
Total risk-weighted assets	33,079,988	35,327,694	37,957,311	41,301,882	41,183,821	311,634
Total risk-weighted capital ratio	12.25%	11.06%	9.60%	9.10%	9.12%	—
Tier I ratio	6.84%	6.50%	6.04%	4.55%	4.56%	—

Non-Consolidated Basis

Years ended March 31	¥ million (except per share data)					US\$ million
	2000	1999	1998	1997	1996	2000
INCOME STATEMENT DATA*						
Gross operating profit	¥ 642,217	¥ 754,532	¥ 696,386	¥ 703,068	¥ 828,704	\$ 6,050
Net interest income	512,253	528,696	559,993	593,312	671,274	4,826
Net fees and commissions income	60,267	62,721	65,877	66,376	64,357	568
Net trading revenue	16,846	35,324	31,303	—	—	158
Net other operating income	52,850	127,790	39,211	43,379	93,073	498
Expenses incurred for issuance of corporate bonds	877	—	—	—	—	8
General and administrative expenses	329,150	337,756	348,141	344,357	333,500	3,101
Business profit excluding net transfer to general reserve	312,189	416,776	348,244	358,711	495,204	2,941
Net transfer to general reserve	(14,489)	170,296	(3,671)	3,322	4,315	(137)
Business profit	326,678	246,480	351,916	355,389	490,889	3,078
Other income and expenses	(151,194)	(899,927)	(765,277)	(312,675)	(750,758)	(1,425)
Net gains (losses) on stocks and other equity securities	272,431	(49,630)	208,264	237,900	258,571	2,566
Credit costs	(404,702)	(832,723)	(950,521)	(460,432)	(965,208)	(3,813)
Recurring profit	175,483	(653,447)	(413,361)	42,713	(259,869)	1,653
Extraordinary gains and losses	(9,653)	33,311	72,628	(1,221)	(1,601)	(91)
Income (loss) before income taxes	165,830	(620,136)	(340,732)	41,491	(261,471)	1,562
Income taxes (current)	58,214	37,227	206	204	18,063	548
Income taxes (deferred)	24,601	(262,949)	—	—	—	232
Net income for year (loss)	83,014	(394,414)	(340,938)	41,287	(279,534)	782
Return on equity	5.60%	—	—	2.51%	—	—
BALANCE SHEET DATA						
Total assets	¥45,185,068	¥47,592,662	¥52,708,359	¥53,158,623	¥53,131,038	\$425,672
Loans and bills discounted	30,081,019	31,868,520	33,526,352	36,029,792	35,181,511	283,382
Securities	7,825,954	6,579,494	7,102,227	6,541,179	6,249,196	73,725
Deposits	33,855,251	34,418,987	36,877,766	38,608,884	39,841,682	318,938
Total stockholders' equity	2,174,248	2,105,119	1,438,678	1,653,603	1,632,575	20,483
PER SHARE DATA						
Net income (loss)—						
Basic (yen)	¥ 26.85	¥ (136.55)	¥ (117.52)	¥ 14.22	¥ (96.35)	\$ 0.25
Fully diluted (yen)	23.68	—	—	—	—	0.22
Stockholders' equity (yen)	490.44	466.93	444.05	569.90	562.66	4.62
Dividends declared						
Common stock (yen)	7.00	7.00	8.50	8.50	7.00	0.07
First series preferred stock (yen)	37.50	37.50	1.55	—	—	0.35
First series class A preferred stock (yen)	15.90	0.05	—	—	—	0.15
LONG-TERM RATINGS						
Standard & Poor's	BBB+	BBB+	A-	A	A	—
Moody's	A3	A2	A1	Aa3	Aa3	—
STOCK PRICE** (yen)	¥ 1,068	¥ 1,285	¥ 1,190	¥ 1,330	¥ 2,150	\$ 10.06

* Non-Consolidated income statement items defined in the Japanese Banking Law, reflecting common practice in the industry.

**Closing price on Tokyo Stock Exchange.

MESSAGE FROM THE PRESIDENT

Sanwa Bank today stands at the doorstep of a new era in its development, and its approach to the entire spectrum of financial services. Momentous events have been taking place in our industry for several years now, in Japan and the rest of the world, too. Deregulation, globalization, information technology and rising customer expectations are just a few of the many forces reshaping our markets. Nothing less than a complete repositioning of this bank is required if we are to retain the trust and respect of our customers and the community.

At the core of our management vision is the desire to reinforce our position as an innovative bank that can grow alongside its customers as a trusted member of society. In line with this thinking, we are concentrating on restoring financial soundness as soon as possible and offering more services that are of true value to our customers. Achieving these goals necessitates a variety of measures. Most significant is our plan to integrate our operations with those of The Tokai Bank, Limited and The Toyo Trust and Banking Company, Limited. Backed by these resources, we aim to redefine the entire concept of financial services.

EARNINGS ALONG WITH STEPS TO REDUCE PROBLEM LOANS

With regard to operating results, the fiscal year ended March 31, 2000 was a period of several encouraging trends in Japan. Public-works expenditures, rising production levels and growth in IT-related expenditures all fed economic expansion. Nevertheless, the rebound was weak due to prolonged softness in employment, consumer spending and other important economic indicators. At Sanwa Bank, the year was highlighted by progress toward improving profitability and building a sound financial position. Gross operating profit decreased 14.8% to ¥642.2 billion as gains on sales of bonds and dealing activities were lower. Business profit, however, which is a key indicator of earnings from core businesses, was up 32.5% to ¥326.6 billion. Among the many factors behind this improvement were lower operating expenses brought about by gains in productivity and a reversal of the general reserve for possible loan losses as applicable assets decreased. We reported net income of ¥83.0 billion for the year, our first profit in three years. This resulted in an ROE of 5.6%.

In spite of continuous efforts to recover problem loans and provide adequate loan loss reserves, we again recorded a high level of expenses with regard to problem loans during the past fiscal year. Total credit-related expenses for the year amounted to ¥404.7 billion, a figure that exceeded our initial plans. A weakening operating environment for many borrowers, rising bankruptcies and declines in the value of real estate used as collateral combined to increase credit-related expenses. We were able to offset this considerable expense through higher gains on sales of stocks, including the unwinding of our cross-shareholdings.

Sanwa Bank reported a net loss in each of the two prior fiscal years because of steps to deal with problem loans. These measures, and those of the fiscal year that ended on March 31, 2000, have brought our problem loan balance down to ¥1,300.5 billion, about 25% less than one year ago. As a percentage of total credit exposure, problem loans declined from 4.95% one year ago to 3.92% as of March 31, 2000. Due to Japan's prolonged economic difficulties, we expect that the problem loan issue will remain with us for the foreseeable future. However, I can say at this time that Sanwa Bank's efforts during the past decade, a period when we placed top priority on increasing asset quality, have brought us to the point where the end of this issue is in sight.



*Kaneo Muromachi
President and CEO*

A NEW APPROACH TO THE PROVISION OF FINANCIAL SERVICES

Japan's financial sector is now at a turning point of historic proportions. During the past year alone, we have witnessed mergers and alliances among major banks in Japan. At the same time, foreign banks and other financial service providers are becoming increasingly active in Japan. We are also seeing companies from outside the financial services sector take an interest in banking, securities and other financial services. The Internet is further altering the fundamentals of our industry. Naturally, customers are a big beneficiary of this growth in competition and variety of services. At Sanwa Bank, we are determined to position ourselves to benefit from these events so that we can develop services of a still higher quality.

During the two-year period that ended on March 31, 2000, we implemented a management plan called "Stage 1." At the heart of this plan was an exhaustive review of every aspect of our management practices and operations. For the duration of the two-year period, we focused intently on transforming ourselves into a financial services group in step with today's new era of competition and opportunities. Within this context, emphasis was placed on our core retail and mid-sized corporate client groups. We achieved countless improvements in our management systems, branch banking operations and other areas of our organization. We also moved quickly to upgrade our ability to provide services of the highest quality, both within the scope of banking and in other fields.

Symbolizing this drive is the July 1999 formation of the Financial One alliance. A revolutionary concept, this alliance brings together companies in a broad spectrum of retail financial services. The advantages are many. In particular, the alliance forms a powerful base for the joint provision of personal finance services, private banking and other businesses.

In addition to Financial One, we are moving ahead on our own by collaborating with partners outside the banking sector. Here, joint-venture companies include eWing Securities, an on-line securities company, Frontier Servicer, a company that collects receivables from borrowers, and Mobit, a consumer finance company. Collectively, these actions are bringing about steady gains in our ability to offer customers a growing line of support.

In April 2000, we embarked on a new management plan called "Take-Off 21." Building on the momentum of "Stage 1," this plan is structured to bring our new business models on line as soon as possible and establish them as profit centers.

ANOTHER YEAR OF MAJOR ACCOMPLISHMENTS OVERSEAS


No discussion of Sanwa Bank's operations is complete without a review of our extensive overseas network, which covers 45 cities in 25 countries. We are engaged in a wide variety of activities that serve Japanese as well as non-Japanese customers around the world. Our basic strategy for overseas operations is to focus on specialized market sectors where we are strongest. This is essential for success as we face competitors of increasing scale and specialized skills. Particular areas of emphasis are the arrangement of debt financing and the provision of global cash management services for multinational companies. Furthermore, we are reinforcing our Asian network by investing in local banks. During the past fiscal year, we made an investment in Dah Sing Financial Holdings, Ltd., which is based in Hong Kong. Clearly, we have a strong base to build on. Finally, I want to assure our customers around the world that our planned integration with Tokai Bank and Toyo Trust will mean an even stronger base for providing a broad range of quality financial services.

PLANS FOR THE UPCOMING INTEGRATION

In closing, I would like to shed more light on our plans for integration with Tokai Bank and Toyo Trust. Most of all, I want to stress that combining these three banks will not alter in any way our drive to create a new approach to financial services. On the contrary, our decision to proceed with an integration is firmly based on a commitment by all partners to the new financial services concept.

For some time now, Sanwa Bank has taken an aggressive stance regarding alliances, viewing them as an effective means of supplementing our own capabilities and achieving economies of scale in specific businesses. Now, as we face changes of unprecedented scale in our markets, we have had the extremely good fortune to tie up with partners that provide the ideal strengths to help us achieve our long-term goals. We are confident that our two partners feel the same way about the mutual benefits this integration presents. As we prepare for the official merging of the three banks, we will continue to work toward the realization of our overriding goal: the creation of a "new financial services company." I am convinced that our plans are the best way to meet the rising expectations of our customers and shareholders worldwide.

September 2000



Kaneo Muromachi

President and Chief Executive Officer

SANWA BANK: WHERE FINANCIAL SERVICES ARE “SERVICE INDUSTRIES”

Dedication to excellence in customer service is a Sanwa Bank hallmark—and a driving force behind the transformation now taking place at the Bank. This dedication extends from consumers in Japan to multinational corporations. In Japan, particular emphasis is being placed on serving individuals and small and medium-sized companies.

Traditional areas of strength, both market sectors exhibit considerable growth potential. By positioning financial services as a true “service industries,” Sanwa Bank is developing and offering services that go beyond the traditional boundaries of banking to address an unprecedented range of customer needs. The following pages outline Sanwa Bank’s innovative approach to better serving these and other strategic markets.

SANWA BANK: MERGING RESOURCES

With the **Financial One** alliance, Sanwa Bank and its partners are taking an unprecedented leap toward capitalizing on the forces of deregulation and technological progress for the benefit of individuals. People's needs evolve as they pass through each stage of their lives.

Addressing these needs demands a service platform spanning many types of financial services. This is why Financial One aims to bring together banking, trust, securities, insurance and other services. The goal: to create Japan's first genuine "one-stop shopping" for financial services. Customers of any alliance member can access all Financial One services with ease.

Furthermore, programs offering bonus points and other benefits promote customer loyalty.

Eventually, the alliance hopes to unify all services in a single account for still greater convenience. By creating a unified customer base, the Financial One members will lift continuous relationship marketing (CRM) to a new plane. This points the way to the ability to accurately fulfill the unique financial needs of each customer, whether a new parent or a retiree. New businesses are already up and running. April 2000 saw the launch of **Private Financial Management** Co., Ltd., a private banking company to serve affluent customers. Close on its heels came a Financial One portal site, which was established the following month. But



Financial One is just one of many alliances undertaken by Sanwa Bank. With two consumer finance companies, Promise Co., Ltd. and Aplus Co., Ltd., Sanwa Bank formed **Mobit** Co., Ltd. in May 2000. By drawing on the expertise of its consumer finance owners, Mobit has developed a completely new credit investigation model that can more quickly approve loan applications and otherwise improve services in relation to Sanwa Bank alone. Backing this is yet another alliance. Sanwa Bank partnered with Digicube Co., Ltd. and others to establish **Mixcube** Limited to create a multi-functional terminal that can deliver services to Mobit customers. In addition to loans, cash withdrawals and other services offered by Sanwa Bank and other financial service companies, Mixcube's terminal, installed at convenience stores and other locations, is a gateway to e-commerce and non-financial content such as music, games and tickets. To assist small and medium-sized companies effectively utilize the Internet, Sanwa Bank and 26 other companies established **JBP** Co., Ltd. JBP will also operate a business portal site. Determined to retain its position as an innovator, Sanwa Bank will continue to seek opportunities to work with others to redefine the financial services industry.

Extending core skills

SANWA BANK: OPENING CYBER-CHANNELS TO CUSTOMERS

Sanwa Bank is taking a multifaceted approach to harnessing the power of Internet technology for the maximum benefit of its customers. Sanwa **Internet Banking** was launched in February 1998 with this in mind, offering 24-hour access to services and account information. A trendsetter for Internet banking in Japan, this service was the first to place investment trusts and foreign currency deposits online. A year later in February 1999, **Mobile Banking** made a range of services available via mobile phone handsets. March 2000 saw the debut of **Internet Banking 2000**, a 24-hour service utilizing sophisticated encryption technology. Customer support was immediate. By the end of May 2000, more than 100,000 people had signed up for these cyber-services. Other services available through the Internet include distribution of “All One” comprehensive statements and the **Loan Direct** service, which allows customers to apply for housing loans as well as consumer loans online. E-commerce is

Enhancing productivity

another area where Sanwa Bank is active. Already, the Bank has accumulated considerable expertise in settling retail transactions over the Net. To support e-commerce, Sanwa Bank is preparing to launch **Net-Escrow**. The Bank plans to be the first Japanese bank to introduce this service in autumn 2000, greatly enhancing the reliability of Internet business for buyers and sellers alike. Progress continues. Sanwa Bank is moving quickly to prepare for the opening of a full-scale **Internet-based bank**. Along with quick and reliable services, the Internet bank will also be highly competitive in terms of fees and interest rates. This will be achieved by using the efficiency of the Net, outsourcing and other means to hold down costs. Plans call for the Internet-based bank to team up with a Japanese portal site, which is to be operated by Recruit Co., Ltd., to form a broader operating base for the provision of quality financial services through this new bank.



SANWA BANK: OFFERING MORE INVESTMENT OPTIONS

Individuals in Japan are taking a fresh look at their financial assets, which are said to total about ¥1,300 trillion. Low interest rates, a new defined-contribution pension plan and other factors are sparking interest in ways to generate higher returns. At the same time, people are looking to the Internet for greater convenience along with more competitively priced investment vehicles. For banks, the message is clear: Traditional banking services such as deposit-taking will no longer satisfy customers. Sanwa Bank is tackling this challenge from a number of angles. Customers have direct access to retail broker **TSUBASA Securities** Co., Ltd., a Sanwa Bank affiliate. Customers can also open an account at Sanwa Bank affiliate **eWing Securities** Co., Ltd., a specialist in online brokerage services. Since starting operations in April 2000, this company has been steadily attracting first-time investors by emphasizing its extremely user-friendly format and competitive fees. **Investment trusts** are also a strategic field for banks. At Sanwa Bank, customers can invest in funds managed by subsidiary **Partners Asset Management**, formerly Yamaichi Investment Management, Morgan Stanley Dean Witter and other fund managers. This selection provides the flexibility to precisely fulfill customers' requirements. Further raising convenience are the "**All One**" account, which unifies deposits and other banking services and investment trusts, placing everything on a single statement. All these initiatives have proven to be highly successful. Total assets in investment trusts sold by Sanwa Bank topped ¥500 billion less than one year after the sale of these trusts commenced.

The future is clear. To succeed, banks must move quickly to offer services with greater diversity and quality. Today's customers will accept nothing less. Sanwa Bank's actions demonstrate its understanding of these fundamental shifts in market dynamics. Measures currently under way also underscore a determination to reaffirm its position among Japan's largest and most innovative sources of financial services.

The future of banking

INTEGRATION WITH TOKAI BANK AND TOYO TRUST

Sanwa Bank, The Tokai Bank, Limited and The Toyo Trust and Banking Company, Limited have entered into a basic agreement to integrate the operations of the three banks. The objective is to create a new comprehensive financial services company able to provide services that are of value to society. A holding company is to be formed for this purpose, subject to the approval of shareholders and government authorities.

In March 2000, Sanwa Bank, Tokai Bank and The Asahi Bank, Ltd. reached a basic agreement regarding an integration of their operations. The following June, Asahi Bank withdrew from the integration as Sanwa Bank and Tokai Bank continued to conduct discussions for the purpose of speeding up the integration process. In July 2000, Toyo Trust, which already had an extensive alliance with Sanwa Bank, joined the integration process of Sanwa Bank and Tokai Bank. The addition of Toyo Trust, a provider of a full line of trust services and an expert in asset management, greatly enhanced the breadth of the new group's financial service lineup. By uniting their resources, Sanwa Bank, Tokai Bank and Toyo Trust plan to become a financial services group recognized as a premier source of sophisticated and diversified services that are always in step with evolving market demands.

PRINCIPLES OF INTEGRATION

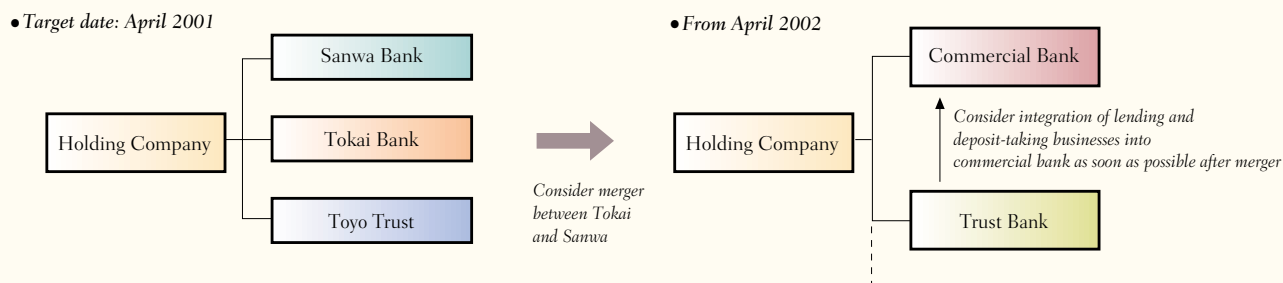
The principles of integration of the three banks are as follows:

1. Establish a "new financial services group," creating new value for society.
2. Provide the most innovative and comprehensive financial services, focus on the "middle and retail" markets, aiming to become the foremost comprehensive financial group in Japan.
3. Pursue customer satisfaction and win the confidence of markets.
4. Enhance the net worth of the group and build value for shareholders through speedy, cutting-edge and dynamic business development under disciplined, transparent corporate governance.

INTEGRATION PROCESS

The three banks will jointly establish a holding company, targeting April 2001, with each becoming a wholly owned subsidiary under its umbrella. The holding company will exercise strong leadership in developing dynamic and comprehensive financial strategies. Specifically, the holding company will set overall management objectives for the group, devise group strategies and perform the planning, coordination and supervision required.

Furthermore, Sanwa Bank and Tokai Bank will consider merging under the holding company, targeting April 2002, to quickly yield greater benefits from integration. In addition, consideration will be given to integrating the lending and deposit-taking businesses of Toyo Trust into the new commercial bank and the trust-related businesses of the new bank into Toyo Trust as soon as possible after the merger, with the aim of optimizing efficiencies of operations.



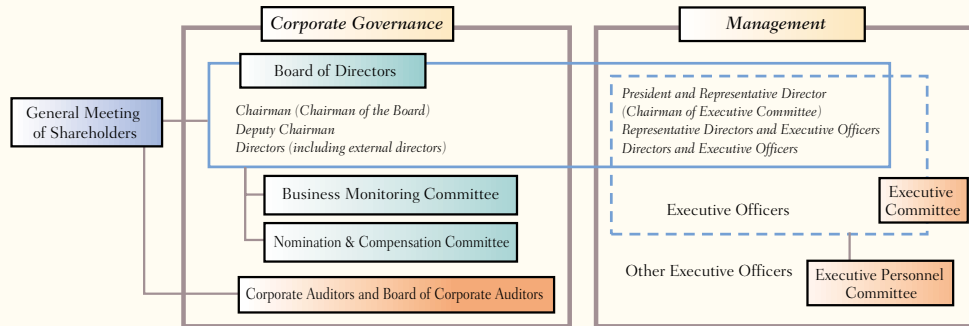
MANAGEMENT SYSTEM

Speed, transparency and fairness will be the central themes in structuring the management system of the holding company.




Corporate governance at the holding company will be strengthened by separating the decision-making and supervisory functions (corporate governance) of the Board of Directors from business execution functions (management). The President, who is responsible for management, shall not co-assume the role of Chairman of the Board. More than half of the Board members, including an appropriate number of external directors, will not assume management functions but will devote themselves solely to corporate governance.

The number of directors shall be limited to just over 10 in order to facilitate quicker and more responsive decision-making. Additionally, committees such as a business monitoring committee and a nomination & compensation committee, composed mainly of external directors, shall be established to ensure fairness and transparency.

An executive officer system will be introduced to perform the management function. An Executive Committee, composed of executive officers necessary for decision-making, will be established, with the aim of carrying out speedy business execution.



Overview of the Three Banks (As of March 31, 2000)

	 Sanwa Bank	 TOKAI BANK	 TOYO TRUST
Establishment	December 1933	June 1941	November 1959
Location of Head Office	Chuo-ku, Osaka	Naka-ku, Nagoya, Aichi Prefecture	Chiyoda-ku, Tokyo
Representative	Kaneo Muromachi	Hideo Ogasawara	Shunroku Yokosuka
Number of Employees ¹	13,021	9,675	3,925
Number of Domestic Branches ²	310	274	57
Number of Overseas Branches ²	25	16	–
Capital	¥843.0 billion	¥723.1 billion	¥280.4 billion
Net Assets	¥2,174.2 billion	¥1,636.2 billion	¥585.6 billion
Total Assets	¥45,185.0 billion	¥29,215.1 billion	¥8,193.4 billion
Trust Assets	–	–	¥32,825.0 billion
Loans	¥30,081.0 billion	¥18,438.5 billion	¥6,652.6 billion
Deposits and Negotiable Certificates of Deposit	¥33,855.2 billion	¥20,563.4 billion	¥19,811.0 billion ³
Gross Business Profit	¥642.2 billion	¥394.2 billion	¥192.2 billion ⁴
Net Business Profit	¥326.6 billion	¥142.4 billion	¥96.5 billion ⁴
Net Income	¥83.0 billion	¥44.7 billion	¥7.8 billion

Notes: 1. Does not include temporary contract employees but includes locally hired overseas employees.

2. Total of full branches, satellite offices and agencies (excluding special branches that maintain only designated accounts for transfers).

3. Total of deposits, negotiable certificates of deposit, money trusts, pension trusts, property formation trusts and loan trusts.

4. Figure before loan losses in trust accounts.

ANALYSIS OF OPERATIONS AND FINANCIAL POSITION

OVERVIEW OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2000

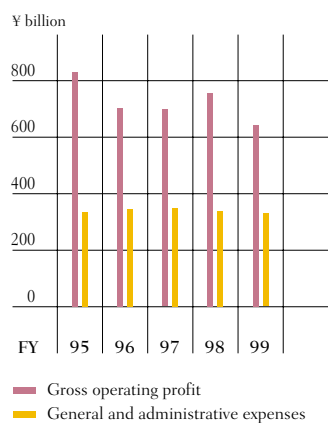
Gross operating profit decreased 14.8% to ¥642.2 billion. Net interest income decreased ¥16.4 billion to ¥512.2 billion. Progress was made in improving the net interest margin due to efforts to align interest income from loans with the associated risks. However, this gain was offset by a decrease in total loans and bills discounted. Net fees and commissions income decreased ¥2.4 billion to ¥60.2 billion. Net trading revenue fell ¥18.4 billion to ¥16.8 billion because of poor trading performance, especially in the first half of the fiscal year. Net other operating income was down ¥74.9 billion to ¥52.8 billion following the unusually high level of gains on sales of bonds in the prior fiscal year.

General and administrative expenses decreased ¥8.6 billion to ¥329.1 billion as the benefits of steps to reduce personnel expenses and otherwise raise efficiency outweighed an increase in expenses related to equipment and facilities resulting from large-scale investments in information technology and other areas. There was a reversal of ¥14.4 billion from the general reserve for possible loan losses, to which the Bank transferred ¥170.2 billion in the prior fiscal year. The reversal resulted from a decline in applicable assets, although the reserve for possible loan losses increased as a percentage of applicable assets. Due to these factors, Sanwa Bank reported a 32.5% increase to ¥326.6 billion in business profit.

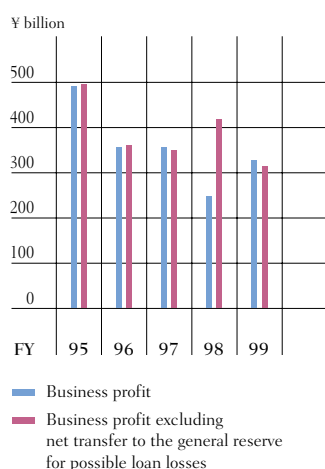
Other expenses, net of other income, decreased ¥748.7 billion to ¥151.1 billion. Net gains on sales of stocks and other equity securities were ¥272.4 billion compared with net losses of ¥49.6 billion in the prior fiscal year. Gains resulting from sales of equities to unwind cross-shareholdings contributed to these net gains. Credit-related expenses totaled ¥404.7 billion, well above the Bank's initial estimate for the fiscal year of ¥200 billion. The increase was due to a weakening operating environment for many borrowers, rising bankruptcies and declines in the value of real estate used as collateral.

The net results of these items were a recurring profit of ¥175.4 billion and net income of ¥83.0 billion, Sanwa Bank's first profits since the fiscal year ended March 31, 1997. Net income per share was ¥26.85 and the return on equity was 5.6%.

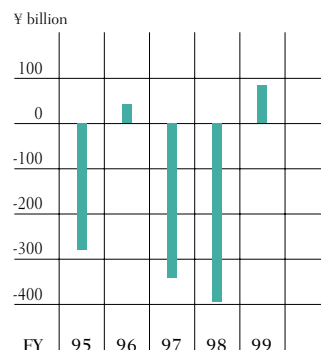
**GROSS OPERATING PROFIT/
G&A EXPENSES**



BUSINESS PROFIT



NET INCOME

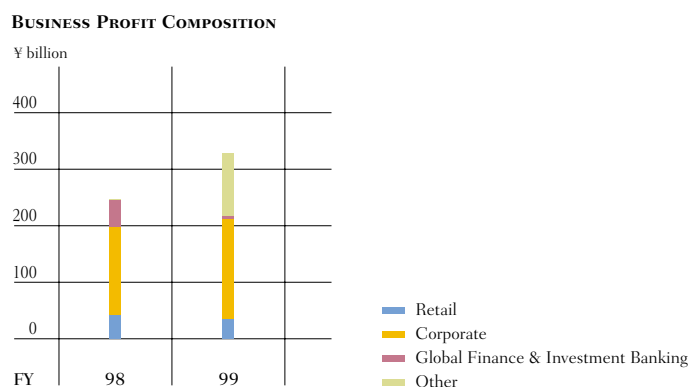


For the fiscal year ended March 31, 2000, Sanwa Bank became subject to a new tax levied by the Tokyo Metropolitan Government on banks with deposits and negotiable certificates of deposit of ¥5,000 billion or more. This resulted in a decrease of ¥30.5 billion in deferred tax assets. Income taxes were thus increased by the same amount, reducing net income by ¥30.5 billion.

Cash dividends per share applicable to the fiscal year were ¥7.00 for common stock, ¥37.50 for first series preferred stock and ¥15.90 for first series class A preferred stock. For the fiscal year ending March 31, 2001, Sanwa Bank is currently estimating business profit of ¥330 billion, recurring profit of ¥165 billion and net income of ¥90 billion.

BREAKDOWN OF NON-CONSOLIDATED RESULTS BY DIVISION

Sanwa Bank has adopted an internal-company structure for its business units. This organization makes the Bank more competitive by enhancing specialized skills and promotes faster decision-making by giving business units greater autonomy. The Bank currently has three business units: Retail Banking Division, Corporate Banking Division and Global Finance & Investment Banking Division. Each one is granted considerable latitude to formulate strategies and manage its activities, thus creating a largely self-reliant operating framework. The following sections provide an overview of the activities and operating results of the three divisions for the year ended March 31, 2000.



Composition of Business Profit

Years ended March 31	¥ billion		
	2000	1999	Change
Retail Banking	¥ 34.6	¥ 41.8	¥ (7.2)
Corporate Banking	175.7	154.2	21.5
Global Finance & Investment Banking	6.1	48.4	(42.3)
Other	110.3	2.1	108.2
Business Profit	¥326.7	¥ 246.5	¥ 80.2

Note: Other includes bond-related gains and losses, ALM activities, the provision for the general reserve for possible loan losses and other items.

Retail Banking Division

In the Retail Banking Division, gross operating profit was down ¥2.2 billion to ¥188.4 billion as net interest income decreased ¥3.2 billion to ¥166.4 billion. Earnings on loans declined as Sanwa Bank reduced the balance of business loans carrying relatively high levels of risk. Further affecting net interest income was a decline in earnings on deposits, mainly the result of lower spreads on deposits as market interest rates moved downward. Expenses increased ¥5.1 billion to ¥153.9 billion because of investments made to become more competitive. The net effect of these factors was a ¥7.2 billion decrease in business profit to ¥34.6 billion.

Years ended March 31	¥ billion		
	2000	1999	Change
Gross Operating Profit	¥ 188.4	¥ 190.6	¥ (2.2)
Interest Income	166.4	169.6	(3.2)
Interest Income on Loans and Bills Discounted	119.6	119.9	(0.3)
Interest Income on Deposits	46.8	49.6	(2.8)
Fees and Commissions Received	38.4	37.0	1.4
Fees and Commissions Paid	(16.4)	(16.0)	(0.4)
General and Administrative Expenses	153.9	148.8	5.1
Business Profit	¥ 34.6	¥ 41.8	¥ (7.2)

Note: Based on Sanwa Bank management standards for the year ended March 31, 2000.

Corporate Banking Division

Gross operating profit for the Corporate Banking Division, increased ¥19.2 billion to ¥299.6 billion. This includes net interest income of ¥238.4 billion, an increase of ¥17.5 billion. Loans and bills discounted were lower, but the interest margin widened and there was an increase in ordinary deposits by institutional investors. Expenses decreased ¥2.3 billion to ¥123.9 billion. The result was a business profit of ¥175.7 billion, ¥21.5 billion more than in the previous fiscal year.

Years ended March 31	¥ billion		
	2000	1999	Change
Gross Operating Profit	¥ 299.6	¥ 280.4	¥ 19.2
Interest Income	238.4	220.9	17.5
Interest Income on Loans and Bills Discounted	213.6	202.2	11.4
Interest Income on Deposits	24.9	18.8	6.1
Fees and Commissions, Foreign Exchange and Others	61.2	59.5	1.7
General and Administrative Expenses	123.9	126.2	(2.3)
Business Profit	¥ 175.7	¥ 154.2	¥ 21.5

Note: Based on Sanwa Bank management standards for the year ended March 31, 2000.

Global Finance & Investment Banking Division

Gross operating profit in Global Finance & Investment Banking Company fell ¥45.1 billion to ¥58.0 billion. In trading operations, gross operating profit was down ¥51.1 billion to ¥0.2 billion. In investment banking, gross operating profit rose ¥6.4 billion to ¥26.8 billion. Earnings were higher in project finance, credit engineering, M&A operations, real estate securitization and other areas. In overseas commercial banking, an improvement in the net interest margin was offset by a decline in earning assets. The result was a ¥4.4 billion decrease in gross operating profit to ¥29.9 billion. Expenses decreased ¥2.8 billion to ¥51.9 billion. Business profit thus declined ¥42.3 billion to ¥6.1 billion.

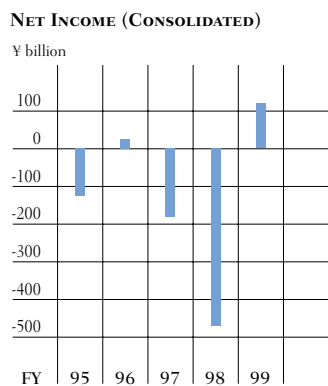
Years ended March 31	¥ billion		
	2000	1999	Change
Gross Operating Profit	¥ 58.0	¥ 103.1	¥ (45.1)
Trading	0.2	51.3	(51.1)
Investment Banking	26.8	20.4	6.4
Asset Management	1.1	(2.9)	4.0
Overseas Commercial Banking	29.9	34.3	(4.4)
General and Administrative Expenses	51.9	54.7	(2.8)
Business Profit	¥ 6.1	¥ 48.4	¥ (42.3)

Note: Based on Sanwa Bank management standards for the year ended March 31, 2000.

CONSOLIDATED RESULTS OF OPERATIONS

As revisions are made to accounting standards and tax codes, Sanwa Bank is placing increasing emphasis not only on non-consolidated performance but also on conducting management from a group-wide perspective. In the fiscal year ended March 31, 2000, three securities companies were newly included as affiliates accounted for under the equity method due to the Bank's purchase of their common stock during the fiscal year: Universal Securities Co., Ltd., Taiheiyo Securities Co., Ltd. and Dai-ichi Securities Co., Ltd. In April 2000, these three companies and a fourth company, Towa Securities Co., Ltd., were combined to form TSUBASA Securities Co., Ltd., which will also be treated as an affiliate accounted for under the equity method. In addition, Sanwa Bank formed a number of joint ventures with partners outside the banking industry during the fiscal year. Among these ventures were Japan Pension Planning Co., Ltd. and eWing Securities Co., Ltd.

In the fiscal year ended March 31, 2000, consolidated recurring profit was ¥243.8 billion and net income was ¥119.4 billion. This was Sanwa Bank's first profit in three years. In addition to the parent company's return to profitability, consolidated results benefited from good performance at most consolidated subsidiaries and affiliates accounted for under the equity method. For the fiscal year ending March 31, 2001, Sanwa Bank is currently estimating consolidated recurring profit of ¥200 billion and net income of ¥100 billion.



PROBLEM LOANS

Although Sanwa Bank had estimated that credit-related expenses for the fiscal year ended March 31, 2000 would total approximately ¥200 billion, actual expenses for the year amounted to ¥404.7 billion. This increase over the initial estimate was due to a deterioration in the operations for many borrowers, an increase in bankruptcies and a decline in the value of real estate used as collateral, all of which exceeded the Bank's projections for the year. Due to the slow pace of Japan's economic recovery, Sanwa Bank estimates that credit-related expenses for the fiscal year ending March 31, 2001 will total approximately ¥250 billion.

Table 1 below lists loans and bills discounted by category as prescribed by the New Disclosure Standard under the Law Concerning Emergency Measures for Early Stabilization of Financial Functions. During the fiscal year, there was a net decrease of ¥430.3 billion in problem loans to ¥1,300.5 billion as of March 31, 2000. Table 2 presents problem loans based on the Banking Law. Table 3 presents information on collateral, guarantees and loan loss reserves as a percentage of each problem loan category, stated in Table 1.

Table 1: Problem Loans Based on the New Disclosure Standard (Sanwa Bank only)

March 31	¥ million		
	2000	1999*	Change
Bankrupt and Quasi-bankrupt	¥ 292,433	¥ 326,021	¥ (33,588)
Doubtful	719,767	1,083,118	(363,351)
Sub-standard	288,338	321,794	(33,456)
Total Problem Loans	1,300,538	1,730,933	(430,395)
Normal	31,867,944	33,207,746	(1,339,802)
Total Exposure	¥33,168,482	¥34,938,679	¥(1,770,197)

*After the write-offs of Category IV

Table 2: Problem Loans Based on the Banking Law (Sanwa Bank only)

March 31	¥ million		
	2000	1999*	Change
Loans to Bankrupt Companies	¥ 84,255	¥ 92,328	¥ (8,072)
Other Delinquent Loans	879,150	1,272,091	(392,940)
Loans Past Due 3 Months or More	83,190	90,487	(7,296)
Restructured Loans	205,147	231,307	(26,159)
Total	¥1,251,743	¥1,686,213	¥(434,469)

*After the write-offs of category IV

Table 3: Coverage of Problem Loans Based on the New Disclosure Standard (Sanwa Bank only)

March 31	2000	1999	Change
Bankrupt and Quasi-bankrupt	100.00%	100.00%	—
Doubtful	82.96%	84.75%	(1.79%)
Sub-standard*	47.84%	44.26%	3.58%
Total Exposure	77.57%	78.29%	(0.72%)

*Total exposure to borrowers classified as sub-standard

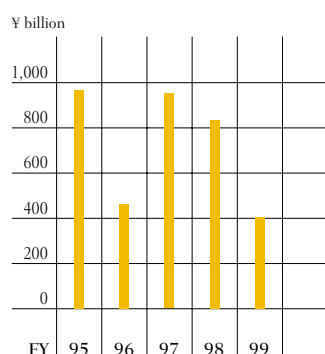
Classification under the New Disclosure Standard, Self-Assessment, and the Banking Law

Problem Loans

Classification under Self-Assessment Criteria	Classification under the New Disclosure Standard (Loans and other claims, as noted below)	Classification under the Banking Law	Definitions	The Bank's Standards for Making Provisions to Reserves	Guidelines of the Financial Reconstruction Committee	The Bank's Reserve Ratio as of March 31, 2000
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.	/	0.19%
Special Mention			Loans with problems in terms of 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
	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%	24.68%*
Possible Non-Performing	Doubtful	/	Restructured	Loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a strong possibility of going into bankruptcy	70%	73.05%
Quasi Non-Performing			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.		
Non-Performing			Bankrupt			

*Reserve ratio for all loans to sub-standard borrowers, including loans which need not be classified as sub-standard

CREDIT-RELATED EXPENSES



INDICATORS OF FINANCIAL SOUNDNESS

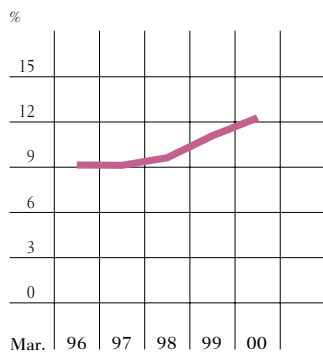
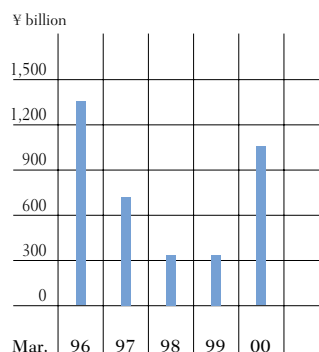
In March 1999, Sanwa Bank procured a total of ¥880.0 billion of capital, including ¥700.0 billion obtained from public funds. As a result, the Bank's BIS capital ratio as of March 31, 1999 was 11.06%. As of March 31, 2000, this ratio was 12.25%, demonstrating the Bank's ability to maintain a sound financial position. This increase was mainly due to a decline in risk-weighted assets because of measures to reduce assets and the yen's appreciation during the fiscal year.

BIS Capital Ratio (Consolidated)

March 31	¥ million	
	2000	1999
Tier I (Basic Items)		
Total Tier I Capital (Mainly Stockholders' Equity)	¥ 2,264,243	¥ 2,136,506
Tier II (Supplementary Items)		
Unrealized Gains on Securities, after 55% Discount	37,117	15,124
Reserve for Possible Loan Losses, excluding Specific Reserve	282,588	301,481
Excess of Land Revaluation, after 55% Discount	111,392	121,767
Subordinated Debts	1,470,626	1,437,299
Total Tier II Capital	1,901,724	1,875,673
Tier II Capital Included as Qualifying Capital	1,901,724	1,875,673
Less: Holdings of Capital Instruments Issued by Other Financial Institutions	112,333	102,613
Total Capital	¥ 4,053,634	¥ 3,909,566
Risk-Weighted Assets	¥33,079,988	¥35,327,694
Capital Ratio	12.25%	11.06%

Unrealized net gains on securities is another important indicator of a bank's financial soundness. At Sanwa Bank, rising stock prices increased these gains by ¥741.8 billion to ¥1,122.6 billion as of March 31, 2000. In addition, retained earnings, the source of funds that would be used to repurchase the preferred stock issued to obtain public funds, increased ¥70.4 billion to ¥347.2 billion.

On a consolidated basis, unrealized net gains on securities were ¥1,165.3 billion and retained earnings were ¥476.9 billion, demonstrating the Bank's ability to maintain a sound financial position on a consolidated basis as well.

CAPITAL RATIO (CONSOLIDATED)**UNREALIZED NET GAINS ON SECURITIES**

LOANS AND BILLS DISCOUNTED AND DEPOSITS (NON-CONSOLIDATED)

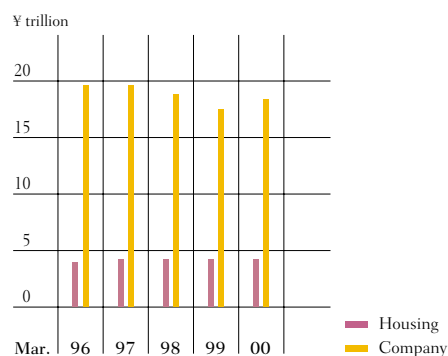
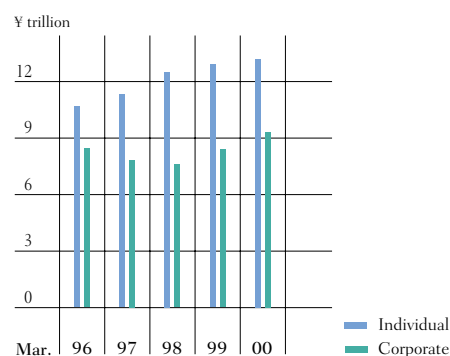
Total loans and bills discounted as of March 31, 2000 totaled ¥30,081.0 billion, ¥1,787.5 billion less than one year earlier. The decline includes ¥646.0 billion of loans partially written off in accordance with an accounting method the Bank adopted in the fiscal year ended March 31, 2000. This figure represents the portion of loans to bankrupt and quasi-bankrupt borrowers that the Bank believes are unrecoverable. Specific loan loss reserves for these loans are also deducted from the balance sheet in this process. Excluding this item, the decrease in loans and bills discounted was primarily attributable to weak demand for new loans, actions to complete the process of dealing with problem loans and steps to reduce assets at bases outside Japan.

Loans to small and medium-sized companies totaled ¥18,383.5 billion. This includes the effect of an expansion in the scope of this category resulting from a 1999 revision to a law in Japan that covers these companies. Excluding the effect of this revision, loans in this category decreased ¥285.9 billion to ¥17,199.5 billion. Housing loans decreased ¥60.3 billion to ¥4,177.3 billion, the result of the sale of ¥50.0 billion in housing loans and a reduction during the year of ¥110.5 billion in comparatively high-risk housing loans for the construction of rental apartment buildings.

Deposits increased ¥576.9 billion to ¥28,254.1 billion. Deposits by individuals rose ¥285.8 billion and deposits by domestic companies increased ¥916.8 billion. The large increase in corporate deposits was due to inflows of funds to ordinary deposits from institutional investors because the Bank of Japan pursued a “zero interest rate” policy, causing life insurance companies and other institutional investors to shift funds from the call market to bank ordinary deposits.

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

March 31	¥ billion	
	2000	1999
Stocks and Bonds	¥ 380	¥ 370
Time Deposits, Drafts, for Collateral, etc.	733	781
Commodities	1	4
Real Estate	3,205	3,817
Other Collateral	162	224
Total Secured Loans and Bills Discounted	¥ 4,483	¥ 5,198
Guaranteed Loans and Bills Discounted	13,003	13,621
Total Secured and Guaranteed Loans and Bills Discounted	¥ 17,486	¥ 18,819
Percentage of Total Loans and Bills Discounted	59%	58%

HOUSING LOANS/SMALL AND MEDIUM-SIZED COMPANY LOANS**INDIVIDUAL DEPOSITS/CORPORATE DEPOSITS**

Loans and Bills Discounted by Type of Borrower (Sanwa Bank only)

March 31	¥ billion	
	2000	1999
Domestic Offices (excluding offshore loans)		
Manufacturing	¥ 2,975	¥ 3,129
Agriculture, Forestry, Fishing, and Mining	156	189
Construction	997	1,089
Utilities	76	65
Transportation and Communication	967	917
Wholesale and Retail	3,500	3,679
Finance and Insurance	2,390	2,377
Real Estate	4,024	3,944
Services	3,246	3,392
Local Governments	229	222
Individuals and Others	5,913	6,207
Total Domestic	¥ 24,476	¥ 25,216
Overseas Offices (including offshore loans of domestic offices)		
Governments and Official Institutions	31	40
Banks and Other Financial Institutions	776	968
Commercial and Industrial	4,711	5,521
Others	83	122
Total Overseas	¥ 5,604	¥ 6,652
Total	¥ 30,081	¥ 31,868

Retail Banking Division

In the Retail Banking Division, average loans and bills discounted decreased ¥0.1 trillion, but this was mostly the result of the repayment and recovery of relatively high-risk business-related loans. There were increases in housing loans and consumer loans, both areas where Sanwa Bank is taking aggressive steps to expand. Regarding deposits, ordinary deposits and other highly liquid deposits increased ¥0.4 trillion. Time deposits declined, but much of these funds moved to the Bank's foreign currency deposits, investment trusts and other asset management products as individuals utilized an increasingly diverse range of investment methods.

Years ended March 31	¥ trillion		
	2000	1999	Change
Average Loans and Bills Discounted	¥ 6.2	¥ 6.3	¥ (0.1)
Average Deposits	14.2	13.8	0.4
Loan Margin	1.91%	1.88%	0.03%
Deposit Margin	0.32%	0.35%	(0.03%)

Note: Based on Sanwa Bank management standards for the year ended March 31, 2000.

Corporate Banking Division

In the Corporate Banking Division, the average balance of loans and bills discounted during the fiscal year decreased ¥0.9 trillion to ¥21.9 trillion. This was the result of a downturn in new loans and progress in recovering and writing off problem loans. The net interest margin on these loans improved by nine basis points due to efforts to ensure that loans generate returns commensurate with the risks assumed. Average deposits increased ¥2.0 trillion to ¥8.1 trillion, the result of rapid growth of ordinary deposits explained on page 23.

Years ended March 31	¥ trillion		
	2000	1999	Change
Average Loans and Bills Discounted	¥21.9	¥22.8	¥ (0.9)
Average Deposits	8.1	6.1	2.0
Loan Margin	0.97%	0.88%	0.09%
Deposit Margin	0.30%	0.30%	0.09%

Note: Based on Sanwa Bank management standards for the year ended March 31, 2000.

UNWINDING OF CROSS-SHAREHOLDINGS

In Japan, banks and their corporate clients often hold each other's shares. This is done for the purpose of building a base of long-term shareholders that can contribute to the stability of management at banks and their clients.

Recently, Sanwa Bank has adopted a policy of bringing down such shareholdings in the interest of reducing exposure to market risk, thereby making its financial position more stable. This policy also reflects the adoption of market value accounting in the fiscal year ending March 31, 2002. This revision will cause changes in unrealized gains and losses on cross-shareholdings to be incorporated in the balance sheet, directly linking share price movements with the Bank's equity.

Sanwa Bank has been placing priority on the sale of equities related to cross-shareholdings, conducting such sales after extensive discussions with each client company. As a result of these activities, cross-shareholdings with a book value of ¥132.1 billion were sold during the fiscal year ended March 31, 2000. The Bank plans to conduct additional sales of approximately ¥400 billion on a book-value basis during the fiscal year ending March 31, 2001.

LIABILITIES FOR RETIREMENT ALLOWANCES AND PENSIONS

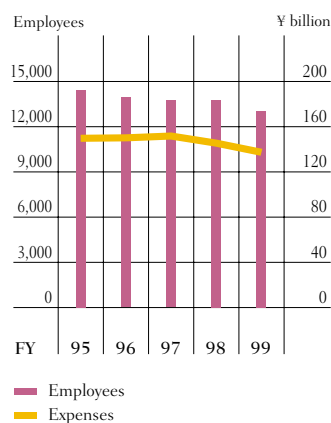
In the fiscal year ending March 31, 2001, Japanese companies will be required to adopt a new method of accounting for obligations to pay retirement allowances and pensions. Under the new system, companies will compute the difference between the present value of estimated future benefits to be paid and the balance of retirement plan assets. Many Japanese companies are expected to report a shortfall in funding due to this revision. As of March 31, 2000, Sanwa Bank estimated that its funding shortfall under the new accounting method was ¥57.3 billion. The Bank plans to amortize the shortfall in equal installments over a five-year period.

MEASURES TO INCREASE EFFICIENCY

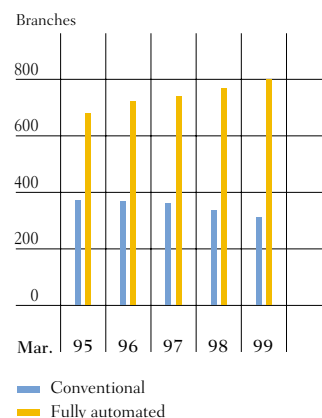
During the fiscal year ended March 31, 2000, Sanwa Bank took a number of actions to streamline operations and raise efficiency, mainly with regard to personnel and the domestic branch banking network. By limiting the hiring of regular employees and other measures during the fiscal year, full-time employment including 23 executive officers declined 727 to 13,020 as of March 31, 2000. This is 1,945 less than at March 31, 1994, when the Bank's employee headcount peaked. Personnel expenses in the fiscal year ended March 31, 2000 decreased ¥8.1 billion to ¥137.0 billion as a result.

By closing and consolidating branches in Japan, the number of domestic branch offices declined by 25 during the fiscal year to 310, excluding branches that maintain only designated accounts for transfers. This is a reduction of 60 branches compared with March 31, 1996 when the branch network reached its highest level. The number of unmanned outlets increased 32 to 798 during the fiscal year as the Bank continued to invest in measures to enhance convenience for customers even as branch offices are closed. The closing and consolidation of bases outside Japan is largely completed.

**PERSONNEL EXPENSES/
EMPLOYEES**



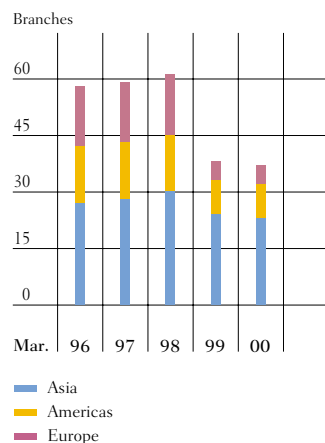
DOMESTIC BRANCHES



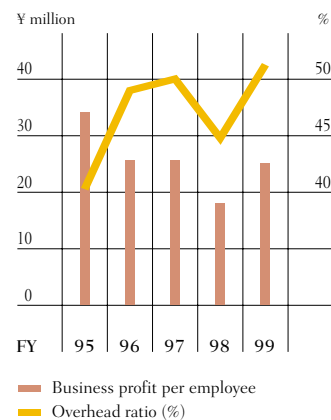
In addition to the reduction in the number of domestic branches, the Bank divided the functions of branches between those concentrating on retail services and those serving corporate customers. As part of this initiative, the Bank is consolidating corporate banking activities in a more limited number of branches. All branches will continue to provide retail services. Furthermore, a number of actions will be taken to enhance efficiency. For example, some branches were realigned to focus on a particular function, new types of outlets were opened, such as those within large stores, and a new branch operating system called FITS21 was adopted to centralize backoffice operations at processing centers.

In the fiscal year ended March 31, 2000, general and administrative expenses decreased ¥8.6 billion to ¥329.1 billion. However, a decline in gross operating profit caused the overhead ratio to increase from 44.76% to 51.25%. A decrease in the number of employees and an increase in business profit led to an increase of ¥7.1 million in business profit per employee to ¥25.0 million.

OVERSEAS BRANCHES



**OVERHEAD RATIO/
BUSINESS PROFIT PER EMPLOYEE**



Financial One

In July 1999, Sanwa Bank, The Koa Fire and Marine Insurance Co., Ltd., The Taiyo Mutual Life Insurance Co., Daido Life Insurance Co., Universal Securities Co., Ltd. (currently TSUBASA Securities Co., Ltd.) and The Toyo Trust and Banking Company, Limited agreed to form an extensive alliance in the retail market and asset management. A seventh company, The Nippon Fire and Marine Insurance Co., Ltd., joined the following November. The alliance includes Toyo Trust, which plans to consolidate with Sanwa Bank in April 2001. The Tokai Bank, Limited, which also plans to integrate its operations with those of Sanwa Bank, plans to join the Financial One alliance in the second half of the fiscal year ending March 31, 2001. To project a unified image, Financial One was chosen as the brand for all products and services within the scope of this alliance.



FINANCIAL ONE—A NEW CONCEPT IN THE PROVISION OF FINANCIAL SERVICES

Financial One brings together member companies covering the fields of banking, trust services, securities and insurance, both life and property and casualty. The aim is to integrate the specialized knowledge of all participants to offer a comprehensive line of financial services extending far beyond the conventional boundaries of the constituent market sectors. To maximize customer convenience, Financial One is aiming to offer one-stop shopping for a variety of financial products and services, thereby merging their customers into a unified base. The result will be more regular customers within the Financial One alliance, each utilizing the services of several alliance members.



COOPERATING COMPANIES ADD FURTHER DEPTH

Financial One has obtained the full cooperation of JCB Co., Ltd., a leading name in credit cards, and Aplus Co., Ltd., a major consumer credit company. Financial One will draw on the services and knowledge of these two partners to conduct a number of joint retail businesses. In addition, Financial One plans to use their resources to provide selected products and services of the cooperating companies. In the second half of the current fiscal year, Tokai Bank's credit card affiliate Million Card Service Co., Ltd. plans to provide its cooperation as well.

FINANCIAL ONE BUSINESSES BEGIN TO TAKE SHAPE

The Financial One members are currently studying a number of channels for possible cooperation to develop new businesses. Several ventures have already been launched.

1. Personal Finance Services

The Financial One alliance was formed for the purpose of merging the products and services of each member to provide comprehensive financial services that span many fields. In October 2000, all participating companies will combine their credit card businesses by establishing a company tentatively named Financial One Card Co., Ltd. This company will function as a gateway between the Financial One alliance members and their customers. Credit card customer data of the member companies will be managed by this company. This unified database will make it possible to supply more detailed services that can cater to the needs of customers at any stage of their lives. Financial One members are currently preparing to offer a number of services through this gateway company:

- Issuance of a multi-functional card, which will function as an ID card for Financial One customers, a credit card and a card for transactions with Financial One companies.
- A Group Comprehensive Statement to allow customers to check transactions with all Financial One alliance members at once.
- Development of continuous relationship marketing among all Financial One alliance members.
- Provision of loyalty programs, such as a system of bonus points, for customers who use Financial One services.
- Development of a Comprehensive Account that will combine all business with Financial One alliance members into a single account.



2. Internet Businesses

The Financial One alliance members are developing a number of ways to offer services that will take advantage of the Internet boom. The first step was the May 2000 establishment of a portal site. Linked to the Web sites of each member company, the site supplies a broad range of information, mainly involving financial topics. Other services are planned. One possibility is a financial planning simulation program. Another is a system to allow Financial One customers to check their bonus point balances. The site will be tied in with a call center and other existing sales channels for added convenience. In the future, plans call for offering services of the Financial One alliance members directly through this site, including new services developed specifically for electronic distribution. (<http://www.financialone.co.jp>)

3. Private Banking

In April 2000, the Financial One alliance companies jointly established a private banking company called Private Financial Management Co., Ltd. Sanwa Bank and Toyo Trust each own 35% of the new company. TSUBASA Securities owns 10% and Koa Fire and Marine Insurance, Taiyo Mutual Life Insurance, Daido Life Insurance and Nippon Fire and Marine Insurance each have a 5% interest. The new company will focus on providing high-net-worth individuals with a comprehensive line of financial advisory services, such as asset management products and estate planning. Also, to supply its customers with asset management tools from a global perspective, Private Financial Management has formed basic agreements with Morgan Stanley Dean Witter and UBS Asset Management (Japan) Co., Ltd., mainly for the provision of financial products.

New Directions in Loan Services

CONSUMER LOANS

In October 1999, Sanwa Bank unveiled a new type of consumer loan called Active Choice, introducing the first two members of the series, card and auto loans. Both are structured to offer unprecedented convenience and overall appeal. This action demonstrates the Bank's intention of positioning consumer loans as a major source of earnings, chiefly by structuring innovative new products. The loans are flexible. The card loan, for example, covers amounts from ¥100,000 to ¥2,000,000 with variable interest rates that ranged from 8.75% to 13.75% as of July 1, 2000. The loans employ an automated credit investigation and approval system based on a statistical screening model. This allows the Bank to provide customers with next-business-day responses to their loan applications. Moreover, in addition to using branch offices, customers can apply for these loans over the Internet and by mail. In July 2000, convenience was further enhanced with the start of the Web Contract Service, which allows customers to perform every step from application through setting up an account over the Net.

As one more step to expand its presence in consumer loans, Sanwa Bank agreed to set up a new joint venture company in December 1999 with two well-known consumer finance companies, Promise Co., Ltd. and Aplus Co., Ltd. The new company, Mobit Co., Ltd. was established in May 2000. Sanwa Bank owns 50% of the new company, Promise 40% and Aplus 10%. Operations are scheduled to start in September 2000. Specializing in consumer loans, Mobit is structured to serve market segments that banks, consumer finance and consumer credit companies have not traditionally targeted. By combining the knowledge of its three owners and the latest advances in technology to optimize convenience, Mobit plans to create a new market sector.

The main product will be revolving loans with credit lines of up to ¥3 million and interest rates of between 15% and 18%. Customers can submit applications and receive approval through the Internet as well as by phone, fax or mail. In addition, plans call for the introduction of a unique multimedia terminal. Developed by Mixcube Limited, a joint venture company formed by Sanwa Bank, Digicube Co., Ltd. and others, the terminal further enhances the speed and convenience of Mobit's services. Another advantage of Mobit is the nationwide ATM and CD network of its three owners, and those of partners. In addition, Mobit plans to utilize bank, consumer credit and consumer finance industry databases to conduct reliable and accurate credit investigations.

SMALL BUSINESS LOANS

Sanwa Bank has been studying ways to provide small businesses with the funds they require while retaining the flexibility to achieve the proper balance between risks and returns. This led to the March 2000 introduction of the Best Assist loan. No collateral or third-party guarantee is needed. Furthermore, even customers with no account at Sanwa Bank can apply. Statistical credit authorization models are employed to allow the Bank to reach a decision within three business days of receiving a loan application. These properties have made this loan well received as a timely means to acquire funding for working capital requirements. After monitoring this loan's ability to meet borrowers' needs and the performance of its credit authorization models, Sanwa Bank plans to make the Best Assist loan a full-fledged member of its loan services.

FRONTIER SERVICER

In April 2000, Sanwa Bank and other financial institutions became shareholders of Frontier Servicer Co., Ltd., the retail loan collection company established by Aplus. Sanwa Bank owns 50% of Frontier Servicer. The other major shareholders are Aplus with a 30% interest and Nippon Shinpan Co., Ltd. and Toyo Trust, both with 5%. This move reflects the Bank's own plans to expand its retail loan activities as well as the growing need among all financial institutions for specialized support in the collection of loans, particularly in the retail sector. Frontier Servicer is capable of handling everything from the first stage of delinquency through the final resolution of a problem loan. Expertise extends from consumer loans to credit card receivables and small leases. Until now, this function had been spread among many parts of the Sanwa Bank organization. Giving Frontier Servicer responsibility for all activities is expected to yield significant gains in efficiency and recovery rates. In addition to the loan assets of Sanwa Bank and other shareholders, Frontier Servicer plans to seek problem loan collection business from other financial institutions and, in the future, begin purchasing problem loans.

Asset Management

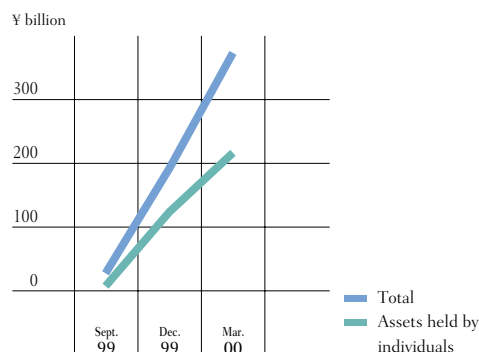
SALES AND DISTRIBUTION

The Sanwa Bank Group has three primary channels through which it sells investment trusts, securities and other investment tools. First is the Bank's own delivery channels. Complementing this network are TSUBASA Securities, an affiliated security brokerage company, and eWing Securities, an affiliated online broker.

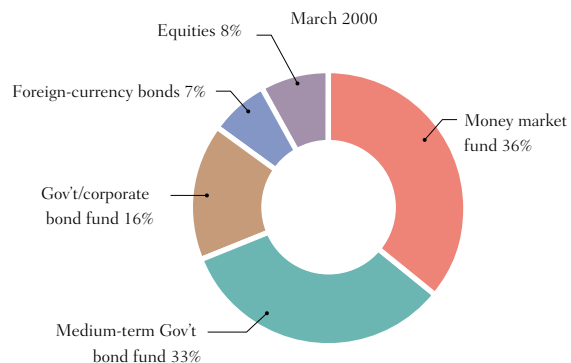
Sales of Investment Trusts by Sanwa Bank

Adding another facet to its line of investment options, Sanwa Bank started selling investment trusts in September 1999. These trusts, the Japanese equivalent of the mutual fund, are managed by subsidiary Partners Asset Management as well as Morgan Stanley Dean Witter and other globally prominent firms. As of May 2000, the Bank offered 12 basic funds at every branch as well as 16 other funds that are available only at branches with trained advisers. Funds are available not

ASSETS IN INVESTMENT TRUSTS SOLD BY SANWA BANK



COMPOSITION OF INVESTMENT TRUST ASSETS



only at branches, but also via the Internet, by phone and through ATMs, convenience few competitors can match. Automatic Investment function, comprehensive statements and other features of “All One” add still more value to Sanwa Bank’s investment trust services. As of March 31, 2000, there were ¥372.7 billion in funds sold by the Bank, ¥216.7 billion of which came from individuals. Most of these assets are in low-risk bond and money-market funds. In the future, the Bank will be adding to its lineup of funds and upgrading its direct distribution channels to better meet the asset management needs of its customers.

TSUBASA Securities

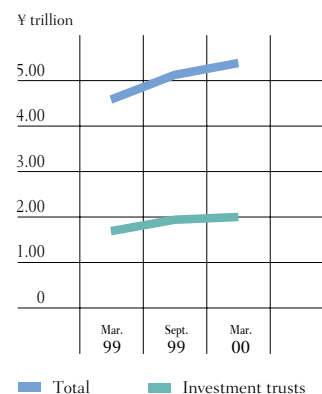
To bolster its sales network, the Bank purchased stock in four securities companies: Universal Securities Co., Ltd., Taiheiyo Securities Co., Ltd., Dai-ichi Securities Co., Ltd. and Towa Securities Co., Ltd. This led to the April 2000 merger of these four companies to form a new company named TSUBASA Securities Co., Ltd. (tsubasa means “wing” in Japanese). The nucleus of the Sanwa Bank Group’s retail securities strategy, TSUBASA Securities started operations with ¥5.3 trillion in customer assets, sixth-largest among Japan’s securities companies. The company also ranks sixth in terms of investment trust assets under management. This firmly ranks TSUBASA Securities among Japan’s second-tier securities companies. To further enhance efficiency, TSUBASA Securities has already reduced its branch network from 168 to 128 locations and plans to take other steps to take advantage of economies of scale produced by the merger.

eWing

The complete deregulation of stock brokerage commissions and the rapid proliferation of the Internet are expected to trigger a massive increase in online trading in Japan. Currently, almost 50 companies offer online brokerage services, including securities companies who specialize in Internet-based services. Among these is Sanwa Bank Group member eWing Securities Co., Ltd., which began offering brokerage and investment trust services over the Internet and by telephone in April 2000. Sanwa Bank has a 31.9% stake in eWing, Quick & Reilly/Fleet Securities 26.1% and TSUBASA Securities 20.9% as of June 2000.

eWing’s core strategy is to target first-time investors, a sector where rapid growth is forecast, by combining the lowest commissions in the industry with a full lineup of services offered in an easily accessible format. The number of customer accounts has been increasing steadily, reaching around 18,000 just three months following the company’s April 2000 debut. Sanwa Bank expects that eWing will play a central role in the retail securities strategy of the Sanwa Bank Group along with TSUBASA Securities.

**TSUBASA SECURITIES
ASSETS IN CUSTOMER ACCOUNTS**



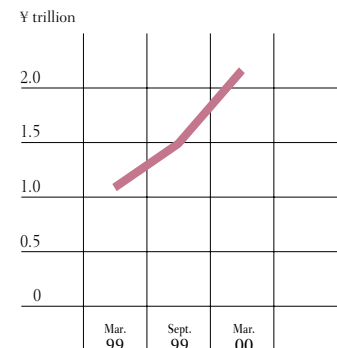
Note: TSUBASA Securities was established in April 2000. Data presented here represent the sum of its four predecessor securities companies: Universal, Taiheiyo, Dai-ichi and Towa.

GROWING DIVERSITY AND SCALE

To bolster its presence in the asset management industry, Sanwa Bank’s consolidated subsidiary Partners Asset Management Co., Ltd. was merged in January 2000 with Universal Investment Trust Management Co., Ltd. This resulted in a total of ¥2.1 trillion in funds under management as of March 31, 2000, fourth highest in Japan’s investment trust industry. This company’s funds accounted for about 90% of all asset management products sold by Sanwa Bank as of March 31, 2000.

In another development, an agreement was reached in August 1999 between Sanwa Bank and Morgan Stanley Dean Witter (MSDW) to form an alliance to offer asset management services targeting individual investors. The alliance aims to offer competitive products and services to customers by coupling MSDW’s expertise with Sanwa Bank’s broad customer base. Sanwa began selling U.S. dollar-denominated money-market funds and other products in September 1999. By March 31, 2000, MSDW funds had grown to represent 7% of all assets in funds sold by the Bank. Deepening its ties with MSDW, Partners Asset Management has sent a fund manager to this partner for advanced training.

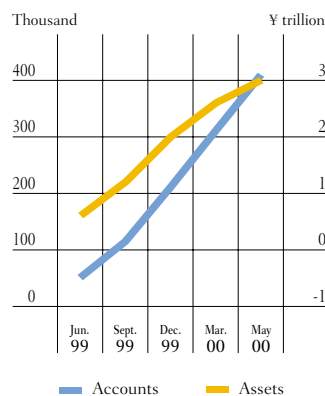
PARTNERS ASSET MANAGEMENT ASSETS MANAGED



“ALL ONE” ACCOUNT FUNCTIONS FURTHER ENHANCED

Introduced in March 1999, Sanwa Bank’s “All One” account combines functions ranging from settlements through asset management to place all customer services in a single account. During this service’s first year, many steps were taken to make it even more appealing. Internet and mobile phone banking were added. Statements, which show every transaction as well as portfolio, are distributed over the Internet as well as by mail. “All One” ATM cards also function as a credit card, debit card and an ATM/CD card outside Japan. By the end of May 2000, the number of “All One” accounts had grown to more than 410,000 with assets totaling about ¥3,000 billion. Equally significant are the rising number and breadth of the Bank’s services each account holder is using and the high retention rate among these customers.

“ALL ONE” ACCOUNTS/ ASSETS



DEFINED CONTRIBUTION PENSION PLANS

The groundwork is currently being laid for the introduction in Japan of defined contribution pension plans, a Japanese version of the 401(k) plans in the United States. Sanwa Bank is preparing to assist companies introduce these plans and provide a range of quality pension services to their employees. For companies, the introduction of defined contribution pension plans will necessitate an infrastructure capable of storing detailed information on each participant’s account. Such plans also require programs to educate employees so they can make the right investment decisions on their own. For account data, Sanwa Bank is working with Japan Investor Solutions & Technologies Co., Ltd., a pension record-keeping company proposed by The Nomura Securities Co., Ltd. and The Industrial Bank of Japan, Limited. To enhance customer services for participants, the call center of Sanwa Bank group member Japan TPP Securities Co., Ltd. will be utilized. In September 1999, Sanwa Bank, Toyo Trust and Daido Life Insurance established Japan Pension Planning Co., Ltd. This company will oversee individual accounts, provide consulting services, offer asset management options and supply information to recipients about this new pension plan.

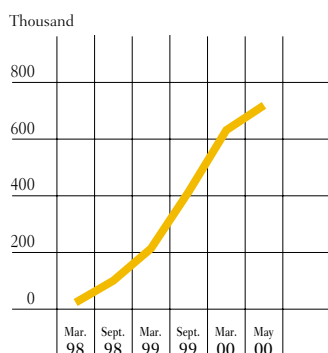
Technology

RETAIL BANKING SERVICES

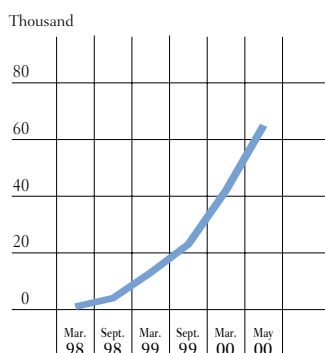
Internet and Mobile Banking

Technological advances have been opening up more direct channels to customers, channels that do not rely on conventional branches or ATMs. Sanwa Bank has been taking numerous initiatives to develop services using telephone lines, the Internet and wireless networks. To broaden telephone and Internet banking services, investment trust sales through these media started in September 1999. In July 2000, foreign currency money-market funds were added to the telephone service lineup. Over the Net, Sanwa Bank Loan Direct allows users to obtain information on housing loans as well as consumer loans and submit applications. The Bank’s “All One” comprehensive account statement is also available online.

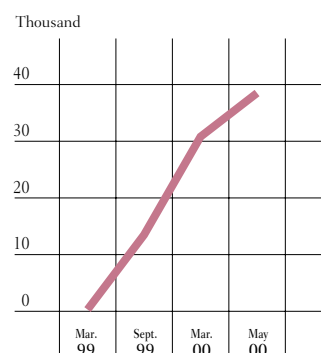
TELEPHONE BANKING CUSTOMERS



INTERNET BANKING CUSTOMERS



MOBILE BANKING CUSTOMERS



In mobile banking, Sanwa Bank moved ahead of other banks by adding compatibility with mobile phone services other than NTT DoCoMo's i-mode in February 1999. Bank customers can now use EZweb-compatible DDI Cellular, IDO and TU-Ka handsets, too. Access via J-PHONE handsets will be possible in September 2000, giving subscribers of all Japanese wireless carriers access to Sanwa Bank services.

Sanwa Internet Banking 2000

To enhance Internet banking security and ease of operations, Sanwa Bank in March 2000 inaugurated Sanwa Internet Banking 2000, a 24-hour service conforming to the Secure Sockets Layer (SSL) international standard for Internet transactions. Customers with Sanwa Bank telephone banking agreements can sign up for this service by simply visiting the Bank's Web site. Sanwa Internet Banking 2000 was an immediate success, generating rapid growth in subscribers. As of May 31, 2000, there were already 65,000 customers using this new service along with Sanwa Bank's existing Internet banking platform.

Other Online Businesses

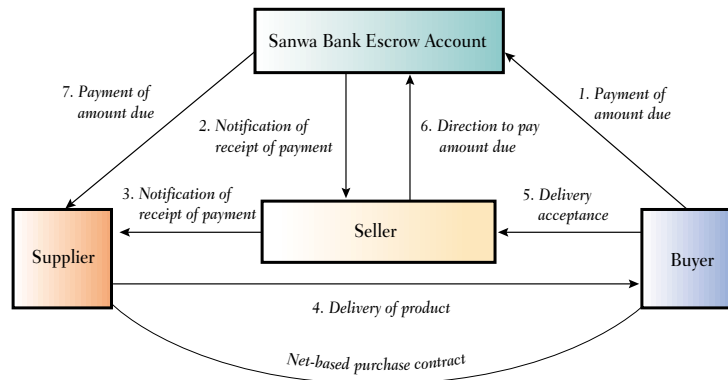
Taking Internet banking services a step further, Sanwa Bank is currently laying the groundwork for the establishment of an online bank. To supply a variety of online personal financial services, this bank is planning to form agreements with Recruit Co., Ltd. and other partners. As another facet of its Internet strategy, Sanwa Bank began providing online securities services through group member eWing Securities. Featuring outstanding ease of use and low commissions, the new company attracted about 18,000 accounts during its first three months (see page 32). In May 2000, the Financial One portal was launched with the goal of becoming a one-stop source of financial information. The site will be developed as a gateway to a broad spectrum of banking, trust, securities, insurance and other financial services (see page 29).

Electronic Settlement and e-Money

Electronic settlement and e-money are two other areas of progress at Sanwa Bank. Experience gained through operating EC Direct, an e-commerce mall that held its grand site opening in July 1998, has been invaluable. Sanwa Bank has garnered a wealth of know-how on electronic payment methods, chiefly through the Sanwa Internet Banking service and Super Cash cyberscash service. The Bank is also an active participant in the Mondex® international electronic money project, having become one of the franchisees of this technology in Japan together with JCB Co., Ltd. and MasterCard International Inc. As head of the Japan Mondex Promotion Council, Sanwa Bank is steadily building a reputation as a leader in electronic settlement technologies.

Currently, Sanwa Bank is working with Sumitomo Bank and Sakura Bank in the development of the SSL Center Method, a new technique to support online shopping. A business using this method that is tentatively called e-Acquiring Service is slated to commence operations no later than March 2001. In fall 2000, Sanwa Bank will begin offering Net-Escrow for online shopping. A first among Japanese banks, this escrow service is expected to help make electronic transactions even more reliable for all parties involved.

Net Escrow



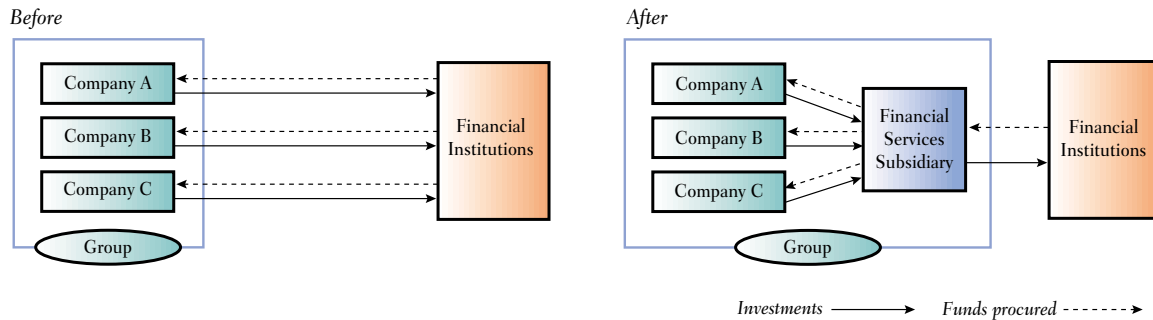
CORPORATE BANKING SERVICES

Sanwa Bank is intently studying opportunities to use the Internet to extend corporate services ranging from deposits and loans to the provision of financial data and other information. Exemplifying this stance is the new Information Wave service, a source of useful financial information. Settling transactions is another strategic field because of the numerous potential benefits. Most important is the ability to build stronger ties with customers by offering support tailored to specific needs. In addition, settlements contribute to earnings in two ways. First is through growth in fee income. Second is through higher interest income as customers route more of their funds through Sanwa Bank. Sanwa Bank is thus moving quickly to develop this attractive market sector.

In-house Bank System

Sanwa Bank has started offering an In-house Bank System, a technology essential to conducting group-wide management on a consolidated basis. This system, which is especially suitable for large-scale corporate groups, was created specifically to provide unified management of transactions among group members. With the In-house Bank System, cash management, payments and other financial activities for an entire group can be unified with ease. This allows companies to manage funds more efficiently and lower expenses for administrative operations.

Cash Pooling System (a type of In-house Bank System)

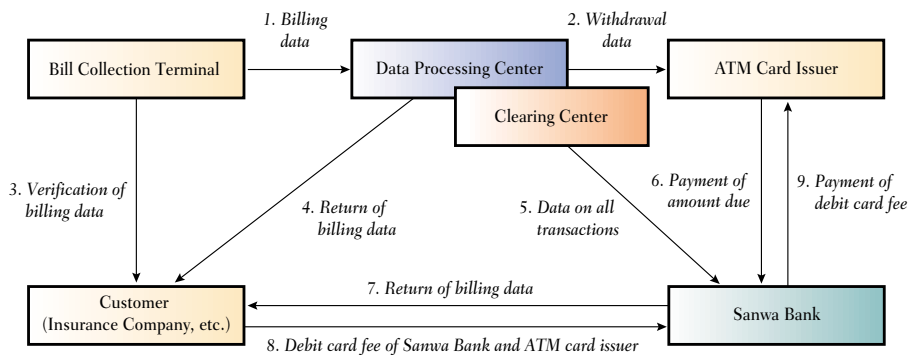


“Shukin Kaisoku” and W-Way

Introduced in March 2000, Sanwa Bank’s “Shukin Kaisoku” employs a debit card to facilitate the collection of amounts due without the use of cash. The service employs a portable terminal developed by the Bank, NTT Data Corporation and Matsushita Electric Industrial Co., Ltd. To collect payments, companies take the terminal to customers who place an ATM card, which also functions as a debit card, in the terminal. The amount due is immediately transferred to the billing company. Well received from the very beginning, this new service has proven to be especially popular among companies that bill large numbers of customers on a regular basis. Since the March 2000 launch of “Shukin Kaisoku,” eight property and casualty insurance companies have already adopted this new system.

Sanwa Bank’s W-Way bill collection service was introduced in June 2000. This allows a corporate customer to out-source every step of the billing and payment process, from issuing invoices to the receipt of amounts due, by utilizing this additional function of the Bank’s electronic banking service. Cost and time savings are substantial. Electronic banking records of incoming payments are sent to customers and the processing company, greatly reducing the workload.

“Shukin Kaisoku”



Bolero—Bill of Lading Electronic Register Organization

Conducting transactions safely and reliably over the Net is essential to expanding the volume of B2B activity. Sanwa Bank has several projects under way in this regard that may lead to new businesses. Bolero is one illustration. Started in September 1999, Bolero allows bills of lading and other international trading documents to be exchanged as electronic data. In December 1999, Sanwa Bank became the first bank in Japan to become a member of Bolero. The same month, the Bank established BSB Solutions Co., Ltd. with Mitsui & Co., Ltd. to serve as the Japanese agent for Bolero and service provider for Bolero-related B2B e-commerce. Sanwa Bank plans to leverage its expertise in Bolero to take more types of commercial transactions from paper to networks.

Identrus

Sanwa Bank is also a major participant in Identrus, a global electronic authentication system formed by leading financial institutions from around the world. This technology provides an essential component to supporting secure, Net-based transactions among companies. Identrus is also at work on new financial services capable of facilitating various types of Internet transactions.

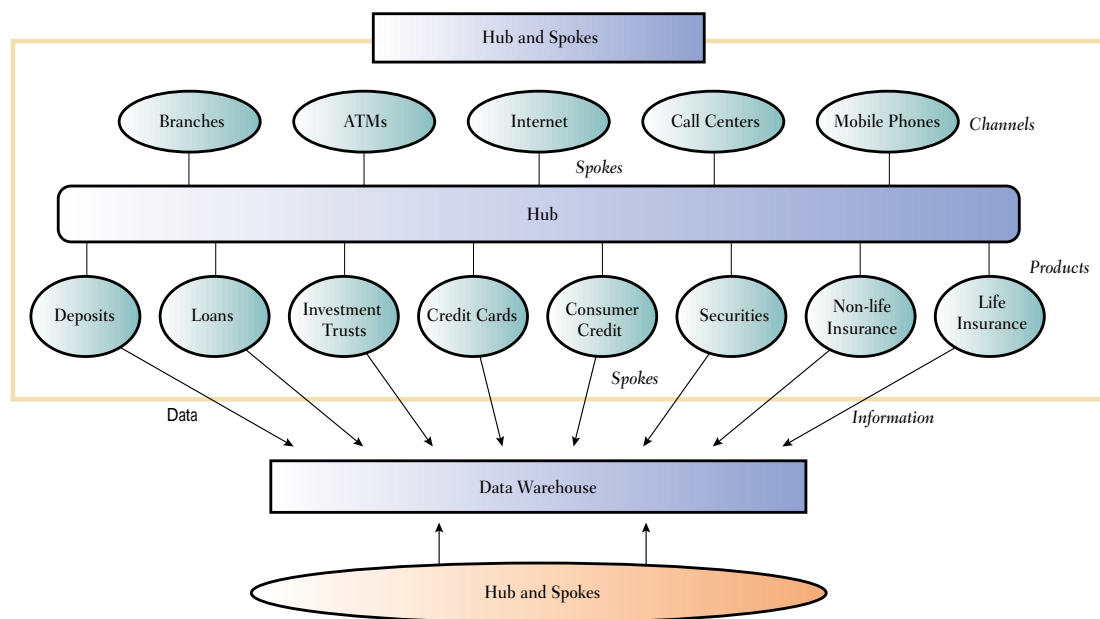
TECHNOLOGY IN THE BANK'S INFRASTRUCTURE***FITS21 Branch Operating System***

FITS21, Sanwa Bank's revolutionary branch operating system, became operational in March 2000. Standing for Financial Innovation Terminals System 21, this system immediately improved customer services while raising efficiency. FITS21 employs image processing and other advanced techniques to dramatically simplify such time-consuming backoffice tasks as processing handwritten forms and verifying personal seals. One major advantage is the centralization of many clerical functions at processing centers. Customers will appreciate the ability to perform more procedures at branches other than where their account resides. Freed from much paperwork, branch office personnel can now spend more time serving customers. Sanwa Bank plans to extend FITS21 to its entire domestic branch banking network by the end of March 2001.

Development of Next-Generation Mainframe System

As Sanwa Bank seeks to offer a still broader range of services, alliances with other financial service providers, such as securities and insurance firms, as well as members of other industries, are taking on added importance. Slated to be operational during the fiscal year ending in March 2002, the Bank's next-generation mainframe computer system will be designed with this in mind. Based on a "hub and spokes" framework, it will provide the flexibility needed to support alliances and joint ventures. Offering new services through different marketing channels will be simple, allowing the Bank to transform alliances into growing businesses faster. Additionally, the new system employs a "data warehouse" to centralize previously dispersed customer information and managerial data in a single location. This is crucial for utilizing data to conduct sophisticated types of customer marketing and management activities.

Next-Generation Mainframe System



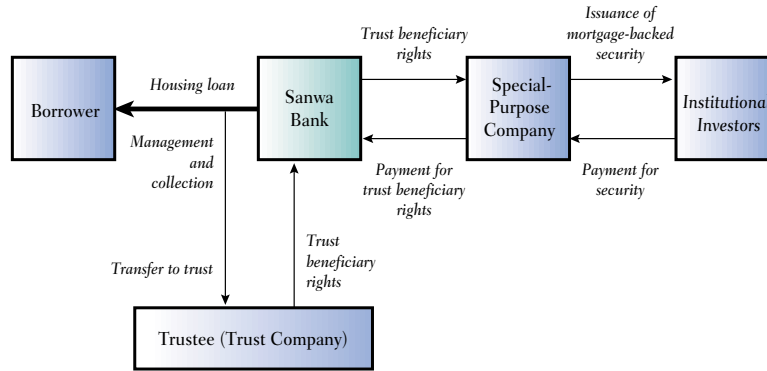
Investment Banking

BUILDING EXPERTISE IN CREDIT ENGINEERING

The Sanwa Bank Group has a long record of accomplishments in the field of global investment banking. Expertise ranges from underwriting to the structuring and implementation of intricate fund-raising schemes. One strategic area in recent years is credit engineering, a means of using financial technology to control credit risk. The Bank is particularly skilled at developing products to perform this function. Among them are schemes to liquidate receivables, the issuance of collateralized bond obligations (CBO) and commercial mortgage-backed securities (CMBS).

In June 1999, Sanwa Bank was first in Japan to issue residential mortgage-backed securities (RMBS). This involved the securitization of ¥50 billion in housing loans held by the Bank. The securities were sold in Japan and overseas mainly by Sanwa Securities Co., Ltd. and Sanwa International plc. In addition to opening up Japan's housing loan securitization market, this transaction also creates an effective way to control the volume and structure of Sanwa Bank's own assets. The RMBS issue made headlines in Japan. Later in 1999, it was chosen by the Nihon Keizai Shimbun as 1999's "Best Deal" in the structured bond category.

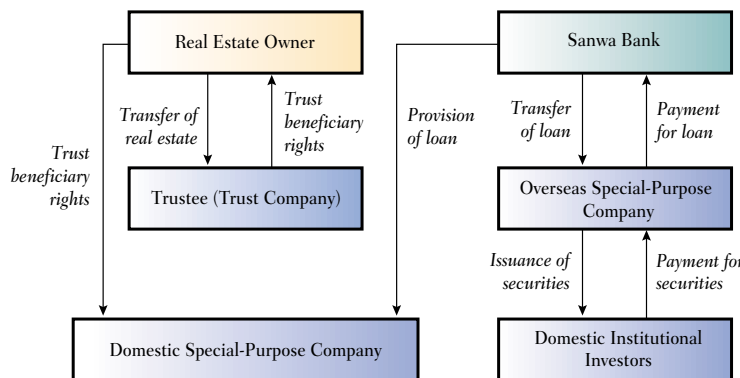
Securitization of Housing Loans



Sanwa Bank is also moving quickly into the field of securitizing real estate. In August 1999, the Bank achieved another important first among Japanese financial institutions: the securitization of real estate using real estate loans as collateral. To issue these securities, the customer's real estate used for operations was sold to a special-purpose company (SPC). At the same time, Sanwa Bank extended a non-recourse loan to the SPC. This loan was then used as collateral to issue securities for sale to institutional investors. These securities, a U.S.-type CMBS, meet two needs at once. First is the need among companies to sell real estate holdings. Second is the need for Sanwa Bank to reduce assets and manage its risk profile in response to market conditions. Market response indicates that this issue may become the standard for future real estate securitizations in Japan.

Sanwa Bank plans to continue to develop new schemes made possible by revisions to Japanese accounting standards and other events. Within this context, the fields of mortgage-backed securities (MBS) and Japanese-style real estate investment trusts (REIT) are positioned as strategic businesses.

Securitization of Real Estate



A GROWING ROLE FOR SANWA SECURITIES

Sanwa Bank subsidiary Sanwa Securities Co., Ltd. was formed in 1994 to specialize in wholesale securities services. Since then, this company has accumulated a growing track record in bond-related activities. In the fiscal year ended March 31, 2000, this company ranked seventh in Japan in the value of domestic straight bonds underwritten. Among the year's highlights were mandates as lead manager for Samurai bond issues by the International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC), with Sanwa Bank gaining recognition from prominent overseas issuers in the process.

Restrictions on equity operations for bank-owned securities companies in Japan were lifted in October 1999. As the nucleus of the Sanwa Bank Group's investment banking businesses, Sanwa Securities immediately moved to expand its operations. One step was reinforcing its corporate finance section by adding services for equity financing, IPOs, M&As and other activities. Marketing activities for equity-related services mainly target other financial institutions. In addition, Sanwa Securities is working with the Sanwa Bank Group's retail broker, TSUBASA Securities, to extend a full line of support to corporate clients.

Overseas Commercial Banking

Through an international network located in 45 cities in 25 countries, Sanwa Bank extends a broad range of banking and other support to a diverse customer base. In Asia, the Bank's most important market outside Japan, the Sanwa Bank service network is one of the largest among all Japanese banks. To send its roots still deeper in this region, Sanwa Bank has formed alliances, including equity investments, with major local banks in Asia. Now that the region is recovering from its currency crisis, Sanwa Bank believes that much potential exists for expansion in a variety of financial services.

To further solidify its presence in Asia, Sanwa Bank purchased 12.3% of the outstanding shares of Hong Kong-based Dah Sing Financial Holdings, Ltd. in March 2000. Dah Sing Financial Holdings owns a bank, life insurance company and other providers of financial services. The company is strongest in the middle-market corporate and retail markets. Sanwa Bank plans to use this tie-up to further take advantage of the enormous opportunities that exist in this region as the Hong Kong economy becomes unified with neighboring regions of southern China.

Corporate Governance

In June 1999, Sanwa Bank conducted a sweeping revision of its management systems. The major objective was to create as complete a division as possible between the functions of governance, the formulation of basic policies and monitoring of management, and of management execution, the implementation of those policies. In addition, the Nomination and Compensation Committee was established under the Board of Directors and the Audit and Compliance Committee was given additional responsibility.

Board of Directors

Directors have the ultimate responsibility for corporate governance. Their central mission is making improvements in the fairness and transparency of the Bank's management while optimizing the efficiency of operations. For this purpose, the Board functions as a policy-making body by debating and revising policies and strategies formulated by executive organizations. The Board also functions as a supervisory body, motivating members of management to perform well through the Board's control over the naming of executives and their compensation.

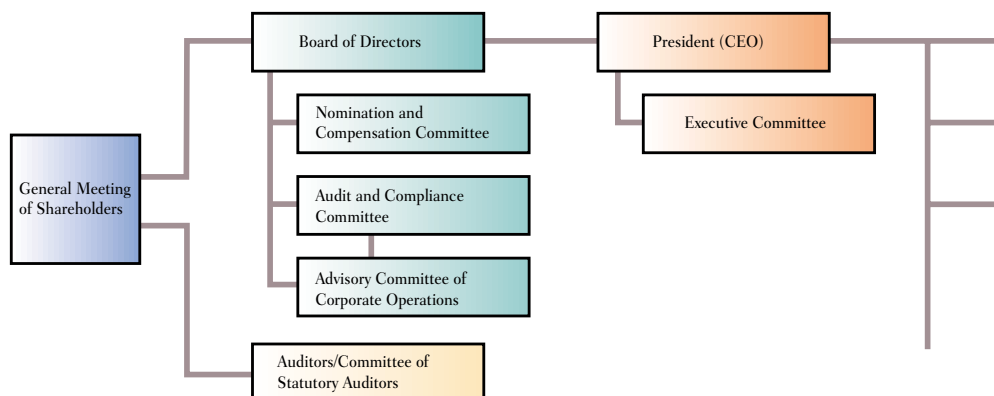
Nomination and Compensation Committee

This committee was established in April 2000 for the purpose of improving the fairness and transparency of the process for selecting and compensating directors and high-ranking executives. The committee is made up of the Bank's chairman and president as well as outside directors and chaired by an outside director. The committee members study proposals from the Bank's president regarding nominations and compensation and submit their opinions to the Board.

Audit and Compliance Committee

In April 2000, this committee was given expanded responsibilities beyond its original mission of monitoring compliance with laws and regulations. Under its new mandate, the committee bears responsibility for monitoring internal management systems and compliance with laws and regulations. At its regular monthly meetings, committee members prepare reports for submission to the Board regarding internal management problems and violations of rules that could have a material impact on the Bank's operations. To improve this committee's supervisory function, outside members of the committee have been added and the Bank's statutory auditors and members of the Advisory Committee of Corporate Operations participate in the committee's meetings to provide them with an opportunity to state their opinions.

Corporate Governance Structure



Advisory Committee of Corporate Operations

This committee provides advice regarding the strict adherence of all of the Bank's operations to laws and internal regulations. To perform this task, the committee is made up exclusively of individuals from outside the Bank who are experts in this field. The committee examines issues submitted by the Board of Directors and the Audit and Compliance Committee to formulate suitable advice.

Additional Information

In June 1999, Sanwa Bank implemented the following measures to improve the execution of management:

- Adoption of the Executive Officer System, including eight members of the Board of Directors who also serve as Executive Officers
- Clearly positioning the president as the Bank's chief executive officer
- Establishment of the Executive Committee to support the president in the execution of management.

Compliance

BACKGROUND AND BASIC POLICIES FOR COMPLIANCE

Sanwa Bank endeavors to conduct its operations in a manner consistent with its great responsibility to the public as a provider of banking services. Currently, the Bank must fulfill this role while also meeting the dual challenges of the diversification of operations as deregulation advances and the need to adopt increasingly sophisticated financial technology. In light of these factors, the Bank is placing still greater importance on ensuring that all operations strictly adhere to social standards, including all applicable laws and regulations.

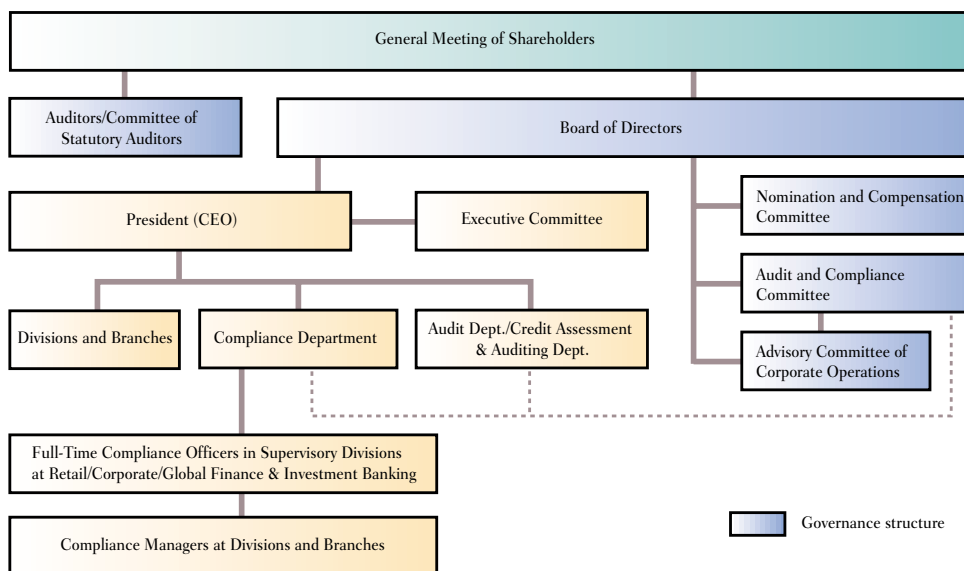
At Sanwa Bank, the concept of compliance is not restricted to laws and regulations. This activity extends to scrupulous adherence to internal rules, social standards and all other guidelines required to operate within the bounds of acceptable social behavior. The Bank regards such compliance activities as essential to earning the trust of customers.

COMPLIANCE SYSTEMS

To ensure compliance throughout the Bank, the organization on the next page has been established. Overall responsibility for supervising compliance activities rests with the Compliance Department, which was established in April 1998. The department oversees measures for primary checks to prevent and detect improper behavior in all of the Bank's operations. New products and businesses are examined to verify conformity with laws and regulations, and all related literature is checked. Legal activities also include the oversight of litigation by and against the Bank. Among the department's other responsibilities are preparing systems to deal with problems involving compliance issues and conducting training programs to raise awareness of compliance activities throughout the Bank.

A full-time compliance officer is assigned to the supervisory divisions of each of the Bank's three divisions: Retail Banking, Corporate Banking and Global Finance & Investment Banking. In addition, each division and branch has managers whose responsibilities include compliance. These managers facilitate internal and external communications with the Compliance Department and customers for any problems and other applicable matters. They also ensure that compliance measures are followed.

Corporate Governance and Compliance Structure



The Audit Department and the Credit Assessment & Auditing Department function as a check for operating divisions as well as a secondary check following the occurrence of a problem. Within the corporate governance organization, the Audit and Compliance Committee reports directly to the Board of Directors regarding the Bank's strict adherence to all laws and regulations in every operation. The Advisory Committee of Corporate Operations, which is made up entirely of individuals from outside the Bank, studies and provides advice regarding matters submitted by the Board of Directors and the Audit and Compliance Committee, thus helping to confirm that operations are consistent with social standards.

COMPLIANCE PROGRAM

Sanwa Bank issued a Compliance Program in July 1999 to provide a definitive plan for compliance-related activities. The plan lists in detail the kinds of systems and methods the Bank will use to rigorously apply compliance standards. Guidelines to deal with problems are also included among the plan's numerous items. At the end of each six months, the Board of Directors reviews the Compliance Program of the prior six months and the degree to which they were properly enforced. A new program for the following six months is then formulated based on the results of this review.

Composition of Compliance Program

1. *Compliance systems*
 - *Legal system*
 - *Reports and responses for unethical and improper behavior*
 - *Personnel evaluations*
2. *Compliance manual*
3. *Rigorous application of compliance standards*
4. *System for monitoring implementation of compliance program*

COMPLIANCE MANUAL

The Compliance Manual was published in September 1999 for use as the primary tool in applying compliance standards at the Bank. The manual is divided into three sections: a two-part compliance guide (basic guidelines and explanations) and books recommended by the Compliance Department. As laws and regulations are amended, the manual will be revised to remain up to date.

• *Compliance Guide—Basic Guidelines*

This section provides fundamental information required to implement compliance programs and is distributed to all employees.

• *Compliance Guide—Explanations*

This section provides supplemental information on issues that cannot be confirmed using the basic guidelines alone. Examples of content include discussions of individual rules, illustrations of how the rules are applied and sections of applicable laws. This section is distributed to all directors, executive officers and career employees in Japan. One copy is kept permanently at each division and branch office.

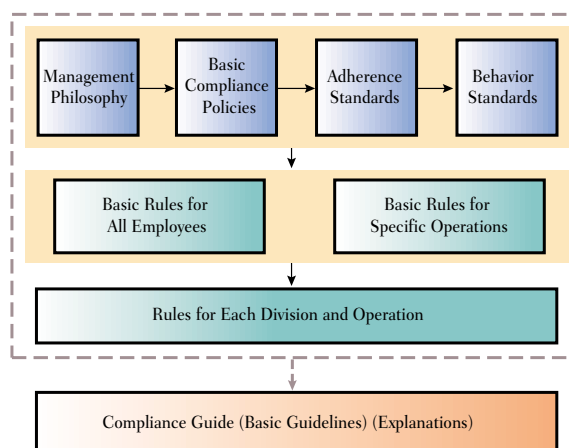
BASIC COMPLIANCE POLICIES

Sanwa Bank's management philosophy of serving as a "people's bank" is the nucleus of the basic compliance policies. The aim of the policies is to promote the rigorous implementation of compliance standards through "adherence standards," "behavior standards" and clearly defined rules for all operations.

Basic Compliance Policies

1. Always perform your duties with the Bank's core philosophy and founding spirit "people's bank" in mind.
2. Always be aware of the Bank's responsibilities to society and its mission as a public service institution, working to earn the absolute trust of society through sound business practices.
3. Conduct management not only to fulfill the Bank's role as a member of the economic infrastructure, but also so as to promote social and economic development through the provision of quality financial services rooted in innovative thinking. Overseas, contribute to the development of host countries while demonstrating respect for local customs and cultures.
4. Strictly follow all laws and regulations as well as social standards to conduct business activities that are sincere and just.
5. Extend no support or cooperation to anti-social organizations aiming to disrupt social systems and public safety.
6. Promote extensive communications with society, including the open and fair provision of information on the Bank's management.

Compliance System



RISK MANAGEMENT

For a bank, the primary goal of risk management is determining the proper amounts of risk to take on and implementing the systems needed to measure and monitor risk. Risk management is not a means of merely avoiding or minimizing risk. Sanwa Bank follows a policy of controlling individual risks to ensure they remain within suitable parameters. This task is performed from a comprehensive perspective and with the direct supervision of the Bank's president and highest ranking executives. The objectives are ensuring financial soundness, increasing earnings and enhancing the market value of the Bank for the benefit of stockholders. With this in mind, Sanwa Bank has an extensive system in place to monitor and control a broad range of risks. Furthermore, Sanwa Bank is constantly taking steps to upgrade and expand risk management capabilities, notably through the adoption of sophisticated methodology and computer systems.

BASIC APPROACH TO RISK MANAGEMENT

The primary categories of risks that accompany Sanwa Bank's operations are credit risk, market risk, liquidity risk, operation risk, compliance and reputational risk. To ensure the effective implementation of risk management practices, the Bank divides these risks into two groups: those that can be quantified and all others.

Quantifiable risk is supervised as an integral element of profit management. There are three components of this risk. First is credit risk, mainly resulting from the potential inability of the Bank to collect loans and other obligations due to poor financial conditions at borrowers and other customers. Second is market risk, which involves fluctuations in the value of the Bank's assets and liabilities resulting from movements in such market-determined items as stock and bond prices, interest rates and foreign currency exchange rates. Third is liquidity risk, which is the potential inability of the Bank to maintain sufficient asset liquidity to meet payment obligations. Credit risk and liquidity risk include settlement risk, which is risk caused by the default of other financial institutions with which the Bank conducts funding and other treasury-related transactions.

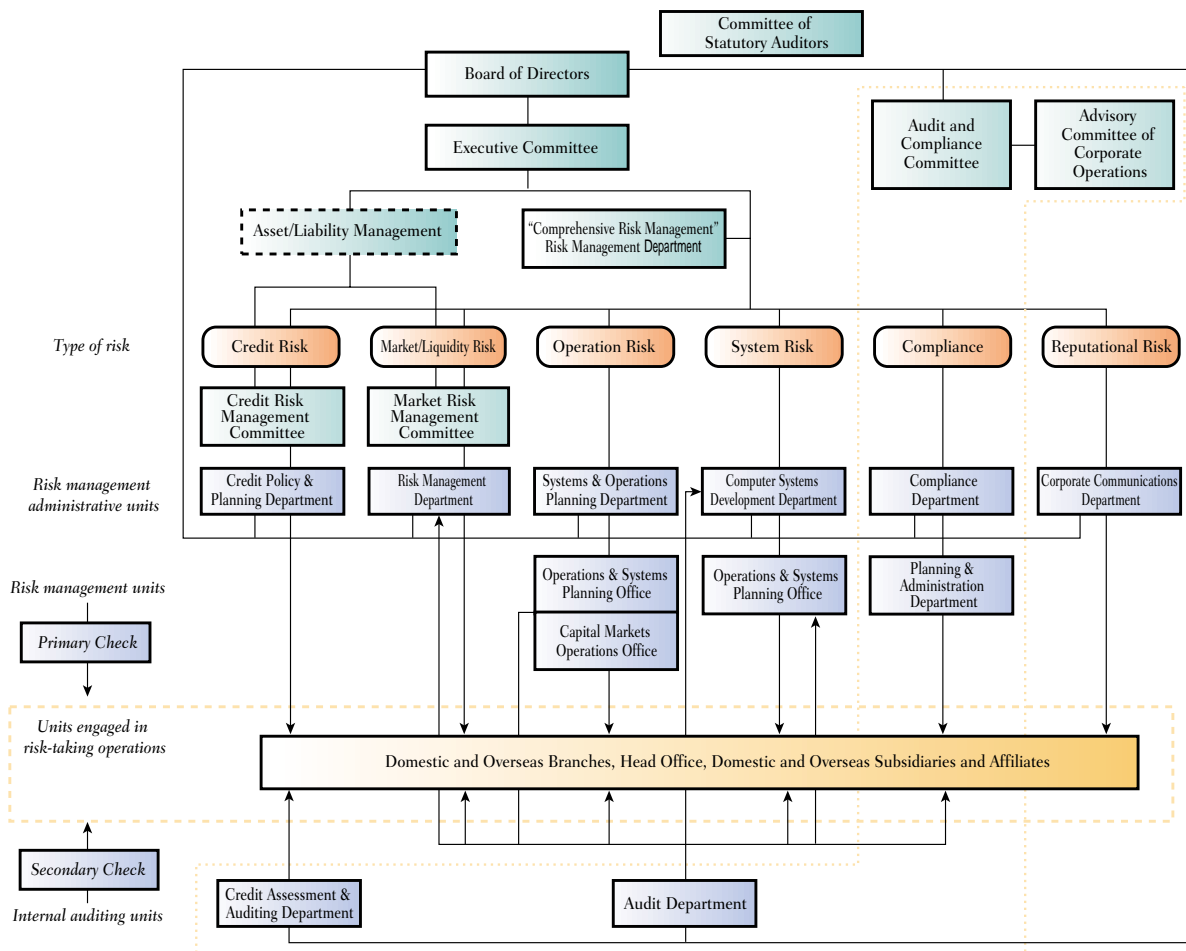
Regarding risks that cannot be quantified, the Bank's primary goal is to limit the occurrence and scale of the causes of these risks. There are four main components of this risk group. First is operation risk, losses that would result from errors in the Bank's processing activities, including the unethical behavior of employees. Second is system risk, which is caused by computer system errors and failures, including those due to natural disasters and the unethical behavior of employees. Third is compliance, which involves losses that would result from the Bank's failure to comply with laws and regulations. Fourth is reputational risk, an item that covers problems resulting from any deterioration in how Sanwa Bank is regarded by customers and financial markets.

THE RISK MANAGEMENT ORGANIZATION

Sanwa Bank established a Risk Management Department that has responsibility for the oversight of all risk management activities. Actual monitoring and control are performed by individual units for each type of risk. The organization is structured so that these units conduct a system of mutual primary and secondary checks. Primary checking is the central means of preventing problems, chiefly by formulating a framework of rules and ensuring that they are rigorously followed by the applicable operating divisions. Secondary checking mainly entails monitoring. For this purpose, inspection divisions examine and audit operations to confirm that all offices, divisions and other units of the Bank are complying with

risk management procedures. 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. Furthermore, risk management units submit reports on a regular basis to the Board of Directors, the Executive Committee and other related committees. Basic policies for each type of risk are established and reviewed on a regular basis by the Board of Directors.

Risk Management System



ASSET/LIABILITY MANAGEMENT (ALM)

ALM activities at Sanwa Bank are conducted in recognition of the increasing potential impact on future earnings of how assets and liabilities are structured. The focus of these activities is on maintaining the proper medium- and long-term risk profiles to obtain the desired balance between risk and profits.

To maintain the desired balance, the Bank has established ALM systems to manage credit risk, market risk and liquidity risk. ALM policies with regard to these three categories of risk are determined based on the Bank's Basic Risk Management Policies. These policies are then employed to determine a Basic Plan for the allocation of resources to each division company: Corporate Banking, Retail Banking and Global Finance & Investment Banking.

by the default of other financial institutions with which the Bank conducts transactions, a form of settlement risk, Sanwa Bank strives to shorten the time required to complete settlements, reduce amounts due through netting and other means, and otherwise manage this risk.

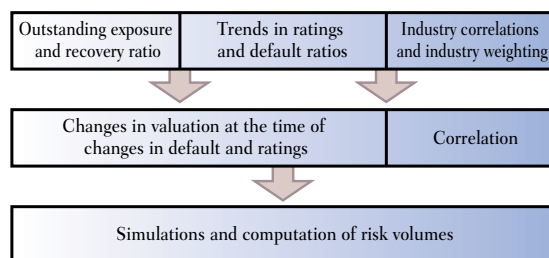
Organization and Systems

To better deal with the need to manage returns associated with risks assumed and improve the ability to manage problem loans, credit analysis organizations have been established within the Retail and Corporate Banking Divisions. Following this change, overall responsibility for managing credit risk rests with the Credit Policy & Planning Department, a section that is completely independent of operating and credit authorization divisions. A study is now under way on the further refinement of credit management systems. The goal is to create an authorization system able to function based on the differences in risk associated with each market sector. For example, a statistical credit authorization and management system is planned for retail banking activities.

Regarding human resources, the Bank is constantly working on upgrading credit analysis capabilities in all operations. This entails upgrading training curricula for all levels of personnel to enhance skills regarding credit analysis and the evaluation of the credit standing of individual customers. The Bank also strives to raise awareness and understanding of credit policies by all employees.

Quantification of Credit Risk and Risk Management

Process of Quantification



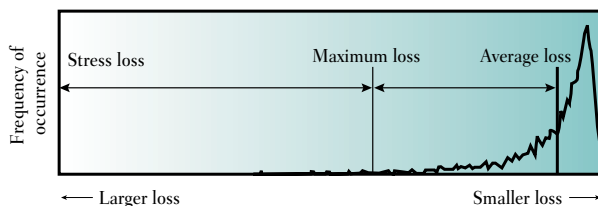
Estimation of expected credit losses over the coming year, based on statistical analysis of past data

Default ratio: Computed using data over the past ten 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.

Credit Risk Management Processes

An internal credit rating system is the basis for much of Sanwa Bank’s credit risk management system. Under this system, current and prospective borrowers are rated on a scale of ten depending on their financial soundness, profitability and cash flows. Ratings undergo a mandatory annual review as well as additional reviews depending on changes in a borrower’s status. The resulting information provides a reliable means for evaluating and monitoring the most important element of credit risk: the current status of individual borrowers.

Sanwa Bank has developed software capable of quantifying credit risk based on this rating system. Expected future losses, which correspond to the volume of risk, for the loan portfolio are computed. This is done by using data accumulated over the past ten years to obtain a default rate for each credit rating category. The distribution of probable losses is then calculated using a statistical technique for simulating future data. From these computations, Sanwa Bank obtains estimates of two types of risks. First is the average loss, which represents the average expected loss that may be incurred over a one-year period. Second is the maximum loss, which is the largest expected loss to occur over the same one-year period.

These estimates cover loans, guarantees, foreign exchange assets, off-balance-sheet transactions, bonds and other items. Furthermore, they are applicable to domestic and foreign corporations, individuals and financial institutions. The main advantage of this quantification process is the ability to determine the precise effects of concentrating and dispersing credit risk.

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.

Data obtained from quantifying credit risk are employed primarily in two ways. The average loss is used to calculate a Risk and Cost Adjusted Return (RACAR) for each loan and customer. This is obtained by deducting the risk cost, which is the average loss, and other operational costs from the apparent revenues. RACAR is then used to set lending rates that account for the associated risks of each loan. The maximum loss is used to hold the total volume of risk within a certain percentage of the Bank's capital. One more application is an ROE-based management system to obtain the optimal balance between risk and return.

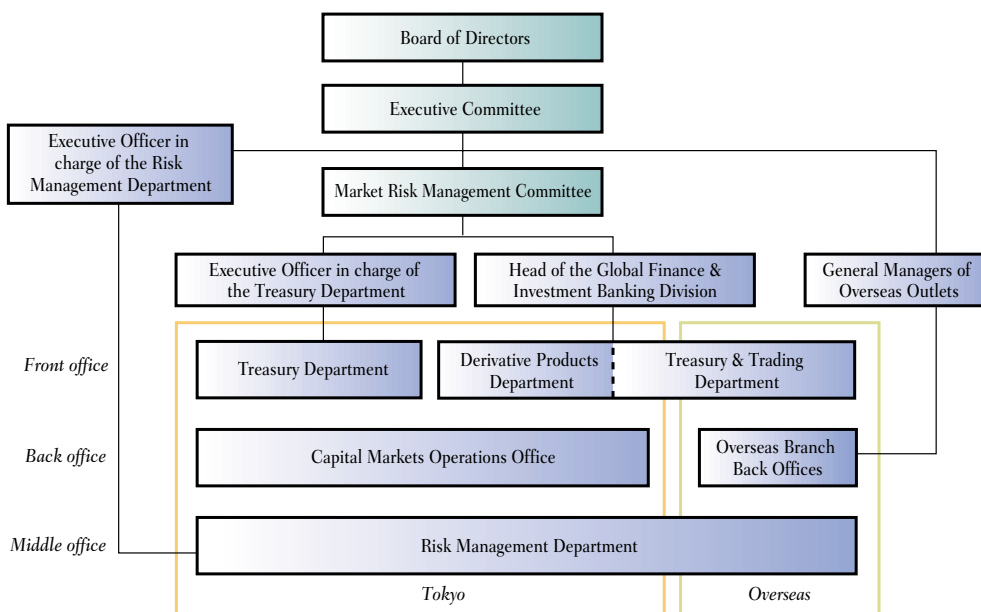
Optimal Credit Portfolio Structuring

Under this system risk exposure is evaluated as a single portfolio. This makes it possible to search for any excessive concentrations of risk based on such parameters as credit ratings, countries and industries. Corrective actions are taken as necessary to control the maximum loss. The Bank establishes credit limits for each borrower and its group companies, as well as for each industry to prevent the occurrence of excessive concentrations. The Credit Risk Management Committee examines credit portfolios and the Industrial Research Department provides information on various industries for use in setting lending policies.

MARKET AND LIQUIDITY RISK MANAGEMENT

Sanwa Bank's Risk Management Department, which is independent of front-office activities, is responsible for monitoring market risk from day to day. The main objectives are to ensure the efficient allocation of resources and preserve a highly responsive risk management system. This department also researches credit derivatives and other financial products to enhance its risk management capabilities.

Market Risk Management System



MARKET RISK DATA

Quantification of Market Risk

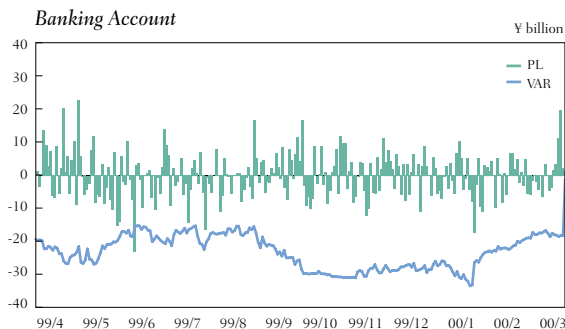
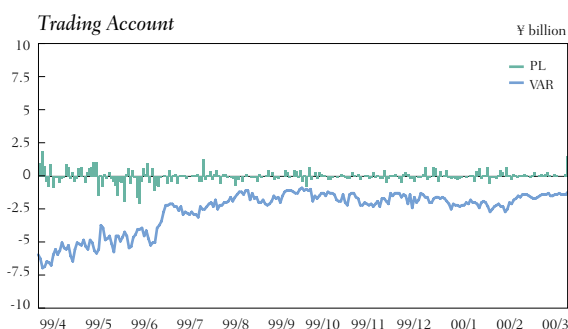
To quantify market risk, the Bank uses value at risk (VAR), which is the maximum expected loss under a specific set of assumptions. The Bank's assumptions are as follows:

- Holding period: One day
- Confidence interval: 99% (one tailed)
- Period of data: Previous one year

Market Risk Profile in Fiscal 1999

This profile shows risks associated with market-related transactions, other than investment securities, using VAR.

VAR and Actual Profit or Loss



Tests of Measurement Accuracy

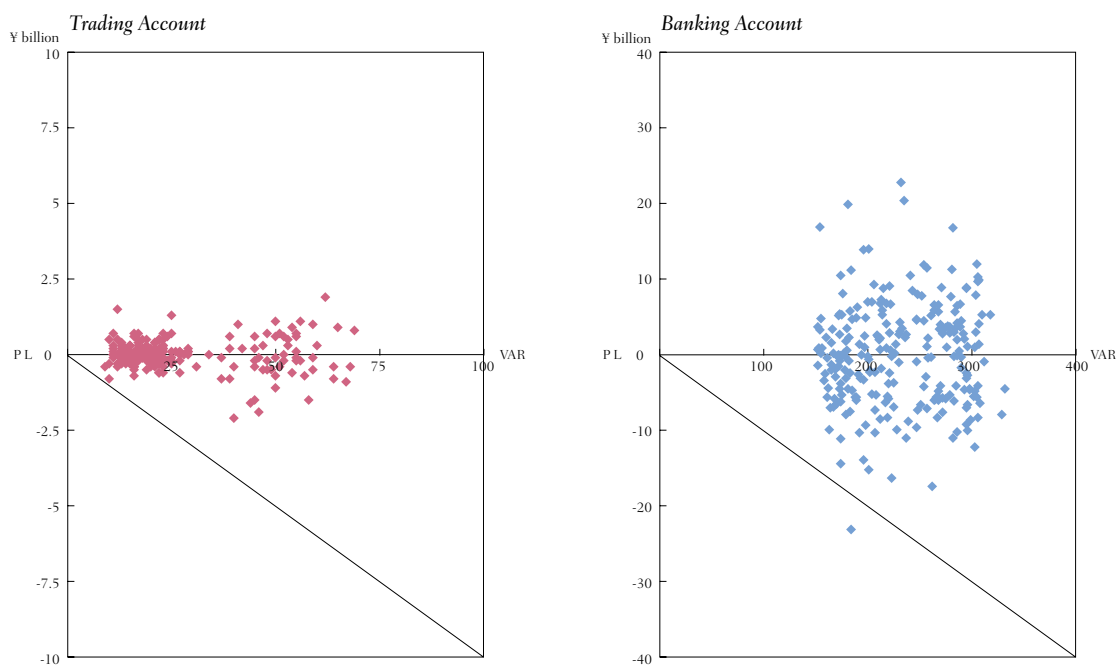
VAR data are compared with actual profits and losses over a set period to determine how accurately estimates of the volume of risk were able to predict the actual impact of that risk on profitability. This approach is known as back testing.

The VAR methodology is regarded as statistically reliable if the number of times actual profit or loss exceeds estimated risk volume remains within the confidence interval adopted.

During fiscal 1999, actual losses exceeded VAR once in the banking account in June 1999 due to a rapid increase in long-term yen interest rates. The Bank measures banking account results using a daily internal market value indicator. In all other cases, fluctuations in the banking and trading accounts were within the confidence interval adopted.

Nevertheless, the Bank will continue to enhance its risk measurement techniques to better reflect the increasingly diverse and complex range of risks encountered.

VAR and Actual Profit or Loss



OPERATION RISK MANAGEMENT

Sanwa Bank bases its operation risk management criteria on international standards to reflect the highly sophisticated and global nature of banking activities. To reduce exposure to operation risk, the Operation Management Center was established. This new organization is concentrating on improving its supervisory functions, systematizing more clerical tasks to prevent the possibility of unethical behavior by employees, and centralizing clerical tasks to prevent mistakes.

SYSTEM RISK MANAGEMENT

Sanwa Bank's Computer Systems Development Department is in charge of managing system risk. This department has established risk management criteria conforming to international standards for the purpose of ensuring the safety of the Bank's highly sophisticated systems. In accordance with these standards, the department is focusing on security issues, the operation and maintenance of back-up computer systems, and other issues. To cope with computer malfunctions and interruptions, the department prepares emergency operating manuals and conducts regular drills. Due to these activities, the Bank has one of the best safety records among Japanese banks, recording more than 3,000 consecutive days of trouble-free operation in its accounting systems.

Sanwa Bank has established an operational risk project team to work on ways to quantify operation risk as well as system risk, and to incorporate these risks in management systems. This project conforms to a proposal by the BIS for banks to establish a management system for operational risk, which includes risks other than credit risk and market risk.

REPUTATIONAL RISK MANAGEMENT

Due to the nature of their activities, banks are constantly under the scrutiny of individuals and market participants. At times, banks are judged on factors that are not entirely accurate. To protect its reputation, each Sanwa Bank branch and market-related division has an officer responsible for reputational risk matters. These officers function by quickly informing the Bank of information that may be detrimental to its reputation and taking corrective actions.

SECONDARY CHECKS BY THE AUDIT DEPARTMENT AND THE CREDIT ASSESSMENT & AUDITING DEPARTMENT

The Audit Department and the Credit Assessment & Auditing Department are responsible for verifying the proper operation of risk management systems. The Credit Assessment & Auditing Department monitors branch offices in Japan and overseas as well as related companies and related departments at headquarters to confirm that risk management systems are being implemented pursuant to prescribed procedures. The Audit Department conducts examinations of domestic and overseas branches as well as related companies and related departments at headquarters to confirm that risk management systems and other operations are in accordance with established rules.

Special teams are engaged in the auditing of various areas where more specialized skills are needed. To manage the increasingly diverse and complex risks associated with market-related operations, the Bank formed the Market Risk Subcommittee within the Audit Department to examine market-related activities by applying sophisticated techniques to the auditing of market risk. As banking operations are increasingly dependent on information technology and networks, this department also includes the Information Technology Subcommittee, which has introduced advanced methods for auditing risks associated with system risk.

To maintain a sound internal auditing system at overseas bases, the Bank has formed internal auditing units under the control of the Audit Department for its operations in London, Singapore, Hong Kong and New York.

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 830,000 trees at around 13,300 locations throughout Japan, including schools, parks, and nursing homes for senior citizens. It has also donated about 110,000 tree identification plates to 7,670 primary and other schools. Recently, the fund has been actively involved in greenery programs for river banks, the protection of forests and the creation of “biotopes” at schools.

In addition, the fund has sponsored art contests for children, entitled “Pictures of Green.” The contest was held for the 24th time during the fiscal year, and, since its inception, about 890,000 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 approximately 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. From this year, members of the public can also take part in an environmental seminar at Tokyo University of Agriculture.

In 1997, as a project in celebration of the fund’s 25th anniversary, 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 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 December 1983 to commemorate the Bank's 50th anniversary, the Sanwa High-Tech Venture Development Foundation was one of the first private-sector 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 1999, it provided 15 grants totaling ¥35.5 million and 13 guarantees with a total amount of ¥300 million. Since its inception, it has given 146 grants totaling ¥504.5 million, and 205 guarantees amounting to ¥6,391 million. In addition, it provides consulting services, lectures and seminars.

The grants and guarantees provided by the foundation have been an instrumental element in the success of many venture businesses. In fact, many recipient ventures are now active as small and medium-sized companies in Japan's industrial sectors. 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.

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 1999, scholarships were provided to 545 students at 25 universities in seven Asian countries. Over the last 15 years, more than 4,000 students have received scholarships.

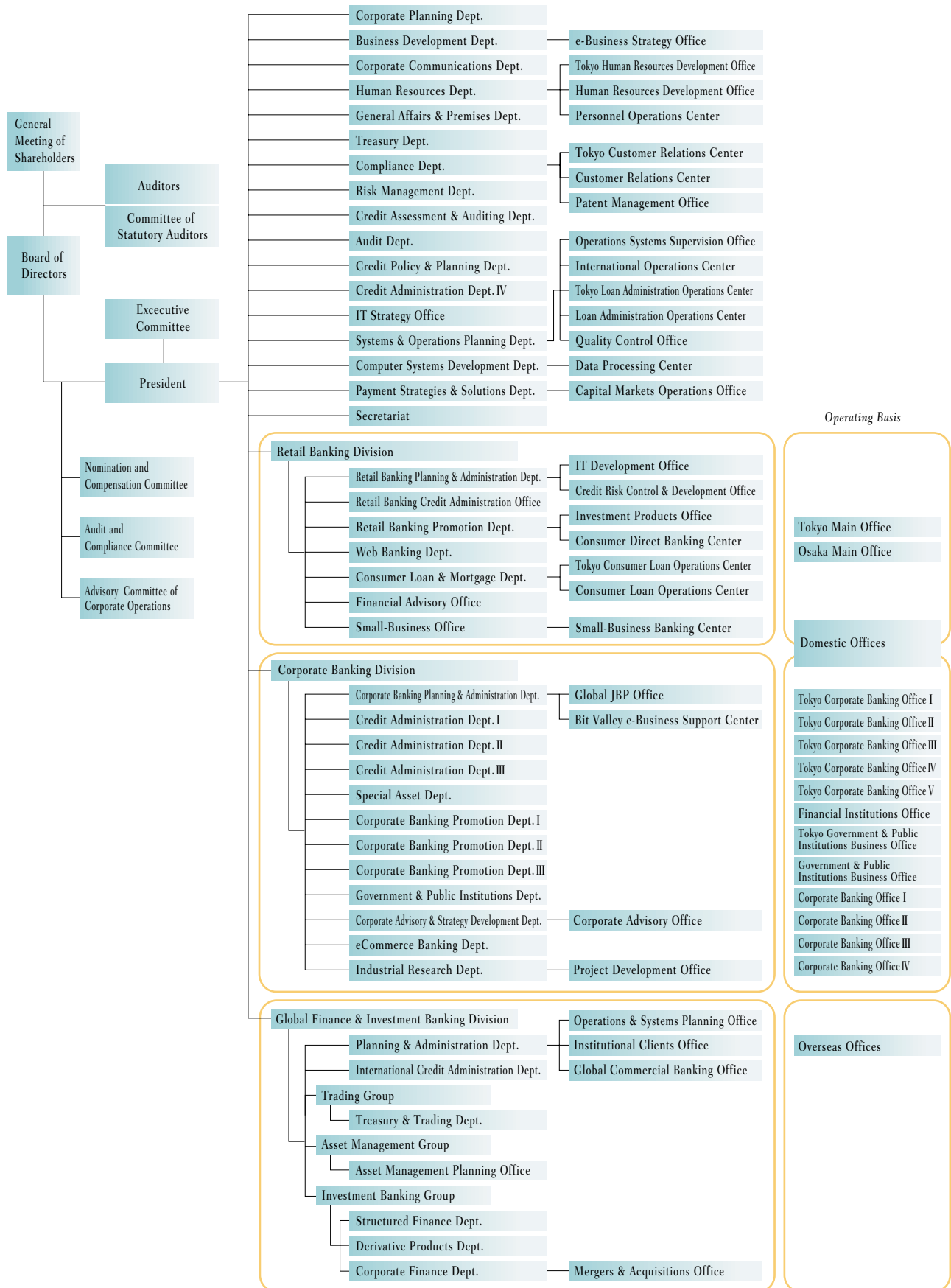
In addition, the foundation supports scholars in fields related to Japan through grants for research. At present, 122 Japan-related specialists in the United States, Europe and Australia are taking an active part in academia, business and politics. The foundation plans to continue its activities to promote 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 11th annual Sanwa Bank Long-Thibaud International Music Concours Gala Concert, inviting winners of the Paris competition to perform in Japan. To assist the concours to fulfill its objective of fostering promising young performers, the Bank has supported these concerts from the beginning as part of its international cultural exchange activities.



ORGANIZATION



(As of July 1, 2000)

BOARD OF DIRECTORS



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



Masashi Teranishi
Senior Managing Director



Tamio Takakura
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

Masashi Teranishi

Tamio Takakura

DIRECTORS

Hiroshi Itagaki

Tetsuo Suzuki

STATUTORY AUDITORS

Shoichi Itoh

Yoshiharu Senoue

Takatoshi Okajima

Goro Inoue

Kanji Kobayashi

EXECUTIVE OFFICERS**Chief Executive Officer**

Kaneo Muromachi

Senior Executive Officers

Hiroya Nobuhara

Hiroki Murao

Kimisuke Fujimoto

Takayo Mochizuki

Akio Fujiwara

Masashi Teranishi

Tamio Takakura

Takashi Mori

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

Masaki Hashikawa

Yusei Yamaguchi

Jihei Yamazaki

Shouji Watanabe

Mahito Kageyama

Takao Kawanishi

Kazuhiko Hasunuma

Kazuhiko Tokita

Shigeki Fuji

Masato Nakamura

Sen Hayakawa

Taizo Furumatsu

Toshihide Mizuno

(As of June 28, 2000)

MAJOR SUBSIDIARIES AND AFFILIATES

	Country	Capital	Main Business	Established	Percentage of Sanwa Bank's Ownership*
Consolidated Subsidiaries					
Sanwa Securities Co., Ltd.	Japan	¥42,000 million	Securities business	Oct. 1994	85.71
Sanwa System Development Co., Ltd.	Japan	¥50 million	System development	Aug. 1983	100
Sanwa Business Service Co., Ltd.	Japan	¥30 million	Banking clerical work	Apr. 1982	100
Sanwa Business Service Tokyo Co., Ltd.	Japan	¥30 million	Banking clerical work	Mar. 1986	100
Sanwa Operations Business Co., Ltd.	Japan	¥30 million	Banking clerical work	Nov. 1984	100
Sanwa Operations Business Tokyo Co., Ltd.	Japan	¥30 million	Banking clerical work	Dec. 1983	100
The Sanwa Mortgage Service Co., Ltd.	Japan	¥30 million	Mortgage certificate operations	Apr. 1987	100
Sanwa Staff Service Co., Ltd.	Japan	¥80 million	Temporary manpower service	Mar. 1988	100
The Sanwa International Operations Service Co., Ltd.	Japan	¥30 million	Banking clerical work	Mar. 1988	100
Sanwa T.M.C.	Japan	¥300 million	Disposal of real estate collateral	Feb. 1995	100
The Sanwa Credit Co., Ltd.	Japan	¥400 million	Credit guarantee operations	Sept. 1977	63.00 (38.00)
Sanwa Card Services Co., Ltd.	Japan	¥200 million	Credit card services	Mar. 1983	63.50 (58.50)
Sanwa Business Credit Co., Ltd.	Japan	¥1,180 million	Leasing, factoring, mortgaged securities, lending	Oct. 1983	73.50 (68.50)
Sanwa Capital Co., Ltd.	Japan	¥200 million	Venture capital investment	Aug. 1984	65.11 (16.27)
Sanwa Asset Management Co., Ltd.	Japan	¥1,280 million	Investment advisory	Sept. 1993	56.70 (10.00)
SRIC Corporation	Japan	¥1,000 million	Research, consulting	Oct. 1985	53.00 (48.00)
Sanwa Financial Management Co., Ltd.	Japan	¥200 million	Financial consulting	Jun. 1986	86.00 (36.00)
Partners Asset Management Co., Ltd.	Japan	¥15,174 million	Investment trust management	Dec. 1959	50.30
Japan TPP Securities Co., Limited	Japan	¥1,990 million	Securities business	Nov. 1998	49.74 (24.62)
eWing Securities Co., Ltd.	Japan	¥1,410 million	Securities business	Nov. 1999	47.87 (4.60)
Sanwa Bank California	U.S.A.	US\$440 million	Banking	Jan. 1972	100
Sanwa International Finance Limited	Hong Kong	US\$124 million	Securities business	Dec. 1978	94.83
Sanwa Australia Limited	Australia	A\$93.2 million	Finance	Jun. 1970	100
Sanwa International plc	U.K.	£203.9 million	Securities business	May 1973	100
Sanwa Bank Canada	Canada	C\$113.8 million	Banking	Aug. 1983	100

	Country	Capital	Main Business	Established	Percentage of Sanwa Bank's Ownership*
Sanwa Securities (Delaware) Inc.	U.S.A.	US\$6	Holding company	Feb. 1988	100
Sanwa Financial Products Co., L.L.C.	U.S.A.	US\$80 million	Derivatives products	Dec. 1990	100 (100)
Sanwa Bank (Schweiz) AG	Switzerland	SF83.4 million	Finance	May 1981	100
Sanwa Finance Hong Kong Limited	Hong Kong	HK\$105 million	Installment finance, leasing	Jun. 1981	80.00
P.T. Sanwa-BRI Finance	Indonesia	RP55 billion	Leasing, consumer finance	Aug. 1983	55.00
Sanwa Leasing (Deutschland) GmbH	Germany	DM1 million	Leasing	May 1988	100
P.T. Bank Sanwa Indonesia	Indonesia	RP600 billion	Banking	Feb. 1989	94.97
Sanwa Housing Loan (Hong Kong) Limited	Hong Kong	HK\$10 million	Housing finance	Sept. 1989	100
Sanwa Finance Aruba A.E.C.	Aruba Island	US\$10,000	Finance	Mar. 1991	100
Sanwa Mercuries Finance Co., Ltd.	Taiwan	NT\$500 million	Installment finance, leasing	Nov. 1988	76.40
Sanwa Cayman Treasury Fund Limited	Grand Cayman Islands	US\$50,000	Finance	Jul. 1998	100
Sanwa Cayman Monetary Fund Limited	Grand Cayman Islands	US\$50,000	Finance	Jul. 1998	100
Sanwa Cayman International Investment Limited	Grand Cayman Islands	US\$50,000	Finance	Jul. 1998	100
Sanwa Cayman Securities Investment Limited	Grand Cayman Islands	US\$50,000	Finance	Jul. 1998	100
Sanwa Capital Finance 1 Limited	Grand Cayman Islands	¥50,000 million	Finance	Mar. 1999	100
Sanwa Capital Finance 2 Limited	Grand Cayman Islands	¥130,000 million	Finance	Mar. 1999	100
Siam Sanwa Leasing Co., Ltd.	Thailand	B60 million	Leasing	Feb. 1988	46.00
<i>37 other companies</i>					
<i>Affiliates Accounted for Under Equity Method</i>					
Universal Securities Co., Ltd.**	Japan	¥16,617 million	Securities business	Apr. 1948	38.46
Taiheiyō Securities Co., Ltd.**	Japan	¥18,241 million	Securities business	Apr. 1944	27.77 (19.87)
Towa Securities Co., Ltd.**	Japan	¥10,000 million	Securities business	Mar. 1947	24.15 (4.98)
Dai-ichi Securities Co., Ltd.**	Japan	¥11,780 million	Securities business	Oct. 1938	36.68 (7.74)
Japan Pension Planning Co., Ltd.	Japan	¥2,000 million	Research, consulting	Sept. 1999	45.00
BSB Solutions Limited	Japan	¥100 million	Electronic commerce	Dec. 1999	30.00
Rizal Commercial Banking Corporation	Philippines	P6,329 million	Banking	Aug. 1960	25.05
<i>5 other companies</i>					
* () indicates the percentage of ownership by subsidiaries and affiliates.				(As of March 31, 2000)	
**Currently TSUBASA Securities Co., Ltd. after merger in April 2000.					

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other in New Zealand*

(As of March 31, 2000)

FINANCIAL INFORMATION

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CONSOLIDATED BALANCE SHEETS

As at 31st March, 2000 and 1999	¥ million		US\$ thousand
	2000	1999	2000
ASSETS:			
Cash and Due from Banks (Note 10)	¥ 2,255,358	¥ 1,835,718	\$ 21,246,902
Call Loans and Bills Bought (Note 10)	559,952	435,499	5,275,109
Monetary Receivables Bought	55,217	99,917	520,181
Trading Assets (Note 2 (d), 3 and 10)	1,016,988	1,300,909	9,580,677
Money Held in Trust	46,688	315,484	439,833
Securities (Note 2 (e), 4 and 10)	7,679,866	6,413,027	72,349,190
Loans and Bills Discounted (Note 5 and 10)	30,957,742	32,839,151	291,641,478
Foreign Exchange Assets (Note 6)	242,692	298,530	2,286,314
Other Assets (Note 2 (g), 7 and 10)	2,201,074	3,645,874	20,735,507
Premises and Equipment (Note 2 (f), 8 and 10)	570,770	635,268	5,377,020
Deferred Tax Assets (Note 9)	554,487	603,958	5,223,621
Customers' Liabilities for Acceptances and Guarantees (Note 17)	1,513,092	1,948,812	14,254,288
Reserve for Possible Loan Losses (Note 2 (h) and (p))	(751,340)	—	(7,078,105)
Reserve for Possible Losses on Securities (Note 2 (i))	(604)	—	(5,698)
Total Assets	¥46,901,986	¥50,372,153	\$441,846,317
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits (Note 10 and 11)	¥34,501,958	¥35,220,326	\$325,030,227
Call Money and Bills Sold (Note 10)	2,783,777	3,760,835	26,224,938
Commercial Paper (Note 2 (p), 10 and 13)	290,748	176,459	2,739,035
Trading Liabilities (Note 2 (d) and 12)	451,274	543,659	4,251,295
Borrowed Money (Note 10 and 13)	845,032	1,046,996	7,960,740
Foreign Exchange Liabilities (Note 6)	42,496	45,903	400,345
Corporate Bonds and Notes (Note 14)	1,484,761	1,186,241	13,987,391
Convertible Bonds (Note 14)	1,027	17,568	9,677
Other Liabilities (Note 15)	2,327,426	2,545,643	21,925,827
Reserve for Possible Loan Losses (Note 2 (h) and (p))	—	1,315,749	—
Reserve for Retirement Allowances (Note 2 (j))	28,924	29,653	272,487
Reserve for Contingent Liabilities Related to Loans Sold (Note 2 (k))	97,870	112,637	921,997
Reserve for Supporting Specific Borrowers (Note 2 (l))	3,372	—	31,769
Other Reserves (Note 16)	24	33	234
Deferred Tax Liabilities (Note 9)	5,677	5,604	53,485
Deferred Tax Liabilities Related to Land Revaluation (Note 2 (f) and 9)	98,693	113,785	929,754
Acceptances and Guarantees (Note 17)	1,513,092	1,948,812	14,254,288
Total Liabilities	44,476,158	48,069,909	418,993,489
Minority Interests:			
Minority Interests (Note 2 (p))	237,875	220,074	2,240,937
Stockholders' Equity:			
First Series Preferred Stock (Note 18)	75,000	75,000	706,547
First Series Class A Preferred Stock (Note 18)	300,000	300,000	2,826,190
Common Stock (Note 18)	468,069	466,902	4,409,507
Additional Paid-in Capital (Note 18)	734,060	732,894	6,915,317
Excess of Land Revaluation (Note 2(f) and (p))	148,844	156,809	1,402,211
Retained Earnings (Note 2(n) and (p))	476,961	365,676	4,493,275
Treasury Shares of Common Stock	(6)	(13)	(57)
Parent Bank Stock Held by Subsidiaries	(14,977)	(15,100)	(141,099)
Total Stockholders' Equity	2,187,952	2,082,169	20,611,891
Total Liabilities, Minority Interests and Stockholders' Equity	¥46,901,986	¥50,372,153	\$441,846,317

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

CONSOLIDATED STATEMENTS OF INCOME

For the Fiscal Years ended 31st March, 2000, 1999 and 1998	¥ million			US\$ thousand
	2000	1999	1998	2000
Income:				
Interest Income:	¥ 1,297,820	¥ 1,722,625	¥ 2,177,589	\$ 12,226,287
Interest on Loans and Discounts	772,063	1,079,526	1,266,160	7,273,329
Interest on and Dividends from Securities	137,768	167,727	177,217	1,297,862
Other Interest Income (Note 19)	387,988	475,371	734,211	3,655,096
Fees and Commissions (Note 20)	160,987	207,252	130,834	1,516,605
Trading Revenue (Note 21)	39,348	53,885	78,413	370,686
Other Operating Income (Note 22)	276,360	345,059	98,545	2,603,490
Other Income (Note 23)	452,404	80,600	314,066	4,261,932
Total Income	2,226,920	2,409,422	2,799,449	20,979,000
Expenses:				
Interest Expenses:	745,561	1,149,985	1,592,506	7,023,665
Interest on Deposits	279,956	449,118	744,721	2,637,367
Interest on Borrowings and Rediscounts	52,994	162,362	238,639	499,239
Other Interest Expenses (Note 24)	412,611	538,503	609,146	3,887,059
Fees and Commissions (Note 25)	51,165	86,520	46,298	482,008
Trading Expenses (Note 21)	2,536	143	—	23,896
Other Operating Expenses (Note 26)	221,869	199,807	53,269	2,090,146
General and Administrative Expenses	432,154	453,700	436,382	4,071,170
Other Expenses (Note 2 (p) and 27)	539,465	1,166,522	968,182	5,082,110
Total Expenses	1,992,753	3,056,679	3,096,639	18,772,995
Income (Loss) before Income Taxes	234,167	(647,256)	(297,190)	2,206,005
Income Taxes (Note 2 (m) and (p)):				
Current	68,241	45,506	11,856	642,878
Deferred	39,848	(218,292)	(106,246)	375,402
Minority Interests	(6,581)	3,899	(228)	(62,001)
Amortisation of Goodwill (Note 2 (a) and (p))	—	—	19,494	—
Equity in Earnings of Affiliates (Note 2 (p))	—	—	1,171	—
Net Income (Loss) for Year	¥ 119,495	¥ (470,570)	¥ (182,362)	\$ 1,125,724
			¥	US\$
Net Income (Loss) per Share (Note 2 (o)):				
Basic	¥ 39.51	¥ (163.19)	¥ (62.87)	\$ 0.37
Fully Diluted	¥ 34.15	¥ —	¥ —	\$ 0.32
Dividend Declared per Share:				
First Series Preferred Stock	¥ 37.50	¥ 37.50	¥ 1.55	\$ 0.35
First Series Class A Preferred Stock	¥ 15.90	¥ 0.05	¥ —	\$ 0.15
Common Stock	¥ 7.00	¥ 7.00	¥ 8.50	\$ 0.07

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Fiscal Years ended 31st March, 2000, 1999 and 1998	¥ million			US\$ thousand
	2000	1999	1998	2000
First Series Preferred Stock:				
Balance at Beginning of the Fiscal Year	¥ 75,000	¥ 75,000	¥ —	\$ 706,547
Additions: Issuance	—	—	75,000	—
Balance at End of the Fiscal Year	¥ 75,000	¥ 75,000	¥ 75,000	\$ 706,547
Number of Shares Issued of First Series Preferred Stock at End of the Fiscal Year (thousands of shares)	50,000	50,000	50,000	—
First Series Class A Preferred Stock:				
Balance at Beginning of the Fiscal Year	¥ 300,000	¥ —	¥ —	\$2,826,190
Additions: Issuance	—	300,000	—	—
Balance at End of the Fiscal Year	¥ 300,000	¥ 300,000	¥ —	\$2,826,190
Number of Shares Issued of First Series Class A Preferred Stock at End of the Fiscal Year (thousands of shares)	200,000	200,000	—	—
Common Stock:				
Balance at Beginning of the Fiscal Year	¥ 466,902	¥ 466,842	¥ 466,503	\$4,398,520
Additions: Conversion of Convertible Bonds and Notes	1,166	60	338	10,987
Balance at End of the Fiscal Year	¥ 468,069	¥ 466,902	¥ 466,842	\$4,409,507
Number of Shares Issued of Common Stock at End of the Fiscal Year (thousands of shares)	2,904,019	2,902,156	2,902,059	—
Additional Paid-in Capital:				
Balance at Beginning of the Fiscal Year	¥ 732,894	¥ 432,834	¥ 357,496	\$6,904,331
Additions:				
Issuance of Preferred Stock	—	300,000	75,000	—
Conversion of Convertible Bonds and Notes	1,166	60	338	10,986
Balance at End of the Fiscal Year	¥ 734,060	¥ 732,894	¥ 432,834	\$6,915,317
Excess of Land Revaluation:				
Balance at Beginning of the Fiscal Year	¥ 156,809	¥ —	¥ —	\$1,477,246
Additions:				
Change in Presentation	—	156,809	—	—
Transfer from Deferred Tax Liabilities Related to Land Revaluation	5,396	—	—	50,837
Deductions:				
Reversal of Excess of Land Revaluation	(13,361)	—	—	(125,872)
Balance at End of the Fiscal Year	¥ 148,844	¥ 156,809	¥ —	\$1,402,211
Retained Earnings:				
Balance at Beginning of the Fiscal Year	¥ 365,676	¥ 855,336	¥ 1,063,989	\$3,444,906
Additions:				
Increase Resulted from Consolidation of Additional Subsidiaries	—	3,265	—	—
Increase Resulted from Application of Equity Method to an Affiliate	—	3,266	—	—
Increase Resulted from Reversal of Excess of Land Revaluation	13,361	—	—	125,872
Deductions:				
Appropriation of Retained Earnings (Note 2 (n)):				
Cash Dividends	(21,572)	(25,622)	(24,663)	(203,227)
Decrease due to Companies Ceasing to be a Consolidated Subsidiary or to be an Affiliate Accounted for under Equity Method	—	—	(1,627)	—
Net Income (Loss) for the Fiscal Year	119,495	(470,570)	(182,362)	1,125,724
Balance at End of the Fiscal Year	¥ 476,961	¥ 365,676	¥ 855,336	\$4,493,275

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Fiscal Year ended 31st March, 2000	¥ million	US\$ thousand
	2000	2000
Cash Flows from Operating Activities:		
Income before Income Taxes	¥ 234,167	\$ 2,206,004
Depreciation	22,088	208,087
Amortisation of Goodwill	661	6,229
Equity in Earnings of Affiliates	(9,906)	(93,321)
Net Decrease in Reserve for Possible Loan Losses	(565,105)	(5,323,650)
Net Decrease in Reserve for Contingent Liabilities Related to Loans Sold	(14,767)	(139,114)
Interest Income	(1,297,820)	(12,226,287)
Interest Expenses	745,561	7,023,664
Net Gain on Securities	(348,248)	(3,280,721)
Net Loss on Sales of Premises and Equipment	16,842	158,663
Net Decrease in Trading Assets	283,920	2,674,714
Net Decrease in Trading Liabilities	(92,384)	(870,322)
Net Decrease in Loans and Bills Discounted	1,882,647	17,735,726
Net Increase in Deposits	434,372	4,092,061
Net Decrease in Negotiable Certificates of Deposit	(1,152,739)	(10,859,531)
Net Decrease in Borrowed Money (Non-subordinated)	(237,196)	(2,234,537)
Net Increase in Call Loans and Monetary Receivables Bought	(94,752)	(892,627)
Net Decrease in Collateral Deposits on Securities Borrowed	682,585	6,430,391
Net Decrease in Call Money and Other Fundings Related to Operating Activities	(991,267)	(9,338,369)
Net Increase in Commercial Paper	114,289	1,076,678
Net Increase in Collateral Deposits on Securities Lent	516,747	4,868,089
Net Decrease in Foreign Exchange Assets	55,838	526,034
Net Increase in Corporate Bonds and Notes (Non-subordinated) Resulted from Issuance, Redemption and Repurchase	209,763	1,976,104
Interest Received	1,345,524	12,675,686
Interest Paid	(851,998)	(8,026,364)
Other, Net	95,574	900,371
Subtotal	984,398	9,273,658
Income Taxes Paid	(20,514)	(193,256)
Net Cash Provided by Operating Activities	963,884	9,080,402
Cash Flows from Investing Activities:		
Purchases of Securities	(15,371,752)	(144,811,611)
Proceeds from Sales of Securities	12,418,577	116,990,835
Proceeds from Maturities of Securities	1,935,946	18,237,835
Net Decrease in Money Held in Trust	270,849	2,551,578
Expenditures on Premises and Equipment	(18,328)	(172,667)
Proceeds from Sales of Premises and Equipment	40,903	385,339
Proceeds from Sales of Consolidated Subsidiaries (Note 29)	11,305	106,508
Other, Net	777	7,328
Net Cash Used in Investing Activities	(711,720)	(6,704,855)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Subordinated Debts	40,000	376,825
Expenditures on Repayment of Subordinated Debts	(6,000)	(56,524)
Proceeds from Issuance of Subordinated Bonds and Notes	219,225	2,065,238
Redemption and Repurchase of Subordinated Bonds and Notes	(111,128)	(1,046,903)
Proceeds from Issuance of Capital Stocks to Minority Interests	11,357	106,999
Dividends Paid	(21,572)	(203,227)
Dividends Paid to Minority Interests	(5,008)	(47,186)
Other, Net	147	1,390
Net Cash Provided by Financing Activities	127,020	1,196,612
Effect of Exchange Rate Changes on Cash and Cash Equivalents	40,455	381,115
Net Increase in Cash and Cash Equivalents	419,640	3,953,274
Cash and Cash Equivalents at Beginning of the Fiscal Year (Note 2 (c))	1,835,718	17,293,628
Cash and Cash Equivalents at End of the Fiscal Year	¥ 2,255,358	\$ 21,246,902

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Fiscal Years ended 31st March, 1999 and 1998	¥ million	
	1999	1998
Cash Flows from Operating Activities:		
Net Income (Loss)	¥ (470,570)	¥ (182,362)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortisation	88,465	25,896
Transfer to Reserve for Possible Loan Losses	352,008	386,011
Write-off of Loans	31,743	7,694
Losses on Sales of Loans	577,312	456,181
Securities Gains, Net	(21,136)	(254,128)
Deferred Income Taxes	(235,866)	(134,420)
Minority Interests	(3,899)	228
Equity in Earnings of Affiliates	1,027	(1,171)
Net Change in Trading Assets/Liabilities	(278,094)	86,285
Net Change in Trading Account Securities	—	—
Net Change in Accruals	181,363	3,488
Other, Net	181,672	(66,429)
Net Cash Provided by Operating Activities	404,026	327,275
Cash Flows from Investing Activities:		
Net Change in Due from Banks	643,982	810,895
Net Change in Call Loans	1,249,753	(465,702)
Net Change in Monetary Receivables Bought	9,265	(94,932)
Net Change in Money Held in Trust	207,677	(181,659)
Net Change in Loans and Bills Discounted	1,775,149	1,837,742
Net Change in Collateral Deposits on Securities Borrowed	583,975	(1,736,203)
Proceeds from Sales of Securities	11,395,468	8,247,683
Proceeds from Maturities of Securities	407,164	414,833
Purchases of Securities	(11,319,500)	(8,890,748)
Purchases of Premises and Equipment	(27,662)	(40,822)
Other, Net	51,965	156,819
Net Cash Provided by Investing Activities	4,977,237	57,905
Cash Flows from Financing Activities:		
Net Change in Deposits	(2,581,017)	(1,601,378)
Net Change in Call Money	(2,004,700)	(358,361)
Net Change in Commercial Paper	176,459	—
Net Change in Borrowed Money	(352,366)	(130,145)
Net Change in Corporate Bonds	(384,252)	434,695
Net Change in Subordinated Debt	(59,028)	172,636
Net Change in Collateral Deposits on Securities Lent	(945,378)	987,087
Proceeds from Issuance of Preferred Stock	600,000	150,000
Proceeds from Issuance of Preference Shares of Consolidated Subsidiaries	180,000	—
Dividends Paid	(25,622)	(24,663)
Other, Net	38,482	(40,177)
Net Cash Used in Financing Activities	(5,357,425)	(410,308)
Net Change in Cash and Cash Equivalents	23,838	(25,128)
Foreign Currency Translation Adjustments	(5,732)	5,170
Cash and Cash Equivalents at Beginning of the Fiscal Year	962,855	982,813
Cash and Cash Equivalents at End of the Fiscal Year (Note 2 (c))	¥ 980,961	¥ 962,855

Note: For the purpose of the consolidated statements of cash flows, "Cash and Cash Equivalents" consists of "Cash" and "Demand Deposits with the Bank of Japan." "Cash and Due from Banks" in the consolidated balance sheets as at 31st March, 1999 and 1998 consisted of the following:

Cash and Cash Equivalents	980,961	962,855
Other Due from Banks	854,757	1,498,739
Cash and Due from Banks in the consolidated balance sheets	¥ 1,835,718	¥ 2,461,594

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Sanwa Bank, Limited (“Sanwa Bank”) and its subsidiaries (together referred to as “Sanwa Group”) after the elimination of all material intercompany transactions. Those statements have been prepared in conformity with accounting principles and practices generally accepted in Japan, which consist of several sources including the Statements and Opinions issued by the Business Accounting Deliberation Council (“BADC”), Financial Statements Regulation, and Consolidated Financial Statements Regulation promulgated by the Ministry of Finance (“MOF”), and also have been in conformity with industry practices for banks in Japan.

Accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements. 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.

The accompanying consolidated balance sheets and the related consolidated statements of income were filed with the MOF as required by the Securities and Exchange Law of Japan, although the related consolidated statements of changes in shareholders’ equity were not filed with the MOF and prepared solely for the purpose of inclusion in this report.

With respect to the accompanying consolidated statements of cash flows, the statement for the year ended 31st March, 2000 was filed with the MOF while the statements for the years ended 31st March, 1999 and 1998 were not filed since such statements are required to be presented from the fiscal year beginning on or after 1st April, 1999 in accordance with the new Accounting Standard for Consolidated Statements of Cash Flows issued by the BADC and the Securities and Exchange Law of Japan. Although there was no requirement to prepare and file the statements with the MOF prior to 1st April, 1999, the statements for the years ended 31st March, 1999 and 1998 were prepared solely for the purpose of inclusion in this report based on the practices of preparation for the consolidated statements of cash flows in Japan, which are different from the new Accounting Standard. Therefore, the statements for the years ended 31st March, 1999 and 1998 are presented separately from the statement for the year ended 31st March, 2000.

For the convenience of readers outside Japan, certain items presented in the consolidated financial statements filed with the MOF have been reclassified. Furthermore, certain Japanese yen balances are translated into U.S. dollars in arithmetical manners at ¥106.15 to \$1, the effective exchange rate prevailing at the latest balance sheet date of 31st March, 2000. This translation, however, should not be construed as implying that the Japanese yen amounts have been, or could have been, converted, realised, or settled in U.S. dollars at that or any other exchange rate.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Principle of Consolidation***i) Scope of Consolidation*

In the fiscal year ended 31st March, 1999, Sanwa Bank applied the new Accounting Standard issued by the BADC under which the scope of consolidation is determined based on its control and influence over the decision-making body of investee as well as its voting shares as described below, while Sanwa Bank used the former standard under which the scope of the consolidation is determined based on the voting shares (i.e., subsidiaries are majority-owned companies and affiliates are 20% to 50%-owned companies) up until the fiscal year ended 31st March, 1998.

Subsidiaries

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 as at 31st March, 2000 was 171, of which 79 subsidiaries were consolidated and 92 were not consolidated. Major consolidated subsidiaries are:

- Sanwa Securities Co., Ltd. (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.)

Of the 92 non-consolidated subsidiaries, 91 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 who invested in the leased assets, instead of to the subsidiaries.

Affiliates

Affiliates are the companies other than subsidiaries in which Sanwa Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares, or 2) holds, directly and/or indirectly, 15% or more of voting shares and also, to a material degree, is able to influence decision-making body through personnel, finance, and other relationships, unless evidence exists which shows that Sanwa Bank does not have such influence. As at 31st March, 2000, the number of affiliates was 17, of which, 12 affiliates were accounted for under the equity method while 5 non-material affiliates were carried at cost, less amounts written-off, if any. Major affiliates accounted for under the equity method were:

Universal Securities Co., Ltd. (Japan)

Taiheiyou Securities Co., Ltd. (Japan)

Towa Securities Co., Ltd. (Japan)

Dai-ichi Securities Co., Ltd. (Japan)

Rizal Commercial Banking Corporation (The Philippines)

(In April 2000, Taiheiyō Securities Co., Ltd., Towa Securities Co., Ltd., and Dai-ichi Securities Co., Ltd. were merged with and into Universal Securities Co., Ltd. Upon consummation of the merger, Universal Securities Co., Ltd. changed its name to “TSUBASA Securities Co., Ltd.”)

As at 31st March, 2000, 1999 and 1998, the amounts of the investment in non-consolidated subsidiaries and affiliates not accounted for under the equity method were ¥2,165 million, ¥685 million and ¥1,255 million, respectively. These were reported as “Securities” and “Other Assets” in the accompanying consolidated balance sheets.

The numbers of subsidiaries and affiliates as at 31st March, 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Consolidated Subsidiaries	79	80	63
Non-consolidated Subsidiaries	92	92	5
Affiliates (accounted for under the equity method)	12	2	2
Affiliates (not accounted for under the equity method)	5	6	7

(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 ends 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

Goodwill arising from the difference between the cost of investment and the underlying equity in the net asset of the invested subsidiary is charged or credited to the consolidated statement of income, as the case may be, in the fiscal year of acquisition.

(iv) Translation of Foreign Currency Financial Statements of Overseas Subsidiaries

Financial statements of overseas subsidiaries denominated in foreign currencies are in general translated into Japanese yen using the exchange rate prevailing at each subsidiary'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 Translation 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.

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 reporting currency of such subsidiaries principally at the respective exchange rates prevailing at each subsidiary's balance sheet date. 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) Cash and Cash Equivalents

For the consolidated statement of cash flows for the fiscal year ended 31st March, 2000, “Cash and Cash Equivalents” is “Cash and Due from Banks” in the consolidated balance sheet, while it was “Cash” and “Demand Deposit with the Bank of Japan” for the fiscal years ended 31st March, 1999 and 1998. This change is because the consolidated statement of cash flows for the fiscal year ended 31st March, 2000 was prepared based on the new Accounting Standards for Consolidated Statements of Cash Flows (See Note 1. Basis of Presentation). The beginning balance of “Cash and Cash Equivalent” for the fiscal year ended 31st March, 2000 is reconciled to the end balance for the fiscal year ended 31st March, 1999 as follows:

Cash and Cash Equivalent at the end of the fiscal year in the consolidated statement of cash flows for the fiscal year ended 31st March, 1999	¥ 980,961
Other Due from Banks	¥ 854,757
Cash and Cash Equivalent at the beginning of the fiscal year in the consolidated statement of cash flows for the fiscal year ended 31st March, 2000	¥ 1,835,718

(d) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from the 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” includes 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” includes the interest received/paid during the fiscal year and the increase/decrease between the amounts of profits/losses based on the assumption that transactions were settled at the end of the fiscal year and those 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 were 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 the 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.

The effects 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.

(e) Valuation of Securities

Up until the fiscal year ended 31st, March 1997, listed securities included in “Securities” held by Sanwa Bank were carried at the lower of moving average cost or market value except for listed Japanese national and local government bonds carried at moving average cost. In the fiscal year ended 31st March, 1998, however, due to the amendment of the Uniform Accounting Standards for Banks in Japan for the valuation of securities, Sanwa Bank adopted the historical cost method for the valuation of its listed Japanese stocks as well as listed Japanese national and local government bonds. As a result of this change, “Loss before Income Taxes” decreased by ¥246,867 million for the fiscal year. With respect to unlisted securities, Sanwa Bank records such securities by moving average cost.

In addition, for the fiscal year ended 31st March, 1999, in accordance with the amendment of the Japanese Tax Law, subsequent recoveries of the market value of securities held by Sanwa Bank which are accounted for by the lower of moving average cost or market value (e.g., listed Japanese corporate bonds) 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.

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 by Sanwa Bank.

Securities held by the consolidated subsidiaries are principally carried at moving average cost.

(f) Premises and Equipment

(i) Premises and Equipment

Premises and equipment owned by Sanwa Bank are depreciated using the declining-balance method.

Up until the fiscal year ended 31st March, 1997, the depreciation rate used for buildings was 160% of the rate provided by the Japanese 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 Japanese 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.

With respect to the lease transactions, 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 generally accepted in Japan.

Consolidated overseas subsidiaries capitalise the finance lease equipment in accordance with accounting principles and practices generally accepted 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 as "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.

The fair value of the land used for business as at 31st March, 2000 and 1999, was below its book value after revaluation by ¥44,989 million and ¥24,230 million, respectively.

(g) Software

Software used by Sanwa Bank and its domestic consolidated subsidiaries is depreciated using straight-line method based on the estimated useful life (mainly 5 years) and is included in "Other Assets."

(h) Reserve for Possible Loan Losses

"Reserve for Possible Loan Losses" of Sanwa Bank is 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 remaining amount of the claims after the charge-off described below and the deductions of the amount expected to be collected through the disposal of collateral or 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 amount necessary, given the overall solvency assessment of the debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- 3) The reserve for claims on debtors other than the above is provided primarily 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 considering the political and economic situations of such countries.

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.

With respect to the claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the remaining amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees was charged-off against the respective claims for the fiscal year ended 31st March, 2000. The amount of the charge-off was ¥646,013 million for the fiscal year.

The consolidated subsidiaries provide the “Reserve for Possible Loan Losses” principally based on past experience and management’s assessment of the loan portfolio.

(i) Reserve for Possible Losses on Securities

“Reserve for Possible Losses on Securities” is provided for possible losses on securities and other investments based on the amount necessary, given the overall solvency assessment of issuers and investees after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees. This reserve is reported as a contra account in Assets.

(j) Reserve for Retirement Allowances, and Pension Plans

“Reserve for Retirement Allowances” provided by Sanwa Bank and its major domestic subsidiaries represents the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the consolidated 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. Major consolidated subsidiaries have funded pension plans for their employees.

(k) 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.

(l) 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 to specific borrowers which are undergoing restructuring or are supported by Sanwa Bank.

(m) Income Taxes

Income taxes in Japan applicable to Sanwa Bank for the years ended 31st March, 2000, 1999 and 1998 consisted of corporation tax (national), inhabitant taxes (local), and enterprise taxes (local) as follows:

	2000	1999	1998
Statutory Maximum Rates of Income Taxes			
Corporation Tax	30.0%	34.5%	37.5%
Inhabitant Taxes	6.2%	7.1%	7.8%
Enterprise Taxes	10.1%	11.6%	12.6%
	46.3%	53.2%	57.9%
Effective Statutory Income Tax Rate	42.0%	47.7%	51.4%

For consolidated financial statement purposes, Sanwa Bank recognised deferred tax assets/liabilities using the effective future income tax rate as at each fiscal year end (i.e., 39.8%, 42.0% and 47.7% for the years ended 31st March, 2000, 1999 and 1998, 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.

(n) Appropriation of Retained Earnings

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

(o) Net Income (Loss) per Share

“Basic 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.

“Fully Diluted Net Income per Share” reflects the potential dilution that could occur if convertible preferred stock and other securities or contracts to issue common stock were fully converted into common stock. “Fully Diluted Net Income per Share” for the years ended 31st March, 1999 and 1998, however, was not presented since net loss was reported for the fiscal years.

(p) Change in Presentation of Accounts

Due to the amendments of accounting principles and practices generally accepted in Japan, the following presentation of the consolidated financial statements have been changed for the fiscal years ended 31st March, 2000 and 1999.

For the Fiscal Year Ended 31st March, 2000

- 1) "Reserve for Possible Loan Losses" which was previously reported in Liabilities is reported in Assets as a contra account as at the end of the fiscal year. As a result of this change, Assets and Liabilities decreased by ¥751,340 million as at the end of the fiscal year.

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 end balance of "Retained Earnings" include "Legal Reserve."
- 2) "Minority Interests," which was previously reported within Liabilities, is 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 was previously included in "Other Expenses," is 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."
- 6) "Excess of Land Revaluation," which was previously reported within Liabilities, is reported within Stockholders' Equity after the net of deferred tax due to the amendment of the Law concerning Revaluation of Land. Such deferred tax is reported as "Deferred Tax Liabilities Related to Land Revaluation" within Liabilities. (See Note 2 (f).)
- 7) "Commercial Paper" was established in Liabilities under the Japanese Banking Law since Japanese banks, including Sanwa Bank, were allowed to issue commercial papers in the fiscal year.

3. TRADING ASSETS

Trading Assets as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Trading Account Securities	¥ 552,473	¥ 528,479	\$5,204,650
Derivatives of Trading Account Securities	928	618	8,743
Securities Related to Trading Transactions	314	—	2,965
Derivatives of Securities Related to Trading Transactions	471	386	4,438
Trading-Related Financial Derivatives	270,404	368,556	2,547,386
Other Trading Assets	192,396	402,868	1,812,495
Total	¥1,016,988	¥1,300,909	\$9,580,677

4. SECURITIES

Securities as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Japanese National Government Bonds	¥2,566,052	¥1,411,272	\$24,173,831
Japanese Local Government Bonds	564,971	346,174	5,322,384
Japanese Corporate Bonds and Financial Debentures	391,139	445,596	3,684,785
Japanese Equities	3,409,413	3,235,289	32,118,823
Others	748,290	974,695	7,049,367
Total	¥7,679,866	¥6,413,027	\$72,349,190

5. LOANS AND BILLS DISCOUNTED

Loans and Bills Discounted as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Bills Discounted	¥ 475,000	¥ 509,788	\$ 4,474,801
Loans on Notes	5,370,115	5,946,919	50,589,875
Loans on Deeds	19,299,367	20,921,792	181,812,225
Overdrafts	5,680,103	5,318,553	53,510,163
Financing Receivables, including Leasing	133,156	142,098	1,254,414
Total	¥30,957,742	¥32,839,151	\$291,641,478

Problem Loans held by Sanwa Group as defined by the Japanese Banking Law were as follows (the balances of problem loans presented below were the ones before deductions of respective reserve for doubtful loans):

	¥ million		US\$ thousand
	2000	1999	2000
Loans to Bankrupt Companies *1	¥ 89,161	¥ 270,772	\$ 839,959
Other Delinquent Loans *2	983,015	632,307	9,260,629
Loans Past Due 3 Months or More *3	84,007	222,860	791,404
Restructured Loans *4	208,635	356,230	1,965,479
Total	¥1,364,820	¥1,482,171	\$12,857,471

*1 "Loans to Bankrupt Companies" are loans to legally bankrupt borrowers, on which the recognition of accrual interest has been suspended in accordance with the Japanese Tax Law.

*2 "Other Delinquent Loans" are loans on which the recognition of accrual interest has been suspended in accordance with the Japanese Tax Law but which are other than "Loans to Bankrupt Companies."

*3 "Loans Past Due 3 Months or More" are loans on which principal and/or interest are past due 3 months or more and which are other than "Loans to Bankrupt Companies" and "Other Delinquent Loans."

*4 "Restructured Loans" are loans with concessionary interests, as well as loans with negotiated terms regarding the timing of interest and principal payment.

Since, as described in 2 (h), assessed uncollectible amounts on "Loans to Bankrupt Companies" and on "Other Delinquent Loans" were charged-off against respective claims for the year ended 31st March, 2000, "Loans to Bankrupt Companies" and "Other Delinquent Loans" decreased by ¥179,792 million and ¥466,193 million, respectively.

6. FOREIGN EXCHANGE ASSETS AND LIABILITIES

Foreign Exchange Assets and Foreign Exchange Liabilities as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Foreign Exchange Assets:			
Due from Foreign Banks	¥ 23,420	¥ 34,064	\$ 220,634
Foreign Exchange Bills Bought	145,000	170,883	1,365,999
Foreign Exchange Bills Receivable	74,271	93,583	699,681
Total	¥242,692	¥298,530	\$2,286,314
Foreign Exchange Liabilities:			
Due to Foreign Banks	¥ 41,408	¥ 42,976	\$ 390,099
Foreign Exchange Bills Sold	272	750	2,571
Foreign Exchange Bills Payable	814	2,176	7,675
Total	¥ 42,496	¥ 45,903	\$ 400,345

7. OTHER ASSETS

Other Assets as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Domestic Exchange Settlement (debit)	¥ 225	¥ 166	\$ 2,122
Accrued Income	464,673	506,336	4,377,518
Prepaid Expenses	6,399	8,889	60,290
Securities Deposited	614,771	1,318,391	5,791,536
Collateral Deposits on Securities Borrowed	495,398	1,177,984	4,666,971
Others	619,604	634,105	5,837,070
Total	¥2,201,074	¥3,645,874	\$20,735,507

8. PREMISES AND EQUIPMENT

Premises and Equipment as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Land	¥353,785	¥398,583	\$3,332,879
Buildings	93,154	100,546	877,570
Equipment	44,008	51,388	414,585
Others	79,823	84,750	751,986
Total	¥570,770	¥635,268	\$5,377,020
Accumulated Depreciation Deducted	¥318,072	¥313,231	\$2,996,444

9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets and Liabilities reflect the temporary differences between financial accounting and tax accounting. The significant components of such temporary differences as at 31st March, 2000 and 1999 were as follows:

	¥ million		US\$ thousand
	2000	1999	2000
Deferred Tax Assets:			
Reserve for Possible Loan Losses	¥442,696	¥412,905	\$4,170,478
Revaluation Loss on Securities	54,384	28,786	512,338
Reserve for Contingent Liabilities Related to Loans Sold	39,020	47,363	367,600
Loss Carryforward	14,379	88,531	135,469
Others	35,425	35,444	333,730
Subtotal	¥585,907	¥613,031	\$5,519,615
Valuation Allowance	(24,564)	(5,662)	(231,410)
Total Deferred Tax Assets	¥561,342	¥607,368	\$5,288,205
Deferred Tax Liabilities:			
Expenses Related to Lease Transactions, and Others	¥ 12,532	¥ —	\$ 118,069
Reserve for Losses on Overseas Investments, and Others	—	9,014	—
Total Deferred Tax Liabilities	¥ 12,532	¥ 9,014	\$ 118,069
Net Deferred Tax Assets	¥548,809	¥598,353	\$5,170,136

A reconciliation of the effective statutory income tax rate and the effective income tax rate reflected in the accompanying consolidated statements of income for the years ended 31st March, 2000 and 1999 was as follows:

	2000	1999
Effective Statutory Income Tax Rate	42.0%	47.7%
Increase (decrease) in taxes resulting from:		
Tax Rate Change	12.2%	(12.2%)
Loss Carryforward	(7.4%)	—
Tax Exempt Income	—	(4.8%)
Others (net)	(0.7%)	(4.0%)
Effective Income Tax Rate	46.1%	26.7%

For the fiscal year ended 31st March, 1999, due to the amendment of Japanese Tax Law, Sanwa Bank's effective statutory income tax rate decreased from 47.7% to 42.0% and, as a result, "Deferred Tax Assets" decreased by ¥79,072 million and "Income Taxes (Deferred)" increased by the same amount.

For the fiscal year ended 31st March, 2000, a special enterprise tax for banks which is imposed on gross operating profit rather than on net income was newly introduced and adopted by the Tokyo Metropolitan Assembly on 30th March, 2000 and was effective on 1st April, 2000. Due to this adoption, the enterprise tax imposed by the Tokyo Metropolitan Government on Sanwa Bank will be based on gross operating profit rather than on net income previously used on and after 1st April, 2000. As a result, the effective statutory income tax rate used for the calculation of deferred tax assets/liabilities declined from 42.0% to 39.8% and, consequently, "Deferred Tax Assets" decreased by ¥28,721 million and "Income Taxes (Deferred)" increased by the same amounts. In addition, "Deferred Tax Liabilities Related to Land Revaluation" decreased by ¥5,396 million and "Excess of Land Revaluation" increased by the same amount due to the decline of the effective statutory income tax rate as described above.

Similar to the new enterprise tax imposed by the Tokyo Metropolitan Government, a special enterprise tax for banks imposed on gross operating profit was adopted by the Osaka Prefectural Assembly on 9th June, 2000 and will be effective on 1st April, 2001. Due to this adoption, the effective statutory income tax rate would decline from 39.8% to 37.9% and, consequently, “Deferred Tax Assets” and “Deferred Tax Liabilities Related to Land Revaluation” would decrease by ¥25,263 million and ¥4,752 million, respectively, if such accounts were recalculated based on the temporary difference as at 31st March, 2000. However, these effects were not reflected in the consolidated balance sheet and statement of income for the fiscal year ended 31st March, 2000 since the adoption of the new enterprise tax was adopted after 31st March, 2000, the latest consolidated balance sheet date. The actual results will be different since such effects will be calculated based on the temporary difference as at 31st March, 2001.

10. PLEDGED ASSETS

The assets pledged as collateral as at 31st March, 2000 were as follows:

	¥ million	US\$ thousand
	2000	2000
Cash and Due from Banks	¥ 266	\$ 2,512
Call Loans and Bills Bought	8,093	76,250
Trading Assets	93,002	876,139
Securities	205,356	1,934,588
Loans and Bills Discounted	724,194	6,822,369

The liabilities corresponding to the pledged assets as at 31st March, 2000 were as follows:

	¥ million	US\$ thousand
	2000	2000
Deposits	¥ 198,131	\$ 1,866,527
Call Money and Bills Sold	566,503	5,336,820
Commercial Paper	8,079	76,110
Borrowed Money	102,210	962,891

Information above for the fiscal year ended 31st March, 1999 is not presented since it was not required for the fiscal year.

In addition to the pledged assets above, securities and other pledged assets of ¥1,096,263 million were pledged as collateral for clearing and derivative transactions, or as substitutes for margins of future transactions. Moreover, “Other Assets” included collateral deposits on bond borrowed of ¥495,398 million and margins of future transactions of ¥10,656 million and “Premises and Equipment” included securities deposits of ¥78,912 million.

11. DEPOSITS

Deposits as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Current Deposits	¥ 2,254,023	¥ 1,891,289	\$ 21,234,324
Ordinary Deposits	7,666,447	5,684,510	72,222,777
Deposits at Notice	1,937,373	2,332,994	18,251,285
Time Deposits	13,767,909	14,920,239	129,702,395
Other Deposits	3,282,307	3,644,656	30,921,407
Subtotal	28,908,061	28,473,690	272,332,188
Negotiable Certificates of Deposit	5,593,896	6,746,636	52,698,039
Total	¥34,501,958	¥35,220,326	\$325,030,227

12. TRADING LIABILITIES

Trading Liabilities as at 31st March 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Trading Account Securities Sold but not yet Purchased	¥252,531	¥329,000	\$2,379,006
Derivatives of Trading Account Securities	197	668	1,861
Derivatives of Securities Related to Trading Transactions	140	2,677	1,321
Trading-Related Financial Derivatives	198,405	211,313	1,869,107
Total	¥451,274	¥543,659	\$4,251,295

13. BORROWED MONEY AND COMMERCIAL PAPER

Borrowed Money as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand	Average Rate
	2000	1999	2000	2000
Borrowings from Financial Institutions Due in 2000-2031	¥837,544	¥1,039,335	\$7,890,197	2.87%
Bills Rediscounted	7,488	7,660	70,543	1.67%
Total	¥845,032	¥1,046,996	\$7,960,740	2.86%

Average rate presented above represents the weighted average rate based on the balances and rates as at 31st March, 2000.

Subordinated debts included in Borrowings from Financial Institutions as at 31st March, 2000 and 1999 were ¥569,341 million and ¥535,609 million, respectively.

Aggregate annual maturities on Borrowings from Financial Institutions subsequent to 31st March, 2000 are as follows:

Fiscal Year ended 31st March:	¥ million					
	2001	2002	2003	2004	2005	Thereafter
Borrowings from Financial Institutions	¥162,238	¥195,056	¥272,900	¥46,319	¥19,817	¥141,211

Average rate of Commercial Paper for the fiscal year ended 31st March, 2000 was 1.30%.

14. CORPORATE BONDS AND NOTES, AND CONVERTIBLE BONDS

Corporate Bonds and Notes, and Convertible Bonds as at 31st March, 2000 and 1999 consisted of the followings:

Issuer	Description of Bonds and Notes	¥ million *1		US\$ thousand	Rate
		2000	1999	2000	2000
(Corporate Bonds)					
Sanwa Bank	Straight Bonds, due in 2004 to 2009, payable in Yen	¥ 200,000	¥ —	\$ 1,884,126	1.18%–2.08%
	Subordinated Bonds, due in 2008, payable in Yen	100,000	100,000	942,063	0.76%
	Subordinated Bonds, perpetual, payable in Yen	100,000	100,000	942,063	0.55%
	Subordinated Notes, due in 2009, payable in Euro Yen	34,500	—	325,012	0.73%
Sanwa Finance Aruba A.E.C.	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, due in 2002-2009, payable in US Dollars	233,742 [US\$2,202,000 thousand]	144,901 [US\$1,202,000 thousand]	2,202,000	6.50%–8.35%
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, perpetual, payable in US Dollars	12,313 [US\$116,000 thousand]	16,997 [US\$141,000 thousand]	116,000	7.09%–7.17%
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, due in 2005-2014, payable in Yen	183,300	163,300	1,726,802	0.28%–3.52%
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, perpetual, payable in Yen	560,700	610,600	5,282,148	0.43%–4.15%
Other Subsidiaries	Other Corporate Bonds and Notes Issued by Subsidiaries, due in 2000-2011 *2	60,205	50,442	567,177	0.50%–12.00%
Subtotal		1,484,761	1,186,241	13,987,391	—
(Convertible Bonds)					
Sanwa Bank	Convertible Bonds, due in 2000, payable in US Dollars *3	1,027 [US\$4,250 thousand]	3,359 [US\$13,900 thousand]	9,677	2.75%
	Convertible Bonds, due in 2002, payable in US Dollars *4	—	14,209 [US\$99,580 thousand]	—	—
Subtotal		1,027	17,568	9,677	—
Total		¥1,485,788	¥1,203,809	\$13,997,068	—

*1 Figures in [] are the balances of Corporate Bonds and Notes, and Convertible Bonds in the original currency.

*2 Other Bonds and Notes Issued by Subsidiaries included secured notes of ¥512 million as at 31st March, 2000.

*3 The number of shares of common stock, which would have been issued upon full conversion of the Convertible Bonds due 2000 above as at 31st March, 2000, at the current conversion prices and the fixed exchange rates, was as follows:

	Exchange rates	Conversion price (yen)	Number of shares (thousands)
Convertible Bonds due 2000 in U.S. Dollars	U.S.\$1=¥244.90	1,268.50	820

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

*4 Convertible Bonds due in 2002 above were early redeemed on 29th October, 1999.

Aggregate scheduled maturities on Corporate Bonds and Notes, and Convertible Bonds subsequent to 31st March, 2000 are as follows:

Fiscal Year ended 31st March:	¥ million					
	2001	2002	2003	2004	2005	Thereafter
Corporate Bonds and Notes, and Convertible Bonds	¥11,487	¥20,854	¥13,235	¥2,312	¥150,000	¥1,287,899

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

15. OTHER LIABILITIES

Other Liabilities as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Domestic Exchange Settlement (credit)	¥ 3,391	¥ 4,368	\$ 31,952
Accrued Expenses	389,402	495,090	3,668,422
Unearned Income	75,917	79,017	715,186
Income Taxes Payable	50,879	3,152	479,319
Employees' Savings Deposits	42,940	43,929	404,531
Trading Account Securities Borrowed	606,460	1,014,280	5,713,236
Securities Borrowed	—	294,070	—
Collateral Deposits on Securities Lent	848,284	331,537	7,991,378
Others	310,149	280,197	2,921,803
Total	¥2,327,426	¥2,545,643	\$21,925,827

16. OTHER RESERVES

Other Reserves as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Reserves for:			
Contingent Liabilities from Brokering of Financial Futures Transactions	¥17	¥28	\$169
Contingent Liabilities from Brokering of Securities Transactions	6	5	65
Total	¥24	¥33	\$234

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

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

17. ACCEPTANCES AND GUARANTEES

Acceptances and Guarantees as at 31st March, 2000 and 1999 consisted of the followings:

	¥ million		US\$ thousand
	2000	1999	2000
Acceptances	¥ 14,809	¥ 15,890	\$ 139,519
Letters of Credit	112,648	143,835	1,061,224
Guarantees	1,385,633	1,789,085	13,053,545
Total	¥1,513,092	¥1,948,812	\$14,254,288

18. 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, 2000 and 1999 was 7,000,000,000 shares.

The authorised number of shares of preferred stock, with no par value, as at 31st March, 2000 and 1999 was 1,400,000,000 shares, of which 1,000,000,000 shares are convertible and 400,000,000 shares are nonconvertible.

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 was/is 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. On 1st August, 1999, the conversion price was reset to ¥1,228.20 per 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 was/is 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. On 1st August, 1999, the conversion price was reset to ¥1,256.70 per common stock.

Stock Option

The conditions of stock options granted to directors and employees on 4th August, 1999 as provided for by article 280-19 of the Japanese Commercial Code are as follows:

Upon Exercise of Stock Option

Type of Stock to be Issued: Par Value Common Stock

Number of Shares to be Issued: 236 thousand Shares

Issue Price per Share to be Issued: ¥1,294 per Share

19. OTHER INTEREST INCOME

The composition of Other Interest Income for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Interest on Deposits with Banks	¥ 51,335	¥ 67,090	¥139,575	\$ 483,611
Interest on Interest Swaps	275,105	332,775	464,234	2,591,672
Other Interest Income	61,547	75,504	130,401	579,813
Total	¥387,988	¥475,371	¥734,211	\$3,655,096

20. FEES AND COMMISSIONS (INCOME)

The composition of Fees and Commissions (Income) for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Fees and Commissions (Income) on:				
Domestic and Foreign Exchanges	¥ 52,383	¥ 49,500	¥ 50,974	\$ 493,484
Others	108,604	157,752	79,860	1,023,121
Total	¥160,987	¥207,252	¥130,834	\$1,516,605

21. TRADING REVENUE AND EXPENSES

The composition of Trading Revenue for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Revenue from Trading Account Securities and Derivatives	¥15,304	¥ 17,644	¥ 44,867	\$ 144,179
Revenue from Securities and Derivatives Related to Trading Transactions	—	—	239	—
Revenue from Trading-Related Financial Derivatives Transactions	22,898	33,905	31,967	215,714
Other Trading Revenue	1,145	2,335	1,338	10,793
Total	¥39,348	¥ 53,885	¥ 78,413	\$370,686

Trading Expenses, which consisted of Expenses on Securities and Derivatives Related to Trading Transactions only, for the years ended 31st March, 2000 and 1999 were ¥2,536 million and ¥143 million, respectively.

22. OTHER OPERATING INCOME

The composition of Other Operating Income for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Foreign Exchange Transaction Gains (Net)	¥ 22,799	¥ 32,609	¥ —	\$ 214,786
Gains on Sales of Bonds included in Securities	187,024	297,742	86,173	1,761,889
Gains on Redemption of Bonds included in Securities	4,982	2,984	6,513	46,937
Others	61,554	11,722	5,858	579,878
Total	¥276,360	¥345,059	¥98,545	\$2,603,490

23. OTHER INCOME

The composition of Other Income for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Gains on Sales of Stocks and Other Equity Securities	¥418,409	¥21,399	¥226,286	\$3,941,678
Gains on Money Held in Trust	2,123	1,687	5,008	20,001
Gains on Sales of Premises and Equipment	881	38,407	60,288	8,300
Collection of Written-off Claims	7,191	180	164	67,748
Equity in Earnings of Affiliates	10,023	—	—	94,430
Others	13,775	18,925	22,319	129,775
Total	¥452,404	¥80,600	¥314,066	\$4,261,932

24. OTHER INTEREST EXPENSES

The composition of Other Interest Expenses for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Interest on Corporate Bonds and Notes	¥ 32,195	¥ 53,009	¥ 54,039	\$ 303,301
Interest on Convertible Bonds	130	273	270	1,228
Interest on Interest Swaps	328,577	398,844	513,799	3,095,404
Other Interest Expenses	51,708	86,376	41,035	487,126
Total	¥412,611	¥538,503	¥609,146	\$3,887,059

25. FEES AND COMMISSIONS (EXPENSES)

The composition of Fees and Commissions (Expenses) for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Fees and Commissions (Expenses) on:				
Domestic and Foreign Exchanges	¥12,129	¥12,302	¥13,170	\$114,267
Others	39,035	74,218	33,127	367,741
Total	¥51,165	¥86,520	¥46,298	\$482,008

26. OTHER OPERATING EXPENSES

The composition of Other Operating Expenses for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Foreign Exchange Transaction Losses (Net)	¥ —	¥ —	¥ 4,975	\$ —
Losses on Sales of Bonds included in Securities	156,737	184,098	37,729	1,476,571
Losses on Redemption of Bonds included in Securities	3,666	6,397	6,676	34,543
Revaluation Loss of Bonds included in Securities	—	6,412	1,403	—
Others	61,464	2,898	2,484	579,032
Total	¥221,869	¥199,807	¥53,269	\$2,090,146

27. OTHER EXPENSES

The composition of Other Expenses for the fiscal years ended 31st March, 2000, 1999 and 1998 was as follows:

	¥ million			US\$ thousand
	2000	1999	1998	2000
Transfer to Reserve for Possible Loan Losses	¥ 71,269	¥ 352,008	¥386,011	\$ 671,402
Write-off of Loans	297,782	31,743	7,694	2,805,295
Losses on Sales of Stocks and Other Equity Securities	72,715	42,714	15,211	685,022
Revaluation Loss of Stocks and Other Equity Securities	29,047	61,366	3,823	273,647
Losses on Money Held in Trust	68	287	438	650
Enterprise Taxes	—	—	(30,454)	—
Amortisation of Goodwill	661	1,084	—	6,229
Equity in Earnings of Affiliates	—	1,027	—	—
Losses on Sales of Premises and Equipment	17,723	5,162	2,178	166,963
Losses on Sales of Corporate Mortgage Loans to the Cooperative Credit Purchasing Company, Limited	11,711	34,209	126,663	110,326
Others	38,487	636,917	456,615	362,576
Total	¥539,465	¥1,166,522	¥968,182	\$5,082,110

“Enterprise Taxes” for the fiscal year ended 31st March, 1998 were negative due to the tax effects for the consolidated financial statements.
In addition, “Others” as at end of each fiscal year in the table presented above included the followings:

For the Fiscal Year Ended 31st March, 2000

“Others” included the transfer of ¥10,922 million to “Reserve for Contingent Liabilities Related to Loans Sold” and the transfer of ¥3,372 million to “Reserve for Supporting Specific Borrowers.”

For the Fiscal Year Ended 31st March, 1999

“Others” included the losses of ¥68,924 million for 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.

For the Fiscal Year Ended 31st March, 1998

“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.

28. LEASE TRANSACTIONS

(a) Information on finance lease transactions, other than those in 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 for the respective fiscal years):

(1) Lessee side

	¥ million		US\$ thousand
	2000	1999	2000
Estimated Cost	¥2,743	¥1,982	\$25,847
Estimated Accumulated Depreciation Deducted	1,821	1,285	17,162
Net Estimated Balance	¥ 921	¥ 697	\$ 8,685

	¥ million			US\$ thousand
	2000	1999	1998	2000
Total of Future Lease Payment to be Paid:				
Within 1 Year	¥ 528	¥ 440	¥1,645	\$ 4,980
More than 1 Year	845	607	6,501	7,963
Total	¥1,373	¥1,048	¥8,146	\$12,943

	¥ million			US\$ thousand
	2000	1999	1998	2000
Amount during the Term:				
Lease Payment	¥ 624	¥ 465	¥1,914	\$ 5,879
Estimated Depreciation	542	445	*	5,113
Estimated Interest Payment	70	76	*	667

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 Accountant.

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 interest method.

(2) Lessor side

	¥ million		US\$ thousand
	2000	1999	2000
Cost	¥225,021	¥208,497	\$2,119,844
Accumulated Depreciation Deducted	125,933	109,890	1,186,374
Net Balance	¥ 99,087	¥ 98,606	\$ 933,470

	¥ million			US\$ thousand
	2000	1999	1998	2000
Total of Future Lease Payment to be Received:				
Within 1 Year	¥ 44,773	¥ 43,512	¥ —	\$ 421,798
More than 1 Year	88,142	90,113	—	830,362
Total	¥132,916	¥133,626	¥ —	\$1,252,160

	¥ million			US\$ thousand
	2000	1999	1998	2000
Amount during the Term:				
Lease Receipt	¥ 50,106	¥ 42,333	¥ —	\$ 472,039
Depreciation	44,642	37,402	*	420,558
Estimated Interest Receipt	5,333	4,930	*	50,243

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

	¥ million			US\$ thousand
	2000	1999	1998	2000
Total of Future Lease Payment to be Paid:				
Within 1 Year	¥ 5,312	¥ 6,232	¥ 8,253	\$ 50,044
More than 1 Year	32,759	36,472	50,689	308,618
Total	¥38,071	¥42,705	¥58,943	\$358,662

(2) Lessor side

	¥ million			US\$ thousand
	2000	1999	1998	2000
Total of Future Lease Payment to be Received:				
Within 1 Year	¥ 810	¥ 224	¥ 9,801	\$ 7,635
More than 1 Year	4,047	1,090	28,670	38,134
Total	¥ 4,858	¥ 1,315	¥38,472	\$ 45,769

29. SIGNIFICANT TRANSACTIONS RELATED TO CASH FLOWS

Significant transactions related to cash flows for the fiscal year ended 31st March, 2000 were as follows:

(a) Assets and liabilities of the Sanwa Trust and Banking Company, Limited excluded from the scope of the consolidation by sales of stocks, and the related cash flows

	¥ million	US\$ thousand
	2000	2000
Assets (Total)	¥16,106	\$151,731
<i>Call Loans</i>	15,000	141,309
Liabilities (Total)	(6,046)	(56,962)
<i>Borrowed Money from Trust Account</i>	(5,179)	(48,796)
Gains on Sales of the Stock	1,595	15,028
Proceeds from the Sales	¥11,655	\$109,797
Cash and Cash Equivalents of Sanwa Trust and Banking Company, Limited	(349)	(3,289)
Net Inflow of Cash and Cash Equivalents from Sales	¥11,305	\$106,508

(b) Major Non-Cash Transactions

	¥ million	US\$ thousand
	2000	2000
Increase in Common Stock due to Conversion of Convertible Bonds	¥ 1,166	\$ 10,987
Increase in Additional Paid in Capital due to Conversion of Convertible Bonds	1,166	10,986
Decrease in Convertible Bonds due to Conversion	¥ 2,332	\$ 21,973

Information above for the fiscal year ended 31st March, 1999 and 1998 is not presented since it was not required for the fiscal years.

30. SUBSEQUENT EVENTS

At the general meeting of shareholders of Sanwa Bank held on 28th June, 2000, the payments of final dividends for the fiscal year ended 31st March, 2000 of ¥3.50 per share and totaling ¥10,164 million in common stock, and of ¥18.75 per share and totaling ¥937 million in first series preferred stock, and ¥7.95 per share and totaling ¥1,590 million in first series class A preferred stock were approved. In accordance with Japanese accounting practices, the dividends were not accrued in the consolidated financial statements.

31. SEGMENT INFORMATION

(a) Segment Information by Type of Business

Some subsidiaries conduct businesses other than banking, such as securities, trust banking and leasing. 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

The following tables present assets and recurring profit information relating to the international and domestic operations of Sanwa Group by major geographic areas, based on the degrees of geographic adjacency, similarity of economic activities, and relationships of business operations.

¥ million							
Year ended 31st March, 2000	Japan	The Americas	Europe	Asia/Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Recurring Income	¥ 1,892,647	¥ 251,141	¥ 134,423	¥ 217,204	¥ 2,495,417	¥ (276,579)	¥ 2,218,838
(1) Recurring Income from Outside Customers	1,732,768	194,528	100,001	191,539	2,218,838	—	2,218,838
(2) Internal Recurring Income between Segments	159,879	56,612	34,422	25,664	276,579	(276,579)	—
II Recurring Expenses	1,691,502	223,890	141,466	174,573	2,231,432	(256,403)	1,975,028
Recurring Profit (Loss) (I-II)	¥ 201,145	¥ 27,250	¥ (7,042)	¥ 42,630	¥ 263,984	¥ (20,175)	¥ 243,809
III Assets	¥43,916,459	¥4,144,185	¥1,908,656	¥5,845,085	¥55,814,387	¥(8,912,400)	¥46,901,986

¥ million							
Year ended 31st March, 1999	Japan	The Americas	Europe	Asia/Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
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

¥ million							
Year ended 31st March, 1998	Japan	The Americas	Europe	Asia/Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
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

US\$ thousand							
Year ended 31st March, 2000	Japan	The Americas	Europe	Asia/Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Recurring Income	\$ 17,829,938	\$ 2,365,910	\$ 1,266,357	\$ 2,046,200	\$ 23,508,405	\$ (2,605,549)	\$ 20,902,856
(1) Recurring Income from Outside Customers	16,323,773	1,832,580	942,078	1,804,425	20,902,856	—	20,902,856
(2) Internal Recurring Income between Segments	1,506,165	533,330	324,279	241,775	2,605,549	(2,605,549)	—
II Recurring Expenses	15,935,017	2,109,190	1,332,703	1,644,592	21,021,502	(2,415,484)	18,606,018
Recurring Profit (Loss) (I-II)	\$ 1,894,921	\$ 256,720	\$ (66,346)	\$ 401,608	\$ 2,486,903	\$ (190,065)	\$ 2,296,838
III Assets	\$413,720,771	\$39,040,846	\$17,980,744	\$55,064,395	\$525,806,756	\$(83,960,439)	\$441,846,317

Notes: 1. Recurring Income represents "Total Income" excluding mainly "Gains on Sales of Premises and Equipment," "Collection of Written-off Claims." Recurring Expense represents "Total Expenses" excluding mainly "Losses on Sales of Premises and Equipment." Recurring Income and Recurring Profit (Loss) are presented in substitute for Net Sales and Operating Profit (Loss) for non-financial companies.

2. The Americas includes, but not limited to, the United States and Canada. Europe includes, but not limited to, England and Belgium. Asia/Oceania excluding Japan includes, but not limited to, Hong Kong and Australia.

3. The effects on the segment information for each fiscal year due to the change of accounting treatments are as follows:

For the Fiscal Year Ended 31st March, 2000

"Reserve for Possible Loan Losses" which had been previously reported in Liabilities was reported in Assets as a contra account as at the end of the fiscal year, due to the revision of forms prescribed by the Japanese Banking Law. As a result of this change, Assets of Japan, The Americas, and Asia/Oceania decreased by ¥722,575 million, ¥15,817million, and ¥12,948 million, respectively. (See Note 2(p).)

For the Fiscal Year Ended 31st March, 1999

The useful life for buildings for the calculation of depreciation was shortened due to the amendments of Japanese Tax Laws. As a result, Recurring Loss increased by ¥514 million for the fiscal year and Assets as at the end of the fiscal year decreased by the same amount with respect to Japan. (See Note 2(f).) In addition, Recurring Loss in Japan and Asia/Oceania for the fiscal year increased by ¥773 million and ¥1,083 million, respectively, reflecting the change in accounting treatments on "Enterprise Taxes," "Amortisation of Goodwill," and "Equity in Earnings of Affiliates." (See Note 2(p).)

For the Fiscal Year Ended 31st March, 1998

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 was 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(e).)

(c) Recurring Income from Overseas/International Operations

Year ended 31st March,	¥ million		Ratio
	Recurring Income from Overseas Operations	Consolidated Recurring Income	Ratio of Recurring Income from Overseas Operations to Consolidated Recurring Income
2000	¥486,069	¥2,218,838	21.9%

Year ended 31st March,	US\$ thousands		Ratio
	Recurring Income from Overseas Operations	Consolidated Recurring Income	Ratio of Recurring Income from Overseas Operations to Consolidated Recurring Income
2000	\$4,579,083	\$20,902,856	21.9%

Notes: 1. For the fiscal year ended 31st March, 2000, Recurring Income from Overseas Operations has been used instead of International Operations previously used in order to reflect more precise conditions of overseas transactions.

2. Recurring Income from Overseas Operations includes recurring income from transactions of Sanwa Bank's overseas branches and of overseas consolidated subsidiaries (excluding recurring income from intercompany transactions). Segment Information for Recurring Income from Overseas Operations by location is not presented since counterparts of such massive number of transactions are not classified by location.

Year ended 31st March,	¥ million		Ratio
	Recurring Income from International Operations	Consolidated Recurring Income	Ratio of Recurring Income from International Operations to Consolidated Recurring Income
1999	¥1,176,716	¥2,370,830	49.6%
1998	1,573,523	2,724,451	57.7%

Notes: 1. Recurring Income from International Operations is presented in substitute for Overseas Sales for non-financial companies.
2. Recurring Income from International Operations primarily includes recurring income from domestic transactions in foreign currencies, and from transactions of Sanwa Bank's overseas branches and of overseas consolidated subsidiaries (excluding recurring income from intercompany transactions). Segment Information for Recurring Income from International Operations by location is not presented since counterparts of such massive number of transactions are not classified by location.

32. MARKET VALUES OF SECURITIES

Book values, market values or estimated market values and unrealised profit/(loss) of securities as at 31st March, 2000 and 1999 are shown in the following tables. Such values of securities are presented on a consolidated basis as at 31st March, 2000 and on a non-consolidated basis (i.e., Sanwa Bank only) as at 31st March, 1999 since such information was required only on a non-consolidated basis up until 31st March, 1999.

Listed Securities (Consolidated)

31st March, 2000	Book Value	Market Value	¥ million		
			Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Securities					
Bonds	¥1,381,883	¥1,358,154	¥ (23,729)	¥ 1,925	¥ (25,654)
Stocks	3,174,044	4,247,985	1,073,940	1,411,992	(338,051)
Others	477,231	511,257	34,026	40,212	(6,185)
Total	¥5,033,159	¥6,117,397	¥1,084,238	¥1,454,129	¥(369,891)

Listed Securities (Consolidated)

31st March, 2000	Book Value	Market Value	US\$ thousand		
			Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Securities					
Bonds	\$ 13,018,215	\$ 12,794,671	\$ (223,544)	\$ 18,140	\$ (241,684)
Stocks	29,901,503	40,018,705	10,117,202	13,301,858	(3,184,656)
Others	4,495,818	4,816,367	320,549	378,823	(58,274)
Total	\$ 47,415,536	\$ 57,629,743	\$ 10,214,207	\$ 13,698,821	\$ (3,484,614)

Listed Securities (Non-consolidated)

31st March, 1999	Book Value	Market Value	¥ million		
			Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
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)

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

4. The following tables show the estimated market values of unlisted securities of which market values can be evaluated.

Unlisted Securities (Consolidated)

		¥ million			
31st March, 2000	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Securities					
Bonds	¥1,434,606	¥1,435,497	¥ 890	¥ 2,825	¥ (1,934)
Stocks	27,078	104,345	77,266	81,553	(4,286)
Others	97,996	100,902	2,905	5,295	(2,389)
Total	¥1,559,681	¥1,640,744	¥ 81,063	¥ 89,674	¥ (8,611)

Unlisted Securities (Consolidated)

		US\$ thousand			
31st March, 2000	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Securities					
Bonds	\$ 13,514,897	\$ 13,523,289	\$ 8,392	\$ 26,620	\$ (18,228)
Stocks	255,097	982,997	727,900	768,282	(40,382)
Others	923,192	950,567	27,375	49,888	(22,513)
Total	\$ 14,693,186	\$ 15,456,853	\$ 763,667	\$ 844,790	\$ (81,123)

Unlisted Securities (Non-consolidated)

		¥ million			
31st March, 1999	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
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)

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 indicative 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

33. ESTIMATED MARKET VALUES OF MONEY HELD IN TRUST

Book values, estimated market values and unrealised profit/(loss) of Money Held in Trust as at 31st March, 2000 and 1999 are shown in the following tables. Such values of money held in trust are presented on a consolidated basis as at 31st March, 2000 and only on a non-consolidated basis (i.e., Sanwa Bank only) as at 31st March, 1999 since such information was required only on a non-consolidated basis up until 31st March, 1999.

¥ million					
31st March, 2000	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Money Held in Trust (Consolidated)	¥46,688	¥47,322	¥633	¥741	¥(107)

US\$ thousand					
31st March, 2000	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Money Held in Trust (Consolidated)	\$439,833	\$445,805	\$5,972	\$6,985	\$(1,013)

¥ million					
31st March, 1999	Book Value	Estimated Market Value	Unrealised Profit/(Losses)		
			Net	Unrealised Profit	Unrealised Loss
Money Held in Trust (Non-consolidated)	¥315,484	¥315,875	¥391	¥473	¥(81)

Notes: Estimated market values are based at the price calculated by the 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 indicative yields announced by the Japan Securities Dealers Association
 Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association

34. DERIVATIVE FINANCIAL INSTRUMENTS

Contractual values or notional principal amounts, market values or estimated market values and unrealised profit/(loss) of derivative financial instruments as at 31st March, 2000 and 1999 are shown in the following tables. Such values of derivative financial instruments are presented on a consolidated basis as at 31st March, 2000 and on a non-consolidated basis (i.e., Sanwa Bank only) as at 31st March, 1999 since such information was required only on a non-consolidated basis up until 31st March, 1999.

(a) Interest Rate Related Transactions

(Consolidated Basis)

31st March, 2000	Contractual Value or Notional Principal Amount		Market Value	Unrealised Profit/(Loss)
		Over 1 Year		
				¥ million
Standardised				
Interest Rate Futures				
Sold	¥ 1,080,046	¥ 26,143	¥1,078,332	¥ 1,713
Bought	566,868	17,292	565,813	(1,055)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed • Payments Floating	27,431,418	14,432,567	254,933	254,933
Receipts Floating • Payment Fixed	28,295,498	14,765,523	(191,112)	(191,112)
Basis Swaps	1,543,250	1,027,515	(4,016)	(4,016)
Caps				
Sold	637,427	365,801		
Option Premium	3,830		631	3,199
Bought	498,259	340,609		
Option Premium	4,386		323	(4,063)
Floors				
Sold	15,458	8,850		
Option Premium	0		133	(133)
Bought	93,542	57,644		
Option Premium	54		1,636	1,581
Others				
Sold	69,991	69,291		
Option Premium	347		1,649	(1,302)
Bough	119,728	78,808		
Option Premium	4		2,382	2,378
Total				¥ 62,121

US\$ thousand

31st March, 2000	Contractual Value or Notional Principal Amount		Market Value	Unrealised Profit/(Loss)
		Over 1 Year		
Standardised				
Interest Rate Futures				
Sold	\$ 10,174,721	\$ 246,287	\$10,158,576	\$ 16,145
Bought	5,340,261	162,902	5,330,320	(9,941)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed • Payments Floating	258,421,272	135,963,892	2,401,631	2,401,631
Receipts Floating • Payment Fixed	266,561,460	139,100,555	(1,800,404)	(1,800,404)
Basis Swaps	14,538,395	9,679,847	(37,842)	(37,842)
Caps				
Sold	6,004,974	3,446,085		
Option Premium	36,090		5,946	30,144
Bought	4,693,923	3,208,760		
Option Premium	41,328		3,044	(38,284)
Floors				
Sold	145,633	83,376		
Option Premium	1		1,258	(1,257)
Bought	881,231	543,044		
Option Premium	517		15,413	14,896
Others				
Sold	659,365	652,770		
Option Premium	3,269		15,535	(12,266)
Bought	1,127,922	742,430		
Option Premium	45		22,448	22,403
Total				\$ 585,225

(Non-consolidated Basis)

				¥ million	
31st March, 1999	Contractual Value or Notional Principal Amount			Market Value	Unrealised Profit/(Loss)
		Over 1 Year			
Standardised					
Interest Rate Futures					
Sold	¥ 733,916	¥	—	¥ 734,285	¥ (368)
Bought	250,009		—	250,277	268
Over-the-counter					
Interest Rate Swaps					
Receipts Fixed • Payments Floating	25,941,613	14,172,874		668,880	668,880
Receipts Floating • Payment 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)

- 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 ¥98,767 million (unrealised profit) and ¥49,619 million (unrealised profit) between accrued interest receivable and accrued interest payable as at 31st March, 2000 and 1999, respectively.
3. "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents option premium recorded in the consolidated/non-consolidated balance sheet.

4. The following tables show 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 consolidated/non-consolidated statements of income. Derivatives positions are carried at fair value.

(Consolidated Basis)

31st March, 2000	¥ million		US\$ thousand	
	Contractual Value or Notional Principal Amount	Market Value	Contractual Value or Notional Principal Amount	Market Value
Standardised				
Interest Rate Futures				
Sold	¥ 6,456,890	¥ 6,448,076	\$ 60,827,981	\$ 60,744,953
Bought	7,556,789	7,544,483	71,189,722	71,073,794
Interest Rate Options				
Sold Call	1,795,721		16,916,832	
Option Premium	511	263	4,819	2,481
Put	2,032,166		19,144,294	
Option Premium	642	462	6,054	4,358
Bought Call	484,650		4,565,710	
Option Premium	208	162	1,966	1,531
Put	503,789		4,746,016	
Option Premium	159	177	1,498	1,672
Over-the-counter				
Forward Rate Agreements				
Sold	1,652,991	(388)	15,572,219	(3,657)
Bought	3,003,882	(47)	28,298,472	(451)
Interest Rate Swaps				
Receipts Fixed • Payments Fixed	1,000	15	9,421	146
Receipts Fixed • Payments Floating	35,189,874	281,808	331,510,827	2,654,812
Receipts Floating • Payments Fixed	34,361,415	(263,619)	323,706,226	(2,483,466)
Basis Swaps	2,206,955	(423)	20,790,914	(3,993)
Caps				
Sold	1,717,268		16,177,753	
Option Premium	14,199	8,522	133,768	80,284
Bought	1,354,065		12,756,154	
Option Premium	5,861	8,799	55,216	82,901
Floors				
Sold	425,353		4,007,096	
Option Premium	519	1,053	4,896	9,925
Bought	494,444		4,657,976	
Option Premium	1,356	7,580	12,778	71,412
Others				
Sold	603,972		5,689,801	
Option Premium	3,117	(1,878)	29,371	(17,693)
Bought	732,220		6,897,978	
Option Premium	3,851	12,946	36,283	121,963

(Non-consolidated Basis)

31st March, 1999	¥ million	
	Contractual Value or Notional Principal Amount	Market Value
Standardised		
Interest Rate Futures		
Sold	¥ 4,496,284	¥4,503,936
Bought	5,345,742	5,351,239
Interest Rate Options		
Sold Call	5,285,751	
Option Premium	1,862	1,508
Put	4,896,323	
Option Premium	1,282	810
Bought Call	2,553,882	
Option Premium	1,004	663
Put	795,293	
Option Premium	169	121
Over-the-counter		
Forward Rate Agreements		
Sold	217,902	405
Bought	432,537	(1,130)
Interest Rate Swaps		
Receipts Fixed • Payments Floating	26,977,994	587,333
Receipts Floating • Payments Fixed	23,624,113	(554,955)
Basis Swaps	1,453,154	2,004
Caps		
Sold	1,364,795	
Option Premium	11,419	4,697
Bought	843,674	
Option Premium	5,237	3,521
Floors		
Sold	345,848	
Option Premium	659	4,060
Bought	286,390	
Option Premium	1,101	8,272
Others		
Sold	1,069,776	
Option Premium	3,918	4,404
Bought	587,536	
Option Premium	4,271	7,970

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

(b) Foreign Exchange Related Transactions*(Consolidated Basis)*

¥ million					
31st March, 2000	Notional Principal Amount			Market Value	Unrealised Profit/(Loss)
		Over 1 Year			
Over-the-counter					
Currency Swaps	¥1,823,454	¥826,416		¥ 12,157	¥ 12,157
U.S. Dollars	1,329,943	685,796		4,876	4,876
British Pounds	119,115	9,442		744	744
EURO	106,212	14,471		4,185	4,185
Others	268,182	116,705		2,350	2,350
Foreign Exchange Forward Contracts					
Sold	570	—		10	10
Bought	545	—		12	12
Total					¥ 12,180

US\$ thousand					
31st March, 2000	Notional Principal Amount			Market Value	Unrealised Profit/(Loss)
		Over 1 Year			
Over-the-counter					
Currency Swaps	\$17,178,089	\$7,785,367		\$ 114,529	\$ 114,529
U.S. Dollars	12,528,906	6,460,638		45,944	45,944
British Pounds	1,122,144	88,957		7,009	7,009
EURO	1,000,588	136,328		39,433	39,433
Others	2,526,451	1,099,444		22,143	22,143
Foreign Exchange Forward Contracts					
Sold	5,379	—		104	104
Bought	5,137	—		116	116
Total					\$ 114,749

(Non-consolidated Basis)

¥ million					
31st March, 1999	Notional Principal Amount			Market Value	Unrealised Profit/(Loss)
		Over 1 Year			
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)

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 ¥147 million (unrealised profit) and ¥12 million (unrealised profit) between accrued interest receivable and accrued interest payable as at 31st March, 2000 and 1999, respectively.

3. The following tables show 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 consolidated/non-consolidated statements of income. Derivatives positions are carried at fair value.

(Consolidated Basis)

31st March, 2000	¥ million		US\$ thousand	
	Notional Principal Amount	Market Value	Notional Principal Amount	Market Value
Over-the-counter				
Currency Swaps				
U.S. Dollars	¥1,645,511	¥20,434	\$15,501,757	\$192,503
British Pounds	11,520	42	108,531	404
EURO	86,974	848	819,356	7,990
Others	104,901	(8,216)	988,239	(77,408)
Total	¥1,848,908	¥13,108	\$17,417,883	\$123,489

(Non-consolidated Basis)

31st March, 1999	¥ million	
	Notional Principal Amount	Market Value
Over-the-counter		
Currency Swaps		
U.S. Dollars	¥1,081,668	¥6,547
Swiss Francs	26,839	(61)
British Pounds	17,819	(525)
Deutsche Marks	49,081	(95)
Others	31,331	385
Total	¥1,206,742	¥6,250

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/(losses) are affected to the consolidated/non-consolidated statements of income. The following tables show the contractual values of foreign exchange related transactions affecting the consolidated/non-consolidated statements of income by revaluation at the end of the fiscal years.

(Consolidated Basis)

31st March, 2000	¥ million		US\$ thousand	
	Contractual Value		Contractual Value	
Standardised				
Currency Futures				
Sold	¥	1,160	\$	10,936
Bought		10,823		101,967
Over-the-counter				
Foreign Exchange Forward Contracts				
Sold		3,754,870		35,373,250
Bought		3,733,334		35,170,365
Currency Options				
Sold Call		173,909		1,638,341
Option Premium		2,318		21,838
Put		167,951		1,582,205
Option Premium		3,027		28,521
Bought Call		188,250		1,773,438
Option Premium		1,267		11,938
Put		204,667		1,928,097
Option Premium		3,346		31,524

(Non-consolidated Basis)

31st March, 1999	¥ million	
	Contractual Value	
Standardised		
Currency Futures		
Sold	¥	7,712
Bought		48,783
Over-the-counter		
Foreign Exchange Forward Contracts		
Sold		11,197,025
Bought		10,520,050
Currency Options		
Sold Call		249,774
Option Premium		3,178
Put		158,121
Option Premium		4,319
Bought Call		288,979
Option Premium		2,619
Put		210,318
Option Premium		4,672

Note: "Option Premium" in the column of "Contractual Value" represents option premium recorded in the consolidated/non-consolidated balance sheet.

(c) Equity Related Transactions

(Consolidated Basis)

31st March, 2000	Contractual Value		Market Value	Unrealised Profit/(Loss)
	Over 1 Year			
Over-the-counter				
Securities Over-the-counter Options				
Sold Call	¥ 3,030	¥ —		
Option Premium	414		¥ 651	¥ (236)
Put	—	—		
Option Premium	—		—	—
Bought Call	—	—		
Option Premium	—		—	—
Put	3,030	—		
Option Premium	414		199	(215)
Securities Over-the-counter Index Swaps				
Receipts Equity Index Return/Payments				
Short-term Floating-rate Interest	—	—	—	—
Receipts Short-term Floating-rate Interest/Payments Equity Index Return	1,310	—	(0)	(0)
Total				¥ (452)

US\$ thousand				
31st March, 2000	Contractual Value	Over 1 Year	Market Value	Unrealised Profit/(Loss)
Over-the-counter				
Securities Over-the-counter Options				
Sold Call	\$28,547	\$ —		
Option Premium	3,909		\$6,141	\$(2,232)
Put	—	—		
Option Premium	—		—	—
Bought Call	—	—		
Option Premium	—		—	—
Put	28,547	—		
Option Premium	3,909		1,883	(2,026)
Securities Over-the-counter Index Swaps				
Receipts Equity Index Return/Payments				
Short-term Floating-rate Interest	—	—	—	—
Receipts Short-term Floating-rate Interest/Payments Equity Index Return	12,341	—	(9)	(9)
Total				\$(4,267)
<i>(Non-consolidated Basis)</i>				
¥ million				
31st March, 1999	Contractual Value	Over 1 Year	Market Value	Unrealised Profit/(Loss)
Standardised				
Stock Index Futures				
Sold	¥8,914	¥ —	¥8,881	¥32
Bought	—	—	—	—
Total				¥32
<p>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.</p> <p>2. "Option Premium" in the column of "Contractual Value" represents option premium recorded in the consolidated/non-consolidated balance sheet.</p> <p>3. There were no standardised transactions as at 31st March, 2000 and no over-the-counter transactions as at 31st March, 1999.</p>				

4. The following tables show contractual value and market value of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above tables since the profit (loss) affected the consolidated/non-consolidated statements of income. Derivatives positions are carried at fair value. For non-consolidated financial statement purposes, however, there were no such derivatives as at 31st March, 1999 and, accordingly, no table is presented for the fiscal year.

(Consolidated Basis)

31st March, 2000	¥ million		US\$ thousand	
	Contractual Value	Market Value	Contractual Value	Market Value
Standardised				
Stock Index Options				
Sold Call	¥ 6,323		\$ 59,572	
Option Premium	—	¥ (23)	—	\$ (226)
Put	1,816		17,114	
Option Premium	—	(61)	—	(581)
Bought Call	—		—	
Option Premium	—	—	—	—
Put	8,702		81,980	
Option Premium	—	443	—	4,177
Over-the-counter				
Securities Over-the-counter Options				
Sold Call	—		—	
Option Premium	—	—	—	—
Put	350		3,297	
Option Premium	6	2	64	20
Bought Call	—		—	
Option Premium	—	—	—	—
Put	350		3,297	
Option Premium	3	2	33	19

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

(d) Bond Related Transactions

(Consolidated Basis)

31st March, 2000	¥ million		Market Value	Unrealised Profit/(Loss)
	Contractual Value	Over 1 Year		
Standardised				
Bond Futures				
Sold	¥1,482,173	¥ —	¥ 1,487,347	¥(5,173)
Bought	912,649	—	909,717	(2,932)
Total				¥(8,106)

31st March, 2000	US\$ thousand		Market Value	Unrealised Profit/(Loss)
	Contractual Value	Over 1 Year		
Standardised				
Bond Futures				
Sold	\$ 13,963,010	\$ —	\$ 14,011,749	\$ (48,739)
Bought	8,597,738	—	8,570,108	(27,630)
Total				\$ (76,369)

(Non-consolidated Basis)

				¥ million	
31st March, 1999	Contractual Value	Over 1 Year		Market Value	Unrealised Profit/(Loss)
Standardised					
Bond Futures					
Sold	¥ 215,014	¥ —		¥ 216,686	¥ (1,671)
Bought	13,860	—		13,815	(45)
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)

- Notes: 1. Market values for standardised products are calculated by using the closing prices of the Tokyo Stock Exchange and others. Market values for the over-the-counter trading are primarily based on options price calculation model.
2. "Option Premium" in the column of "Contractual Value" represents option premium recorded on the non-consolidated balance sheet.
3. There were no over-the-counter transactions as at 31st March, 2000.
4. The following tables show 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 consolidated/non-consolidated statements of Income. Derivatives positions are carried at fair value.

(Consolidated Basis)

				¥ million		US\$ thousand	
31st March, 2000	Contractual Value	Market Value		Contractual Value	Market Value		
Standardised							
Bond Futures							
Sold	¥ 101,189	¥ 101,727		\$ 953,267	\$ 958,336		
Bought	158,098	159,055		1,489,389	1,498,399		
Bond Futures Options							
Sold Call	62,416			588,000			
Option Premium	125	192		1,180	1,813		
Put	15,000			141,309			
Option Premium	27	16		254	155		
Bought Call	1,841			17,345			
Option Premium	13	27		124	258		
Put	13,548			127,639			
Option Premium	51	73		489	693		
Over-the-counter							
Bond Options							
Sold Call	—			—			
Option Premium	—	—		—	—		
Put	—			—			
Option Premium	—	—		—	—		
Bought Call	—			—			
Option Premium	—	—		—	—		
Put	47,000			442,770			
Option Premium	111	42		1,051	401		

(Non-consolidated Basis)

31st March, 1999	¥ million	
	Contractual Value	Market Value
Standardised		
Bond Futures		
Sold	¥ 422,105	¥ 424,786
Bought	193,485	193,660
Bond Futures Options		
Sold Call	35,000	
Option Premium	210	226
Put	4,500	
Option Premium	30	28
Bought Call	6,205	
Option Premium	72	71
Put	46,000	
Option Premium	468	221

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

(e) Commodity Related Transactions

There are no commodity related transactions as at 31st March, 2000 and 1999.

(f) Credit Derivative Transaction

The following tables show contractual value and market value of derivatives included in "Trading Assets/Liabilities."

The profit (loss) affected the consolidated/non-consolidated statements of income. Derivatives positions are carried at fair value.

There are no credit derivative transaction other than the ones included in "Trading Assets/Liabilities."

There were no standardised transactions as at 31st March, 2000 and 1999.

"Sold" represents the transactions accepting credit risks and "Bought" represents the transactions transferring credit risks.

(Consolidated Basis)

31st March, 2000	¥ million		US\$ thousand	
	Contractual Value	Market Value	Contractual Value	Market Value
Over-the-counter				
Credit Default Swaps				
Sold	¥ 500	¥ 1	\$ 4,710	\$ 12
Bought	27,350	(68)	257,656	(649)
Credit Default Option				
Sold	—	—	—	—
Bought	9,000	30	84,786	283

(Non-consolidated Basis)

31st March, 1999	¥ million	
	Contractual Value	Market Value
Over-the-counter		
Credit Default Swaps		
Sold	¥ 500	¥ (2)
Bought	500	3

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, 2000 and 1999, 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, 2000, 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31st March, 2000, 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 (e).

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 Aoyama Audit Corporation

ChuoAoyama Audit Corporation
Independent Certified Public Accountants

Tokyo, Japan
28th June, 2000

NON-CONSOLIDATED BALANCE SHEETS

As at 31st March, 2000 and 1999	¥ million		US\$ thousand
	2000	1999	2000
ASSETS:			
Cash and Due from Banks	¥ 2,211,933	¥ 1,822,322	\$ 20,837,811
Call Loans and Bills Bought	328,774	298,953	3,097,263
Monetary Receivables Bought	49,668	86,571	467,908
Trading Assets	383,202	653,625	3,610,012
Money Held in Trust	46,688	315,484	439,833
Securities	7,825,954	6,579,494	73,725,429
Loans and Bills Discounted	30,081,019	31,868,520	283,382,188
Foreign Exchange Assets	238,121	293,869	2,243,256
Other Assets	773,826	1,377,568	7,289,932
Premises and Equipment	544,583	604,228	5,130,325
Deferred Tax Assets	558,260	592,556	5,259,163
Customers' Liabilities for Acceptances and Guarantees	2,747,264	3,099,467	25,880,968
Reserve for Possible Loan Losses	(602,025)	—	(5,671,459)
Reserve for Losses on Investment to Securities	(2,203)	—	(20,760)
Total Assets	¥45,185,068	¥47,592,662	\$425,671,869
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits	¥33,855,251	¥34,418,987	\$318,937,837
Call Money and Bills Sold	2,254,267	2,872,958	21,236,626
Commercial Paper	236,000	136,500	2,223,269
Trading Liabilities	160,413	221,446	1,511,193
Borrowed Money	1,798,156	1,806,244	16,939,773
Foreign Exchange Liabilities	44,590	47,592	420,071
Corporate Bonds and Notes	440,000	200,000	4,145,078
Convertible Bonds	1,027	17,568	9,677
Other Liabilities	1,200,315	1,195,786	11,307,729
Reserve for Possible Loan Losses	—	1,216,119	—
Reserve for Retirement Allowances	27,301	28,419	257,198
Reserve for Contingent Liabilities Related to Loans Sold	97,870	112,637	921,997
Reserve for Supporting Specific Borrowers	49,650	—	467,737
Other Reserves	17	28	169
Deferred Tax Liabilities Related to Land Revaluation	98,693	113,785	929,755
Acceptances and Guarantees	2,747,264	3,099,467	25,880,968
Total Liabilities	43,010,820	45,487,542	405,189,077
Stockholders' Equity:			
First Series Preferred Stock	75,000	75,000	706,547
First Series Class A Preferred Stock	300,000	300,000	2,826,190
Common Stock	468,069	466,902	4,409,507
Additional Paid-in Capital	734,060	732,894	6,915,317
Legal Reserve	101,061	96,738	952,068
Excess of Land Revaluation	148,844	156,809	1,402,211
Retained Earnings	347,211	276,773	3,270,952
Total Stockholders' Equity	2,174,248	2,105,119	20,482,792
Total Liabilities and Stockholders' Equity	¥45,185,068	¥47,592,662	\$425,671,869

Retained Earnings include the unrealized profits from the transactions for trading purposes, which are not available for dividend. Such amounts as at 31st March, 2000 and 1999 were ¥36,552 million (\$344,344 thousand) and ¥47,336 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

For the Fiscal Years ended 31st March, 2000, 1999 and 1998	¥ million			US\$ thousand
	2000	1999	1998	2000
Income:				
Interest Income:	¥ 1,217,115	¥ 1,483,916	¥ 1,919,638	\$ 11,465,997
Interest on Loans and Discounts	700,058	869,731	1,030,532	6,594,992
Interest on and Dividends from Securities	138,251	171,630	178,499	1,302,413
Other Interest Income	378,806	442,554	710,606	3,568,592
Fees and Commissions	110,480	109,356	112,610	1,040,793
Trading Revenue	19,382	35,467	31,303	182,597
Other Operating Income	214,365	322,364	92,790	2,019,460
Other Income	431,249	99,940	314,403	4,062,645
Total Income	1,992,593	2,051,046	2,470,745	18,771,492
Expenses:				
Interest Expenses:	706,042	959,487	1,365,005	6,651,362
Interest on Deposits	261,881	423,995	716,005	2,467,093
Interest on Borrowings and Rediscounts	66,048	82,205	120,631	622,223
Other Interest Expenses	378,111	453,286	528,368	3,562,046
Fees and Commissions	50,212	46,635	46,733	473,032
Trading Expenses	2,536	143	—	23,896
Other Operating Expenses	162,392	194,574	53,578	1,529,840
General and Administrative Expenses	349,885	350,254	358,871	3,296,140
Other Expenses	555,694	1,120,086	987,290	5,234,993
Total Expenses	1,826,763	2,671,182	2,811,478	17,209,263
Income (Loss) before Income Taxes	165,830	(620,136)	(340,732)	1,562,229
Income Taxes (Current)	58,214	37,227	206	548,419
Income Taxes (Deferred)	24,601	(262,949)	—	231,759
Net Income (Loss) for Year	83,014	(394,414)	(340,938)	782,051
Retained Earnings at Beginning of Year	276,773	372,417	742,985	2,607,383
Adjustment to Retained Earnings Due to Initial Application of Deferred Tax Accounting	—	329,607	—	—
Appropriation of Retained Earnings:				
Transfer to Legal Reserve	(4,323)	(5,154)	(4,966)	(40,728)
Cash Dividends	(21,614)	(25,682)	(24,663)	(203,625)
Reversal of Excess of Land Revaluation	13,361	—	—	125,872
Total Appropriations	(12,576)	(30,836)	(29,629)	(118,481)
Retained Earnings at End of Year	¥ 347,211	¥ 276,773	¥ 372,417	\$ 3,270,953
			¥	US\$
Net Income (Loss) per Share:				
Basic	¥ 26.85	¥ (136.55)	¥ (117.52)	\$ 0.25
Fully Diluted	¥ 23.68	¥ —	¥ —	\$ 0.22

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

NOTES TO THE 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 accounting principles and practices generally accepted in Japan, which consist of several sources including the Statements and Opinions issued by the Business Accounting Deliberation Council, Financial Statements Regulation promulgated by the Ministry of Finance, the Japanese Commercial Code, and the Japanese Banking Law, and also have been in conformity with industry practices 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.

For the convenience of readers outside Japan, certain items presented in the non-consolidated financial statements filed with the Ministry of Finance have been reclassified. Furthermore, certain Japanese yen balances are translated into U.S. dollars in arithmetical manners at ¥106.15 to \$1, the effective exchange rate prevailing at the latest balance sheet date of 31st March, 2000. This translation, however, 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.

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 and the notes thereto may not be equal to the sum of the individual account balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Refer to Notes to the Consolidated Financial Statements.

3. 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, 2000 and 1999, together with the related non-consolidated statements of income and retained earnings for each of the three years in the period ended 31st March, 2000, 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, 2000 and 1999, and the non-consolidated results of its operations for each of the three years in the period ended 31st March, 2000, 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.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Independent Certified Public Accountants

Tokyo, Japan
28th June, 2000

CAPITAL ADEQUACY

Sanwa Group's capital ratio is subject to the capital adequacy guidelines set by the Financial Services Agency (the former Financial Supervisory Agency) which closely follow the risk-weighted approach proposed by the Bank for International Settlements (BIS). The following table presents the components of the capital and the risk-weighted assets for Sanwa Group's capital ratio under the guidelines.

31st March	¥ million	
	2000	1999
Tier I (Core Capital):		
Common Stock	¥ 453,085	¥ 451,788
Perpetual Non-cumulative Preferred Shares	375,000	375,000
Additional Paid-in Capital	734,060	732,894
Retained Earnings	464,221	356,748
Minority Interests (*)	237,875	220,074
Total Tier I Capital	¥ 2,264,243	¥ 2,136,506
Tier II (Supplementary Capital):		
Unrealised Gains on Securities, after 55% Discount	37,117	15,124
Excess of Land Revaluation, after 55% Discount	111,392	121,767
Reserve for Possible Loan Losses, excluding Specific Reserve	282,588	301,481
Subordinated Debts	1,470,626	1,437,299
Total Tier II Capital	¥ 1,901,724	¥ 1,875,673
Tier II Capital included as Qualifying Capital	¥ 1,901,724	¥ 1,875,673
Less: Holdings of Capital Instruments issued by Other Financial Institutions	112,333	102,613
Total Capital	¥ 4,053,634	¥ 3,909,566
Risk-Weighted Assets:		
Credit Risk Related Items:	32,761,352	34,373,654
Market Risk Related Items	318,636	954,039
Total Risk-Weighted Assets	¥33,079,988	¥35,327,694
Capital Ratio (%)	12.25%	11.06%

* "Minority Interests" in the above table includes the preference shares issued by the Sanwa Bank's consolidated subsidiaries. The total balances of such preference shares were ¥180,000 million as at 31st March, 2000 and 1999. The preference shares are described on the following pages.

OUTLINES OF PREFERENCE SHARES		
Issuer(s)	Sanwa Capital Finance 1 Limited	Sanwa Capital Finance 2 Limited
	Both incorporated with limited liability in the Cayman Islands	
Relation to Sanwa Bank	100% subsidiaries	
Business of the Issuer(s)	The principal purposes of the Issuers is to issue the Offered Shares to investors and to make subordinated loans to Sanwa Bank.	
Offered Securities	5,000 Floating Rate Non-cumulative Preference Shares, with a par value and liquidation preference of ¥10,000,000 per share (the "Offered Shares").	13,000 Floating Rate Non-cumulative Preference Shares, with a par value and liquidation preference of ¥10,000,000 per share (the "Offered Shares").
	The Offered Shares were privately placed. The Offered Shares are intended to provide holders with rights to liquidation preferences that are similar to those provided by Sanwa Bank's most senior preferred shares, and rights to dividends as described below under "Dividend Distribution Policy".	
Amount	¥50 billion	¥130 billion
Issuing Date	18th March, 1999	25th March, 1999
Maturity Date	Perpetual	
Redemption	The Offered Shares may be redeemed in whole or in part on any Dividend Payment Date commencing in July 2004 at the option of the Issuer. The Offered Shares may not be redeemed prior thereto except in whole upon the occurrence of certain tax events or capital events. Any redemption of the Offered Shares is subject to compliance with applicable regulatory requirements, including the prior approval of the Japanese regulatory authorities if then required.	The Offered Shares may be redeemed in whole or in part on any Dividend Payment Date commencing in July 2009 at the option of the Issuer. The Offered Shares may not be redeemed prior thereto except in whole upon the occurrence of certain tax events or capital events. Any redemption of the Offered Shares is subject to compliance with applicable regulatory requirements, including the prior approval of the Japanese regulatory authorities if then required.
Dividend Rate	Non-cumulative dividends are payable at a floating rate (with a step-up rate of 100bp for each dividend period in and after July 2009).	Non-cumulative dividends are payable at a floating rate (with no step-up rate).
Dividend Payment Dates	25th January and 25th July of each year (or if such day is not a Business Day on the immediately succeeding Business Day unless such day would fall in the next calendar month in which case such day shall be the immediately preceding Business Day).	
Dividend Distribution Policy	<p>The Offered Shares provide holders with rights to dividends as follows:</p> <p>(1) If Sanwa Bank pays any dividends on its common shares for any fiscal year, dividends will be paid on the subsequent two dividend payment dates ("Mandatory Dividend Payment Dates").</p> <p>(2) If a dividend payment date is not a Mandatory Dividend Payment Date, Sanwa Bank may determine in its discretion to reduce or eliminate dividends. If Sanwa Bank declares less than 100% of dividends payable on its most senior preferred shares for any fiscal year, dividends on the Offered Shares for the subsequent two dividend payment dates will be limited to the same percentage.</p> <p>Notwithstanding (1) or (2), dividends will be reduced or eliminated if Sanwa Bank has insufficient distributable profits as described below, and no dividends will be payable if Sanwa Bank is insolvent or in liquidation ("Liquidation Period") or fails to meet applicable capital requirements ("Supervisory Period").</p>	

Loss Absorption Event	<p>As Loss Absorption Events, dividends will not be paid if Sanwa Bank delivers to the Issuers a certificate stating that Sanwa Bank is Insolvent or in a Supervisory Period.</p> <p>Insolvent means (a) Sanwa Bank is not able or will not be able to pay its debts as they become due (meaning insolvent, <i>shiharai-funo</i>, within the meaning of the Japanese Bankruptcy Law (Law No. 71 of 1922 as amended) or its liabilities (other than certain core capital related loan and similar liabilities) exceed its assets or (b) the Japanese regulatory authorities have taken any statutory action in relation to Sanwa Bank based upon their determination that Sanwa Bank is insolvent.</p> <p>Supervisory Period means any period during which a Supervisory Event has occurred and is continuing. A Supervisory Event shall be deemed to have occurred if Sanwa Bank's risk adjusted total capital ratio or risk adjusted core capital ratio, calculated in accordance with each applicable standard set forth in the Japanese banking regulations as of the end of any annual or semi-annual period in respect of which Sanwa Bank files with the Minister of Finance of Japan (through the Director General of the Kanto Local Finance Bureau) an annual securities report or semiannual securities report that is required to be filed under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended), were to decline below the minimum percentages required by Japanese banking regulations. (Japanese banking regulations currently require Japanese banks engaged in international operations to maintain a minimum risk-adjusted total capital ratio of at least 8.0 percent and a minimum risk-adjusted core capital ratio of at least 4.0 percent.)</p>
Liquidation Event	<p>Dividends will not be paid during any period when a Liquidation Event has occurred and is continuing ("Liquidation Period").</p> <p>A Liquidation Event shall be deemed to occur if (a) liquidation proceedings (<i>seisan</i>) in respect of Sanwa Bank under the laws of Japan (including the special liquidation proceeding (<i>tokubetsu seisan</i>) of Sanwa Bank under the Japanese Commercial Code (Law No. 48 of 1899 as amended)) are commenced or (b) a competent court in Japan shall have (i) adjudicated the commencement of bankruptcy proceedings (<i>hasan</i>) of Sanwa Bank pursuant to the provisions of the Japanese Bankruptcy Law (Law No. 71 of 1922 as amended) or (ii) approved a preparation of a reorganization plan for liquidation (<i>seisanteiki-kaisha-kosei</i>) of Sanwa Bank pursuant to the provisions of the Japanese Corporate Reorganization Law (Law No. 172 of 1952 as amended).</p>
Limitation by Distributable Profit	<p>On any Dividend Payment Date, the Issuers may not pay more than an amount equal to Sanwa Bank's distributable profits (as determined under applicable Japanese law) for the fiscal year of Sanwa Bank most recently ended, after deducting as of the date immediately preceding such Dividend Payment Date (a) any dividends (other than interim dividends, if any) which have been declared, finally and conclusively, to be paid in relation to any class of preferred shares of Sanwa Bank in respect of its then most recently ended fiscal year, (b) any dividends and other distributions which have been declared since the end of such fiscal year of Sanwa Bank in relation to securities issued by Sanwa Bank's subsidiaries ranking on a parity with any class of Sanwa Bank's preferred shares as to dividend rights and (c) any dividends which have been declared since the end of such fiscal year of Sanwa Bank in relation to any parity shares issued by the Issuers.</p>
Availability of the Proceeds to Sanwa Bank	<p>The full proceeds from the issuance of the Offered Shares were advanced to Sanwa Bank in the form of subordinated loans.</p>

OFF-BALANCE SHEET TRANSACTIONS

Off-balance sheet transactions of Sanwa Group can be classified into two categories: financial derivative transactions and credit related transactions. Primary financial derivative transactions are interest 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 accounting principles and practices generally accepted in Japan, they are shown here because they are recognised as off-balance sheet transactions under accounting principles and practices generally accepted in many countries). These off-balance sheet transactions involve several risks (e.g., market risk and credit risk) and risk management at Sanwa Bank for such risks is discussed in the “Risk Management” section.

FINANCIAL DERIVATIVE TRANSACTIONS

Sanwa Bank and its subsidiaries utilize various financial derivative instruments to meet the clients’ needs, to capture profits through trading activities, and to manage exposures to the fluctuations in interest rates, currency rates, and prices. The majority of financial derivative transactions are conducted over-the-counter because, unlike transactions through public exchanges, terms and conditions of the transactions conducted over-the-counter are flexible and can be tailored to the specific needs of the clients and of Sanwa Bank or its subsidiaries’ own asset liability management objectives. However, credit risks from nonperformance of obligations on the transactions through public exchanges are much lower than the ones on the over-the-counter transactions.

• *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.

• *Foreign Exchange Forward Contracts*

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

• *Interest Rate and Currency Options*

Options, including the ones on debt instruments, involve the buying and selling of a right to purchase or dispose of currency or other financial instruments at a predetermined time with rates and other conditions fixed in advance. When an option is sold (written), the seller receives a premium from the buyer in exchange for bearing the risk arising from the obligation to honour the option contract. Options also involve market risk, mainly arising from fluctuations of interest and foreign exchange rates.

• *Other Derivative Instruments*

Other derivative instruments here include Forward Rate Agreements (FRAs) (contracts providing for the payment of interest in advance) and transactions such as currency and interest rate futures with standard transaction units, date of settlement, and other terms that are traded on public exchanges.

CREDIT RELATED TRANSACTIONS

In addition to the financial derivative transactions, Sanwa Bank and its subsidiaries utilize credit related transactions to meet clients’ needs, and most credit related transactions are lending related transactions such as commitments and guarantees. For lending related transactions, the contractual amount of the transaction represents the maximum exposure in the event of non-performing of the counterparty.

• *Commitments*

Sanwa Bank or its subsidiaries have 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. Commitment arrangements involve credit risk and liquidity risk, especially in the case of foreign currency transactions, although unfunded portions of commitments issued by Sanwa Bank or its subsidiaries do not necessarily reflect the necessary amounts of funds Sanwa Bank or its subsidiaries will have to raise in the future.

• *Guarantees*

As discussed above, under accounting principles and practices generally accepted in Japan, guarantees are classified as on-balance sheet transactions. However, since guarantees are categorised as off-balance sheet transactions in many countries, they are presented in this section for the convenience of readers.

• *Other Transactions*

Other Transactions here include negotiable certificates of deposits and securities sold under repurchase agreements. Transactions of asset securitisation in which the assets are deemed to have been transferred with recourse are also included.

Financial Derivative Transactions (on a consolidated basis)

	Contractual value or notional principal amount		Credit equivalent amount (*1)	
	¥ billion		¥ billion	
	2000	1999	2000	1999
31st March				
Interest Rate Swaps	¥ 120,469	¥ 109,422	¥ 1,502	¥ 1,826
Currency Swaps	2,685	2,368	235	269
Foreign Exchange Forward Contracts	6,536	20,035	194	693
Interest Rate Options Purchased	3,331	3,545	49	52
Currency Options Purchased	381	488	8	12
Other Derivative Instruments	4,700	8,288	7	6
Effects of Master Netting Agreements (*2)	—	—	(1,235)	(1,706)
Total	¥ 138,103	¥ 144,150	¥ 762	¥ 1,154

*1 Financial derivative transactions in the above table are based on the capital adequacy guidelines set by the BIS.

*2 Current exposure methods are used for the calculation of the credit equivalent amounts.

*3 Master netting agreements mitigate credit risks by allowing the netting of the amounts due from and to individual counterparties in the events of the counterparties' defaults and the effects of such netting are shown in the above table.

The following table presents the derivative transactions on public exchanges and the foreign exchange related transactions whose durations in the original contracts are 14 days or less, which are excluded from the capital adequacy guidelines set by the BIS.

	Contractual value or notional principal amount	
	¥ billion	
	2000	1999
31st March		
Foreign Exchange Forward Contracts	¥ 1,136	¥ 2,547
Interest Rate Options Written	11,116	15,513
Interest Rate Options Purchased	1,949	3,438
Currency Options Written	336	410
Currency Options Purchased	13	21
Other Derivative Instruments	64,963	50,435
Total	¥ 79,516	¥ 72,366

Credit Related Transactions (on a consolidated basis)

	Contractual value or notional principal amount	
	¥ billion	
	2000	1999
31st March		
Commitments	¥ 11,408	¥ 11,658
Guarantees	1,483	1,913
Other Transactions	853	977
Total	¥ 13,745	¥ 14,549

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 29, 2000, the shareholdings of the Directors and Statutory Auditors were as follows:

	Number of Shares (in thousands)		Number of Shares (in thousands)
<i>Chairman</i>		<i>Directors</i>	
Mitsuaki Naito	34	Hiroshi Itagaki	1
		Tetsuo Suzuki	102
<i>President</i>		<i>Statutory Auditors</i>	
Kaneo Muromachi	30	Shoichi Itoh	16
<i>Deputy Presidents</i>		Yoshiharu Senoue	9
Hiroya Nobuhara	20	Takatoshi Okajima	12
Hiroki Murao	22	Junichi Goto	—
		Izumi Nonoshita	—
<i>Senior Managing Directors</i>			
Kimisuke Fujimoto	14		
Takayo Mochizuki	16		
Akio Fujiwara	12		
Masashi Teranishi	19		
Tamio Takakura	13		

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, 2000 were as follows:

Shareholders	Number of Shares (in thousands)	*Percentage of Total Shares in Issue
Nippon Life Insurance Co.	117,116	4.03
Daido Life Insurance Co.	88,364	3.04
Meiji Life Insurance Co.	79,223	2.72
The Sumitomo Trust and Banking Company, Limited	70,300	2.42
Toyota Motor Corporation	65,994	2.27
The Mitsubishi Trust and Banking Corporation	59,166	2.03
The Toyo Trust and Banking Company, Limited	57,227	1.97
The Dai-ichi Kangyo Fuji Trust & Banking Co., Ltd.	56,408	1.94
The Dai-ichi Mutual Life Insurance Co.	50,458	1.73
Teijin Limited	48,967	1.68
The Mitsui Trust and Banking Company, Limited	47,498	1.63
Nippon Express Co., Ltd.	42,368	1.45
Daihatsu Motor Co., Ltd.	40,312	1.38
Kubota Corporation	38,894	1.33
Osaka Gas Co., Ltd.	34,746	1.19
Hitachi, Ltd.	33,617	1.15
The Daiwa Bank, Limited	33,174	1.14
The Koa Fire and Marine Insurance Co., Ltd.	31,005	1.06
Kokusai Kogyo Co., Ltd.	30,300	1.04
Obayashi Corporation	29,238	1.00
Total	1,054,380	36.30

*Rounded off at two decimal places

FURTHER INFORMATION

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Central P.O. Box 105, Tokyo 100-8691, Japan
Telephone: 81-3-5252-1111
Reuter Monitor Page Code: SNWQ
Internet URL Address: <http://www.sanwabank.co.jp>

NUMBER OF OFFICES

Domestic: 314
Overseas: 37

NUMBER OF EMPLOYEES

13,020

PAID-IN CAPITAL

¥843,069 million

NUMBER OF STOCKS ISSUED

Common: 2,904,019,524
First Series Preferred: 50,000,000
First Series Class A Preferred: 200,000,000

NUMBER OF STOCKHOLDERS

Common: 42,855
First Series Preferred: 1
First Series Class A Preferred: 1

STOCK EXCHANGE LISTINGS

Common: Tokyo, Osaka, Kyoto, London, Paris, Frankfurt
First Series Preferred: —
First Series Class A Preferred: —

(As of March 31, 2000)

CONTACT:

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This annual report is printed on recycled paper.