Profile

Founded in 1962, The Chuo Trust & Banking Co., Ltd., is one of the country's leading banks and maintains a leading presence in such trust banking fields as stock transfer agency services, corporate lending, pension and fund management and administration, asset management and advisory services, and real estate brokerage and appraisal services.

In fiscal 1998, Chuo Trust was again Japan's top provider of stock transfer agency services.

Now, Chuo Trust operates 110 branches throughout Japan, after the succession of the Honshu-based offices of Hokkaido Takushoku Bank in November 1998, and boasts the largest national branch network of any domestic trust bank. Moreover, Chuo Trust concluded an agreement with the Mitsui Trust and Banking Company, Limited, on a merger slated for April 1, 2000, aiming to create a new type of comprehensive financial institution with trust banking expertise.

Committed to being an active corporate member of the communities in which it operates, Chuo Trust not only serves the public but also supports a broad range of humanitarian objectives by providing superior financial services.

Contents

Non-Consolidated Financial Highlights

The Chuo Trust & Banking Co., Ltd.
Fiscal Years Ended March 31, 1999 and 1998

	Millions of yen (Except per share amount)		Thousands of U.S. dollars (Note 1)
	1999	1998	**1999**
For the Year:			
Total Income	**¥ 198,973**	¥ 275,254	**$ 1,650,544**
Trust Fees	**64,934**	77,348	**538,651**
Total Expenses	**280,681**	262,871	**2,328,343**
Income (Loss) before Income Taxes	**(81,708)**	12,382	**(677,799)**
Net Income (Loss)	**(48,697)**	12,321	**(403,958)**
Core Business Profit (*Gyomu Juneki*)	**27,356**	58,404	
At Year-End:			
Total Assets	**¥13,496,024**	¥12,223,873	**$111,953,750**
Total Funds	**12,645,011**	11,427,969	**104,894,329**
Deposits	**3,072,304**	1,786,793	**25,485,730**
Loan Trusts	**2,250,646**	2,746,201	**18,669,821**
Money Trusts	**5,463,932**	4,954,659	**45,325,032**
Pension Trusts	**1,855,193**	1,973,244	**15,389,415**
Property Formation Trusts	**2,932**	3,071	**24,330**
Total Loans and Bills Discounted	**4,162,138**	3,784,497	**34,526,245**
Total Securities Portfolio	**8,676,625**	7,799,730	**71,975,324**
Capital and Reserves	**433,169**	354,750	**3,593,273**
Per Common Share (Yen):			
Net Income (Loss)	**¥ (209.44)**	¥ 53.44	**$ (1.74)**
Dividend	**5.50**	6.00	**0.05**
Net Assets	**570.41**	646.97	**4.73**
Ratio (BIS Standard):			
Capital Adequacy Ratio	**13.18%**	12.73%	
Tier I Ratio (Note 2)	**8.84%**	7.94%	
Resources			
At Year-End:			
Number of Employees	**4,679**	3,450	
Number of Domestic Branches (Note 3)	**111**	52	

Notes: 1. Figures stated in U.S. dollars in this report are translated solely for convenience at the rate of ¥120.55 to US$1.00, the rate of exchange at March 31, 1999.
2. The Capital Adequacy Ratio and Tier I Ratio are presented on a consolidated basis in accordance with the guidelines set forth by the Bank for International Settlements (BIS).
3. Number of Domestic Branches includes the Head Office.

Message from the President

Hideie Hirakawa, President

The Results of a Challenging Year

Fiscal 1998, the year ended March 31, 1999, was a turbulent 12 months for the domestic financial community. The operating environment was characterized by industry-wide efforts to reinforce asset quality and polish tarnished credibility in financial markets, stemming from acute concern over the status of non-performing loans. A detailed description of Chuo Trust's fiscal performance can be found in the financial review on pages 21-22 of this annual report.

During the year in review the Bank tackled prevailing structural concerns and laid the foundation for a healthier financial institution. We rigidly assessed assets to elicit a stronger balance sheet and addressed the problem of non-performing loans by disposing of an appropriate amount and setting aside reserves, in accordance with guidelines established by the Financial Reconstruction Commission, should additional loans sour. These efforts, however, led to a net loss of ¥48.7 billion.

Fiscal 1998 was also an immensely important year in a historical sense, and I would be remiss if I did not mention the implementation of drastic yet imperative business strategies designed to buoy profits in the near term, and the positive strides taken in fortifying our retail base to ensure survival in an increasingly competitive market segment.

The accompanying sections of this annual report will provide readers with insight into the Bank's position on the pertinent issues that surround the domestic financial community, but allow me to outline a few of the major points.

Toward a New Role in Banking

Chuo Trust aims to reach the status of a trust bank with a high degree of specialization, particularly strong in the area of retail banking. An indispensable step toward this goal was the November 1998 absorption of Honshu-based offices

of the Hokkaido Takushoku Bank, Limited. Our domestic network now boasts 110 branches, primarily in the nation's largest market—the Tokyo metropolitan area—and with our transition into a trust bank with the most branches nationwide, we have moved closer to our goal of leadership in trust banking services for the retail market.

In the area of banking business, we posted exceedingly better-than-anticipated results in fiscal 1998. This achievement is due in part to the acquisition of a quality transaction base comprising individuals and small and midsized businesses, as well as an expansion of funds, notably a favorable increase in medium- and long-term funds, including new accounts, by individuals. We also marked growth in our four core trust-banking operations—asset administration, asset management, stock transfer agency services and real estate-related business—and dramatically improved convenience and accessibility for clients through our broader branch network.

A pivotal decision reached during fiscal 1998 that will help secure our position as a trust bank with a high degree of specialization was the agreement with the Mitsui Trust and Banking Company, Limited, on a merger slated for April 1, 2000. The underlying aim of this merger is to strengthen our four core trust-banking capabilities and concentrate the high-level know-how accumulated in respective fields of expertise into a powerful single entity. Moreover, the merger of two financial institutions with trust-banking expertise will expedite rationalization tasks and trim costs.

Post-merger, the new bank will play a leading role as a completely new type of comprehensive financial institution—No. 1 in many primary domains of trust banking, and boasting specialized excellence and client convenience. I am confident that this new bank will prevail amid the intense competition spurred by Big Bang financial reforms in Japan.

Public-Fund Injection and Healthier Asset Base

In March 1999, Chuo Trust submitted to the Financial Reconstruction Commission a plan to reinforce management soundness that highlights the merger with Mitsui Trust and hinges upon the inherent restructuring of operations. With the commission's approval of the plan, the Bank issued ¥150 billion in preferred shares to boost capitalization.

Prior to the injection of public funds, we sought to procure funds on our own. In December 1998, we issued perpetually subordinated yen-denominated convertible bonds, and in March 1999, we executed a third-party allocation of ordinary shares to raise capital. The swift implementation of efforts to buoy net worth in an unsettled financial environment substantiated strategic capabilities that will ensure the Bank's permanence after competition reshapes the Japanese banking industry.

Supported by these capital enhancement processes, Chuo Trust aggressively disposed of non-performing loans and hidden losses on marketable securities. Moreover, we worked to further streamline the executive hierarchy, expedite management decisions and improve profitability, moved to replenish internal reserves, and set the stage for promised repayment of public funds.

Overall, the end of fiscal 1998 marked the near-completion of bad-loan processing by both Chuo Trust and the Chuo Trust Group. With an efficient, financially sound banking group, we can confidently formulate forward-looking strategies that will guide the Chuo Trust–Mitsui Trust merger in new business pursuits.

Outlook for the Future

The 21st century is just around the corner, and with the dawning of the new millennium will come heightened financial globalization and increasingly fierce competition that transcends industry borders.

In the domestic financial realm, a number of financial institutions have formulated strategies prioritizing local markets, specifically the retail market. Competition within these markets is sure to escalate.

To overcome the cutthroat rivalry, Chuo Trust must secure the support and loyalty of clients, the general market and society as a whole. Toward this end, we must establish a position that holds individuals and corporations in the highest esteem. Our success depends on it.

In response, Chuo Trust will offer not only a wide assortment of products and services geared to expanding client needs but also seek to ensure that these products and services satisfy prevailing market demands for high quality and

suitability to needs. We will improve convenience to clients through greater branch accessibility and a broader consultation function, while demonstrating a comprehensive financial function matched to client requirements.

Chuo Trust's confidence is underscored by three pillars of strength: a nationwide network through which exceptionally executed specialized services substantiate the vast potential of trust banking services; a well-balanced base of quality clients; and a solid team of skilled personnel who can further enhance the value of accumulated business assets.

During fiscal 1998, the banking community faced several major infrastructure hurdles, namely administrative, accounting and legislative changes, that will have considerable impact on the future of operations.

On the administrative front, the authorities put more emphasis on monitoring the present status of banks and their activities, especially in regard to inspection practices. Clear-cut rules have been defined and, as means to monitor compliance of these rules, the Financial Supervisory Agency was established and has already implemented such measures as prompt corrective action, a new bank inspection format and extensive disclosure of non-performing loans.

In the area of accounting systems, Japan is moving ahead with revisions that parallel worldwide trends in accounting practices, including a sweeping transition to consolidated disclosure and the adoption of the New Standard for the inclusion of subsidiaries and affiliates.

In view of these developments, Japan would seem to be making a conscious effort to heighten the transparency of activities within the financial system. Indeed, Japanese banks, the pros and cons of their operating strategies and progress toward specified goals have all come under the relentless scrutiny of the market, rating agencies and the public at large.

Amid diversifying evaluation processes and assessment of companies via the market, rating agencies and mass media, for example, Chuo Trust will go beyond fiscal reporting to broader-based disclosure that explains the thoughts behind executive decisions, the reasons for adopting a strategy, and past progress on business plans. Through these efforts, we will reinforce and maintain operational health, autonomy and clarity.

To create a strong financial institution for the 21st century, Chuo Trust will of course make operations more efficient, and further fortify compliance and risk-management systems. In regard to the most prevalent risk-hedging priority—the Millennium Bug—we have instituted an ongoing and meticulously formulated plan centered on the Year 2000 (Y2K) Executive Committee, a cross-section of in-house representatives led by the deputy president.

In Closing

On June 29, 1999, I succeeded Shozo Endoh as president of the Bank. I will, in this new role, maintain the momentum of my predecessor in keeping the Bank on a strategic course toward the intended destination. While the road ahead is lined with many challenges, we will persevere. With the well-earned confidence of shareholders, clients and the public as a whole, we will acquire fair evaluation in the market—i.e., an appropriate share price—by maintaining business practices underpinned by fiscal soundness, autonomy and transparency.

On behalf of the Board, I ask for the continued support of shareholders and associates as we lead Chuo Trust in the pursuit of stable banking performance.

And now I invite you to read further in this annual report to gain a broader perspective of management's efforts to improve the health of the Bank.

August 1999

Hideie Hirakawa
President

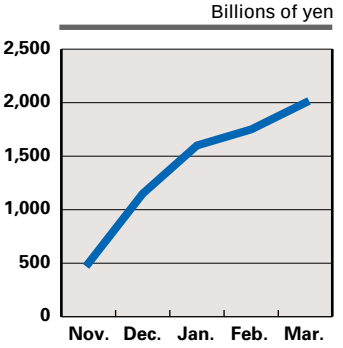
Succession of the Hokkaido Takushoku Bank's Operations in Honshu

As touched upon briefly in the president's message, Chuo Trust made the Honshu-based offices of the Hokkaido Takushoku Bank, Limited, part of its own business in November 1998. The Bank now boasts the largest national branch network of any domestic trust bank, with particularly strong coverage in the Tokyo metropolitan area. The following data highlights the primary operating gains derived from the acquisition.

Summary of Succession of the Hokkaido Takushoku Bank's Operations in Honshu
(As of transfer date, November 16, 1998)

	Approximate Numbers
Branches (In Metropolitan Tokyo)	59 (54)
Personnel	1,200
Total Assets	¥1,460 billion
Deposit Balance	¥770 billion
Lending Balance (Including customers' liabilities for acceptances and guarantees)	¥1,130 billion
Ordinary Deposit Accounts	700,000
Corporate Borrowers	3,500 companies
Retail Borrowers	36,000 loans

Net Increase in Post-Transfer Medium- and Long-Term Retail Funds
(All-branch base)



Through the succession of the Hokkaido Takushoku Bank's operations in the Honshu (the main island of Japan), Chuo Trust added to its existing transaction base about 700,000 ordinary deposit accounts, a massive block of loans—roughly 36,000 contracts—extended to individuals, and corporate loans for about 3,500 companies, more than 90% of which are small and midsize businesses. To build a client base of this depth from scratch typically requires a considerable investment of time and capital. The transfer of established operations, however, has enabled Chuo Trust to extend its business reach in an extremely economical fashion.

Aside from the direct benefits obtained specifically by Chuo Trust, the decision to absorb the Honshu-based operations of the Hokkaido Takushoku Bank will surely contribute to financial system stability and job security. Management hopes the socially positive implications of this move will win favor with an increasingly watchful public.

Amid efforts by many Japanese financial institutions to streamline and consolidate branch networks, Chuo Trust has attracted attention for a strategically different approach to marketing. The lucrative potential of Japan's retail market is underscored by a huge pool—¥1,200 trillion—of financial assets held by individuals, but about 60% of these funds are firmly entrenched in savings accounts. To spur the movement of financial assets beyond deposit borders, we subscribe to a marketing perspective that accurately addresses this situation with a complementary blend of human skills and man-made technology.

Compared with equipment-oriented industries, the trust-banking realm is particularly dependent upon efficient development of staffed branches boasting highly trained professionals to capitalize on business opportunities. Management firmly believes that skilled personnel and a strong market presence are vital to survival in an intensely competitive field, and the Bank's branch strategy is certainly appropriate, especially under prevailing circumstances.

We also seek to augment client-access channels through unmanned points, such as automated teller machines (ATMs), telephone banking services, and direct banking, including on-line transactions.

These efforts are not the contraction they may seem. Rather, the resourceful integration of the human component and the merits of information and communication technologies accords greater convenience to clients and streamlines operating costs. Through these efforts, Chuo Trust will diligently pursue the development of a balanced network, featuring both manned and unmanned locations that trim costs and still meet the banking requirements of each client segment.

Merger with Mitsui Trust

In May 1999, Chuo Trust concluded an agreement outlining the details of its proposed merger with Mitsui Trust. With approval granted at the General Shareholders' Meeting in June, we now head toward the union of two trust banks on April 1, 2000.

The post-merger entity, to be known as the Chuo Mitsui Trust and Banking Co., Ltd., will become the largest financial institution in Japan with total funds of ¥41.3 trillion on a domestic basis. The new bank is expected to post a market-based operating profit above the ¥200 billion line in the near future. We are confident that Chuo Mitsui Trust will secure top share in the main areas of trust business, namely investment trust operations, such as asset administration, and asset management, including application of corporate pension funds.

Financial Summary of Merging Banks
(As of March 31, 1999)

	Trillions of yen			
	Chuo Trust	Mitsui Trust	Total	Position
Domestic Branches (Note 1)	111	55	166	No. 1 trust bank
[In Metropolitan Tokyo]	[78]	[30]	[108]	[No. 1 trust bank]
Balance of Trust Assets	¥15.2	¥29.5	¥44.7	No. 1 trust bank
Domestic Funds (Note 2)	¥12.2	¥29.1	¥41.3	No. 1 among all domestic banks
[Total Funds]	[¥12.6]	[¥29.6]	[¥42.2]	[No. 2 among all domestic banks]
Lending Balance	¥4.1	¥7.7	¥11.9	No. 1 trust bank
Balance of Pension Trusts under Management	¥1.8	¥4.3	¥6.1	No. 1 trust bank
Number of Companies Entrusting the Bank as Stock Transfer Agent (Note 3)	1,262	447	1,709	No. 1 trust bank
Number of Shareholders under Administration (Thousands)	9,285	3,455	12,740	No. 1 trust bank
Number of Land Trusts	334	342	676	No. 1 trust bank
Balance of Investment Trusts under Management	¥4.2	¥2.4	¥6.7	No. 2 trust bank

Notes: 1. Number of Domestic Branches includes the Head Office.
2. Domestic Funds exclude funds from overseas offices, Negotiable Certificates of Deposit (NCDs) and offshore funds.
3. Number of Companies is the number of domestic companies.

Chuo Trust and Mitsui Trust entered into the merger agreement because management at both banks realized that as partners seeking a lean yet strong operating foundation we could swiftly reinforce shared core trust-banking operations, expedite responses to evolving client needs and thereby enhance the chances of surviving the fast-paced changes transforming Japan's financial industry.

Impossible if we were not in the same business, the merger will dramatically improve overall operating efficiency through the consolidation of overlapping branches and systems in each area of trust-banking activities. The synergistic effect of the merger will be especially noticeable in asset administration and stock transfer agency services where we rely heavily on sophisticated systems. Unified systems development will expedite tasks and cut costs.

The merger will augment our geographical presence in Japan and hone a sharper marketing edge for us among retail clients. The number of households in our revenue base will more than double, from 1.1 million to 2.7 million, providing the new bank with a low-cost and stable source of operating funds.

Anticipating growth in the investment trust market will lead to an increase in sales commissions, we are shifting personnel assets into strategic marketing sectors dealing with these products. Clients of Chuo Mitsui Trust will benefit from a solid team of in-house experts, including securities analysts, real estate consultants and financial planners, as well as highly skilled professionals with in-depth knowledge and experience in trust-banking business. Well-placed staff and sophisticated and specialized services will ensure that the new bank responds flexibly to market needs.

Post-Merger Employee Qualifications

	Pre-Merger	Post-Merger Estimate
Securities Analysts	113	286
Pension Actuaries	9	20
Real Estate Appraisers, including Real Estate Appraiser Candidates	84	151
Real Estate Transaction Supervisors	1,844	4,019

An ill-favored side effect of mergers is repetitive operations. Our merger, however, will create little duplication among corporate clients. Indeed, our corporate transaction base of large corporate clients and the small and midsize businesses previously serviced by the Hokkaido Takushoku Bank will be enriched by Mitsui Trust's corporate transaction base of major companies.

Ahead of the merger, we are implementing policies on collective sales of investment trusts, for example, and reciprocal, no-fee access to ATMs. The early introduction of jointly offered services will make the business transition smoother and enhance convenience for clients sooner.

We will eliminate repetitiveness among subsidiaries and affiliates within the groups of both banks through restructuring and during the initial stages following the merger. The consolidation of functions will fortify operating efficiency. We have already combined investment advisory, credit guarantee and credit card operations, effective July 1999, and will continue, under a single corporate banner, to realize the benefits of the merger as quickly as possible.

Capital Enhancement, Public Fund Acceptance and the Bank's Business Improvement Plan

In March 1999, Chuo Trust applied for and received approval from the Financial Reconstruction Commission for access to public funds, in accordance with the Law Concerning Emergency Measures for Early Strengthening of Financial Function, otherwise known as the "Early Strengthening Law."

At the time we requested the funds, the prevailing business environment was characterized by lingering instability in Japan's financial system and persistently difficult fund-procurement conditions at home and abroad. A practical view of the situation indicated further deterioration of the fund-raising environment.

Moreover, our net worth ratio had declined as risk assets, which factor predominantly into the calculation of the net worth ratio, expanded by ¥1.1 trillion with the absorption of Honshu-based Hokkaido Takushoku Bank operations. The ratio was further eroded by a massive write-off of non-performing loans in fiscal 1998. Consequently, management pledged to establish a solid financial footing and a sharper competitive edge among financial institutions by quickly reinforcing net worth and offsetting the effects of the shaky financial environment.

Even before the acceptance of public funds, we sought to fortify our financial position by acquiring funds on our own. In November 1998, we issued perpetually subordinated yen-denominated convertible bonds worth ¥34.2 billion, and in March 1999, we initiated a third-party allocation of ordinary shares to raise ¥37.5 billion. With the Financial Reconstruction Commission's approval of our business improvement plan, which hinged on the forward-looking stance described above, we complemented previous fund-raising efforts with ¥150 billion in public funds obtained through the issue of preferred stock. All told, our exercise in capital enhancement paid off as the capital adequacy ratio, according to the standard set by the BIS, rebounded to 13.18%, at the end of March 1999, after falling to 11.85%, at the close of September 1998.

The business improvement plan spotlighted the restructuring of operations through the merger with Mitsui Trust. The goals of a post-merger blueprint to be attained by fiscal 2004, ending March 2005, are presented below.

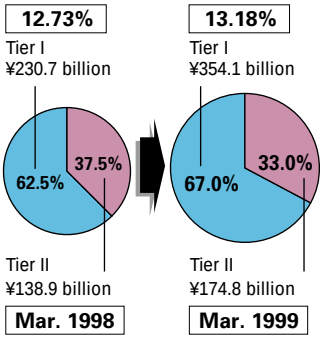
We expect the number of domestic branches at the time of merger to stand at 166. While prioritizing convenient access to the new bank by clients, we will trim the domestic network to 131 locations.

The introduction of an executive officer system, currently under discussion, will reduce the number of seats on the Board of Directors from the two-bank total of 50 at the time of merger, to just 28 in the first year after the merger, and then further, to 24, by the end of fiscal 2004.

We will streamline personnel from the two-bank total of 9,876 at March 31, 1999, to 8,300 at March 31, 2005, through such moves as the consolidation of branches located in the same neighborhood, and integrate headquarters capabilities at the new head office where a high-level information infrastructure will elicit greater efficiency in our banking operations. Annual personnel costs in fiscal 2004 should shrink by about ¥14 billion from the fiscal 1999 figure.

Chuo Trust's withdrawal from international banking operations and the consolidation of domestic branches, as well as the merits accorded by shared computer systems will trim annual non-personnel expenses by about ¥29 billion, compared with the total upon merger.

BIS Ratio



	Two-Bank Totals at March 31, 2000	Merged-Bank Totals at March 31, 2005	Difference
Directors	50	24	–52%
Employees (Note 1)	9,876	8,300	–16%
Domestic Branches (Note 2)	166	131	–21%
Personnel Costs	¥90.2 billion	¥76.5 billion	–15%
Non-Personnel Expenses	¥112.6 billion	¥83.3 billion	–26%
Administrative Costs	¥210.1 billion	¥167.4 billion	–20%

Notes: 1. Only the figure for employees is as of March 31, 1999.
2. Number of Domestic Branches includes the Head Office.

Non-Performing Loans

For the fiscal 1998 settlement, Chuo Trust switched to a different set of accounting standards and now discloses both consolidated and nonconsolidated risk-monitored loans, as stipulated in the Bank Law and the Law Concerning Concurrent Trust Banking Business of Financial Institutions. We also disclose the results of asset-quality assessments based on the Law Concerning Emergency Measures for Revitalizing the Financial Function (the "Financial Revitalization Law").

For risk-monitored loans, banks are required to examine the repayment status of each credit, not each borrower, and to classify all loans into the following four categories: 1) loans to legally bankrupt entities; 2) nonaccrual loans; 3) loans with interest payments more than three months in arrears; and 4) and restructured loans.

Explanation of Loan Categories

The Bank determines according to similar standards the total in the banking account and the total of loan trusts and other products in the trust account for which the principal is guaranteed.

Loans to legally bankrupt entities are loans which the Bank is highly unlikely to recover owing to the bankruptcy or virtual bankruptcy of the borrower.

Nonaccrual loans are loans for which there is a high possibility that the Bank will have to write the debt off as a loss, such as loans on which the borrower has not paid interest for more than six months due to business difficulties. This category excludes the aforementioned loans to legally bankrupt entities.

Loans with interest payments more than three months in arrears represent loans whose principal and/or interest are overdue more than three months from the day following contractual payment date. Such amounts exclude nonperforming loans which are disclosed as loans to legally bankrupt entities and nonaccrual loans. Restructured loans are loans for which the Bank grants a concession in order to financially support the debtor during the period the debtor is experiencing financial difficulties. Such concession includes reducing the interest rate and deferring or waiving of interest or principal payment on the loan. Such amounts exclude loans to legally bankrupt entities, nonaccrual loans and loans with interest payments more than three months in arrears.

Risk-Monitored Loans

Millions of yen

As of March 31	1999 (Non-Consolidated)	1999 (Consolidated)	1998 (Non-Consolidated)
Loans to Legally Bankrupt Entities:			
Banking Account	¥ 26,014	¥ 26,396	¥ 68,894
Trust Account	12,052	12,052	18,411
Total	¥ 38,066	¥ 38,448	¥ 87,305
Nonaccrual Loans:			
Banking Account	¥ 22,419	¥ 22,577	¥ 78,279
Trust Account	35,084	35,084	29,461
Total	¥ 57,504	¥ 57,662	¥ 107,741
Loans with Interest Payments More than Three Months in Arrears:			
Banking Account	¥ 12,582	¥ 12,594	¥ 9,159
Trust Account	7,169	7,169	11,691
Total	¥ 19,752	¥ 19,764	¥ 20,850
Restructured Loans:			
Banking Account	¥ 84,781	¥ 84,781	¥ 65,094
Trust Account	2,984	2,984	4,331
Total	¥ 87,765	¥ 87,765	¥ 69,425
Total Risk-Monitored Loans:			
Banking Account	¥ 145,798	¥ 146,349	¥ 221,427
Trust Account	57,291	57,291	63,896
Total (Note 1)	¥ 203,089	¥ 203,641	¥ 285,323
Total Balance of Loans:			
Banking Account	¥2,320,032	¥2,299,363	¥1,753,643
Trust Account	1,755,747	1,755,747	1,920,475
Total (Note 2)	¥4,075,780	¥4,055,110	¥3,674,119
Ratio of Total Risk-Monitored Loans to Total Balance of Loans (%)	4.98%	5.02%	7.77%
Reserves and Allowances (Note 3)	¥ 66,072	¥ 67,073	¥ 161,215
Ratio of Reserves and Allowances to Total Risk-Monitored Loans (%)	32.53%	32.93%	56.50%

Notes: 1. Direct reduction (partial direct write-off) of Total Risk-Monitored Loans, on both non-consolidated and consolidated bases, as of March 31, 1999, amounted to ¥136.5 billion, respectively.

2. The Total Balance of Loans in the Trust Account represents the portion of contracts in the trust account for which principal is guaranteed.

3. Reserves and Allowances is the sum of reserve for possible loan losses in the Banking Account, reserve for possible impairment of principals in jointly operated designated money trusts, and special reserve fund in loan trusts.

Explanation of Loan Categories

Claims under bankruptcy and virtual bankruptcy are loans to borrowers that have failed and are either bankrupt or struggling under court-sanctioned corporate reorganization measures. In-house self-assessments account for these claims as loans to bankrupt borrowers and loans to essentially bankrupt borrowers.

Claims under high risk are loans for which the Bank is highly unlikely to receive outstanding principal and interest by the contractual payment date because, while the borrower may not be bankrupt, its poor financial standing and deteriorating business performance preclude loan retirement as scheduled. In-house self-assessments account for these claims as loans to borrowers on the brink of failure.

Claims under close observation are loans for which interest payments are more than three months in arrears and restructured loans. Of risk-monitored loans, claims under close observation are regarded neither as claims under bankruptcy and virtual bankruptcy nor claims under high risk.

Healthy claims are loans to borrowers free of financial and business troubles. That is, the loans do not fall into the three problem-loan categories listed above.

In contrast, disclosure of lending assets evaluated under the guidelines of the Financial Revitalization Law targets the client—not the loan—and casts a spotlight on total credit exposure, including loans, foreign exchange, customers' liabilities for acceptances and guarantees, unpaid interest, suspense payments and loan receivables in securities. The four categories are: 1) claims under bankruptcy and virtual bankruptcy; 2) claims under high risk; 3) claims under close observation; and 4) healthy claims. Because these categories embrace a wider disclosure range than those under the risk-monitored loan heading, the amount of non-performing loans in all categories except "healthy claims" is larger than that determined for risk-monitored loans. Please note that in "claims under close observation," only the lending amount comes under scrutiny.

In March 1999, Chuo Trust increased its reserves for possible loan losses. Of "claims under bankruptcy and virtual bankruptcy" and "claims under high risk" in the banking account, we directly disposed of or set aside reserves for portions in the former that were not secured by collateral or guarantees, and established a 70% reserve for loans in the latter. Of loans to borrowers in the "claims under close observation" category, we put up a 15% reserve on the unsecured portion. We also set up an appropriate reserve for other claims.

We achieved a coverage ratio of 79.96% through collateral, guarantees and allowance for doubtful accounts established against the total of "claims under bankruptcy and virtual bankruptcy," "claims under high risk" and "claims under close observation."

Disclosure of Problem Loans—Based on the Financial Revitalization Law

Billions of yen

	Banking Account	Trust Account (Note 1)	Total
Claims under Bankruptcy and Virtual Bankruptcy	¥ 55.0	¥ 32.1	¥ 87.2
Claims under High Risk	70.7	22.2	93.0
Claims under Close Observation	48.7	9.0	57.7
Subtotal (A) (Note 2)	174.5	63.5	238.0
Healthy Claims	2,704.2	1,692.2	4,396.4
Total	¥2,878.7	1,755.7	4,634.4
Reserves, Collateral, Guarantees and Allowance for Doubtful Accounts to the above Subtotal (B)	146.2	44.0	190.3
Coverage Ratio (B/A)	83.80%	69.39%	79.96%

Notes: 1. "Trust Account" represents the portion of contracts in the trust account for which principal is guaranteed.
2. Direct reduction (partial direct write-off) used for ¥153.7 billion.

Hidden Losses on Marketable Securities

As of March 31, 1999, Chuo Trust disposed of ¥36.0 billion in losses on marketable securities, bringing the total hidden losses to ¥69.7 billion, of which listed marketable securities represented ¥43.6 billion. Based on our business improvement plan, we projected completion of disposal of hidden losses by March 2002 with core business profit (*gyomu juneki*), assuming a Tokyo Stock Price Index of ¥13,500. Utilizing improvements in profitability, we will strive to process losses as quickly as possible.