



2014 Annual Report

Year Ended March 31, 2014



The Keiyo Bank, Ltd.

Message from President



Nobuo Kojima

President
The Keiyo Bank, Ltd.



We sincerely appreciate your continued patronage extended to the Keiyo Bank.

Looking back the economic situations in the fiscal year 2013 (ending March 31, 2014), the Japanese economy showed a gradual recovery due to the sustained domestic consumer spending and economic recoveries in some overseas markets. A positive momentum was also witnessed in the economic situation of Chiba Prefecture where the Keiyo Bank is based, with the better employment situation and a low level of business bankruptcies.

Under these circumstances, the Keiyo Bank achieved remarkable operating results in FY2013, posting record highs of ordinary income and also net income, as a result of continued increases in the balances of deposits and loans, and due to increased commission income from the sale of financial products. We feel that our achievement owes much to your patronage. We therefore have decided to distribute JPY5.5 per share in year-end dividends which, together with JPY5.0 per share in the interim dividends,

would amount to annual dividends of JPY10.5 per share, up JPY0.5 from the previous fiscal year (excluding the 70th anniversary commemorative dividends of JPY1.0 per share).

The Keiyo Bank has been striving to transform itself into an ideal bank, by implementing each step in our 16th mid-term business plan that was launched in FY2013. Furthermore, in order to improve safety and establish an internal system for responding flexibly to various changes in our operational environment, the Keiyo Bank recently embarked on designing of the Next Generation Core Banking System, in addition to the construction of Chiba-Minato Office that is currently underway.

We are committed to play the role of a community bank, by strengthening “kizuna” (bonds) with our customers. We therefore would like to seek your continued support to the Keiyo Bank.

Corporate Profile

| | |
|------------------------------|---|
| Name: | The Keiyo Bank, Ltd. |
| Date of foundation: | March 31, 1943 |
| Capital: | JPY49.7 billion |
| Headquarters: | 11-11, Fujimi 1-chome, Chuo-ku, Chiba City, Chiba Prefecture, Japan |
| Network of offices etc.: | 267 locations in total: |
| Headquarters/branch offices: | 117 |
| Sub-branch offices: | 3 |
| ATM installments: | 147 |
| Employees: | 2,024 people |
| Total assets: | JPY 4,119.0 billion |
| Deposits: | JPY 3,773.3 billion |
| Loans: | JPY 2,802.7 billion |
| Capital adequacy ratio: | 11.51% (non-consolidated) 11.64% (consolidated) (Based on new standards for a domestically-operating banks) |
| Credit rating: | A+ (by Japan Credit Rating Agency) A (by Standard & Poor's) |

(As of March 31, 2014)

Board of Directors and Corporate Auditors

President (Representative Director)

Nobuo Kojima

Deputy President (Representative Director)

Toshio Fukuda

Senior Managing Director (Representative Director)

Toshiyuki Kumagai

Managing Director

Koushirou Iitaka

Kiyoshi Hashimoto

Tsuguo Maru

Hiroshi Oshima

Director

Eiji Kimizuka

Yoshio Kanamori

Masahiko Tatekawa

Masahiro Honma

Tetsuya Sakasai

Ichirou Kimizuka

Yasushi Saito (Outside Director)

Standing Corporate Auditor

Susumu Ozawa

Nobuyuki Sato

Corporate Auditor (Outside Corporate Auditor)

Hiroshi Otsuka

Junkichi Ninomiya

Isao Ono

Summary of Performance Results (non-consolidated)

Operational results (non-consolidated basis)

Highlights

As for the operational results for FY2013 (ending March 31, 2014), while the balances of deposits and loans posted a steady increase, the interest income decreased due to a lower investment return and the gain on sale of bonds, such as government bonds, also declined; therefore, the Keiyo Bank posted the core net business income of JPY26,207 million for FY2013, down JPY586 million from the previous fiscal year.

Meanwhile, due to the recovery in securities-related income/loss situation and a decline in the amount of non-performing loans disposed, among other things, the Keiyo Bank posted ordinary profit of JPY25,526 million and net income of JPY15,266 million, both being record high numbers.

Balance of deposits

Achieved an annual increase of 4.2%

Because of our endeavor to expand the salary deposit and pension payment transactions with our bank account holders, the balance of deposits increased to JPY3,773.3 billion as of March 31, 2014, up JPY155.1 billion from the previous fiscal year (i.e., an annual increase of 4.2%), mainly in deposits by individuals.

Balance of loans

Achieved an annual increase of 5.6%

As a result of our aggressive approach in promoting retail loans business, mainly housing loans, and loans to local companies in Chiba Prefecture, the balance of loans reached JPY2,802.7 billion as of March 31, 2014, up JPY148.6 billion from the previous fiscal year (i.e., an annual increase of 5.6%).

Core net business income / Net income

Net income for FY2013 was JPY15,266 million, up JPY238 million from the previous fiscal year, posting record highs in two consecutive years.

OHR / Expense ratio

The Keiyo Bank maintained low levels of OHR (Over Head Ratio) and expense ratio, demonstrating operational efficiency.

Capital adequacy ratio

New standards of capital adequacy ratio for domestically-operating banks came into effective from FY2013, which place emphasis on the quality of banks' capital components. The capital adequacy ratio of the Keiyo Bank under the new standards was 11.51% as of March 31, 2014. This capital adequacy ratio, if calculated according to the former standards, was 11.65%, up 0.18 percentage point from the previous fiscal year.

Balance of loans to small and medium-sized companies

As a result of our aggressive approach in extending loans to small and medium-sized companies in Chiba Prefecture, mainly in the growing industries, the balance of loans to small and medium-sized companies reached JPY1,110.8 billion as of March 31, 2014, up JPY53.1 billion from the previous fiscal year (i.e., annual increase of 5.0%).

Balance of housing loans

As a result of our aggressive approach in responding to customers' needs for housing finance, the balance of housing loans reached JPY1,129.9 billion as of March 31, 2014, up JPY103.7 billion from the previous fiscal year (i.e., annual increase of 10.1%).

Non-performing loans ratio

(based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan)

Due to our endeavor to provide appropriate consulting function to the customers facing various operational problems, the nonperforming loans ratio (non-consolidated basis) of the Keiyo Bank became 1.76% as of March 31, 2014, down 0.18 percentage point from the previous fiscal year, based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan. This ratio indicates soundness of our capital.

Credit rating

The credit rating (the long-term counterparty credit rating) for the Keiyo Bank given by Standard & Poor's, one of world's top three credit-rating companies, was "A" as of March 31, 2014. The credit rating (the long-term obligor rating) by Japan Credit Rating Agency remained "A+" as of March 31, 2014. Both rating companies gave stable and positive appraisal to the Keiyo Bank.

Consolidated Balance Sheets

| | Unit:JPY million | | Unit:Thousands of U.S. dollars |
|---|------------------|------------------|-----------------------------------|
| | 2012 | 2013 | 2013 |
| ※Note | | | |
| Assets: | | | |
| Cash and due from banks | ¥ 42,955 | ¥ 263,605 | \$ 2,561,261 |
| Call loans and bills bought | 154,283 | 32,685 | 317,585 |
| Trading account securities | 1,597 | 2,068 | 20,093 |
| Securities | 1,015,176 | 949,376 | 9,224,413 |
| Loans and bills discounted | 2,653,681 | 2,801,989 | 27,224,923 |
| Foreign exchanges | 1,435 | 1,525 | 14,822 |
| Other assets | 13,213 | 12,430 | 120,776 |
| Tangible fixed assets | 56,436 | 60,887 | 591,596 |
| Buildings, net | 16,800 | 17,090 | 166,058 |
| Land | 32,091 | 31,918 | 310,125 |
| Construction in progress | 917 | 5,307 | 51,573 |
| Other tangible fixed assets | 6,626 | 6,570 | 63,838 |
| Intangible fixed assets | 203 | 503 | 4,887 |
| Software | 2 | 302 | 2,942 |
| Other intangible fixed assets | 200 | 200 | 1,945 |
| Deferred tax assets | 182 | 107 | 1,045 |
| Customers' liabilities for acceptances and guarantees | 10,582 | 8,560 | 83,180 |
| Allowance for loan losses | △12,678 | △11,323 | △110,026 |
| Total assets | 3,937,068 | 4,122,415 | 40,054,560 |
| Liabilities: | | | |
| Deposits | ¥ 3,617,503 | ¥ 3,771,691 | \$ 36,646,823 |
| Negotiable certificates of deposit | 7,234 | 8,197 | 79,651 |
| Borrowed money | 29,550 | 52,740 | 512,443 |
| Foreign exchanges | 162 | 141 | 1,374 |
| Other liabilities | 14,807 | 13,580 | 131,947 |
| Provision for bonuses | 1,207 | 1,263 | 12,272 |
| Provision for directors' bonuses | 82 | 82 | 796 |
| Provision for retirement benefits | 11,660 | — | — |
| Net defined benefit liability | — | 12,417 | 120,653 |
| Provision for directors' retirement benefits | 11 | 10 | 105 |
| Provision for loss on interest repayment | 26 | 21 | 205 |
| Provision for reimbursement of deposits | 361 | 403 | 3,915 |
| Provision for contingent loss | 814 | 785 | 7,629 |
| Deferred tax liabilities | 734 | 286 | 2,784 |
| Deferred tax liabilities for land revaluation | 5,568 | 5,547 | 53,901 |
| Acceptances and guarantees | 10,582 | 8,560 | 83,180 |
| Total liabilities | 3,700,308 | 3,875,729 | 37,657,685 |
| Net Assets: | | | |
| Capital stock | ¥ 49,759 | ¥ 49,759 | \$ 483,480 |
| Capital surplus | 39,728 | 39,721 | 385,944 |
| Retained earnings | 114,308 | 126,581 | 1,229,905 |
| Treasury shares | △5,275 | △5,273 | △51,240 |
| Total shareholders' equity | 198,522 | 210,789 | 2,048,090 |
| Valuation difference on available-for-sale securities | 30,113 | 28,061 | 272,657 |
| Revaluation reserve for land | 5,970 | 5,932 | 57,644 |
| Remeasurements of defined benefit plans | — | △670 | △6,513 |
| Total accumulated other comprehensive income | 36,084 | 33,324 | 323,788 |
| Subscription rights to shares | 181 | 241 | 2,341 |
| Minority interests | 1,972 | 2,331 | 22,653 |
| Total Net Assets | 236,760 | 246,686 | 2,396,874 |
| Total Liabilities and Net Assets | 3,937,068 | 4,122,415 | 40,054,560 |

Summary of Performance Results (consolidated)

| | Unit:JPY million | | Unit:Thousands of U.S. dollars |
|---|------------------|-----------|-----------------------------------|
| | FY2012 | FY2013 | FY2013 |
| ※Note | | | |
| Gross operating income | ¥ 73,822 | ¥ 71,091 | \$ 690,744 |
| Net operating income | 25,618 | 26,075 | 253,356 |
| Net income | 15,074 | 15,303 | 148,695 |
| Comprehensive income | 30,404 | 13,591 | 132,061 |
| Total net assets | 236,760 | 246,686 | 2,396,874 |
| Total assets | 3,937,068 | 4,122,415 | 40,054,560 |
| Capital adequacy ratio (Based on standards for a domestically-operating bank) | 11.61% | 11.64% | 11.64% |

※Note:U.S. dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥102.92 to US\$1.00, the exchange rate prevailing on March 31,2014

Consolidated Statements of (comprehensive)Income

| | Unit:JPY million | Unit:Thousands of U.S. dollars | |
|--|------------------|-----------------------------------|-------------------|
| | ※Note | | |
| | 2012 | 2013 | 2013 |
| Ordinary income | ¥ 73,822 | ¥ 71,091 | \$ 690,744 |
| Interest income | 59,876 | 58,193 | 565,428 |
| Interest on loans and discounts | 45,387 | 43,656 | 424,174 |
| Interest and dividends on securities | 14,199 | 14,292 | 138,873 |
| Interest on call loans and bills bought | 287 | 218 | 2,120 |
| Interest on deposits with banks | 0 | 25 | 249 |
| Other interest income | 1 | 1 | 10 |
| Fees and commissions | 9,192 | 9,737 | 94,612 |
| Other ordinary income | 4,063 | 1,721 | 16,725 |
| Other income | 689 | 1,438 | 13,978 |
| Recoveries of written off claims | 6 | 99 | 962 |
| Other | 683 | 1,339 | 13,015 |
| Ordinary expenses | ¥ 48,203 | ¥ 45,015 | \$ 437,388 |
| Interest expenses | 2,344 | 1,984 | 13,284 |
| Interest on deposits | 2,306 | 1,939 | 18,847 |
| Interest on negotiable certificates of deposit | 5 | 6 | 66 |
| Interest on call money and bills sold | 1 | 2 | 23 |
| Interest on payables under securities lending transactions | 0 | 2 | 22 |
| Interest on borrowings and rediscounts | 30 | 33 | 325 |
| Fees and commissions payments | 3,637 | 3,201 | 31,107 |
| Other ordinary expenses | — | 11 | 109 |
| General and administrative expenses | 37,181 | 37,276 | 362,186 |
| Other expenses | 5,039 | 2,542 | 24,700 |
| Provision of allowance for loan losses | 597 | 151 | 1,470 |
| Other | 4,441 | 2,390 | 23,229 |
| Ordinary profit | ¥ 25,618 | ¥ 26,075 | \$ 253,356 |
| Extraordinary income | 5 | 110 | 1,071 |
| Gain on disposal of non-current assets | 5 | 110 | 1,071 |
| Extraordinary losses | 634 | 744 | 7,229 |
| Loss on disposal of non-current assets | 423 | 218 | 2,125 |
| Impairment loss | 211 | 164 | 1,599 |
| Other | — | 360 | 3,504 |
| Income before income taxes and minority interests | ¥ 24,990 | ¥ 25,441 | \$ 247,197 |
| Income taxes-current | 8,463 | 8,839 | 85,888 |
| Income taxes-deferred | 1,116 | 1,024 | 9,952 |
| Total income taxes | 9,579 | 9,863 | 95,841 |
| Income before minority interests | 15,410 | 15,577 | 151,356 |
| Minority interests in income | 335 | 273 | 2,660 |
| Net income | ¥ 15,074 | ¥ 15,303 | \$ 148,695 |

Consolidated Statements of Comprehensive Income

| | Unit:JPY million | Unit:Thousands of U.S. dollars | |
|---|------------------|-----------------------------------|------------|
| | ※Note | | |
| | 2012 | 2013 | 2013 |
| Income before minority interests | ¥ 15,410 | ¥ 15,577 | \$ 151,356 |
| Other comprehensive income | 14,994 | △1,985 | △19,294 |
| Valuation difference on available-for-sale securities | 14,994 | △1,985 | △19,294 |
| Comprehensive income attributable to | 30,404 | 13,591 | 132,061 |
| Comprehensive income attributable to owners of parent | 30,002 | 13,252 | 128,760 |
| Comprehensive income attributable to minority interests | 402 | 339 | 3,301 |

The Keiyo Bank, Ltd.

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