



The Keiyo Bank, Ltd.

Annual Report 2011

Year Ended March 31, 2011



Message from President



Nobuo Kojima

President
The Keiyo Bank, Ltd.



We sincerely appreciate your continued patronage to the Keiyo Bank, which we call αBANK. Taking this opportunity, we would like to offer our deepest sympathy to those who suffered devastating damage from the Great East Japan Earthquake that occurred this March. We hope the earliest recovery of the areas hard struck by the earthquake and tsunamis in an unprecedented scale.

The Japanese economy is still in stagnation in the aftermath of the Earthquake; however, we have begun to notice that manufacturing activities and domestic private-sector demands are gradually picking up. For example, in Chiba Prefecture where the Keiyo Bank has its base, there are signs of economic recovery in some parts; nevertheless we still need to be cautious about how things would go in the face of negative influences of the restricted supply of electricity, high oil prices and so on. As a community-base bank, we at the Keiyo Bank commit to continue our efforts to help promote the recovery and revitalization of the local economy, and thus will try our best in the joint-efforts with people of local communities and elsewhere for the early recovery

from the Earthquake.

Under these circumstances, the Keiyo Bank initiated its 15th mid-term business plan called “α ACTION PLAN 2013” this April. Under the subtitle of “For Increased Corporate Value”, we at the Keiyo Bank will strive to achieve these three goals: “contribution to the real local economy”, “establishment of the sound operational base” and “establishment of the solid revenue base”, while aiming to become “an attractive and energetic bank that would assure and provide high reliability, convenience and satisfaction to the customers”.

The Keiyo Bank will celebrate the 70th anniversary of its foundation upon completion of that business plan. In order to maintain and further nurture the trust given by the customers, all members of the Keiyo Bank and affiliated companies commit to make every effort to continue serving our valued customers, as a bank capable of offering benefits for local communities. We therefore would like to seek your continued support to the Keiyo Bank.

July 2011

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
Number of staffed branches and offices:	119 (Of which, 3 are sub-branch offices)
Number of unstaffed ATM offices:	144
Number of employees:	2,039 people
Total assets:	JPY 3,566.9 billion
Deposits:	JPY 3,316.7 billion
Loans:	JPY 2,420.8 billion
Capital adequacy ratio:	11.23% (non-consolidated) 11.35% (consolidated)
Rating:	(Based on standards for a domestically-operating bank) A+ (by Japan Credit Rating Agency) A- (by Standard & Poor's)

(As of March 31, 2011)

Summary of Performance Results *(non-consolidated)*

Business Highlights

The Keiyo Bank achieved remarkable performance results in FY2010, as exemplified by posting of a record-high core net business income due to steady growth in the balances of deposits and loans, which are the major components of the core banking business. Because of this achievement, the Keiyo Bank passed a resolution to pay an annual dividend of JPY9.00/share for FY2010, by increasing the fiscal year-end dividend/share by JPY1.00 to JPY5.00.

In consideration of the public nature of the banking business which the Keiyo Bank is in, our basic policies are to strive for maintaining sound banking operations and adequate retained earnings in order to respond to high expectations of our customers and the local communities, while ensuring appropriate profit distribution to all the stakeholders.

We intend to use our retained earnings for facility investment to improve our customer services, and also for expanding and reinforcing our operational base and management structure.



Balance of Deposits

Achieved an annual increase of 4.5%

Because our aggressive approach in creating a large network of branches and offices, installation of state-of-the-art ATMs and the safe-deposit box service, among other things, has been highly appreciated by our customers, the balance of deposits reached JPY3,316.7 billion as of March 31, 2011, an increase of JPY144.7 billion over the previous year (i.e., an annual increase of 4.5%).

Balance of Loans

Achieved an annual increase of 3.5%

As a result of our aggressive approach in promoting the retail loans business in Chiba Prefecture, such as loans to small and medium-sized companies and housing loans, the balance of loans reached JPY2,420.8 billion as of March 31, 2011, an increase of JPY82.0 billion over the previous year (i.e., an annual increase of 3.5%).

Core net business income

Renewed a record high

As the Keiyo Bank attained a high level of the net interest income as of March 31, 2011 due to the steady increase in our balances of deposits and loans, our core net business income, which is an indicator of a bank's profit-earning ability, reached a record high of JPY29.3 billion.

Net income

Increased for 2 consecutive fiscal years

Net income for FY2010 was JPY11.5 billion, up JPY0.8 billion from the previous fiscal year. The Keiyo Bank achieved increases of its net income for two consecutive fiscal years.

OHR

Efficient management

Due to the positive results generated by our low-cost operations and other reasons, the Keiyo Bank marked OHR of 54.73%, which is an indicator of the level of an entity's management efficiency. OHR was down 1.22 percentage points from the previous fiscal year.

Capital adequacy ratio

Achieved a level far beyond the standard

The Keiyo Bank achieved its capital adequacy ratio of 11.23%, which was far beyond the standardized ratio of 4% for banks having their operational bases only within Japan. Also the ratio of basic components of the Keiyo Bank's capital (known as Tier I ratio) was 10.38%, indicating that the Keiyo Bank has good quality capital components.

Nonperforming assets

Marked 1.65%, the top level among regional banks

As a result of our aggressive approach in providing support to our corporate and individual customers for their corporate management and loans repayment schemes, the Keiyo Bank marked the nonperforming assets ratio of 1.65% as of March 31, 2011, which was calculated based on the Law concerning Emergency Measures for the Revitalization of the Financial Functions of Japan (the “Law”). The Keiyo Bank has been maintaining nearly the lowest ratio of nonperforming assets among regional banks.

The Keiyo Bank’s (non-consolidated) claims as of March 31, 2011 as disclosed under the Law was JPY40.3 billion, up JPY3.8 billion from the previous fiscal year. Also, the ratio of nonperforming assets to the total credit facilities was 1.65%, up 0.11% from the previous fiscal year. However, because the Keiyo Bank had conservatively increased its allowance for possible credit losses, the collectability of those claims excluding “normally-performing assets” reached 86.56%, up 0.14% from the previous fiscal year; this level of collectability is deemed adequate to absorb possible future credit losses.

Balance of loans to small and medium-sized companies

Gradually increasing

As a result of our aggressive approach in facilitating smooth monetary flow within Chiba Prefecture, in particular targeting our small and medium-sized company customers, the balance of our loans to small and medium-sized companies reached JPY1,069.6 billion, up JPY10.9 billion from the previous fiscal year (i.e., an annual increase rate of 1.0%).

Balance of housing loans

Achieved an annual increase of 8.5%

As a result of our aggressive approach in responding to the needs of our customers for housing finance (e.g., for construction of new houses, mortgage refinancing, renovation, etc.), the balance of our housing loans reached JPY845.9 billion, up JPY66.8 billion from the previous fiscal year (i.e., an annual increase rate of 8.5%).



Consolidated Balance Sheets

	Unit:JPY million		Unit:Thousands of U.S. dollars	※Note
	2009	2010	2010	
Assets:				
Cash and due from banks	¥ 45,035	¥ 70,560	\$ 848,588	
Call loans bills bought	68,192	48,150	579,080	
Trading account securities	926	1,145	13,782	
Securities	879,046	947,380	11,393,629	
Loans and bills discounted	2,338,485	2,420,520	29,110,294	
Foreign exchanges	1,371	1,934	23,267	
Other assets	15,194	14,528	174,731	
Tangible fixed assets	51,735	52,321	629,245	
Buildings,net	13,932	13,783	165,769	
Land	29,283	31,675	380,943	
Construction in progress	2,122	935	11,251	
Other tangible fixed assets	6,396	5,927	71,281	
Intangible fixed assets	204	202	2,439	
Software	3	2	28	
Other intangible fixed assets	200	200	2,411	
Deferred tax assets	14,099	14,856	178,676	
Customer's liabilities for acceptances and guarantees	15,457	13,393	161,072	
Allowance for loan losses	△ 14,798	△ 15,009	△ 180,515	
Total assets	3,414,950	3,569,986	42,934,291	
Liabilities:				
Deposits	¥ 3,171,287	¥ 3,315,921	\$ 39,878,789	
Negotiable certificates of deposit	8,695	7,664	92,176	
Borrowed money	5	6,371	76,628	
Foreign exchanges	86	90	1,085	
Other liabilities	12,928	13,440	161,645	
Provision for bouns	1,180	1,227	14,758	
Provision for directors' bounses	60	80	962	
Provision for retirement benefits	13,415	12,937	155,594	
Provision for directors' retirement benefits	541	565	6,799	
Provision for loss on interest repayment	42	37	449	
Provision for reimbursement of deposit	208	290	3,488	
Provision for contingent losses	444	696	8,378	
Deferred tax liabilities for revaluation	6,447	6,447	77,535	
Acceptances and guarantees	15,457	13,393	161,072	
Total liabilities	3,230,802	3,379,163	40,639,363	
Net Assets:				
Capital stock	¥ 49,759	¥ 49,759	\$ 598,434	
Capital surplus	39,731	39,731	477,824	
Retained earnings	83,425	92,739	1,115,326	
Treasury stock	△ 5,243	△ 5,260	△ 63,266	
Total shareholders' equity	167,673	176,969	2,128,317	
Valuation difference on available-for-sale securities	9,981	7,255	87,262	
Revaluation reserve for land	5,279	5,279	63,492	
Total accumulated other comprehensive income	15,260	12,535	150,755	
Minority interests	1,212	1,318	15,855	
Total net assets	184,147	190,823	2,294,928	
Total liabilities and net assets	3,414,950	3,569,986	42,934,291	

Summary of Performance Results (consolidated)

	Unit:JPY million					Unit:Thousands of U.S. dollars	※Note
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010	
Gross operating income	¥ 70,877	¥ 74,435	¥ 74,621	¥ 74,439	¥ 79,833	\$ 960,109	
Net operating income	23,931	24,216	10,090	17,963	19,816	238,325	
Net income	13,913	13,728	5,658	10,714	11,545	138,855	
Comprehensive income	-	-	-	-	8,930	107,400	
Total net assets	168,707	176,448	164,789	184,147	190,823	2,294,928	
Total assets	2,976,508	3,132,421	3,271,350	3,414,950	3,569,986	42,934,291	
Capital adequacy ratio (Based on standards for a domestically-operating bank)	11.05%	11.35%	11.00%	10.96%	11.35%	11.35%	

※Note: U.S. dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥83.15 to US\$1.00, the exchange rate prevailing on March 31, 2011

Consolidated Statements of (comprehensive)Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2009	2010	※Note
Ordinary income	¥ 74,439	¥ 79,833	\$ 960,109
Interest income	63,703	63,818	767,510
Interest on loans and discounts	50,090	49,578	596,252
Interest and dividends on securities	13,269	13,967	167,983
Interest on call loans and bills bought	342	270	3,248
Interest on deposits with banks	0	0	3
Other interest income	1	1	22
Fees and commissions	8,474	8,738	105,093
Other ordinary income	1,502	6,478	77,917
Other income	759	797	9,587
Ordinary expenses	¥ 56,475	¥ 60,016	\$ 721,784
Interest expenses	5,771	4,083	49,111
Interest on deposits	5,746	4,067	48,916
Interest on negotiable certificates of deposit	23	14	168
Interest on call money and bills sold	0	-	-
Interest on payables under securities lending transactions	1	0	5
Interest on borrowings and rediscounts	0	1	20
Fees and commissions payments	3,635	3,772	45,371
Other ordinary expenses	905	2,089	25,133
General and administrative expenses	35,312	35,440	426,227
Other expenses	10,851	14,629	175,941
Provision of allowance for loan losses	1,865	2,556	30,750
Others	8,985	12,072	145,190
Ordinary profit	¥ 17,963	¥ 19,816	\$ 238,325
Extraordinary income	15	56	682
Recoveries of written-off claims	13	55	663
Gain on disposal of noncurrent assets	-	1	18
Gain on sales of noncurrent assets	1	-	-
Extraordinary loss	160	308	3,711
Loss on disposal of noncurrent assets	160	146	1,764
Loss on sales of noncurrent assets	0	-	-
Impairment loss	-	161	1,947
Income before income taxes and minority interests	¥ 17,818	¥ 19,564	\$ 235,296
Income taxes current	6,056	6,777	81,507
Income taxes deferred	978	1,108	13,333
Total income taxes	7,035	7,886	94,840
Income before minority interests	-	11,678	140,455
Minority interests in income	68	133	1,600
Net income	¥ 10,714	¥ 11,545	\$ 138,855

Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2009	2010	※Note
Income before minority interests	-	¥ 11,678	\$ 140,455
Other comprehensive income	-	△ 2,748	△ 33,055
Valuation difference on available-for-sale securities	-	△ 2,748	△ 33,055
Comprehensive income	-	8,930	107,400
Comprehensive income attributable to owners of the parent	-	8,820	106,075
Comprehensive income attributable to minority interests	-	110	1,324

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