



# 2012 Annual Report

Year Ended March 31, 2012

**The Keiyo Bank, Ltd.**

## Message from President



Nobuo Kojima

President  
The Keiyo Bank, Ltd.



We sincerely appreciate your continued patronage to the Keiyo Bank, which we call αBANK.

Looking back the financial and economic circumstances of fiscal year 2011 (ending March 31, 2012), the Japanese economy was tremendously affected by the Great East Japan Earthquake in the beginning, but gradually began to pick up as a result of speedy recovery of supply chain networks, implementation of government initiatives for the reconstruction of the areas stricken by the Earthquake and tsunamis. Nevertheless, due to rising uncertainty in the economies overseas triggered by the European financial crisis and due to limited electric power consumption at home, the future prospects of the Japanese economy remain unclear.

In Chiba Prefecture where the Keiyo Bank has its base, we have also seen some signs of recovery as a result of the progress in the reconstruction and recovery from the harsh damage inflicted by the Earthquake; however, the economic conditions are apparently tough, as we see unstable foreign exchange fluctuations and high oil prices.

Under these circumstances, the Keiyo Bank has vigorously been implementing its 15th mid-term business plan called “α ACTION PLAN 2013” since April 2011. We at the Keiyo Bank will strive to achieve and steadily implement these three goals: “contribution to the real local economy”, “establishment of the sound operational base” and “establishment of the solid revenue base”, and whereby aim to become “an attractive and energetic bank that would assure and provide high reliability, convenience and satisfaction to the customers”.

This fiscal year marks the closing year of the 15th mid-term business plan and our bank’s 70th anniversary of the foundation. In order to preserve and further nurture the trust given by our valued customers into the future, all members of the Keiyo Bank and affiliated companies are committed to serve and act for making the Keiyo Bank a bank capable of offering benefits and great assistance to the local communities. We therefore would like to seek your continued support to the Keiyo Bank.

July 2012

## 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.:	265 locations in total:
Headquarters/branch offices:	117
Sub-branch offices:	3
ATM installments:	145
Employees:	2,025 people
Total assets:	JPY 3,776.5 billion
Deposits:	JPY 3,482.9 billion
Loans:	JPY 2,522.4 billion
Capital adequacy ratio:	11.21% (non-consolidated) 11.34% (consolidated) (Based on standards for a domestically-operating bank)
Credit rating:	A+ (by Japan Credit Rating Agency) A (by Standard & Poor's)

(As of March 31, 2012)

## Summary of Performance Results (non-consolidated)

### Balance of Deposits

#### Achieved an annual increase of 5.0%

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 JPY3,482.9 billion as of March 31, 2012, an increase of JPY166.1 billion over the previous year (i.e., an annual increase of 5.0%).

### Balance of Loans

#### Achieved an annual increase of 4.1%

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 JPY2,522.4 billion as of March 31, 2012, an increase of JPY101.5 billion over the previous year (i.e., an annual increase of 4.1%).

## Core net business income

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### Maintained a high profit-earning power

Despite increase in expenses due to our aggressive capital investments, the Keiyo Bank's core net business income, which indicates a bank's profit-earning ability, maintained a high level of JPY28.1 billion as of March 31, 2012, as a result of a steady increase in our balances of deposits and loans, and steady growth of our net interest income.

## Net income

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### Increased for 3 consecutive fiscal years

Net income for FY2011 was JPY12.1 billion, up JPY0.6 billion from the previous fiscal year. The Keiyo Bank achieved increases of its net income for three consecutive fiscal years.

## OHR and Expense ratio

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### Efficient management

The Keiyo Bank maintained low levels of OHR (56.56%) and expense ratio (1.06%), indicating its efficient management.

## Capital adequacy ratio

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### Achieved a level far beyond the standard

The Keiyo Bank achieved its capital adequacy ratio of 11.21%, 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 10.58%, indicating that the Keiyo Bank has good quality capital components.

## Balance of loans to small and medium-sized companies

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### Steadily increasing

As a result of our aggressive approach in responding to the loan demands from our small and medium-sized company customers amid the suffering of Chiba Prefecture's economy from various aspects of damage caused by the Earthquake, the balance of our loans to small and medium-sized companies marked JPY1,070.0 billion, up JPY0.3 billion from the previous fiscal year (i.e., an annual increase rate of 0.03%).

## Balance of housing loans

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### Achieved an annual increase of 9.3%

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 JPY925.0 billion, up JPY79.1 billion from the previous fiscal year (i.e., an annual increase rate of 9.3%).

## Nonperforming assets ratio

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

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### Maintained a high level of operational soundness

The Keiyo Bank marked the nonperforming assets ratio of 2.05% as of March 31, 2012 based on the Act on Emergency Measures for Revitalizing the Financial Functions of Japan, indicating that it maintained a high level of operational soundness. Also, the collectability of its claims was 85.05%; this level of collectability is deemed adequate to absorb possible future credit losses.

## Credit rating

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### Standard & Poor's has upgraded the credit rating

Standard & Poor's, one of world's top three credit-rating companies, upgraded the credit rating (the long-term counterparty credit rating) of the Keiyo Bank from "A-" to "A" in December 2011. The credit rating (preferred long-term debt rating) by Japan Credit Rating Agency remained the same as "A+".



# Consolidated Balance Sheets

	Unit:JPY million		Unit:Thousands of U.S. dollars	※Note
	2010	2011	2011	
<b>Assets:</b>				
Cash and due from banks	¥ 70,560	¥ 54,914	\$ 668,141	
Call loans and bills bought	48,150	171,536	2,087,071	
Trading account securities	1,145	1,813	22,059	
Securities	947,380	952,218	11,585,572	
Loans and bills discount	2,420,520	2,522,173	30,687,109	
Foreign exchanges	1,934	853	10,380	
Other assets	14,528	13,518	164,484	
Tangible fixed assets	52,321	55,473	674,943	
Buildings,net	13,783	15,856	192,926	
Land	31,675	32,223	392,055	
Construction in progress	935	911	11,086	
Other tangible fixed assets	5,927	6,482	78,874	
Intangible fixed assets	202	204	2,490	
Software	2	4	50	
Other intangible fixed assets	200	200	2,439	
Deferred tax assets	14,856	8,739	106,330	
Customer's liabilities for acceptances and guarantees	13,393	12,531	152,472	
Allowance for loan losses	△ 15,009	△ 14,156	△ 172,240	
<b>Total assets</b>	<b>3,569,986</b>	<b>3,779,820</b>	<b>45,988,812</b>	
<b>Liabilities:</b>				
Deposits	¥ 3,315,921	¥ 3,482,016	\$ 42,365,449	
Negotiable certificates of deposit	7,664	8,412	102,351	
Borrowed money	6,371	32,151	391,182	
Foreign exchanges	90	85	1,043	
Other liabilities	13,440	15,047	183,080	
Provision for bonuses	1,227	1,218	14,831	
Provision for directors' bonuses	80	72	876	
Provision for retirement benefits	12,937	12,333	150,059	
Provision for directors' retirement benefits	565	11	139	
Provision for loss on interest repayment	37	39	477	
Provision for reimbursement of deposits	290	361	4,404	
Provision for contingent loss	696	870	10,591	
Deferred tax liabilities for revaluation	6,447	5,602	68,159	
Acceptances and guarantees	13,393	12,531	152,472	
<b>Total liabilities</b>	<b>3,379,163</b>	<b>3,570,754</b>	<b>43,445,118</b>	
<b>Net Assets:</b>				
Capital stock	¥ 49,759	¥ 49,759	\$ 605,424	
Capital surplus	39,731	39,730	403,393	
Retained earnings	92,739	101,978	1,240,764	
Treasury stock	△ 5,260	△ 5,266	64,077	
Total shareholders' equity	176,969	186,201	2,265,504	
Valuation difference on available-for-sale securities	7,255	15,185	184,764	
Revaluation reserve for land	5,279	6,015	73,196	
Total accumulated other comprehensive income	12,535	21,201	257,960	
Subscription rights to shares	-	87	1,064	
Minority interests	1,318	1,575	19,164	
<b>Total net assets</b>	<b>190,823</b>	<b>209,066</b>	<b>2,543,693</b>	
<b>Total liabilities and net assets</b>	<b>3,569,986</b>	<b>3,779,820</b>	<b>45,988,812</b>	

## Summary of Performance Results (consolidated)

	Unit:JPY million					Unit:Thousands of U.S. dollars	※Note
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2011	
Gross operating income	¥ 74,435	¥ 74,621	¥ 74,439	¥ 79,833	¥ 76,277	\$ 928,062	
Net operating income	24,216	10,090	17,963	19,816	23,611	287,283	
Net income	13,728	5,658	10,714	11,545	11,964	145,567	
Comprehensive income	-	-	-	8,930	20,956	254,978	
Total net assets	176,448	164,789	184,147	190,823	209,066	2,543,693	
Total assets	3,132,421	3,271,350	3,414,950	3,569,986	3,779,820	45,988,812	
Capital adequacy ratio (Based on standards for a domestically-operating bank)	11.35%	11.00%	10.96%	11.35%	11.34%	11.34%	

※Note: U.S. dollar amounts are shown solely for the purpose of convenience and calculated at the conversion rate of ¥82.19 to US\$1.00, the exchange rate prevailing on March 31, 2012

# Consolidated Statements of (comprehensive)Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2010	2011	※Note
<b>Ordinary income</b>	<b>¥ 79,833</b>	<b>¥ 76,277</b>	<b>\$ 928,062</b>
Interest income	63,818	62,528	760,784
Interest on loans and discounts	49,578	47,792	581,490
Interest and dividends on securities	13,967	14,445	175,757
Interest on call loans and bills bought	270	286	3,486
Interest on deposits with banks	0	3	38
Other interest income	1	0	11
Fees and commissions	8,738	8,540	103,917
Other ordinary income	6,478	4,394	53,463
Other income	797	813	9,897
<b>Ordinary expenses</b>	<b>¥ 60,016</b>	<b>¥ 52,665</b>	<b>\$ 640,779</b>
Interest expenses	4,083	2,860	34,801
Interest on deposits	4,067	2,825	34,373
Interest on negotiable certificates of deposit	14	5	67
Interest on call money and bills sold	-	0	2
Interest on payables under securities lending transactions	0	2	25
Interest on borrowings and rediscounts	1	27	332
Fees and commissions payments	3,772	3,702	45,042
Other ordinary expenses	2,089	774	9,425
General and administrative expenses	35,440	36,457	443,581
Other expenses	14,629	8,870	107,928
Provision of allowance for loan losses	2,556	1,350	16,431
Others	12,072	7,520	91,497
<b>Ordinary profit</b>	<b>¥ 19,816</b>	<b>¥ 23,611</b>	<b>\$ 287,283</b>
Extraordinary income	56	-	682
Recoveries of written-off claims	55	-	663
Gain on disposal of noncurrent assets	1	-	18
Gain on sales of noncurrent assets	-	-	-
Extraordinary loss	308	482	5,870
Loss on disposal of noncurrent assets	146	326	3,967
Loss on sales of noncurrent assets	-	-	-
Impairment loss	161	156	1,903
<b>Income before income taxes and minority interests</b>	<b>¥ 19,564</b>	<b>¥ 23,129</b>	<b>\$ 281,412</b>
Income taxes current	6,777	8,276	100,701
Income taxes deferred	1,108	2,666	32,440
Total income taxes	7,886	10,942	133,141
Income before minority interests	11,678	12,186	148,270
Minority interests in income	133	222	2,703
<b>Net income</b>	<b>¥ 11,545</b>	<b>¥ 11,964</b>	<b>\$ 145,567</b>

# Consolidated Statements of Comprehensive Income

	Unit:JPY million	Unit:Thousands of U.S. dollars	
	2010	2011	※Note
Income before minority interests	¥ 11,678	¥ 12,186	\$ 148,270
Other comprehensive income	△ 2,748	8,770	106,708
Valuation difference on available-for-sale securities	△ 2,748	7,969	96,960
Revaluation reserve for land	-	801	9,748
Comprehensive income	8,930	20,956	254,978
Comprehensive income attributable to owners of the parent	8,820	20,695	251,796
Comprehensive income attributable to minority interests	110	261	3,181

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