Bank of Kyoto

Annual Report 2014

For the year ended March 31, 2014

The Bank of Kyoto, Ltd.

Profile

Since its establishment on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have achieved steady growth as one of Kyoto Prefecture's core financial institutions. The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto vigorously carries out marketing activities aimed at providing customers with high-quality financial services. The Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Non-Consolidated Basis

Total Assets: ¥7,880.7 billion (7 among regional banks)	Total Deposits: ¥6,984.4 billion (7 among regional banks)	Loans and Bills Discounted: ¥4,223.2 billion (11 among regional banks)
Unrealized Gains on Securities: ¥295.7 billion (1 among regional banks)	Capital Ratio: 12.42% (domestic standards)	Credit Rating: A+ (R&I) A (S&P)

Contents

Attention regarding forward-looking statements

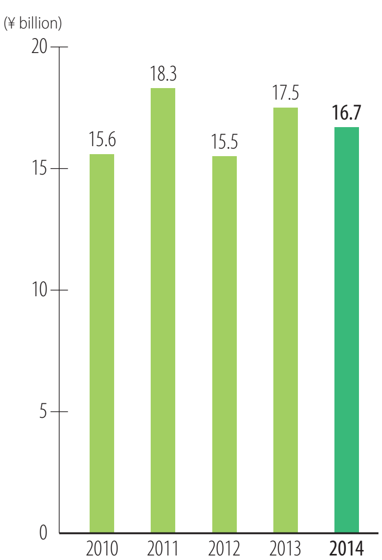
Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

Consolidated Financial Highlights

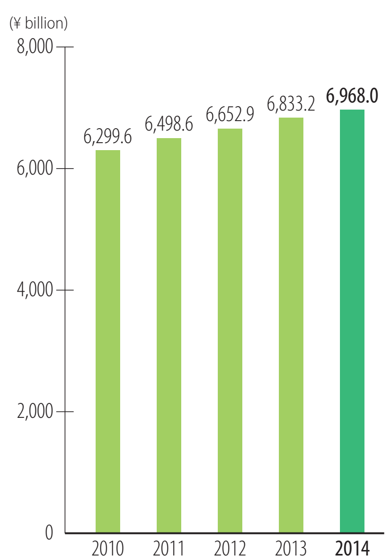
	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
For The Year				
Total Income	¥ 105,878	¥ 115,297	¥ 116,428	$ 1,028,744
Total Expenses	77,793	84,592	88,577	755,866
Income before Income Taxes and Minority Interests	28,084	30,704	27,851	272,877
Net Income	16,771	17,574	15,560	162,952
At Year-end				
Total Assets	¥7,893,834	¥7,626,868	¥7,359,323	$76,698,742
Deposits (including NCDs)	6,968,036	6,833,266	6,652,921	67,703,428
Loans and Bills Discounted	4,216,634	4,120,333	4,059,891	40,970,022
Securities	3,196,706	3,034,289	2,871,415	31,060,107
Minority Interests	6,176	5,560	9,303	60,016
Common Stock	42,103	42,103	42,103	409,091
Total Equity	545,651	463,074	428,960	5,301,708
Capital Ratio (Domestic Standards)	12.89%	13.26%	13.25%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥102.92 to US$1.00 on March 31, 2014, the final business day of the term.
3. To calculate credit risk assets, the Bank employs the Fundamental Internal Ratings-Based Approach for the fiscal year ended March 2014 and 2013, standardized approach for the fiscal years ended March 31, 2012.
4. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

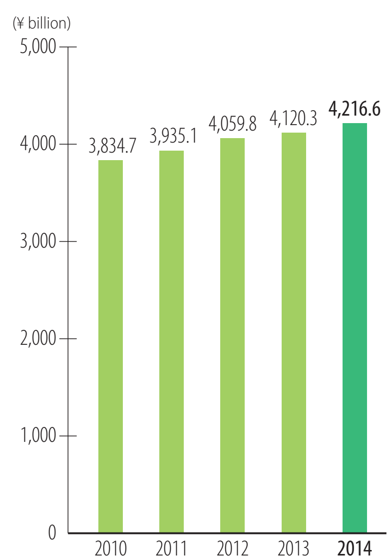
Net Income



Deposits (including NCDs)



Loans and Bills Discounted



Financial results for the fiscal year ended March 31, 2014

In the fiscal year ended March 31, 2014, the final fiscal year of the 4th medium-term management plan, "Power Up — Breakthrough and Dynamic Performance —" (from fiscal 2011 to fiscal 2013), the Bank of Kyoto actively expanded its marketing and as a result the year-end balance of deposits and negotiable certificates of deposit was ¥6,984.4 billion and the balance of loans and bills discounted came to ¥4,223.2 billion, so both increased steadily. In particular, the balance of loans and bills discounted for small and medium-sized corporations increased by ¥74.1 billion from the end of the previous year to ¥3,005.5 billion, breaking through the ¥3 trillion barrier.

Turning to earnings, ordinary profit was ¥26.4 billion and net income was ¥16.0 billion, so we maintained robust profit levels.

Measures for further growth

Since the Bank opened the Kusatsu Branch (Shiga Prefecture) in December 2000 we have expanded and enhanced our branch network and achieved growth as a "wide-area regional bank."

Meanwhile the economic environment of Japan is undergoing major structural changes including for example the decline in the population and the number of business cites and the hollowing out of domestic industry and we forecast that going forward competition among the banks will grow even more intense.

Against that backdrop, in April this year the Bank started the 5th medium-term management plan Vision 75: Building a Good Bank that we will work on for the next three years.

In the new medium-term management plan we will aim for further growth within the time frames of five years and ten years, set a new management vision of "Wide-area Regional Bank — Second Stage" — From points to lines, from lines to surfaces, identify surfaces and become the "Main Bank of the Region" —, and work on "Building a Good Bank" that is chosen by the region and the customers.

"The kind of bank we should be in five years" advocated by the Bank in the new medium-term management plan is to "build an absolute management foundation in 'our local town Kyoto'," and "the kind of bank we want to be in ten years" is "an overwhelming presence in the five prefectures in the Kinki region (Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture, Hyogo prefecture)." Moreover, we have set the goals of quickly achieving a 30% market share of deposits and loans in Kyoto Prefecture and also challenging ourselves to become a bank with ¥10 trillion in deposits, and we will vigorously push toward these goals with all of our strength.

Strengthening human resources development with a new training center

With the objective of developing able human resources that have mastered advanced specialized knowledge to serve the local community, in April 2010 we inaugurated "Kyoto Banking College" — an in-house educational program.

In order to further develop and improve the abilities of our human resources we have been constructing a new training center with advanced functions and in March this year we completed the Kyoto Banking College Katsuragawa Campus. This campus is equipped with facilities that have the latest functions, including the Big Hall which can hold 500 people, the Career Support Room which bank employees and others on childcare leave or about to return to work can visit with children in order to do study aimed at a return to the workplace, and a Mock Branch which enables role-playing practices in the same environment as an actual branch.

We will make full use of these facilities to develop bank employees that can provide even higher quality financial services to our customers than before.

Thorough implementation of compliance

Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank has positioned compliance as one of its most important management issues in order to ensure that the actions of each and every one of its management and non-management employees will earn the trust and support of everyone in the region, thereby building relationships of trust and ensuring that observers continue to say that "The Bank of Kyoto is an attractive bank that we can do business with over the long term with a sense of security and satisfaction."

We will thoroughly comply with laws, regulations and business ethics, and take even more proactive initiatives to raise awareness of compliance among all management and non-management employees and to strengthen our organizational readiness, for example by taking resolute measures against anti-social forces as is increasingly demanded by society.

Measures for revitalization of the regional economy

Since its founding the Bank has consistently advocated the management principle of "Serving the Prosperity of the Community."

At a time when there are concerns about stagnation in the regional economy and increasing disparities, even stronger expectations are being placed on regional financial institutions to take initiatives to contribute to revitalization of the regional economy.

Given this context, the Bank is strengthening its initiatives to promote and revitalize this region as the "bank that is chosen by the region and the customers." For example, in April 2014 we established the Community Revitalization Office, a department exclusively dedicated to working on revitalization of the regional economy.

We intend to firmly place our focus on "contributing to the local community" which can be said to be a mission as a regional financial institution, think hard to come up with methods of achieving revitalization of the region, and strongly push ahead with management that aims to make the Bank of Kyoto a financial institution that works together with its region and grows together with its region.

I would like to thank all our investors and stakeholders for their continued support.

H. Takasaki

Hideo Takasaki

President
The Bank of Kyoto, Ltd.

The Industry of Kyoto Prefecture

In Kyoto many cutting-edge, high-tech industries exist side by side with traditional industries and the tourism industry built upon the city's 1,200 years of history and culture. The manufacturing industries of Kyoto Prefecture are supported by a high level of technical capability that is unique to Kyoto, and they have captured high shares of the national market in a diverse array of fields and product categories.

Furthermore, Kyoto is known as the town of students (it has the highest number per 100,000 people in all Japan), with a high concentration of universities and academic research institutions, so it has an ideal environment for developing venture businesses and new industries.

Top-National Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	30.4 billion yen (58%)
	Optical analyzers	16.5 billion yen (65%)
	Other analyzers	55.7 billion yen (53%)
	Medical X-ray equipment	28.8 billion yen (21%)
Platemaking and printing	Printed matter other than paper	95.8 billion yen (13%)
Traditional handicrafts	Off-the-rack traditional Japanese clothing and obi	7.3 billion yen (42%)
	Crape textiles	3.8 billion yen (79%)
Food and beverages	Traditional Japanese sweet cakes	35.5 billion yen (7%)

(Source)
Ministry of Economy, Trade and Industry, Census of Manufactures 2011, the figures in the brackets are the national market share

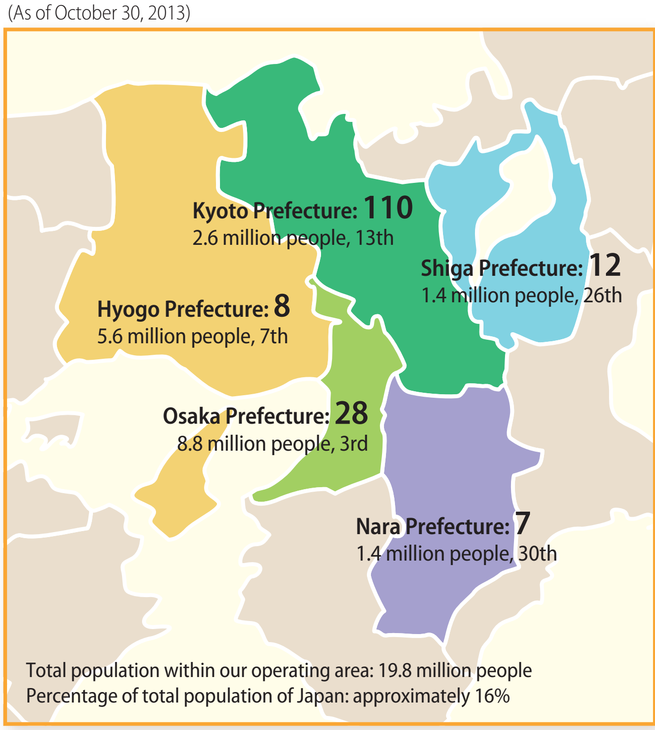
Operating Area and Population within the Area

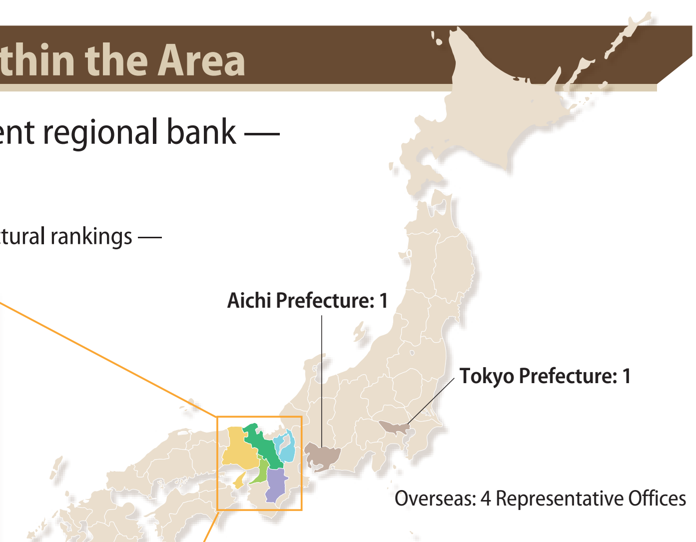
— Aiming to be a comprehensive and convenient regional bank —

Kyoto Banks Network

— The populations within areas in our operating area and their prefectural rankings —

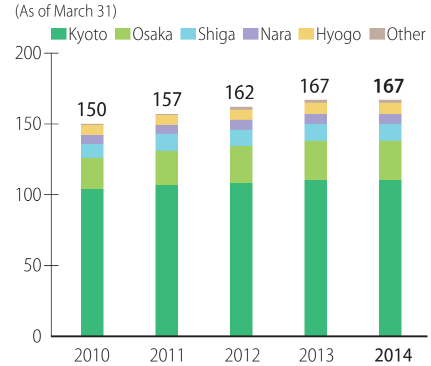
(As of October 30, 2013)





Number of branches in our operating area

(As of March 31)



Support for Overseas Operations

Enhancement of support structures in the Asia region

We have established representative offices in the three China locations of Hong Kong, Shanghai and Dalian and in order to strengthen the overseas business support of our customers we have opened the Bangkok Representative Office, the Bank's first representative office in Southeast Asia, in Bangkok, the capital of the Kingdom of Thailand.

Furthermore, we have enhanced our support structures through our partnership with Metropolitan Bank and Trust Company, a leading local bank in the Philippines, in July 2013 and with CTBC Financial Holding Co., Ltd., a leading local financial group in Taiwan, in September 2013, so that we can meet the needs of our customers in the Asia region.

Specific content of the activities

We are providing our clients with a variety of business opportunities related to overseas expansion including the individual support for our customers given by the Asia Desk established inside the Securities & International Division at the Head Office and by each representative office, and the holding of seminars and business confabs.

Furthermore, we are actively working on providing financial support locally, including executing the Bank's first ever loan denominated in the Chinese RMB (November 2013) and loan denominated in the Thai Baht (May 2014).

Entry by the Clients of the Bank into Markets in Asian Countries

Shanghai Representative Office

Dalian Representative Office

Hong Kong Representative Office

Bangkok Representative Office

Reception for the opening of the Bangkok Representative Office

Overseas business confabs hosted (fiscal 2013)

Date	Name of business confab	No. of participating companies
June 2013	Business Networking Event Held for Japanese Companies in Hong Kong and South China	28 companies
	Business Networking Event Jointly Hosted by Local Banks in Dalian 2013	17 companies
September 2013	Factorynetwork Business Conference (FBC) Shanghai 2013	59 companies
November 2013	Factorynetwork Business Conference (FBC) Guangdong 2013	20 companies
	Business Conference Jointly Hosted by Local Banks in Dalian	14 companies
February 2014	Shanghai Business Exchange 2014	78 companies

Business Networking Event and Seminar Held for Japanese Companies in Hong Kong and South China

Management Plan

The 5th medium-term management plan
Vision 75: Building a Good Bank

In April 2014 we started the new medium-term management plan Vision 75: Building a Good Bank that we will work on for the next three years.

The Bank has determined that "the kind of bank we should be in five years, the kind of bank we want to be in ten years" is to "build an absolute management foundation in "our local town Kyoto" and then be an overwhelming presence in the five prefectures in the Kinki region (Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture, Hyogo prefecture)" respectively, and in this plan we have set a new management vision of "Wide-area Regional Bank — Second Stage" — From points to lines, from lines to surfaces, identify surfaces and become the "Main Bank of the Region" — and we will aim for further growth.

Furthermore, so that each and every one of the bank employees will act with a strong determination to create a "Good Bank" we have included "Building a Good Bank — a bank that is chosen by the region and the customers —" in the behavioral guidelines and have decided to execute three basic strategies (the marketing strategy, the human resources strategy, and the operational reforms strategy).

Environmental awareness (society and the economy)	Impact on the banking industry
• The aging society	• Respond to the outflow of individual financial assets arising from inheritance • Respond to the needs for testamentary trust and business succession
• Declining population	• Strengthen customer base
• Over-concentration of population and industry in the Tokyo Metropolitan area and increasing economic disparities among regions	• Initiatives to support revitalization of the regional economy • Collaborations and partnership with regional financial institutions
• Changes in industrial structure	• Strengthen the supply of funds to growth fields
• The hollowing-out of domestic industry due to companies relocating overseas	• Strengthen overseas business
• The problem of decrepit social infrastructure	• Increase investments and loans for infrastructure renewal

Framework of the 5th medium-term management plan (from fiscal 2014 to fiscal 2016)

The Bank has positioned the three years beginning from fiscal 2014 as the period in which we will carry out **Building a Good Bank** that improves its customer base, profitability, financial strength, and corporate value as we work toward being "the kind of bank we should be in five years, the kind of bank we want to be in ten years."

< Behavioral guidelines >

Building a Good Bank — a bank that is chosen by the region and the customers —

The final fiscal year of this plan (fiscal 2016) will mark the 75th anniversary of the founding of the Bank. We have set the numerical targets of "balance of deposits and negotiable certificates of deposit of ¥7.5 trillion, sum of retail deposits and loans of ¥7.5 trillion, and net income of ¥17.5 billion" and named the plan Vision 75: Building a Good Bank in order to ensure we achieve the targets and that each and every one of the bank employees achieves their goals.

>>The kind of bank we should be in five years, the kind of bank we want to be in ten years

Build an absolute management foundation in "our local town Kyoto" and then be an overwhelming presence in the five prefectures in the Kinki region
(Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture, Hyogo prefecture)

— Quickly achieve a 30% market share of deposits and loans in Kyoto Prefecture —
— Challenge ourselves to become a bank with ¥10 trillion in deposits —

>>Management vision

"Wide-area Regional Bank — Second Stage"
— From points to lines, from lines to surfaces, identify surfaces and become the "Main Bank of the Region" —

First Stage..........Enhancement and deployment of our marketing bases and marketing force
Second Stage......Strengthened profitability and continuous growth through the establishment of a solid customer base

Name of the plan Vision 75: Building a Good Bank

Value: Enhance our added value to become the bank that is chosen by customers
Volume: Aim to expand quantitatively through expansion of our customer base (number of customers and the balance)
Victory: Become an absolute and overwhelming presence

Vision 75

Achieve a balance of deposits and negotiable certificates of deposit of ¥7.5 trillion and a sum of retail deposits and loans of ¥7.5 trillion by the 75th anniversary of our founding (fiscal 2016). Moreover, aim to be a bank with a balance of deposits and negotiable certificates of deposit of ¥8 trillion within the near future, and then ¥10 trillion.

Numerical targets (by the final fiscal year of the plan) (Non-consolidated)

Balance of deposits + NCDs	Sum of retail deposits and loans	Net income
¥7.5 trillion	¥7.5 trillion (Deposits held by individuals ¥4.5 trillion + retail loans and bills discounted ¥3.0 trillion)	¥17.5 billion

Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, the Japanese economy overall was on a domestic demand-led recovery path and continued to escape from deflation as the monetary easing policies continued, and against the backdrop of an asset effect supported by a weakening of the yen and rising stock prices, personal spending was steady, production activities by companies recovered and there was also public investment. During this period, there was a downward swing in some overseas economies, so exports and capital investment stagnated somewhat but employment and income maintained moderate improvements and in the second half of the fiscal year rush demand in the fields of housing investment and durable consumer goods expanded ahead of the increase in the consumption tax rate. All in all, the fiscal period under review ended while maintaining this trend toward recovery but also facing some issues of concern, including the rise in commodity prices and energy costs and the backlash reduction in demand after the increase in the consumption tax rate.

Business Progress and Results

Deposits, in particular deposits held by individuals, grew steadily, resulting in a ¥206.6 billion increase during the year to a year-end balance of ¥6,287.7 billion. On the other hand, negotiable certificates of deposit declined by ¥71.8 billion during the year to end the term at ¥680.3 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥134.7 billion to end the term at ¥6,968.0 billion.

Turning next to loans and bills discounted, lending to corporations increased due to the fact that we actively responded to the demand for funding, and in addition loans to individuals, chiefly mortgage loans, also increased steadily, so overall loans and bills discounted increased by ¥96.3 billion over the year to ¥4,216.6 billion.

Moreover, regarding securities, we worked hard on efficient funds management while sufficiently paying attention to market trends and as a result securities ended the year at ¥3,196.7 billion, an increase of ¥162.4 billion over the year. Appraisal gains (unrealized) yielded from mark-to-market accounting increased ¥104.2 billion during the term, reaching ¥296.0 billion as of the end of the year under review.

In addition, total assets ended the term at ¥7,893.8 billion, while total equity stood at ¥545.6 billion.

Turning to earnings, we made determined efforts to ensure more efficient asset management and procurement and streamline and rationalize management across the board in a persistently difficult earnings environment in the fiscal year under review, while in order to enhance the soundness of our assets we actively advanced measures such as depreciation and reserves using strict self-assessments of assets, and the result was that consolidated ordinary income fell ¥6.2 billion from the previous fiscal year to ¥105.8 billion due to a decrease in interest income centered on interest on loans and bills discounted. On the other hand, consolidated ordinary expenses declined ¥6.8 billion to ¥77.1 billion due to a decrease in other general expenses. As a result of the foregoing, consolidated ordinary profit increased ¥0.5 billion year-on-year to ¥28.6 billion. Note that consolidated net income came to ¥16.7 billion, a decrease of ¥0.8 billion year-on-year, but this is because we recorded a gain from negative goodwill of ¥2.9 billion as extraordinary income in the previous fiscal year. Excluding this factor, net income then increased by ¥2.1 billion year-on-year.

Cash Flows

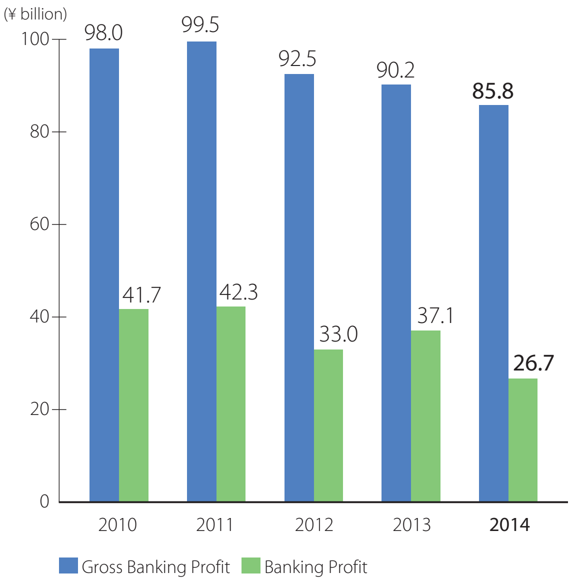
Net cash provided by operating activities during the fiscal year under review was ¥104.7 billion, compared to ¥111.0 billion in the previous fiscal year. The major factors here were increases in deposits and call money.

Net cash used in investing activities during the fiscal year under review was ¥75.9 billion, due chiefly to the acquisition of securities, while it was ¥110.6 billion in the previous fiscal year.

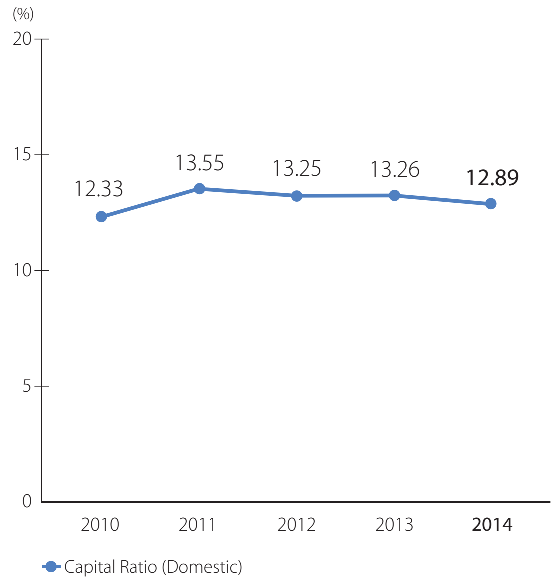
Net cash used in financing activities in the fiscal year under review was ¥33.7 billion, while it was ¥3.7 billion in the previous fiscal year. This was due chiefly to the redemption of bonds with stock acquisition rights.

As a result, the balance of cash and cash equivalents decreased ¥4.9 billion year-on-year to ¥229.2 billion.

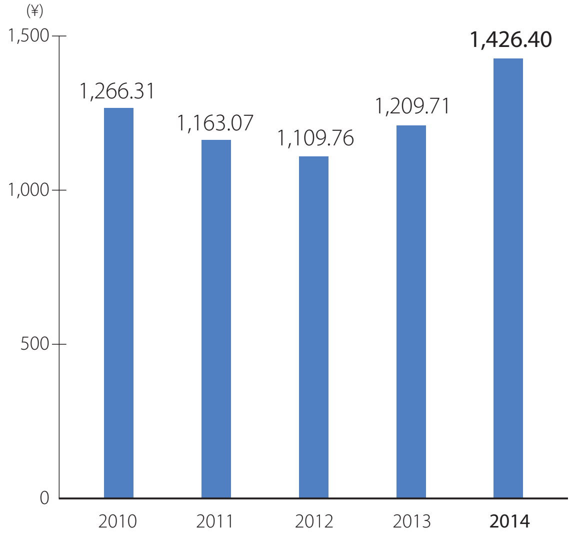
Gross Banking Profit/Banking Profit



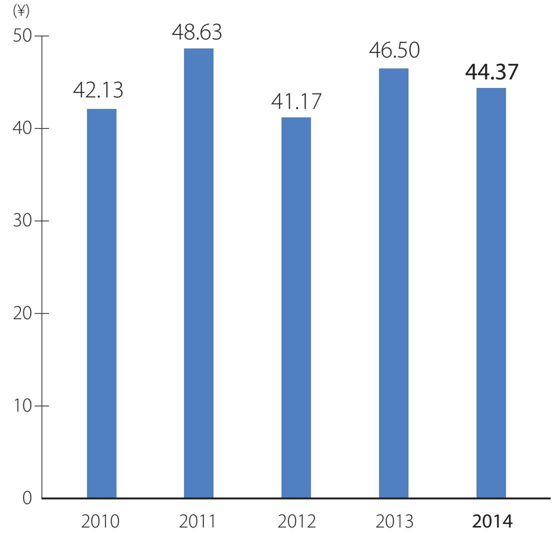
Capital Ratio (Domestic)



Net Asset Per Share



Net Income Per Share



Capital Ratio

Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ). As a result, the Bank's capital ratio came to 12.42% on a non-consolidated basis and 12.89% on a consolidated basis.

In both cases, the Bank's capital ratio significantly exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic (exceeds the 4% level)	12.42%	12.89%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	15.34%	15.76%

Self-Assessment of Assets and Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances based on the Financial Services Agency's Financial Inspections Manual, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2013, the Bank's total disclosed assets, excluding normal assets, amounted to ¥123.5 billion (US$1,200 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 62.8%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 89.9%, which we consider to be a sufficient level.

The Financial Reconstruction Law Standard (Non-Consolidated)

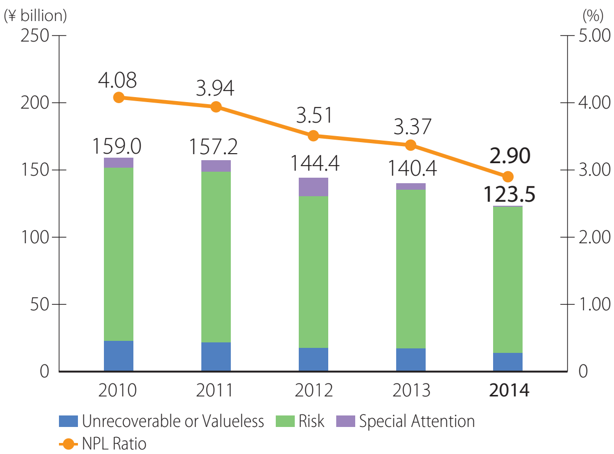
(Billions of yen)

	2014/3	Change from Mar. 31, 2013	2013/3
Unrecoverable or Valueless	¥ 13.9	¥ (3.5)	¥ 17.4
Risk	108.5	(9.3)	117.8
Special Attention	1.0	(4.1)	5.1
Subtotal (A)	123.5	(16.9)	140.4
Non-Classified	4,134.5	109.1	4,025.4
Total	¥4,258.0	¥ 92.1	¥4,165.9

(Notes)

1. From the end of March 2009, we have been calculating substandard assets by standards that reflect the Measure for facilitation of financing for SMEs through eased lending terms (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Substandard assets comprise only loans and bills discounted.

The Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2014/3	Change from Mar. 31, 2013	2013/3
Allowance for Possible Loan Losses (B)	¥ 20.9	¥ (4.8)	¥ 25.7
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	90.1	(8.3)	98.4
Coverage Ratio (B)+(C)/(A)	89.9%	1.5%	88.4%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans. At the end of fiscal 2013, the Bank's balance of risk management loans amounted to ¥123.2 billion (US$1,197 million) on a non-consolidated basis and ¥124.8 billion (US$1,213 million) on a consolidated basis. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2014/3	Change from Mar. 31, 2013	2013/3
Loans in Legal Bankruptcy	¥ 6.9	¥ (3.4)	¥ 10.3
Nonaccrual Loans	116.8	(9.6)	126.4
Accruing Loans			
Three Months or More	0.0	(0.1)	0.1
Restructured Loans	1.0	(3.9)	4.9
Total	¥ 124.8	¥(17.1)	¥ 141.9
Total Loans Outstanding (term-end balance)	¥4,216.6	¥ 96.3	¥4,120.3

Community-based Finance

— Contributing to the Sustainable Development of the Regional Community —

Our Approach to Social Contribution

At the Bank of Kyoto, the concept of doing our part for the local community has been one of our guiding corporate principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking.

Working together with local communities, we strive for ongoing development for all. Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our Communities

The Bank's business is deeply rooted in the community in five prefectures: Kyoto, where our headquarters is located, as well as the neighboring Shiga, Osaka, Nara, and Hyogo Prefectures.

Our Policy on Promoting Community-based Finance

The Bank has stipulated that its basic policy regarding community-based finance is to "aggressively harness the Bank's consulting function to support the stable management and development of small and medium-sized corporations while contributing to the revitalization of the regional economy." Therefore, we have actively promoted community-based finance.

We started the 5th medium-term management plan Vision 75: Building a Good Bank" (from fiscal 2014 to fiscal 2016) in fiscal 2014. Under this plan we are aiming to "deepen community-based finance" by working even harder on a variety of measures including the strengthening of consulting functions and support for the revitalization of the regional economy.

Implementation Mechanisms

We have established the Community-based Finance Promotion Office within the Business Support Division and have consolidated our support functions for the management and sales of our clients, and have developed mechanisms that enable the branches and the departments in the head office to work together to actively take full advantage of our consulting function for the benefit of our clients.

Furthermore, in April 2014 we established the Community Revitalization Office in the Business Support Division so that we could collaborate with local governments, local economic organizations, other regional financial institutions, and other organizations while providing even stronger support for initiatives for the multifaceted regeneration and economic revitalization of the community.

Active Participation in Multifaceted Regeneration in Our Area

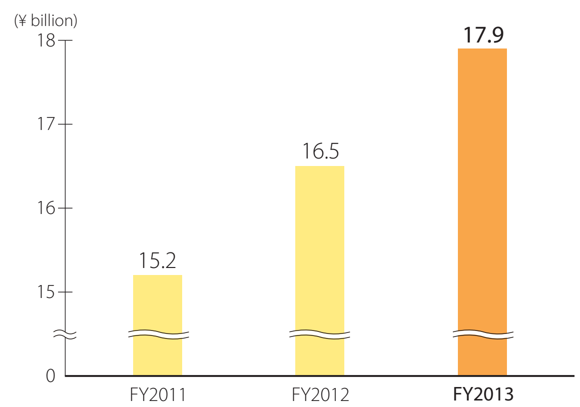
We understand that revitalization of the regional economy is an extremely important mission for the Bank as a regional financial institution.

We have established the Tourism Support Office and the Community Revitalization Office as dedicated departments inside the Business Support Division, and they are actively expanding our initiatives for the revitalization of the region, including the Bank's unique initiatives contributing to revitalization of the tourism industry, the strengthening of support for local growth industries, and collaboration with government measures.

Loans Tailored to the Tourism Industry

To provide financial support for the revitalization of the tourism industry, a driver of the regional economy, we now offer the exclusive Kyogin "Nigiwai" special tourism support loan, for our customers involved with the tourism industry and in addition from April 2013 we commenced handling the Interest Subsidies System for the Kyoto City Regional Revitalization Comprehensive Special Zone.

Cumulative Number of Loans Tailored to the Tourism Industry Executed*



* The total of the Kyogin "Nigiwai" special tourism support loans and the loans utilizing the Interest Subsidies System for Supporting the Kyoto City Regional Revitalization Comprehensive Special Zone.

Launch of the Regional Regeneration and Revitalization Network for collaboration with regional banks

In January 2014 nine regional banks launched the Regional Regeneration and Revitalization Network with the objective of providing services with higher added value by enabling those regional financial institutions with different management bases and sales areas to collaborate and use each other's information and networks.

Overview of the Regional Regeneration and Revitalization Network

Participating banks	Nine regional banks including the Bank of Kyoto (Bank of Kyoto, Hokkaido Bank, 77 Bank, Chiba Bank, Hachijuni Bank, Shizuoka Bank, Hiroshima Bank, Iyo Bank, and Bank of Fukuoka)
Contents of collaboration and cooperation	Participation in co-financing and syndicated loans, introduction of counterparties for M&As and business matching, etc.

Initiative to Provide Business Support Tailored to the Growth Stages of the Customer

Supporting Start-Ups and Other New Businesses

The Venture Business Support Group of the Community-based Finance Promotion Office within our Business Support Division assists with start-ups and other new businesses through a variety of venture funds.

In addition, through "Kyogin Venture Business Support Program," we provide highly advanced and specialized problem-solving methods.

Initiatives	Fiscal 2013 achievements
Number of new projects supported	119 cases
Execution of local government loans related to Supporting Start-Ups and Other New Businesses	19 cases / ¥96 million

Supporting Growth

The Community-based Finance Promotion Office within our Business Support Division effectively leverages information acquired via its broad business network to make possible aggressive proposal-based marketing, such as support for business matching and overseas operations.

Initiatives	Fiscal 2013 achievements
Number of business matching meetings	1,386 cases
Balance of loans using movable property or assignment of obligation as collateral	29 cases / ¥3,760 million (as of March 31, 2014)
Number of overseas businesses supported	1,589 cases

Business Restructuring/ Management Improvement Support

In addition to individually tailored management consultations and assistance on management improvement strategy formulation, the Bank of Kyoto's Credit Examination Division also collaborates with consulting companies and other external institutions to help client corporations improve their management and promote business revitalization.

Initiatives	Fiscal 2013 achievements
Management improvement plans drafted for recipients of management support	
• Number of plan drafting recipients	37 corporate groups
• Plan drafting ratio	86.7% (*1)
Individual management consultation meetings	Held a total of 28 times / 60 companies participated
Management plan drafting seminars	Held a total of 16 times / 131 companies participated
Utilization of the Small and Medium-Sized Business Rehabilitation Support Council	• Consultations brought in: 50 cases • Drafting of plans completed: 95 cases
Use of the Small and Medium-Sized Business Rehabilitation Support Loan System (*2)	• 57 cases / ¥5,210 million (cumulative total of 352 cases / ¥42.6 billion)

*1 The cumulative total of 377 corporate groups that received the drafting of plans divided by the 435 corporate groups that received management support

*2 The figures inside the brackets are the cumulative achievements since May 2005

Assisting in Business Succession Planning

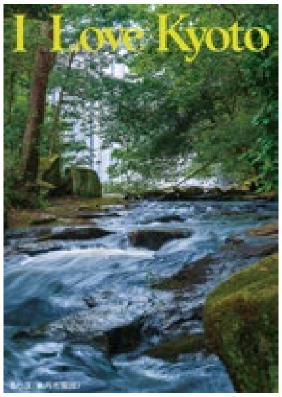
Marshalling the benefits of its broad network, the Bank of Kyoto provides its customers with wide-ranging proposals encompassing M&A as well as business succession planning amid the current dearth of qualified successors.

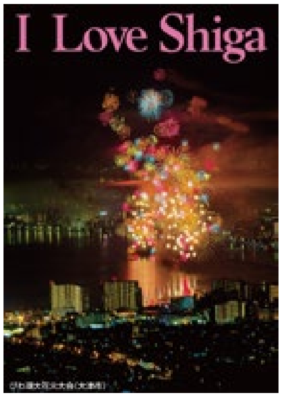
Initiatives	Fiscal 2013 achievements
Number of business succession consultations received	48 cases (cumulative total of 222) including 3 advisory contracts, 3 cases of loan support, and 1 case of testamentary trust brokerage
M&A contracts concluded	9 cases

Coexistence with the Regional Community

"I Love Kyoto" Campaign and "I Love Shiga" Campaign

We have been presenting the "I Love Kyoto" Campaign since 1982 with the aim of raising awareness of the city as a place that commands everybody's affections. Furthermore, in Shiga Prefecture the Bank launched the "I Love Shiga" Campaign in the spring of 2013. It aims to make more people aware of the prefecture's rich natural landscape, and its historical legacy and traditional culture, and place them on record as well.





Partnership with Kyoto University in Industrial and Academic Fields [International Exchange and Endowed Chair]

The Bank and Kyoto University agreed in April 2010 to make available Bank employee dormitories for overseas students under an international exchange program to help overseas students improve their career skills as well as giving Bank employees experience of internationalization under a joint initiative to promote international exchange through industry-academia partnership.

Furthermore, from the second half of fiscal 2011 we have endowed a chair at Kyoto University in support of research and personnel training that contribute to the development of the regional economy.

Environmental Policy

Basic Philosophy

With our headquarters in Kyoto, which boasts more than 1200 years of history, and operating widely in the Kinki region, a place of magnificent natural settings and rich history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

We make it as our social mission to pass on rich natural surroundings and these tremendous historic and cultural assets to future generations. In light of this philosophy, we consider the environment an important social issue, and all of our employees take an active stance to environmental conservation.

Action Plan

(1) Observe laws, regulations, agreements, etc. on the environment.

(2) Accurately assess the impact of our corporate activity on the environment, set goals and objectives in this regard and work toward them, and strive to continuously improve environmental conservation activities by conducting regular reviews.

(3) Promote energy and resources conservation, as well as recycling, with a view to reducing environmental stress.

(4) By offering environmentally-friendly financial products and services, assist clients with environmental conservation, and contribute to improving the local community environment.

(5) Deepen awareness of all employees, including executives, on environmental issues, and address environmental conservation initiatives in the region.

(6) Inform all employees and executives of our environmental policy and environmental initiatives, and also disclose this information to the public.

Stage 2 Environmental Plan Medium-term Plan (FY2014 – FY2016)

Numerical targets Our goal under the plan is to reduce the amount of electricity, gas, and gasoline we use by at least 1% every year with fiscal 2013 as the base year.

Initiatives of the Bank of Kyoto

- Promotion of energy-saving activities
- Building of environmentally-friendly branches
- Resource saving and recycling
- Information disclosure

Initiatives for Customers and Local Communities

- Forestry preservation activities
- Environmentally-friendly financial products and services
- Collaboration with environmental projects in the region

Initiatives of all Bank employees

- Eco-lifestyle for the families of all Bank employees
- Environmental volunteers

Inclusion in Responsible Investment Indices

In March 2008, FTSE Group confirms that the Bank of Kyoto has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group — a company wholly owned by the London Stock Exchange — FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.

FTSE4Good

Measures to Hand Down the Beautiful Forests to Coming Generations

Kyoto Prefecture is a verdant region with forests covering approximately 3/4 of its area. To enable us to pass on this wonderful environment to coming generations, the Bank is proactively engaged in forestry preservation activities.

Growing the Kyogin *Fureai* Forest

We converted some of the Motoyama National Forest area in the Kita-ku area of Kyoto into the Kyogin *Fureai* Forest where we work on forest preservation activities, and in April 2012 we concluded the Agreement on the Use and Conservation of Forests with Kyoto Prefecture and the Kyoto Model Forest Association. Industry (the Bank), government (the Kyoto Model Forest Association, Kyoto Prefecture, Kinki-Chugoku Regional Forest Office), and academia (Kyoto Sangyo University, Kyoto University Field Science Education and Research Center) are collaborating on forest preservation activities.

Participation in the activities of the Save the Forest in Japan

A total of 64 regional banks participate in Save the Forest in Japan and the Bank participates as a core member of this organization, tackling forest preservation through information exchange meetings and other measures.

In April 2013 we held the second Tohoku Summit on Protecting the Forests of Japan in Sendai City in Miyagi Prefecture, and we have widely communicated to areas throughout Japan the environmental preservation activities by regional banks.

日本の森を守る
地方銀行有志の会
SAVE THE FOREST IN JAPAN

Initiatives to Create Workplaces for Employees

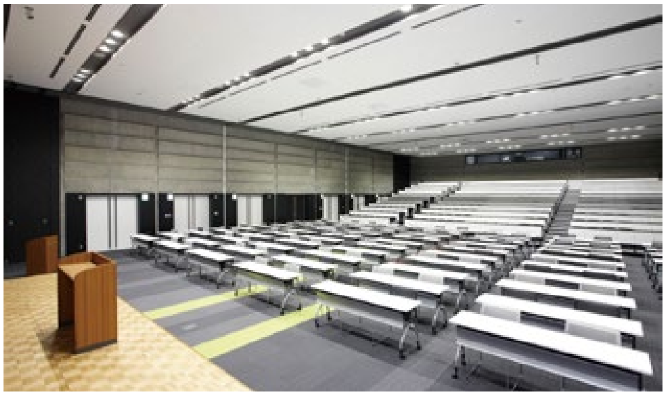
Completion of the new training center, the Kyoto Banking College Katsuragawa Campus

With the objective of developing able human resources that have mastered advanced specialized knowledge and serve the local community, in April 2010 we inaugurated "Kyoto Banking College" — an in-house educational program.

In conjunction with this, as a commemorative project marking the 70th anniversary of the founding (October 1, 2011) we began construction of a new training center with advanced functions and recently we completed it and named it the Kyoto Banking College Katsuragawa Campus.

Big Hall

This is the main hall of the Katsuragawa Campus which can hold 500 people. In addition to utilization for training and meetings by the Bank and its group companies, it will also be utilized as a forum for providing financial education to elementary school and junior high school students. (We have equipped it with retractable terraced seats.)



Multi-purpose Training Room

In addition to use in training at normal times, this room can be opened up to be used as a self-study room, supporting the willingness of bank employees to learn by themselves. (Computers and books are provided) Furthermore, if the Head Office has been struck by a disaster it can be utilized as an alternative base, for example as an emergency response headquarters.

Active Seniors System

We have established the Active Seniors System, a system to enable persons who have retired from the Bank (65 years old or older) and willing to work to utilize their abundant knowledge and experience to continue working until they are 70 years old. Regarding the employment of elderly persons, the Bank had already established a Senior Advisor System in accordance with the Revised Act on Stabilization of Employment of Elderly Persons brought into force on April 1, 2006, quickly achieving stable employment for its employees until the age of 65.

Support for Women

The Bank is taking measures to create more comfortable workplaces where employees work with enthusiasm, and every individual employee is able to develop his or her own capabilities.

In particular in the area of support for women we enhanced work-life balance support systems through the Women's Career Support Project (from fiscal 2007 to fiscal 2009) and promoted the further career advancement of women through the *Kirara* Program (from fiscal 2011 to fiscal 2013).

Furthermore, from fiscal 2014 we have started the *Kagayaki* Program, a new comprehensive support package for women. We have set the target of raising the percentage of female executives up to 20% during the period of the 5th medium-term management plan (from fiscal 2014 to fiscal 2016), and will further support the involvement of women in the bank through the three pillars of career development support, support for an early return to the workplace, and *Kagayaki* Support.

Corporate Governance

The Bank of Kyoto is working ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated in an appropriate manner, with the Board of Directors acting as the highest ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

To ensure the soundness and propriety of operations, based on sound business management (governance), we have established a set of Business Management (Governance) Regulations, to better position us to offer financial intermediary services, comply with laws and regulations, rigorously protect customer privacy, and duly manage all kinds of risk.

The Business Management (Governance) Regulations have the role of bringing together our stances on finance facilitation management system, legal compliance system, customer protection management system and internal management system.

Board of Directors

The Board of Directors has decision-making responsibility for basic policies and important matters related to the execution of Bank business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and managing directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Board of Corporate Auditors.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Stockholders after being approved as candidates by resolution of the Board of Directors or approved by the Board of Corporate Auditors, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

The Bank has adopted a corporate auditor system in which at least half of the corporate auditors are external corporate auditors who have no potential conflicts of interests with general stockholders. The two external auditors are registered with the Tokyo Stock Exchange as independent Board members.

Corporate auditors attend meetings of the Board of Directors; standing auditors also attend meetings of the Executive Committee. Corporate auditors attend these meetings to monitor decision-making processes and the execution of bank business. Internal bank rules have clearly provided that the corporate auditors/Board of Corporate Auditors establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

Adoption of Employee Stock Options (ESO) System

As part of an overall management reform initiative, the Bank has revised its compensation package for directors. The directors' retirement compensation payment system has been terminated, and an ESO (employee stock options) system for directors has been introduced to reward directors more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors and employees conforms to laws and the articles of incorporation of Kyoto Bank
2. Structures related to the storage and management of information about the execution of business by the directors
3. Guidelines and other structures related to management of the risk of losses
4. Structures to ensure that the directors execute the business efficiently
5. Structures to ensure the appropriateness of financial reporting
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries
7. In the case that the auditors request the appointment of employees to assist them with their business, structures related to said employees
8. Matters related to the independence from the directors of the employees assisting the business of the auditors
9. Structures for reporting by the directors and employees to the auditors and other structures related to reporting to the auditors
10. Other structures to ensure effective auditing by the auditors

Finance Facilitation Program

Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance facilitation management. This program is backed by the full support of the Bank and its employees, who conscientiously promote the availability of the program.

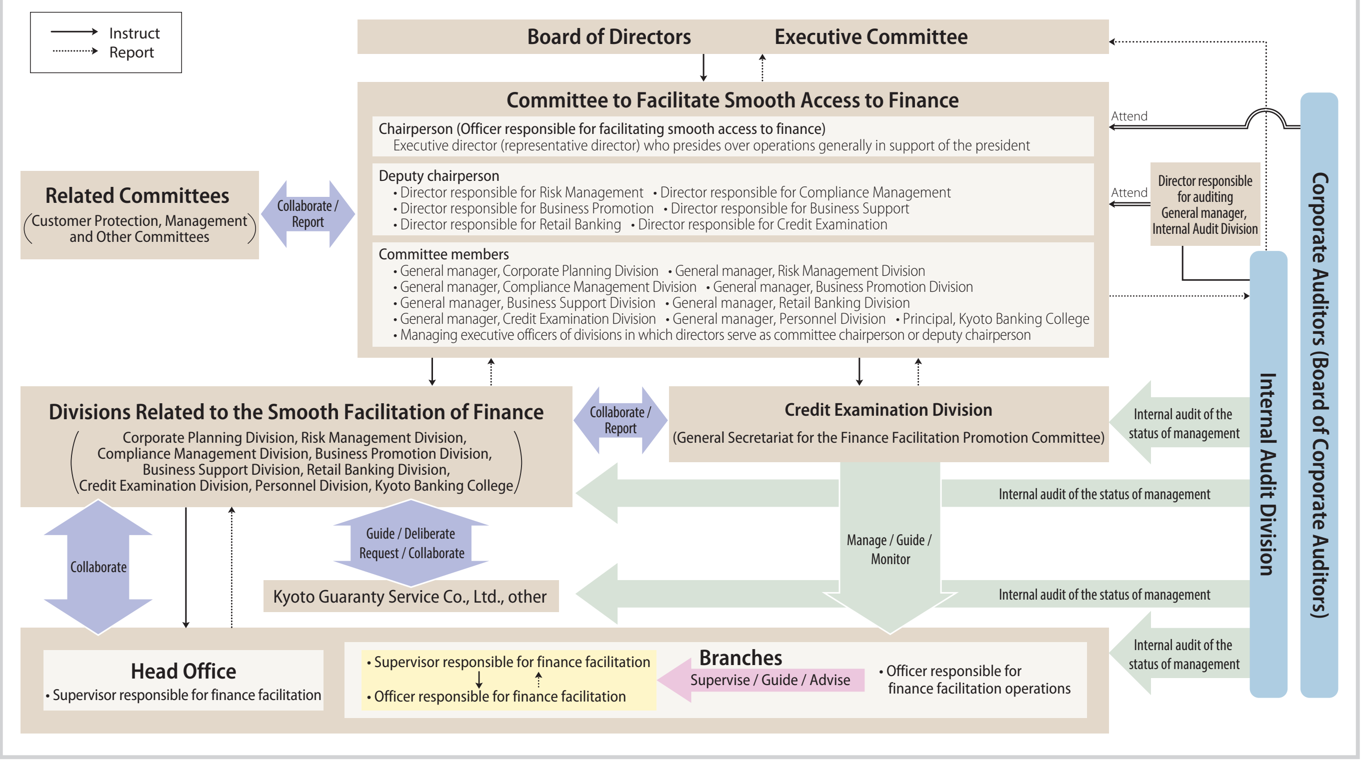
More specifically, we have established a Finance Facilitation Promotion Committee, which assists the Bank president and is chaired by an executive director of the Bank who has overall responsibility for the finance facilitation program, and as the secretariat for the committee the Credit Examination Division provides central management over the status of finance facilitations. This framework incorporates cross-organizational implementation of finance facilitation, including the consideration and implementation of various policies based on reports received from branches.

Each branch is responsible for responding directly to customer questions and/or applications regarding new loans and term changes. Branch personnel endeavor to provide responses appropriate to the facts at hand, with the Finance Facilitation Officer assigned to each branch assessing progress and providing prompt responses.

To make the finance facilitation administration structure function more effectively, we set up a finance facilitation administration program each fiscal year, implementing various policies in compliance with the program.

As a regional banking institution, we will continue to engage in appropriate and active financial intermediary functions, providing financing and cash-management consulting services for companies and personal business owners, as well as loan repayment plan modifications for home loan clients, following the expiration of SME Financing Facilitation Act as of March 31, 2013. We offer a variety of other consulting services, responding to our clients in a prompt, fair, and professional manner.

The Bank's Management Framework for Facilitating Smooth Access to Finance



As of June 27, 2014

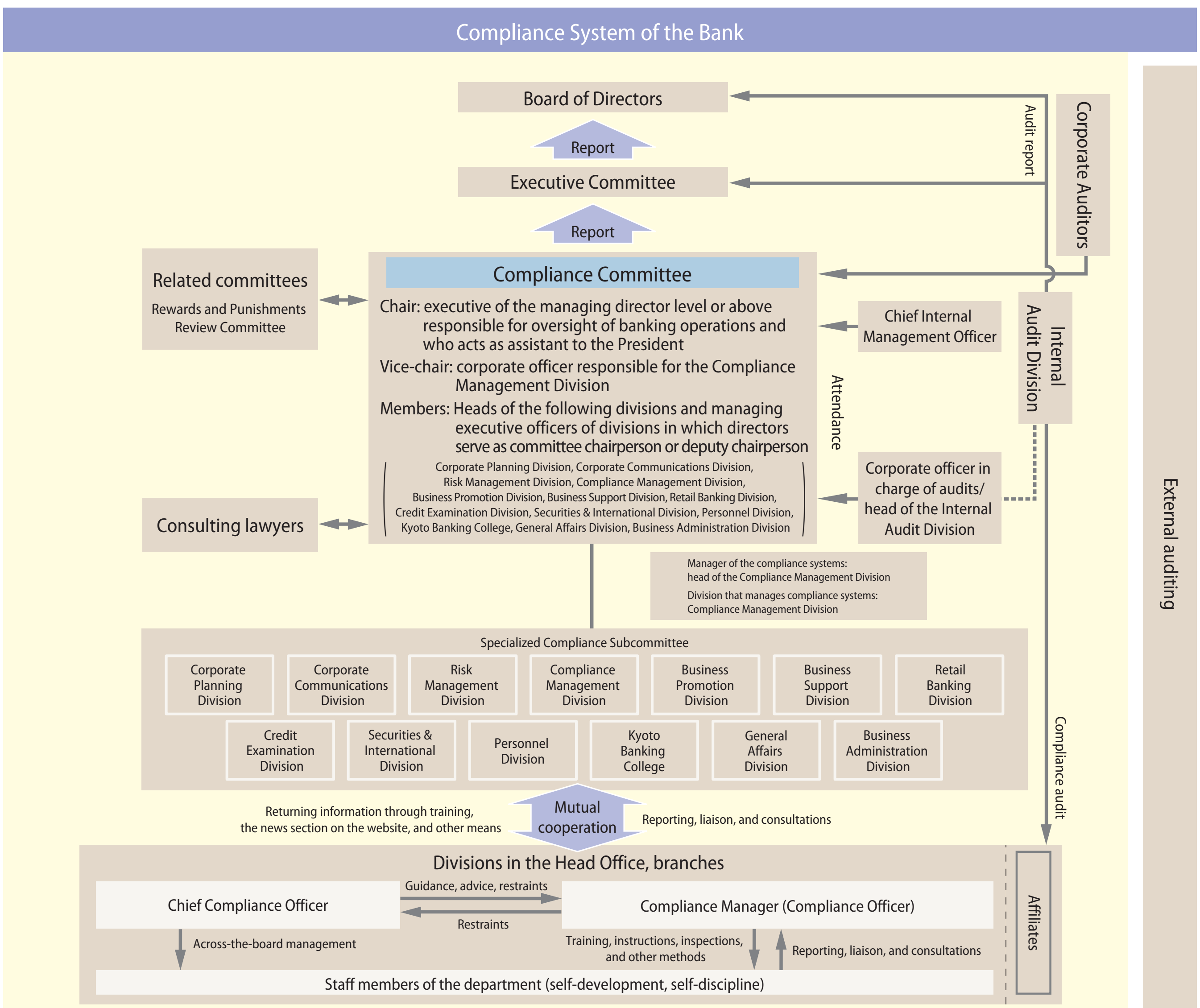
Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers. This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term. For these purposes, we have worked hard to strengthen our compliance systems. For example, the Compliance Committee (chaired by an executive of the managing director level or above responsible for oversight of bank operations and who acts as assistant to the president) centrally manages and responds to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

The Bank has also developed structures under the jurisdiction of the Compliance Management Division and has established and published its Basic Stance on Anti-Social Forces in order to ensure that we block all relationships between the Bank and anti-social forces.



As of June 27, 2014

While ongoing liberalization and globalization of Japan's financial markets coupled with advances in information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk. Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). The amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting (chaired by an executive of the managing director level or above responsible for oversight of bank operations and who acts as assistant to the president), is subject to semiannual review. Specifically, core capital (transitional measures before applying), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to a reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by an executive of the managing director level or above responsible for oversight of risk) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Office is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes Group companies in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. These matters also undergo auditing by a certified public accounting firm. In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines.

Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are working to keep Bank assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses.

While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

Our stance on market risk has been set out in the Bank's Market Risk Guidelines, and we are taking steps to strengthen market risk management. The Securities & International Division, which is responsible for overseeing market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. For risk amount calculation regarding the Bank's securities position, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and then submits a report on risk valuations at the ALM Meeting.

For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amount based on the Bank's capital and appraisal gains on stocks and other securities. Moreover, we are conducting adequate risk management. This includes calculating the daily positions and profits and losses and reporting them to the management, and measuring the amount of risk involved in stocks and other securities and reporting it to the management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and Group companies, the results of which are subject to auditing by the Internal Audit Division and a certified public auditing company.

In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to bring uniformity to the management of market risk (including for deposits and loans) with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and analyzes risk by utilizing techniques such as VaR and fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard), and in addition we conduct stress tests supposing a variety of different stress scenarios, and utilize them in risk checks. The Bank also employs tools such as back testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit interest and liquidity by holding ALM meetings. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the danger of its manifestation.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews. We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy.

We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Assets:			
Cash and due from Bank of Japan (Note 25)	¥ 229,279	¥ 234,225	$ 2,227,742
Due from other banks (Note 25)	1,830	1,364	17,780
Call loans and bills bought (Note 25)	127,840	130,970	1,242,131
Receivables under resale agreements (Note 9)	0	1,899	0
Monetary claims bought	12,037	10,276	116,961
Trading securities	169	1,521	1,645
Money held in trust (Note 4)	1,493	1,965	14,510
Securities (Notes 3, 9, 15 and 25)	3,196,706	3,034,289	31,060,107
Loans and bills discounted (Notes 6, 10 and 25)	4,216,634	4,120,333	40,970,022
Foreign exchanges (Note 7)	3,696	2,669	35,919
Lease receivables and investment assets (Notes 2. *p* and 22)	8,955	7,765	87,017
Other assets (Note 9)	29,883	24,371	290,359
Tangible fixed assets (Note 8)	85,902	79,836	834,657
Buildings	32,091	27,866	311,810
Land (Note 11)	43,974	43,669	427,269
Construction in progress	440	2,019	4,280
Other tangible fixed assets	9,396	6,280	91,297
Intangible fixed assets	3,293	1,888	32,004
Software	2,982	1,607	28,983
Other intangible fixed assets	310	281	3,021
Deferred tax assets (Note 24)	2,131	2,288	20,707
Customers' liabilities for acceptances and guarantees (Note 15)	12,926	14,946	125,592
Allowance for possible loan losses	(38,946)	(43,745)	(378,418)
Total assets	¥7,893,834	¥7,626,868	$76,698,742
Liabilities and Equity			
Liabilities:			
Deposits (Notes 9, 12 and 25)	¥6,968,036	¥6,833,266	$67,703,428
Call money	52,234	19,343	507,526
Payables under repurchase agreements (Note 9)		1,899	
Payables under securities lending transactions (Note 9)	53,599	38,629	520,783
Borrowed money (Notes 9 and 13)	70,423	73,815	684,258
Foreign exchanges (Note 7)	276	205	2,683
Bonds (Note 14)	15,000	15,000	145,744
Convertible bonds		29,953	
Other liabilities	72,809	72,056	707,436
Liability for employees' retirement benefits (Notes 2. *k* and 23)	23,043	24,803	223,893
Liability for reimbursement of deposit losses (Note 2. *l*)	308	299	2,992
Liability for contingent losses (Note 2. *m*)	719	1,046	6,994
Deferred tax liabilities (Note 24)	78,757	38,424	765,229
Deferred tax liabilities for land revaluation (Note 11)	48	103	470
Acceptances and guarantees (Note 15)	12,926	14,946	125,592
Total liabilities	7,348,182	7,163,793	71,397,034
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 1,000,000 thousands shares; issued, 379,203 thousands shares in 2014 and 2013	42,103	42,103	409,091
Capital surplus	30,301	30,301	294,420
Stock acquisition rights	453	370	4,403
Retained earnings	275,845	262,761	2,680,189
Treasury stock — at cost, 1,315 thousands shares in 2014 and 1,309 thousands shares in 2013	(1,204)	(1,199)	(11,699)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 5)	192,722	125,358	1,872,548
Deferred losses on derivatives under hedge accounting	(1,946)	(2,368)	(18,917)
Land revaluation surplus (Note 11)	87	186	849
Defined retirement benefit plans	1,112		10,805
Total	539,474	457,514	5,241,691
Minority Interests	6,176	5,560	60,016
Total equity	545,651	463,074	5,301,708
Total liabilities and equity	¥7,893,834	¥7,626,868	$76,698,742

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥ 54,020	¥ 56,973	$ 524,876
Interest and dividends on securities	22,226	21,493	215,957
Other interest income	475	757	4,621
Fees and commissions	17,986	16,876	174,758
Other operating income (Note 18)	8,484	13,454	82,434
Bargain purchase gain		2,963	
Other income (Note 19)	2,685	2,778	26,096
Total income	105,878	115,297	1,028,744
Expenses:			
Interest expense:			
Interest on deposits	4,207	5,428	40,878
Interest on borrowed money	737	714	7,166
Interest on bonds	321	324	3,118
Other interest expense	1,151	1,249	11,186
Fees and commissions	6,185	6,101	60,103
Other operating expenses (Note 20)	4,742	5,529	46,077
General and administrative expenses	58,939	57,027	572,675
Provision for allowance for possible loan losses	282	2,151	2,746
Other expenses (Note 21)	1,226	6,067	11,912
Total expenses	77,793	84,592	755,866
Income Before Income Taxes and Minority Interests	28,084	30,704	272,877
Income Taxes (Note 24):			
Current	7,944	11,041	77,190
Deferred	2,782	250	27,033
Net income before minority interests	17,357	19,412	168,654
Minority interests	586	1,837	5,701
Net Income	¥ 16,771	¥ 17,574	$ 162,952

	Yen		U.S. dollars
	2014	2013	2014
Per Share Information (Notes 2. *r* and 28):			
Basic net income	¥44.37	¥46.50	$0.43
Diluted net income	44.30	43.45	0.43
Cash dividends applicable to the year	11.00	10.00	0.10

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net Income Before Minority Interests	¥17,357	¥19,412	$168,654
Other Comprehensive Income (Note 27)	67,817	23,970	658,938
Unrealized gains on available-for-sale securities	67,396	24,674	654,843
Deferred gains (losses) on derivatives under hedge accounting	421	(704)	4,095
Comprehensive Income	¥85,175	¥43,382	$827,592
Total Comprehensive Income Attributable to:			
Owners of the parent	¥84,556	¥41,562	$821,577
Minority interests	619	1,820	6,015

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2014

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at April 1, 2012	377,856	¥42,103	¥30,301	¥326	¥248,600	¥(1,240)	¥100,666	¥(1,664)	¥562		¥419,657	¥9,303	¥428,960
Net income					17,574						17,574		17,574
Cash dividends, ¥10.00 per share					(3,778)						(3,778)		(3,778)
Purchases of treasury stock	38					(16)					(16)		(16)
Disposals of treasury stock					(10)	56					46		46
Disposals of land revaluation surplus					376						376		376
Net change in the year				44			24,691	(704)	(376)		23,655	(3,742)	19,912
Balance at March 31, 2013	377,894	¥42,103	¥30,301	¥370	¥262,761	¥(1,199)	¥125,358	¥(2,368)	¥186		¥457,514	¥5,560	¥463,074
Net income					16,771						16,771		16,771
Cash dividends, ¥10.00 per share					(3,778)						(3,778)		(3,778)
Purchases of treasury stock	(6)					(33)					(33)		(33)
Disposals of treasury stock					(7)	29					21		21
Disposals of land revaluation surplus					99						99		99
Net change in the year				82			67,364	421	(99)	¥1,112	68,881	616	69,497
Balance at March 31, 2014	377,887	¥42,103	¥30,301	¥453	¥275,845	¥(1,204)	¥192,722	¥(1,946)	¥ 87	¥1,112	¥539,474	¥6,176	¥545,651

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at March 31, 2013	$409,091	$294,420	$3,602	$2,553,065	$(11,657)	$1,218,018	$(23,012)	$1,812		$4,445,341	$54,026	$4,499,368
Net income				162,952						162,952		162,952
Cash dividends, $0.10 per share				(36,717)						(36,717)		(36,717)
Purchases of treasury stock					(327)					(327)		(327)
Disposals of treasury stock				(74)	285					211		211
Disposals of land revaluation surplus				962						962		962
Net change in the year			801			654,529	4,095	(962)	$10,805	669,268	5,990	675,259
Balance at March 31, 2014	$409,091	$294,420	$4,403	$2,680,189	$(11,699)	$1,872,548	$(18,917)	$ 849	$10,805	$5,241,691	$60,016	$5,301,708

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating Activities:			
Income before income taxes and minority interests	¥ 28,084	¥ 30,704	$ 272,877
Depreciation	5,220	4,572	50,721
Losses on impairment of long-lived assets	88	36	863
Bargain purchase gain		(2,963)	
Decrease in allowance for possible loan losses	(4,799)	(477)	(46,629)
(Decrease) increase in liability for employees' retirement benefits	(32)	943	(319)
Increase in liability for reimbursement of deposit losses	9	16	87
(Decrease) increase in liability for contingent losses	(326)	48	(3,172)
Interest income	(76,722)	(79,224)	(745,455)
Interest expense	6,417	7,716	62,350
Gains on securities	(2,297)	(4,385)	(22,322)
(Gains) losses on money held in trust	0	(30)	5
Foreign exchange gains	(15,652)	(17,480)	(152,084)
Losses on sales of fixed assets	381	170	3,704
Net decrease in trading securities	1,352	3,763	13,138
Net increase in loans	(96,300)	(60,442)	(935,685)
Net increase in deposits	206,654	221,055	2,007,916
Net decrease in negotiable certificates of deposit	(71,884)	(40,710)	(698,450)
Net decrease in borrowed money (excluding subordinated loans)	(3,391)	(2,874)	(32,952)
Net increase in due from banks (excluding due from Bank of Japan)	(465)	(473)	(4,520)
Net (increase) decrease in call loans and bills bought	3,268	(46,528)	31,757
Net increase in call money	30,991	5,873	301,125
Net increase in payables under securities lending transactions	14,969	8,362	145,448
Net decrease (increase) in foreign exchanges (assets)	(1,027)	952	(9,979)
Net increase in foreign exchanges (liabilities)	70	39	683
Net increase in lease receivables and investment assets	(1,190)	(380)	(11,567)
Interest and dividends received (cash basis)	86,088	87,971	836,456
Interest paid (cash basis)	(7,081)	(8,638)	(68,807)
Other, net	15,713	6,984	152,677
Subtotal	118,138	114,600	1,147,865
Income taxes — paid	(13,360)	(3,537)	(129,813)
Net cash provided by operating activities	104,777	111,063	1,018,052
Investing Activities:			
Purchases of securities	(1,135,046)	(1,970,168)	(11,028,438)
Proceeds from sales of securities	716,088	1,455,874	6,957,718
Proceeds from redemption of securities	355,556	411,610	3,454,684
Decrease in money held in trust	471	2	4,576
Purchases of tangible fixed assets	(11,046)	(6,479)	(107,334)
Proceeds from sales of tangible fixed assets	159	1,524	1,553
Purchases of intangible fixed assets	(2,180)	(360)	(21,190)
Payment for execution of asset retirement obligations		(27)	
Purchases of investment in subsidiaries		(2,593)	
Net cash used in investing activities — (Forward)	(75,999)	(110,617)	(738,430)
Financing Activities:			
Payments for redemption of bonds and convertible bonds	(29,953)		(291,031)
Dividends paid by the Bank	(3,778)	(3,778)	(36,717)
Dividends paid by subsidiaries to minority shareholders	(2)	(5)	(24)
Net cash used in financing activities	(33,734)	(3,784)	(327,774)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	9	17	93
Net Decrease in Cash and Cash Equivalents	(4,946)	(3,321)	(48,059)
Cash and Cash Equivalents at Beginning of Year	234,225	237,547	2,275,802
Cash and Cash Equivalents at End of Year	¥ 229,279	¥ 234,225	$ 2,227,742

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank"), and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2014 and 2013 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollar.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. *Consolidation* — The consolidated financial statements as of March 31, 2014 include the accounts of the Bank and its significant 7 subsidiaries (together, the "Group"). Consolidation of the remaining 3 unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries are accounted for on a cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Business Combinations* — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination are capitalized as an intangible asset.

(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

c. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with the Bank of Japan which are included in "Cash and due from Bank of Japan" in the consolidated balance sheet, to be cash equivalents.

d. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

f. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

g. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired by the Bank after April 1, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

h. *Long-Lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated impairment losses are directly deducted from the respective tangible fixed assets.

i. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

j. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Supervision Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

k. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts that would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 23).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥23,043 million ($223,893 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥1,112 million ($10,805 thousand).

l. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which were derecognized as liabilities is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. *Foreign Currency Transactions* — Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. *Stock Options* — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. *Leases* — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008, that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

q. *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. *Per Share Information* — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

s. *Accounting Changes and Error Corrections* — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies — When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation — When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates — A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors — When an error in prior-period financial statements is discovered, those statements are restated.

t. *New Accounting Pronouncements*

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014. The effect of applying the revised accounting standard for (3) will be to decrease retained earnings as of April 1, 2014 by ¥2,108 million ($20,483 thousand), and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

3. Securities

Securities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japanese government bonds	¥1,200,198	¥1,075,508	$11,661,472
Japanese local government bonds	372,623	405,357	3,620,517
Japanese corporate bonds	931,742	977,311	9,053,078
Japanese corporate stocks	434,989	330,385	4,226,480
Other securities	257,151	245,727	2,498,558
Total	¥3,196,706	¥3,034,289	$31,060,107

Securities include investments in unconsolidated subsidiaries of ¥249 million ($2,423 thousand) and ¥345 million at March 31, 2014 and 2013, respectively.

Held-to-maturity debt securities at March 31, 2014 and 2013, were as follows:

	Millions of yen									
	2014					2013				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥4,604	¥4,613	¥9	¥9	¥0	¥4,006	¥4,024	¥18	¥18	¥0

	Thousands of U.S. dollars				
	2014				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	$44,737	$44,826	$89	$95	$5

The cost and aggregate fair value of available-for-sale securities at March 31, 2014 and 2013 were as follows:

	Millions of yen									
	2014					2013				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 176,763	¥ 431,618	¥254,854	¥256,582	¥1,728	¥ 174,440	¥ 326,038	¥151,597	¥156,995	¥5,397
Japanese government bonds	1,178,486	1,195,594	17,108	17,121	13	1,057,076	1,071,501	14,424	14,981	556
Japanese local government bonds	366,421	372,623	6,202	6,234	31	396,847	405,357	8,509	8,520	10
Japanese corporate bonds	925,024	931,742	6,718	6,834	115	969,072	977,311	8,238	8,668	429
Japanese bonds — total	2,469,931	2,499,960	30,029	30,189	160	2,422,997	2,454,169	31,172	32,169	996
Foreign bonds	190,277	191,668	1,390	1,656	266	184,936	187,605	2,668	2,799	130
Other	55,063	64,829	9,765	9,863	97	50,890	57,291	6,400	6,543	143
Other — total	245,340	256,497	11,156	11,520	363	235,826	244,896	9,069	9,342	273
Total	¥2,892,036	¥3,188,076	¥296,040	¥298,292	¥2,252	¥2,833,265	¥3,025,104	¥191,839	¥198,507	¥6,667

	Thousands of U.S. dollars				
	2014				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,717,488	$ 4,193,727	$2,476,239	$2,493,030	$16,791
Japanese government bonds	11,450,507	11,616,735	166,228	166,355	126
Japanese local government bonds	3,560,253	3,620,517	60,264	60,574	310
Japanese corporate bonds	8,987,798	9,053,078	65,280	66,403	1,123
Japanese bonds — total	23,998,558	24,290,331	291,773	293,333	1,559
Foreign bonds	1,848,788	1,862,302	13,513	16,099	2,585
Other	535,009	629,897	94,888	95,835	947
Other — total	2,383,797	2,492,200	108,402	111,935	3,533
Total	$28,099,844	$30,976,259	$2,876,414	$2,898,299	$21,884

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2014 and 2013.

Available-for-sale securities sold during the fiscal year:

	Millions of yen					
	2014			2013		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥722,637	¥3,509	¥1,137	¥1,462,269	¥8,728	¥1,324

	Thousands of U.S. dollars		
	2014		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	$7,021,349	$34,102	$11,049

The classification of securities was not changed in the years ended March 31, 2014 and 2013.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥2 million ($22 thousand) and ¥2,107 million, respectively, for the years ended March 31, 2014 and 2013.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

"Legal bankruptcy" refers to issuers who have already gone bankrupt from a legal and/or formal perspective. "Virtual bankruptcy" refers to issuers who have not yet gone legally or formerly bankrupt but who are substantially bankrupt because they are in serious financial difficulties and the possibility of restructuring is remote. "Possible bankruptcy" refers to issuers who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future. "Caution" refers to debtors who require close attention because there are problems with their borrowings. "Normal" refers to issuers other than those classified as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy," and "caution" mentioned above.

4. Money Held in Trust

(1) Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
	Carrying amount	Gains (losses) included in profit/loss during this fiscal year	Carrying amount	Gains (losses) included in profit/loss during this fiscal year	Carrying amount	Gains (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	¥1,493		¥1,965		$14,510	

(2) No money held in trust was classified as held-to-maturity at March 31, 2014 and 2013.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2014 and 2013.

5. Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains on available-for-sale securities	¥296,040	¥191,839	$2,876,414
Deferred tax liabilities	(103,246)	(66,442)	(1,003,175)
Net unrealized gains on valuation (before adjustment)	192,793	125,397	1,873,238
Minority interests	(71)	(38)	(690)
Net unrealized gains on valuation	¥192,722	¥125,358	$1,872,548

6. Loans and Bills Discounted

Loans and bills discounted at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bills discounted	¥ 28,511	¥ 31,422	$ 277,025
Loans on bills	115,540	117,869	1,122,622
Loans on deeds	3,604,803	3,479,658	35,025,299
Overdrafts	467,779	491,383	4,545,074
Total	¥4,216,634	¥4,120,333	$40,970,022

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese

Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥29,934 million ($290,852 thousand) and ¥32,190 million at March 31, 2014 and 2013, respectively.

Loans and bills discounted at March 31, 2014 and 2013, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans in legal bankruptcy	¥ 6,966	¥ 10,344	$ 67,684
Nonaccrual loans	116,894	126,496	1,135,780
Past due loans (three months or more)	18	119	181
Restructured loans	1,000	4,987	9,721
Total	¥124,879	¥141,947	$1,213,368

Loans in legal bankruptcy are loans in which interest accrual is discontinued (excluding the portion recognized as bad debt), based on management's judgment as to the collectiability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Past due loans (three months or more) are excluded loans that are classified as loans in legal bankruptcy and nonaccrual loans.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due three months or more are excluded.

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Due from foreign correspondents	¥1,772	¥1,441	$17,219
Foreign bills of exchange purchased	1,424	769	13,842
Foreign bills of exchange receivable	499	458	4,856
Total	¥3,696	¥2,669	$35,919
Liabilities:			
Foreign bills of exchange sold	¥ 276	¥ 205	$ 2,683
Total	¥ 276	¥ 205	$ 2,683

8. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2014 and 2013, amounted to ¥73,321 million ($712,411 thousand) and ¥71,353 million, respectively.

9. Assets Pledged

Assets pledged as collateral and related liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Securities	¥96,109	¥82,862	$933,831
Receivables under resale agreements		1,899	

Collateralized liabilities:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deposits	¥18,166	¥10,526	$176,514
Payables under securities lending transactions	53,599	38,629	520,783
Payables under repurchase agreements		1,899	
Borrowed money	34,446	37,683	334,696

In addition, securities totaling ¥373,907 million ($3,632,989 thousand) and ¥370,670 million at March 31, 2014 and 2013, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Other assets include surety deposits of ¥1,545 million ($15,021 thousand) and ¥1,610 million at March 31, 2014 and 2013, respectively.

10. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2014 and 2013, such commitments amounted to ¥1,260,403 million ($12,246,437 thousand) and ¥1,220,672 million, respectively, of which ¥1,203,826 million ($11,696,724 thousand) and ¥1,173,452 million, respectively, were those whose original contract maturity were within one year or unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness, or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, at the execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

11. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2014 and 2013, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥2,798 million ($27,192 thousand) and by ¥3,226 million, respectively.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

12. Deposits

Deposits at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current deposits	¥ 258,092	¥ 259,890	$ 2,507,701
Ordinary deposits	3,033,511	2,839,114	29,474,459
Savings deposits	85,105	85,275	826,912
Deposits at notice	14,026	16,310	136,284
Time deposits	2,621,107	2,597,986	25,467,423
Other deposits	275,881	282,492	2,680,540
Subtotal	6,287,724	6,081,070	61,093,322
Negotiable certificates of deposit	680,312	752,196	6,610,106
Total	¥6,968,036	¥6,833,266	$67,703,428

13. Borrowed Money

Borrowed money at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Subordinated loans	¥35,000	¥35,000	$340,069
Borrowing from banks and other	35,423	38,815	344,188
Total	¥70,423	¥73,815	$684,258

At March 31, 2014 and 2013, the weighted average interest rates applicable to borrowed money were 1.03% and 0.99%, respectively.

Annual maturities of borrowed money at March 31, 2014, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥35,196	$341,979
2016	140	1,360
2017	57	556
2018	20	194
2019	10	97
2020 and thereafter	35,000	340,069
Total	¥70,423	$684,258

14. Bonds

Callable, unsecured subordinated bonds at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bonds	¥15,000	¥15,000	$145,744

15. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥17,435 million ($169,407 thousand) as of March 31, 2014.

16. Equity

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

17. Stock Options

Stock-based compensation expenses were ¥104 million ($1,012 thousand) and ¥90 million for the years ended March 31, 2014 and 2013, respectively.

The stock options outstanding as of March 31, 2014, are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock option	12 directors and 6 executive officers of the Bank	87,100 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock option	12 directors and 5 executive officers of the Bank	111,900 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock option	12 directors and 7 executive officers of the Bank	143,700 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock option	12 directors and 8 executive officers of the Bank	149,800 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock option	13 directors and 10 executive officers of the Bank	164,800 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock option	13 directors and 8 executive officers of the Bank	144,400 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043

The stock option activity is as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option
Year Ended March 31, 2013						
Non-vested						
March 31, 2012 — Outstanding				149,800		
Granted					164,800	
Canceled						
Vested				(149,800)		
March 31, 2013 — Outstanding					164,800	
Vested						
March 31, 2012 — Outstanding	75,400	98,700	141,300			
Vested				149,800		
Exercised	(8,200)	(10,700)	(21,200)	(21,800)		
Canceled						
March 31, 2013 — Outstanding	67,200	88,000	120,100	128,000		
Year Ended March 31, 2014						
Non-vested						
March 31, 2013 — Outstanding					164,800	
Granted						144,400
Canceled						
Vested					(164,800)	
March 31, 2014 — Outstanding						144,400
Vested						
March 31, 2013 — Outstanding	67,200	88,000	120,100	128,000		
Vested					164,800	
Exercised	(3,000)	(4,000)	(6,400)	(9,000)	(9,600)	
Canceled						
March 31, 2014 — Outstanding	64,200	84,000	113,700	119,000	155,200	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥832 ($8)	¥832 ($8)	¥832 ($8)	¥832 ($8)	¥832 ($8)	
Fair value price at grant date	¥978 ($9)	¥805 ($7)	¥686 ($6)	¥678 ($6)	¥526 ($5)	¥762 ($7)

The fair value of stock options granted in 2014 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	23.8%
Estimated remaining outstanding period:	Three years and 9 months
Estimated dividend:	¥10 per share
Risk free interest rate:	0.21%

18. Other Operating Income

Other operating income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on foreign exchange transactions — net	¥ 698	¥ 661	$ 6,791
Gains on trading securities	4	15	39
Gains on sales of bonds	3,210	8,691	31,189
Gains on sales of derivatives	540		5,255
Other	4,030	4,086	39,158
Total	¥8,484	¥13,454	$82,434

19. Other Income

Other income for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on sales of stocks and other securities	¥ 299	¥ 47	$ 2,912
Gains on invests in money held in trust	1	30	11
Gains on sales of tangible fixed assets	44	239	435
Other	2,340	2,460	22,736
Total	¥2,685	¥2,778	$26,096

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Losses on sales of bonds	¥1,086	¥ 671	$10,556
Other	3,655	4,858	35,521
Total	¥4,742	¥5,529	$46,077

21. Other Expenses

Other expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Charge-off claims	¥ 65	¥ 112	$ 637
Losses on sales of stocks and other securities	71	653	699
Losses on devaluation of stocks and other securities	51	2,107	501
Losses on invests in money held in trust	1		16
Losses on sales of tangible fixed assets	506	554	4,919
Losses on impairment of long-lived assets	88	36	863
Other	440	2,601	4,275
Total	¥1,226	¥6,067	$11,912

22. Leases

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancellable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 118	¥ 106	$ 1,149
Due after one year	1,634	1,415	15,884
Total	¥1,753	¥1,521	$17,034

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gross leased investment assets	¥9,397	¥8,268	$91,308
Estimated residual values	5		55
Unearned interest income	(1,058)	(941)	(10,281)
Leased investment assets	¥8,345	¥7,326	$81,083

Maturities of lease receivables and investment assets for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2014	2014	2014	2014
2015	¥176	$1,711	¥2,813	$27,333
2016	174	1,691	2,288	22,238
2017	134	1,307	1,790	17,400
2018	92	897	1,312	12,751
2019	35	341	811	7,886
2020 and thereafter	20	196	380	3,697
Total	¥632	$6,145	¥9,397	$91,308

The minimum future rentals to be received under noncancellable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥6	¥13	$59
Due after one year	2	1	25
Total	¥8	¥15	$85

23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥44,074	$428,236
Current service cost	1,701	16,536
Interest cost	659	6,412
Actuarial gains	(249)	(2,419)
Benefits paid	(2,108)	(20,488)
Others	1	11
Balance at end of year	¥44,079	$428,288

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥19,458	$189,068
Expected return on plan assets	291	2,836
Actuarial gains	1,331	12,936
Contributions from the employer	1,466	14,248
Benefits paid	(1,513)	(14,706)
Others	1	11
Balance at end of year	¥21,036	$204,394

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014.

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation	¥35,227	$342,279
Plan assets	(21,036)	(204,394)
	14,191	137,885
Unfunded defined benefit obligation	8,851	86,008
Net liability (asset) arising from defined benefit obligation	¥23,043	$223,893

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥23,043	$223,893
Asset for retirement benefits		
Net liability (asset) arising from defined benefit obligation	¥23,043	$223,893

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,701	$16,536
Interest cost	659	6,412
Expected return on plan assets	(291)	(2,836)
Recognized actuarial gains	(41)	(400)
Others		
Net periodic benefit costs	¥2,028	$19,711

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost		
Unrecognized actuarial gains	¥(1,727)	$(16,788)
Others		
Total	¥(1,727)	$(16,788)

(6) Plan assets as of March 31, 2014

a. *Components of plan assets*

Plan assets consisted of the following:

Debt investments	45%
Equity investments	41
Cash and cash equivalents	8
Others	6
Total	100%

b. *Method of determining the expected rate of return on plan assets*
The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	1.5%

Year Ended March 31, 2013
The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of yen
Projected benefit obligation	¥(44,074)
Fair value of plan assets	19,458
Unfunded projected benefit obligation	(24,615)
Unrecognized actuarial net loss	(188)
Liability for employees' retirement benefits	¥(24,803)

The components of net periodic benefit costs were as follows:

	Millions of yen
Service cost	¥1,667
Interest cost	659
Expected return on plan assets	(263)
Recognized actuarial net loss	1,531
Net periodic retirements benefit costs	¥3,596

Assumptions used for the year ended March 31, 2013, were as follows:

Discount rate	1.5%
Expected rate of return on plan assets	1.5%
Recognition period of actuarial gain or loss	10 years

24. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for possible loan losses	¥ 10,804	¥12,456	$ 104,982
Liability for employees' retirement benefits	8,829	8,964	85,788
Devaluation of stocks and other securities	4,344	4,614	42,208
Depreciation	477	521	4,636
Other	6,373	7,260	61,924
Less valuation allowance	(3,503)	(3,426)	(34,042)
Total	¥ 27,325	¥30,390	$ 265,497
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥103,276	¥66,471	$1,003,460
Other	675	54	6,558
Total	¥103,951	¥66,526	$1,010,018
Net deferred tax assets	¥ 2,131	¥ 2,288	$ 20,707
Net deferred tax liabilities	78,757	38,424	765,229

A reconciliation for the years ended March 31, 2014 and 2013, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets by ¥51 million ($502 thousand) and to increase deferred tax liability by ¥503 million ($4,890 thousand) in the consolidated balance sheet as of March 31, 2014. Also, income taxes-deferred increased by ¥554 million ($5,392 thousand) in the consolidated statement of income for the year ended March 31, 2014.

25. Financial Instruments and Related Disclosures

In March, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Basic policy for financial instruments
The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

(2) Nature and extent of risks arising from financial instruments
Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2014. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans, time deposits and currency-denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit-risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. Asset self-assessments are also audited by the independent auditor. In managing credit for specific borrowers, the Bank has established a Credit Supervision Division independent from business divisions, and the Bank is implementing strict credit screening. Obligor's ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Supervision Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Supervision Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank's stance on market risk has been set out in the Market Risk Guidelines and the Bank is taking steps to strengthen market risk management. The Securities & International Division, which is responsible for conducting market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. Regarding quantitative analysis of the risk associated with the Bank's investment in securities, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and submits a report on risk valuations at the monthly asset liability management ("ALM") meeting.

For stocks, the Bank measures its positions and profit and loss on a daily basis and reports these to management in line with the risk management policy on stocks. A semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities held by the Group, the results of which are subject to audit by the Internal Audit Division and the independent auditor. In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to unify the management of market risk (including risk for deposits and loans), credit risk, and other risks, and to adequately control risks within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from Bank of Japan," "Due from other banks," "Call loans," "Call money," and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the Historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the Historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

In the previous fiscal year, the Bank adopted the Monte Carlo simulation method (at 1 month holding period and 99% confidence interval) in order to measure VaR for interest rate risk and foreign currency risk. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the Monte Carlo simulation method (at 6 months holding period, 99% confidence interval and 1 year observation period) is adopted, and for stocks other than those held for strategic equity, the covariance method (at 1 month holding period, 99% confidence interval and 1 year observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2014 and 2013 was ¥15.0 billion ($145 million) and ¥10.1 billion.

VaR by risk type at March 31, 2014 and 2013, were as follows:

	Billions of Yen		Millions of U.S. dollars
	2014	2013	2014
Interest rate fluctuation risk	¥ 8.5	¥ 4.7	$ 82
Market price fluctuation risk (*)	6.4	5.2	62
Foreign currency fluctuation risk	0.1	0.2	0
Total	¥15.0	¥10.1	$145

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes market prices as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments

Accounts that have immaterial amounts on the consolidated balance sheet are not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined are not included in the following table (see (b)).

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	¥ 229,279	¥ 229,279	
Due from other banks	1,830	1,830	
Call loans and bills bought	127,840	127,840	
Securities:			
Held-to-maturity bonds	4,604	4,613	¥ 9
Available-for-sale securities	3,188,076	3,188,076	
Loans and bills discounted	4,216,634		
Allowance for possible loan losses (*1)	(37,221)		
	4,179,413	4,209,267	29,854
Total	¥7,731,043	¥7,760,906	¥29,863
Deposits (other than negotiable certificates of deposit)	¥6,287,724	¥6,288,555	¥ 830
Negotiable certificates of deposit	680,312	680,317	5
Total	¥6,968,036	¥6,968,873	¥ 836
Derivatives (*2):			
Hedge accounting not applied	¥ 552	¥ 552	
Hedge accounting applied	(3,827)	(3,827)	
Total	¥ (3,275)	¥ (3,275)	

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	¥ 234,225	¥ 234,225	
Due from other banks	1,364	1,364	
Call loans and bills bought	130,970	130,970	
Securities:			
Held-to-maturity bonds	4,006	4,024	¥ 18
Available-for-sale securities	3,025,104	3,025,104	
Loans and bills discounted	4,120,333		
Allowance for possible loan losses (*1)	(42,020)		
	4,078,313	4,115,451	37,138
Total	¥7,473,985	¥7,511,141	¥37,156
Deposits (other than negotiable certificates of deposit)	¥6,081,070	¥6,082,836	¥ 1,766
Negotiable certificates of deposit	752,196	752,198	1
Total	¥6,833,266	¥6,835,034	¥ 1,767
Derivatives (*2):			
Hedge accounting not applied	¥ 520	¥ 520	
Hedge accounting applied	(8,853)	(8,853)	
Total	¥ (8,333)	¥ (8,333)	

March 31, 2014	Thousands of U.S. dollars Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	$ 2,227,742	$ 2,227,742	
Due from other banks	17,780	17,780	
Call loans and bills bought	1,242,131	1,242,131	
Securities:			
Held-to-maturity bonds	44,737	44,826	$ 89
Available-for-sale securities	30,976,259	30,976,259	
Loans and bills discounted	40,970,022		
Allowance for possible loan losses (*1)	(361,656)		
	40,608,366	40,898,438	290,072
Total	$75,117,017	$75,407,179	$290,162
Deposits (other than negotiable certificates of deposit)	$61,093,322	$61,101,392	$ 8,070
Negotiable certificates of deposit	6,610,106	6,610,159	53
Total	$67,703,428	$67,711,552	$ 8,124
Derivatives (*2):			
Hedge accountings not applied	$ 5,367	$ 5,367	
Hedge accountings applied	(37,191)	(37,191)	
Total	$ (31,824)	$ (31,824)	

(*1) General and specific allowance for possible loan losses corresponding to "Loans and bills discounted" are deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are included and shown in total. Assets or liabilities are presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Call loans and bills bought

The carrying amount is presented as the fair value since fair value approximates such carrying amount because of their short maturities (within one year).

Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 4.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as the fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since the fair value is expected to approximate the carrying amount based on the estimated loan periods, interest rates, and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flow discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Derivatives

Fair value information for derivatives is included in Note 26.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed stocks (*1) (*2)	¥3,370	¥4,347	$32,752
Investments in venture funds (*3)	654	830	6,358
Total	¥4,025	¥5,177	$39,110

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.
(*2) With respect to non-listed stocks, losses on devaluation of ¥51 million ($501 thousand) and ¥16 million were recorded for the years ended March 31, 2014 and 2013, respectively.
(*3) Fair value of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2014	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 150,536					
Calls loans and bills bought	127,840					
Securities:						
Held-to-maturity bonds	1,800	¥ 2,800				
Available-for-sale	373,001	731,056	¥ 489,323	¥526,101	¥484,935	¥ 38,805
Loans and bills discounted (*)	1,068,526	818,754	583,339	352,280	392,520	856,821
Total	¥1,721,704	¥1,552,610	¥1,072,662	¥878,381	¥877,455	¥895,627

	Millions of yen					
March 31, 2013	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 166,506					
Calls loans and bills bought	130,970					
Securities:						
Held-to-maturity bonds	600	¥ 2,700	¥ 700			
Available-for-sale	299,789	840,397	490,826	¥334,957	¥567,468	¥ 59,213
Loans and bills discounted (*)	1,093,591	775,245	602,331	319,257	357,358	814,263
Total	¥1,691,457	¥1,618,343	¥1,093,857	¥654,214	¥924,826	¥873,477

	Thousands of U.S. dollars					
March 31, 2014	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$ 1,462,656					
Calls loans and bills bought	1,242,131					
Securities:						
Held-to-maturity bonds	17,489	$ 27,205				
Available-for-sale	3,624,186	7,103,153	$ 4,754,402	$5,111,747	$4,711,774	$ 377,046
Loans and bills discounted (*)	10,382,104	7,955,249	5,667,888	3,422,853	3,813,836	8,325,121
Total	$16,728,567	$15,085,608	$10,422,291	$8,534,600	$8,525,610	$8,702,167

(*) At March 31, 2014 and 2013, Loans and bills discounted of ¥123,860 million ($1,203,465 thousand) and ¥136,841 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, are not included in the table. At March 31, 2014 and 2013, Loans and bills discounted of ¥20,532 million ($199,503 thousand) and ¥21,444 million, respectively, that do not have fixed maturities are not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 2014	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,866,266	¥379,622	¥41,836			
Negotiable certificates of deposit	680,312					
Borrowed money	35,196	197	30	¥3,000	¥32,000	
Total	¥6,581,774	¥379,819	¥41,866	¥3,000	¥32,000	

	Millions of yen					
March 31, 2013	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,637,288	¥402,791	¥40,989			
Negotiable certificates of deposit	752,196					
Borrowed money	37,862	914	38	¥3,000	¥16,000	¥16,000
Total	¥6,427,348	¥403,706	¥41,027	¥3,000	¥16,000	¥16,000

	Thousands of U.S. dollars					
March 31, 2014	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$56,998,311	$3,688,519	$406,492			
Negotiable certificates of deposit	6,610,106					
Borrowed money	341,979	1,917	291	$29,148	$310,921	
Total	$63,950,397	$3,690,436	$406,783	$29,148	$310,921	

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

26. Derivatives

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

	Millions of yen			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥66,184	¥59,975	¥929	¥929
Receive floating and pay fixed	66,184	59,975	(302)	(302)
Other:				
Sold	¥ 106	¥ 106	¥ 0	¥ 11
Bought	106	106	0	(7)
Total			¥627	¥631

	Millions of yen			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥54,670	¥48,415	¥875	¥875
Receive floating and pay fixed	54,670	48,415	(388)	(388)
Other:				
Sold	¥ 535	¥ 135	¥ (0)	¥ 25
Bought	535	135	0	(14)
Total			¥486	¥497

	Thousands of U.S. dollars			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$643,065	$582,741	$9,033	$9,033
Receive floating and pay fixed	643,065	582,741	(2,940)	(2,940)
Other:				
Sold	$ 1,030	$ 1,030	$ (1)	$ 114
Bought	1,030	1,030	1	(71)
Total			$6,092	$6,134

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows or option-pricing models.

(2) Currency-related Transactions

	Millions of yen			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥35,508	¥ 4,889	¥(1,245)	¥(1,245)
Bought	25,176	4,575	1,171	1,171
Currency options:				
Sold	¥16,169	¥10,217	¥ (630)	¥ 609
Bought	16,169	10,217	630	(383)
Total			¥ (74)	¥ 151

	Millions of yen			
	2013			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥37,303	¥ 6,709	¥(1,267)	¥(1,267)
Bought	31,265	6,204	1,300	1,300
Currency options:				
Sold	¥16,080	¥10,477	¥ (844)	¥ 758
Bought	16,080	10,477	844	(471)
Total			¥ 33	¥ 320

	Thousands of U.S. dollars			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$345,013	$47,510	$(12,105)	$(12,105)
Bought	244,621	44,460	11,380	11,380
Currency options:				
Sold	$157,110	$99,280	$ (6,126)	$ 5,926
Bought	157,110	99,280	6,126	(3,725)
Total			$ (725)	$ 1,475

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

	Millions of yen		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥82,275	¥82,275	¥(2,974)

	Millions of yen		
	2013		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥83,519	¥83,519	¥(3,623)

	Thousands of U.S. dollars		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$799,413	$799,413	$(28,903)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives are principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. The hedged items for interest rate swaps are fixed-rate loans and time deposits.

(2) Currency-related Transactions

	Millions of yen		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥36,022	¥5,146	¥(853)

	Millions of yen		
	2013		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥36,539		¥(5,229)

	Thousands of U.S. dollars		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$350,000	$50,000	$(8,288)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows.
3. The hedged items for currency swaps are currency-denominated available-for-sale securities.

27. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥106,571	¥40,464	$1,035,476
Reclassification adjustments to profit or loss	(2,370)	(4,390)	(23,030)
Amount before income tax effect	104,200	36,073	1,012,445
Income tax effect	36,804	11,399	357,602
Total	¥ 67,396	¥24,674	$ 654,843
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	¥ (299)	¥ (2,192)	$ (2,913)
Reclassification adjustments to profit or loss	954	1,098	9,276
Amount before income tax effect	654	(1,094)	6,362
Income tax effect	233	(389)	2,267
Total	¥ 421	¥ (704)	$ 4,095
Total other comprehensive income	¥ 67,817	¥23,970	$ 658,938

28. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2014				
Basic EPS — Net income available to common stockholders	¥16,771	377,897	¥44.37	$0.43
Effect of dilutive securities — Convertible bonds and stock acquisition rights		647		
Diluted EPS — Net income for computation	¥16,771	378,545	¥44.30	$0.43
For the year ended March 31, 2013				
Basic EPS — Net income available to common stockholders	¥17,574	377,891	¥46.50	
Effect of dilutive securities — Convertible bonds and stock acquisition rights	5	26,695		
Diluted EPS — Net income for computation	¥17,580	404,587	¥43.45	

29. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Bank's general meeting of stockholders held on June 27, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.00 ($0.05) per share	¥2,267	$22,030

30. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment for the Group.

The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc.

2. Methods of Measurement of Operating Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."
The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and minority interests.

3. Information about Operating Income, Profit (Loss), Assets, Liabilities, and Other Items is as follows.

	Millions of yen				
	2014				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 98,097	¥ 7,733	¥ 105,831		¥ 105,831
Intersegment	435	2,702	3,138	¥ (3,138)	
Total	¥ 98,532	¥10,436	¥ 108,969	¥ (3,138)	¥ 105,831
Segment profit (Note 3)	¥ 26,411	¥ 2,225	¥ 28,637	¥ (4)	¥ 28,632
Segment assets (Note 4)	7,880,742	40,165	7,920,908	(27,073)	7,893,834
Segment liabilities (Note 5)	7,348,411	25,166	7,373,577	(25,394)	7,348,182
Other:					
Depreciation	5,109	110	5,220		5,220
Interest income (Note 3)	76,577	228	76,805	(83)	76,722
Interest expense (Note 3)	6,401	91	6,493	(76)	6,417
Income taxes (Note 3)	9,768	957	10,725	1	10,726
Increase in tangible and intangible fixed assets	13,196	31	13,227		13,227

	Millions of yen				
	2013				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 104,189	¥ 7,904	¥ 112,094		¥ 112,094
Intersegment	423	2,514	2,937	¥ (2,937)	
Total	¥ 104,613	¥10,419	¥ 115,032	¥ (2,937)	¥ 112,094
Segment profit (Note 3)	¥ 24,783	¥ 3,316	¥ 28,100	¥ (7)	¥ 28,092
Segment assets (Note 4)	7,615,893	37,025	7,652,919	(26,051)	7,626,868
Segment liabilities (Note 5)	7,163,691	23,360	7,187,051	(23,257)	7,163,793
Other:					
Depreciation	4,430	142	4,572		4,572
Interest income (Note 3)	79,046	268	79,314	(90)	79,224
Interest expense (Note 3)	7,695	106	7,801	(85)	7,716
Income taxes (Note 3)	9,982	1,310	11,293	(1)	11,292
Increase in tangible and intangible fixed assets	6,674	165	6,840		6,840

	Thousands of U.S. dollars				
	2014				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 953,143	$ 75,141	$ 1,028,284		$ 1,028,284
Intersegment	4,230	26,259	30,490	$ (30,490)	
Total	$ 957,374	$101,400	$ 1,058,775	$ (30,490)	$ 1,028,284
Segment profit (Note 3)	$ 256,618	$ 21,628	$ 278,246	$ (46)	$ 278,200
Segment assets (Note 4)	76,571,540	390,259	76,961,800	(263,057)	76,698,742
Segment liabilities (Note 5)	71,399,253	244,521	71,643,774	(246,740)	71,397,034
Other:					
Depreciation	49,648	1,073	50,721		50,721
Interest income (Note 3)	744,051	2,217	746,268	(813)	745,455
Interest expense (Note 3)	62,200	890	63,091	(740)	62,350
Income taxes (Note 3)	94,914	9,298	104,213	9	104,223
Increase in tangible and intangible fixed assets	128,216	308	128,525		128,525

Notes: 1. "Operating income" is presented as a substitute for sales in industries. "Operating income" does not include certain other income.
2. "Other" includes business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, and several other businesses.
3. "Reconciliations" are eliminations of intersegment transactions.
4. "Reconciliations" are eliminations of intersegment assets.
5. "Reconciliations" are eliminations of intersegment liabilities, and adjustments of liabilities for retirement benefits.

Related Information

1. Information about services

	Millions of yen			
	2014			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥54,419	¥25,736	¥25,675	¥105,831

	Millions of yen			
	2013			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥57,432	¥30,232	¥24,429	¥112,094

	Thousands of U.S. dollars			
	2014			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$528,754	$250,059	$249,470	$1,028,284

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2014 and 2013; therefore, geographical operating income information is not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2014 and 2013; therefore, geographical tangible fixed assets information is not presented.

3. Information about major customers

Operating income from transactions with a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2014 and 2013; therefore, major customer information is not presented.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

We have audited the accompanying consolidated balance sheet of The Bank of Kyoto, Ltd. (the "Bank") and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Kyoto, Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 30, 2014

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Cash and due from banks	¥ 230,701	¥ 235,260	$ 2,241,563
Call loans	127,840	130,970	1,242,131
Receivables under resale agreements		1,899	
Monetary claims bought	6,528	5,236	63,430
Trading securities	169	1,521	1,645
Money held in trust	1,493	1,965	14,510
Securities	3,193,519	3,031,777	31,029,139
Loans and bills discounted	4,223,248	4,126,492	41,034,287
Foreign exchanges	3,696	2,669	35,919
Other assets	25,910	20,803	251,751
Tangible fixed assets	85,120	79,025	827,057
Buildings	31,636	27,389	307,384
Land	43,687	43,382	424,480
Construction in progress	440	2,019	4,280
Other tangible fixed assets	9,356	6,234	90,912
Intangible fixed assets	3,202	1,760	31,112
Software	2,896	1,485	28,144
Other intangible fixed assets	305	275	2,968
Customers' liabilities for acceptances and guarantees	12,926	14,946	125,592
Allowance for possible loan losses	(33,613)	(38,436)	(326,601)
Total assets	¥7,880,742	¥7,615,893	$76,571,540
Liabilities and Equity			
Liabilities:			
Deposits	¥6,984,476	¥6,848,730	$67,863,163
Call money	52,234	19,343	507,526
Payables under repurchase agreements		1,899	
Payables under securities lending transactions	53,599	38,629	520,783
Borrowed money	69,473	72,735	675,027
Foreign exchanges	276	205	2,683
Bonds	15,000	15,000	145,744
Convertible bonds		29,953	
Other liabilities	56,531	57,664	549,276
Liability for employees' retirement benefits	24,691	24,725	239,910
Liability for reimbursement of deposit losses	308	299	2,992
Liability for contingent losses	719	1,046	6,994
Deferred tax liabilities	78,125	38,408	759,087
Deferred tax liabilities for land revaluation	48	103	470
Acceptances and guarantees	12,926	14,946	125,592
Total liabilities	¥7,348,411	¥7,163,691	$71,399,253
Equity:			
Common stock	¥42,103	¥42,103	$409,091
Capital surplus	30,301	30,301	294,420
Stock acquisition rights	453	370	4,403
Retained earnings	269,909	257,501	2,622,518
Treasury stock — at cost	(1,204)	(1,199)	(11,699)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	192,627	125,306	1,871,620
Deferred losses on derivatives under hedge accounting	(1,946)	(2,368)	(18,917)
Land revaluation surplus	87	186	849
Total equity	532,331	452,202	5,172,286
Total liabilities and equity	¥7,880,742	¥7,615,893	$76,571,540

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥102.92 to US$1.00 on March 31, 2014, the final business day of the term.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd. Year Ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥53,911	¥ 56,832	$523,822
Interest and dividends on securities	22,193	21,458	215,640
Other interest income	472	754	4,589
Fees and commissions	14,615	13,629	142,007
Other operating income	4,453	9,368	43,276
Other income	2,930	2,808	28,472
Total income	98,577	104,852	957,807
Expenses:			
Interest expenses:			
Interest on deposits	4,211	5,432	40,917
Interest on borrowed money	725	696	7,046
Interest on bonds	321	324	3,118
Other interest expenses	1,144	1,242	11,117
Fees and commissions	6,682	6,723	64,927
Other operating expenses	1,088	1,872	10,578
General and administrative expenses	57,396	55,527	557,683
Other expenses	1,143	8,601	11,114
Total expenses	72,713	80,420	706,505
Income before income taxes	25,864	24,431	251,302
Income taxes:			
Current	7,100	10,217	68,990
Deferred	2,668	(234)	25,924
Net income	¥16,095	¥ 14,449	$156,387

	Yen		U.S. dollars
	2014	2013	2014
Per Share Information:			
Basic net income	¥42.59	¥38.23	$0.41
Diluted net income	42.51	35.72	0.41
Cash dividends applicable to the year	11.00	10.00	0.10

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥102.92 to US$1.00 on March 31, 2014, the final business day of the term.

Corporate Profile

The Bank's Organization (As of June 27, 2014)

- General Meeting of Stockholders
  - Board of Corporate Auditors
    Corporate Auditors
  - Board of Directors
    - Executive Committee
      Chairman
      President
      - Senior Managing Director
      - Managing Directors
      - Corporate Planning Division
      - Corporate Communications Division
      - Risk Management Division
      - Compliance Management Division
      - Business Headquarters
        - Business Promotion Division
          - Area Business Headquarters
        - Business Support Division
        - Retail Banking Division
      - Public Institutions Division
      - Credit Examination Division
      - Treasury & Investment Division
      - Securities & International Division
        - Hong Kong Representative Office
        - Shanghai Representative Office
        - Dalian Representative Office
        - Bangkok Representative Office
      - General Secretariat
      - Personnel Division
      - Kyoto Banking College
      - General Affairs Division
      - Business Administration Division
        - Business Operations Center
      - Systems Division
      - Tokyo Liaison Office
      - Head Office Business Department, Osaka Business Department, Domestic Branches and Sub-branches
    - Internal Audit Division

Board of Directors and Corporate Auditors (As of June 27, 2014)

Chairman
Yasuo Kashihara

President
Hideo Takasaki

Senior Managing Directors
Hisayoshi Nakamura
Yoshio Nishi

Managing Directors
Katsuyuki Toyobe
Masayuki Kobayashi
Junji Inoguchi
Nobuhiro Doi

Directors
Takayuki Matsumura
Masahiko Naka
Hiroshi Hitomi
Masaya Anami
Toshiro Iwahashi

Standing Corporate Auditor
Haruo Tanaka

Corporate Auditors
Tadahiko Nishiyama
Kaneyoshi Jinde (external)
Shinichi Nakama (external)

Managing Executive Officers
Hiroshi Okuno
Hideya Naka
Ko Nishizawa
Shinichi Takenaka

Executive Officers
Satoru Kitagawa
Hirokazu Tagano
Hiroyuki Yamamoto
Keizo Tokomoto
Yoshihiko Hamagishi
Masao Okuda

Corporate Data (As of March 31, 2014)

Date of Establishment
October 1, 1941

Number of Employees
3,361 (Non-consolidated)

Number of Authorized Shares
1,000,000,000

Number of Issued Shares
379,203,441

Capital (Paid-in)
42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A+
S&P* Rating *Standard & Poor's.
A

Major Stockholders (Number of shares in thousands and percentage)

Nippon Life Insurance Company	15,879	(4.18%)
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,098	(3.71%)
Meiji Yasuda Life Insurance Company	12,501	(3.29%)
Japan Trustee Services Bank, Ltd. (trust account)	10,962	(2.89%)
NORTHERN TRUST Co. (AVFC) A/C NON TREATY	10,787	(2.84%)
NORTHERN TRUST Co. (AVFC) RE SILCHSTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY	9,325	(2.45%)
Kyocera Corporation	7,980	(2.10%)
NORTHERN TRUST Co. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	7,888	(2.08%)
Sompo Japan Insurance Inc.	7,512	(1.98%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,908	(1.82%)

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

Bank of Kyoto

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