




History of The Bank of Kyoto (Showa to Heisei Eras)

The Bank of Kyoto was established in 1941 as Tanwa Bank (Head Office: Fukuchiyama City) through the merger of four banks in northern Kyoto: Ryotan Bank, Miyazu Bank, Tango Commercial Bank, and Tango Industrial Bank. In 1951 the Bank changed its name to the Bank of Kyoto

Emergence of venture companies and subsequent rapid growth			Collapse of Japan's bubble economy		
Post-war recovery High and stable growth			Japanese financial Big Bang		
Kyoto's leading bank			Kinki's leading bank		
1941 Established Tanwa Bank  Tanwa Bank Head Office	1951 Changed name to the Bank of Kyoto	1966 Completed construction of current Head Office Established current emblem	1984 Listed on the second sections of the Tokyo Stock Exchange and the Osaka Securities Exchange	1989 Opened representative office in Hong Kong	1999 Opened the Direct Banking Center The Bank recorded its sole loss
1950 Commissioned to provide main depository service for Kyoto Prefecture	1953 Relocated Head Office to Kyoto City  Former Head Office	1973 Listed on the Kyoto Stock Exchange	1985 Established symbol mark 	1986 Changed designation to the first sections of both exchanges	1998 Started over-the-counter sales of investment trusts

1. Growth as a Locally Headquartered Bank

● Birth of the Bank of Kyoto

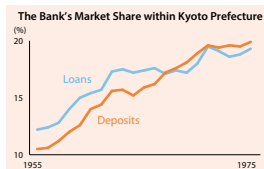
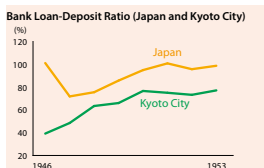
The Bank of Kyoto was established in October 1941 as Tanwa Bank in Fukuchiyama City, Kyoto Prefecture through the merger of four banks in northern Kyoto: Ryotan Bank, Miyazu Bank, Tango Commercial Bank and Tango Industrial Bank. In 1951, the Bank changed its name to the Bank of Kyoto, moving its Head Office to Kyoto City in 1953, a considerable time after it had appeared. Unlike many regional banks that had been founded and developed in prefectural capitals, the Bank was unusual in the history of regional banks in that, at the time of its establishment, it had neither a head office nor even branches in Kyoto's capital.



At the time, city banks, regional banks and credit unions had already formed bases of operation centered around the region of Kyoto City, the prefecture's largest city and its capital. Thus, for the Bank of Kyoto, which was based in northern Kyoto Prefecture, doing business in Kyoto City meant starting out as a latecomer.

● Role as a Regional Provider of Funds

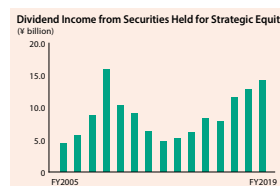
Under a priority production system, the post-war recovery period saw an emphasis on coal, steel, shipping and other core industries. This put Kyoto's economy—with its focus on traditional and textile industries such as Nishijin-ori and Tango Chirimen weaving—at a disadvantage. Financial conditions in Kyoto City were thus extremely tight, with a bank loan-deposit ratio significantly lower than the national average, and small and medium-sized businesses were experiencing particularly severe financial difficulties. Amid increasing calls from Kyoto Prefecture, Kyoto City and Kyoto Chamber of Commerce and Industry for a locally headquartered bank to take on the role of facilitating finance for small and medium-sized companies, the Bank responded by relocating its Head Office to Kyoto City in 1953.



Against this background and to fulfill its public and social mission, the Bank revitalized facilitation of financing for business customers and consolidated its position as a locally headquartered bank. By taking on a role in industrial recovery in Japan, especially Kyoto, following the devastation of World War II, the Bank built a foundation that would lead to high economic growth.

● Accompanying the Creation of New Industries

As Japan's ancient capital, Kyoto has long nurtured culture and industry with a climate rich in entrepreneurial spirit responsible for creating many new things. The period between post-war recovery and the era of high economic growth saw, for example, the development of ceramics using firing techniques from traditional Kyo-yaki and Kiyomizu-yaki pottery, while printing technology from the Yuzen dyeing craft was utilized in semiconductor printed circuit boards. A large number of venture businesses with proprietary markets appeared, using their advanced technology development capabilities to produce creative, unique products. These centered primarily around the electronics and precision machinery fields, including ceramics for the electronics industry, electric control equipment, electric measuring instruments, and precision measurement and analysis equipment.



The Bank actively provided these promising venture companies with financial support through loans and investments. The companies later achieved rapid growth, becoming well known nationwide and eventually entering markets around the world.

● Sound, Steady Management

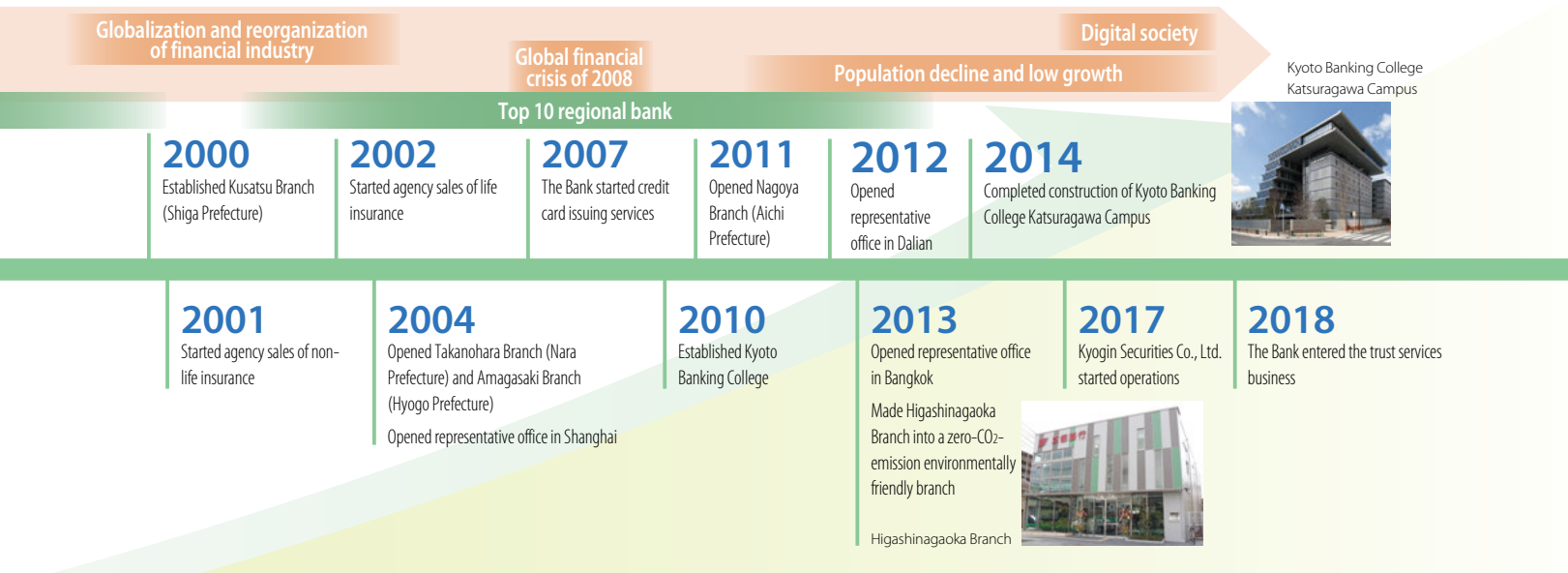
As the Bank actively provided loans and investments to promising firms, it was also careful in managing its customers' deposits. Even during the so-called bubble economy of the late 1980s, we continued to return to our core management principle of "Serving the Prosperity of the Community" as we maintained a steady approach to management. As a result, following the collapse of the bubble economy when many financial institutions were forced to spend time disposing of non-performing loans, the Bank was able to quickly complete that process and move to an aggressively offensive management stance.

Since then, this sound, steady approach to management has been handed down as a tradition, and financial soundness has become one of the Bank's strengths.

● Toward the Next Generation of Growth

Since its founding, the Bank of Kyoto has contributed to regional economic development by proactively offering loans, investments and other support for regional company growth and the emergence of new industries. This has allowed the Bank itself to expand its business, while steady dividends from regional firms that have grown to become listed companies representing all of Japan have helped form a robust revenue and financial base for the Bank. Over time, this process has ensured that the Bank's soundness—a critical element for a financial institution—remains rock solid, forming a reliable, reassuring base and providing a source for future loans and investments that will contribute to regional economic development.

Kyoto, moving its Head Office to Kyoto City in 1953. Since its foundation, the Bank has stayed close to its regional customers, following the management principle of “Serving the Prosperity of the Community.”



2. Growth as a Wide-Area Regional Bank

● Expansion of Operating Area (Market)

Following the collapse of Japan’s bubble economy, many financial institutions, including city banks, rushed to stabilize their operations as they were forced to dispose of non-performing loans, and boosting profitability also became an urgent issue. Many of these institutions advanced a strategy of selection and concentration, narrowing their areas of business to better focus the use of management resources.

The Bank of Kyoto, meanwhile, moved quickly to isolate non-performing loans, and as other financial institutions adopted a strategy of balanced contraction, we used a wide-area strategy to expand the reach of our operations.

That expansion began in December 2000, with the opening of the Kusatsu Branch in Shiga Prefecture. We then gradually expanded our branch network with a focus on adjacent prefectures with deep economic ties to Kyoto. As of the end of March 2000—prior to the opening of its Kusatsu Branch—the Bank had 115 branches, but as a result of its expansion efforts, that number has grown to 174 branches as of the end of March 2020 (with 63 of those branches—nearly 40%—located outside of Kyoto Prefecture). As a result, the Bank has succeeded in independently building a wide-area network encompassing five prefectures in the Kinki region (Kyoto, Osaka, Shiga, Nara and Hyogo), as well as Aichi Prefecture and Tokyo, while loan amounts increased by more than three trillion yen over 20 years.

Industries in the prefectures in which the Bank has expanded its operations also have their own regional characteristics. For example, while Kyoto Prefecture, where the Bank is headquartered, features many unique companies in the field of precision machinery, Aichi Prefecture attracts firms in the automotive industry. This strategy of having clients in a diverse range of industries also gives the Bank resistance to the risks of regional industrial structures.

Note that as the Bank has grown its loan amounts in excess of three trillion yen over a period of 20 years, its ratio of non-performing loans has dropped. This is a result of sound lending practices backed by judgement honed since the Bank of Kyoto was founded.

● Expansion of Business Scope (Services)

In addition to the expanded area of operations noted above, the Bank has also worked to expand the scope of its services.

As the Bank moved to grow in scale by expanding its area of operations, since 2000—as shown in the Flow of Funds Accounts Statistics—there has been a surplus of funds, largely among business corporations. On a macro level, this indicates that raising capital is gradually becoming less of a primary concern for customers, and means that, sooner or later, the traditional model centered on deposits and loans will find itself at a crossroads. Based on this understanding, the Bank has been an early proponent for working to build a business model around providing solutions to customers’ issues.

For our corporate customers, the Bank offers its own added value through proprietary cross-regional business-matching services that utilize its wide-area network. We also have a first-rate performance and expertise in M&A among regional banks, based on work we have engaged in for nearly 20 years. For individual customers, meanwhile, the Bank not only offers over-the-counter sales of investment trusts and life insurance agency services, but it also commenced operations of Kyogin Securities Co., Ltd. in May 2017 and successfully entered the trust services business in October 2018.

The Bank has increased its value by steadily expanding its solutions business and offering new added value in addition to its deposit and loan business.

By expanding the market for its existing business while also expanding its business scope, the Bank of Kyoto has grown to become one of the top 10 regional banks in terms of total funds. We steadily enhanced our presence in our home market of Kyoto Prefecture, where city banks and credit unions already jostled for position, and have captured more than 30% share of loans in the prefecture as of the end of March 2020. Over the past 20 years, the Bank has also worked to build a wide-area network and a high-value-added business structure. We are now poised to make the most of those strengths. Our strategy, details of which follow, is outlined in “Phase Change 2020,” our 7th Medium-Term Management Plan.