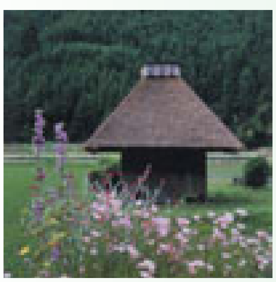
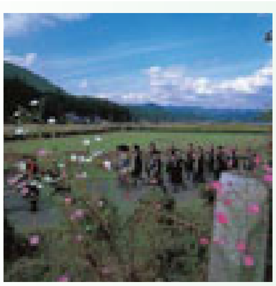
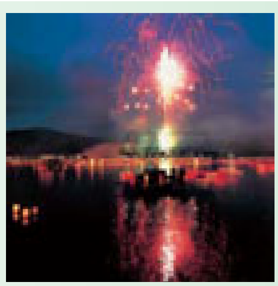
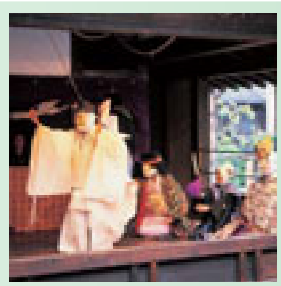
ANNUAL REPORT 2004

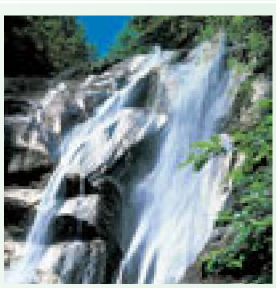
For the year ended March 31, 2004

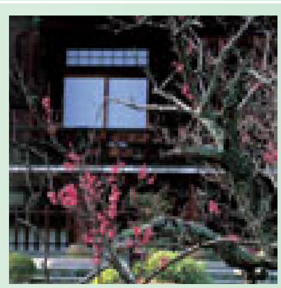
The Bank of Kyoto, Ltd.








Profile

Since its establishment on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries (together, "the Group") 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.

- ***Total Assets: ¥4,850.3 billion (12th among regional banks)***
- ***Total Deposits: ¥4,293.1 billion (13th among regional banks)***
- ***Loans and Bills Discounted: ¥2,763.4 billion (15th among regional banks)***
- ***Unrealized Gains on Securities: ¥189.2 billion (1st among regional banks)***
- ***Capital Ratio: 10.59% (domestic standards); 13.39% (BIS standards)***
- ***Credit Rating: A+ (R&I)***

(Above figures are all on a non-consolidated basis.)

Contents

Attention regarding forward-looking statements

The reader is 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.

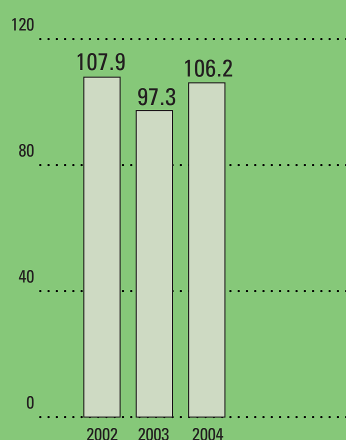
Consolidated Financial Highlights

Years Ended March 31, 2004, 2003 and 2002

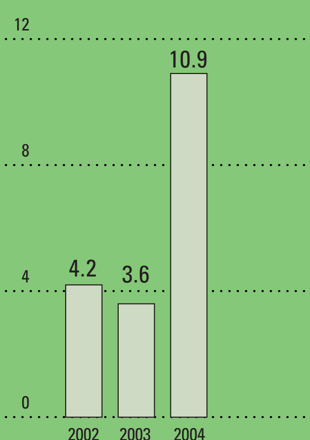
	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
For The Year				
Total Income	**¥ 106,260**	¥ 97,346	¥ 107,936	**$ 1,005,397**
Total Expenses	**87,334**	89,691	101,920	**826,331**
Income before Income Taxes and Minority Interests	**18,925**	7,655	6,016	**179,065**
Net Income	**10,918**	3,651	4,212	**103,309**
At Year-end				
Total Assets	**¥ 4,859,441**	¥ 4,598,235	¥ 4,681,058	**$ 45,978,253**
Deposits	**4,284,863**	4,152,285	4,101,347	**40,541,806**
Loans and Bills Discounted	**2,749,518**	2,653,495	2,675,561	**26,014,936**
Investment Securities	**1,820,086**	1,663,159	1,699,563	**17,220,986**
Minority Interests	**3,533**	2,967	2,840	**33,433**
Common Stock	**27,100**	27,100	27,100	**256,410**
Total Stockholders' Equity	**284,262**	226,584	306,199	**2,689,583**

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 ¥105.69 to US$1.00 on March 31, 2004, the final business day of the term.

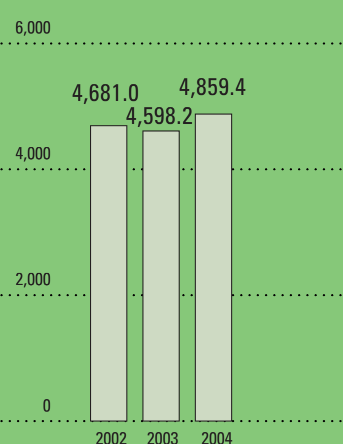
Total Income
(Billions of Yen)



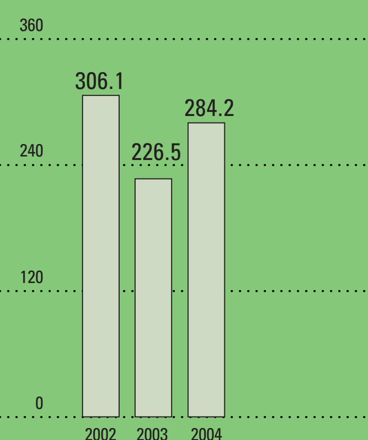
Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



Total Stockholders' Equity
(Billions of Yen)



Message from the President

We are taking significant steps in solidifying our business base in our home market of Kyoto Prefecture while cultivating new markets.

Fiscal 2003 Stands as a Year of Achievement on Numerous Fronts

I am pleased to report that in fiscal 2003, ended March 31, 2004, the Bank of Kyoto, Ltd. achieved net income of over ¥10.0 billion—a key target of the NEW-Plan medium-term business plan launched in April 2002—one year ahead of schedule. Just as importantly, the Bank also made significant progress in strengthening its loan marketing power and improving the health of its loan portfolio, while successfully transitioning to a new core computer system.

With regard to specific accomplishments, the Bank strengthened its loan marketing power by adopting a proactive approach to extending loans to small- and medium-sized companies and individuals. Measures taken included upgrading our branch and ATM networks, bolstering our marketing structure and enhancing our product lineup. These efforts rewarded us with the first year-on-year increase in our loan balance in three years.

The Bank also made notable progress in improving the health of its loan portfolio by focusing on providing valuable support for the corporate revitalization efforts of customers—many of which have faced increasingly severe business conditions due to the changing business environment—and by aggressively disposing of our non-performing loans. These measures allowed the Bank to prevent the occurrence of non-performing loans and to significantly reduce the amount of disposed non-performing loans.

In January 2004, the Bank successfully transitioned to a shared core computer system at the NTT DATA Banking Center for Regional Banks. The new system furnishes a host of benefits, including the most-advanced and highest-level system capabilities among regional banks, increased administrative efficiency and a low-cost operating structure.

As illustrated by these achievements, I am confident that the measures implemented under NEW-Plan are now coming to fruition, and the Bank will utilize these accomplishments as a springboard for further growth.

Forward-Looking Management Policies

Ongoing changes in both the financial environment and society are spurring a growing diversity of customer needs. Concurrently, customers are exercising greater scrutiny in choosing trustworthy financial institutions in the lead-up to the total abolition of unlimited guarantees on bank deposits in spring 2005. In addressing these developments, we will continue to implement the final year of two plans: the NEW-Plan and the Relationship Banking Function Enhancement Plan, which is based on the Financial Services Agency's (FSA) Action Program concerning Enhancement of Relationship Banking Functions. In accordance with these plans, we seek to achieve solid growth together with the local community as the bank with the strongest presence that is most trusted by customers in the region.

Upgrading Our Management Foundation

As we strive to broaden our lending base, we have strategically expanded our marketing area beyond our home territory of Kyoto Prefecture by aggressively opening new branches in neighboring Osaka and Shiga prefectures, starting with the opening of the Kusatsu Branch in December 2000. Building on these efforts, we continued to expand our marketing area with the opening of the Takanohara Branch in April 2004 as our first staffed branch in Nara Prefecture.

The Bank also made further progress in bolstering its network and upgrading branch functions, reflecting its determination to address evolving customer needs. As prime examples, the Bank initiated holiday operations at the Kusatsu and Takanohara branches in April 2004 and installed its ATMs in principal train stations operated by Keihan Electric Railway Co., Ltd.

On a different front, in April 2004 the Bank launched a new media strategy that is centered on television and radio commercials and also includes newspaper advertisements and posters in railway cars.

This comprehensive media campaign is aimed at further reinforcing our business foundation and customer base in regions where we have already built a solid market presence.

As evidenced by the previously mentioned measures, the Bank is taking signficant steps in solidifying its business base in its home market of Kyoto Prefecture while cultivating new markets, as it aggressively upgrades and expands marketing and earnings capabilities to ensure sustained growth in the years ahead.

An Emphasis on High Value-Added Financial Services

The Bank also decisively moved to bolster its marketing capabilities by establishing Active Corporate Support Teams—groups of specialists with expertise in a broad scope of industries—within the Corporate Banking Division. In parallel with this move, we built a structure for sharing and utilizing information throughout the Bank by establishing a database containing a plethora of industry and corporate information as well as banking transaction know-how accumulated by the Active Corporate Support Teams. By sharing this valuable information and know-how throughout the Bank, we aim to strengthen the Bank's proposal-based marketing capabilities.

small-and medium-sized companies. To provide these companies with easier financing, we have adopted a new credit scoring system for credit assessment to provide customers with unsecured loans without a guarantor requirement.

With regard to loans for individuals, we have undertaken strenuous efforts to raise the level of our products and services by upgrading our lineup of products, speeding up our credit assessment process and enhancing our consultation capabilities by opening the Ibaraki Housing Loan Center. The Bank has also enhanced its asset management-related consultation services by bolstering its lineup of individual annuities and investment trusts and has established a structure for addressing diverse customer needs.

In striving to quickly implement the measures described above, the Bank recognizes that its fundamental mission as the region's largest retail bank is to provide customers in the local community with high-quality financial services that make a meaningful contribution to the region's development and prosperity.

As we enter a new fiscal year, we will continue to take measures to sharpen our competitiveness in non-price-related areas, which will include providing an unprecedented level of high value-added services, and

"We recognize that our fundamental mission as the region's largest retail bank is to provide customers in the local community with high-quality financial services."

One of the Bank's chief roles is to provide support for local venture companies. Our Venture Business Support Office functions as the primary office for handling all venture business-related information. This office promotes tie-ups among industry, academia and government to cultivate and support venture businesses and facilitate our M&A activities, while working to provide assistance to companies in our home market.

The Management Support Office within the Credit Supervision Division forms tie-ups with consulting companies as part of its efforts to provide proposals to help companies improve their management structures. Tapping a deep reservoir of know-how in undertaking management improvements, the Management Support Office works closely with branches to strengthen the Bank's ability to support corporate revitalization of customers.

The Bank also places high priority on offering products that can respond more quickly to the funding needs of

to build a strong earnings structure. Together with these measures, we will reinforce our risk management and compliance structure, as we make our utmost efforts to become a genuine "bank that is recognized by customers and markets."

We ask for your continued support.

Yasuo Kashihara, *President*

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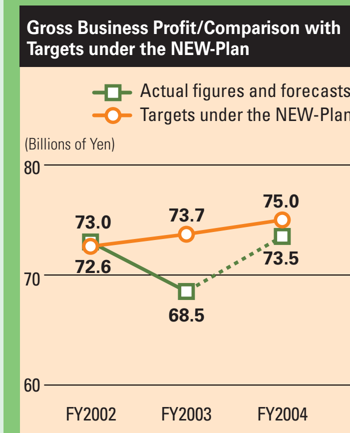
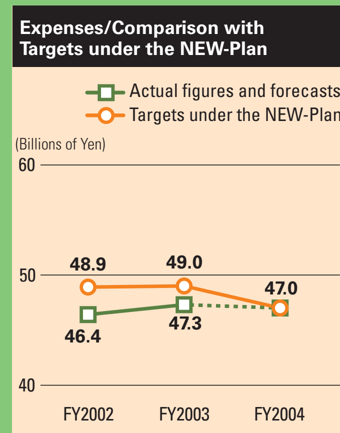
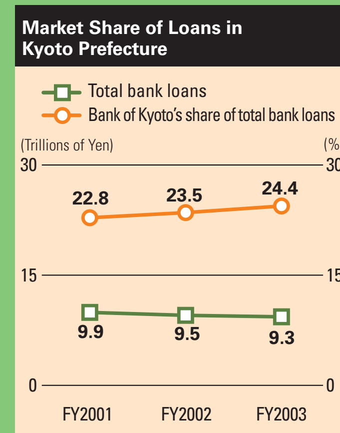


Gross Business Profit/Comparison with Targets under the NEW-Plan



Expenses/Comparison with Targets under the NEW-Plan



Market Share of Loans in Kyoto Prefecture

Progress Update on Medium-Term Business Plan

In April 2002, the Bank launched NEW-Plan, our medium-term business plan. Under NEW-Plan, our management vision is to be "a bank recognized by customers and the market" and we have resolved to achieve true reform and create new value.

Steadily Striding toward Attaining Management Targets

NEW-Plan calls for the Bank to attain the following targets in fiscal 2004, the plan's final fiscal year. Moreover, the Bank's progress in attaining numerical targets by the end of fiscal 2003 is shown below.

	NEW-Plan target	As at March 31, 2004
Capital ratio (domestic standards on a non-consolidated basis)	**10.0% or higher**	**10.59%**
Overhead ratio (ratio of expenses to gross business profit)	**63.0% or lower**	**63.51%**
ROA (ratio of profit on core banking operations to total assets)	**0.6% or higher**	**0.57%**

Note: Profit on core banking operations = net business profit (before provision for general reserve for possible loan losses) minus profit/loss on bonds.

Among the Bank's principal numerical indicators, gross business profit amounted to ¥68.5 billion (US$648 million), below the plan's target of ¥73.7 billion, due to the recording of a ¥6.0 billion loss on government and other bonds.

Regarding expenses, reductions in personnel and non-personnel expenses resulted in overall expenses of ¥47.3 billion (US$448 million), remaining within our target of less than ¥49.0 billion.

Total credit costs—losses on disposal of non-performing loans plus provision for general reserve for possible loan losses—amounted to ¥9.2 billion (US$87 million), significantly below the goal of ¥15.2 billion under our medium-term business plan. The amount of losses on disposal of non-performing loans declined ¥2.1 billion from the previous fiscal year to ¥11.5 billion (US$109 million), due to a decrease in the occurrence of new non-performing loans and a decline in additional provisions for possible loan losses that resulted from progress in enhancing the soundness of our loan assets.

As evidenced by these figures, we are making steady progress in achieving our ultimate objectives for our management indicators and principal targets, and we are confident that we can further accelerate our progress in fiscal 2004.

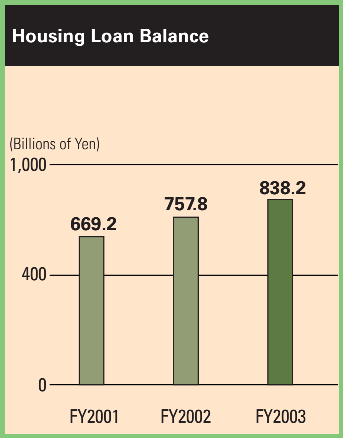
Measures for Attaining NEW-Plan's Objectives

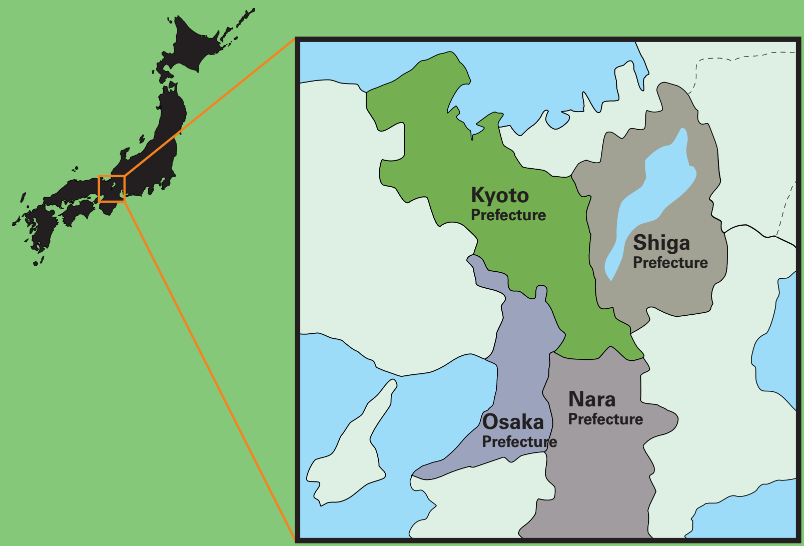
Increase Market Share by Expanding Customer Base

In contrast to a decline in the total balance of loans made by all financial institutions in Kyoto Prefecture, the balance of loans by the Bank of Kyoto has increased. The amount of financing provided by the Bank also increased 2.4% in fiscal 2003 to ¥2,283.4 billion (US$ 21,604million). As a result, the Bank of Kyoto increased its share of loans in Kyoto Prefecture to 24.4% at the end of March 2004 (up 0.9 percentage point from the previous fiscal year-end).

In keeping with its management philosophy, the Bank continually assumes a proactive stance toward providing financing that matches the diverse funding needs of its region-wide customer base consisting of local companies, sole proprietors, individuals and regional public bodies.

Marketing Strategy for Neighboring Areas





In February 2003, the Bank launched a campaign to pinpoint current latent funding needs within the local region as part of marketing activities aimed at invigorating the local economy.

Expand Loans to Individuals

Striving to forge even closer relationships with individual customers, the Bank is offering an upgraded product lineup, including housing loans, education loans and automobile loans, tailored to customer needs through any life stage. Organizational moves are also enhancing our efforts to meet an extensive range of needs in customer loans for individuals. For example, during the fiscal year we elevated the Personal Banking Division's Individual Loan Center to the status of Personal Loan Division. This division engages in new product development and offers customers useful lifestyle-related advice that includes consultation services by specialist staff covering such areas as individual loans.

We took an important step in enhancing our personal loan-related services in October 2003 by introducing a credit assessment support system for our housing loan products and commencing our pre-assessment service that provides customers with their credit assessment results the first business day following the acceptance of an application. The launch of this service follows the introduction of new unsecured consumer loan products for individuals, including card loans, automobile loans and education loans.

The Bank is re-evaluating the contents of its products to offer loans that more closely match customer needs. New products introduced through these efforts include a loan that allows customers to borrow an amount up to 150% of the appraised value of collateral used for a purchase.

Striving to ensure that customers use our housing loan products advantageously, the Bank initiated a campaign that rewards customers who satisfy prescribed conditions with preferential guarantee fees and loan interest rates. The Bank is also upgrading its products and services in other ways. For example, customers using certain housing loan products can utilize post office and IY Bank ATMs without paying a service fee during specific times of the day.

Solidify Corporate Banking Business

The Bank is also working to reinforce its lineup of products and services for small- and medium-sized corporate customers by launching a simple, speedy unsecured loan with no need for a third-party guarantor.

As an important part of its corporate banking business, the Bank has also established a long track record in supporting and cultivating promising new research and development-oriented companies within its business area. In July 2003, the Bank began offering bridge financing for entities receiving support subsidies under the Industrial Cluster Projects being implemented by the Kansai Bureau of Economy, Trade and Industry.

We intend to continue utilizing credit scoring to upgrade our loan products so that we do not become overly reliant on loans with collateral and guarantees.

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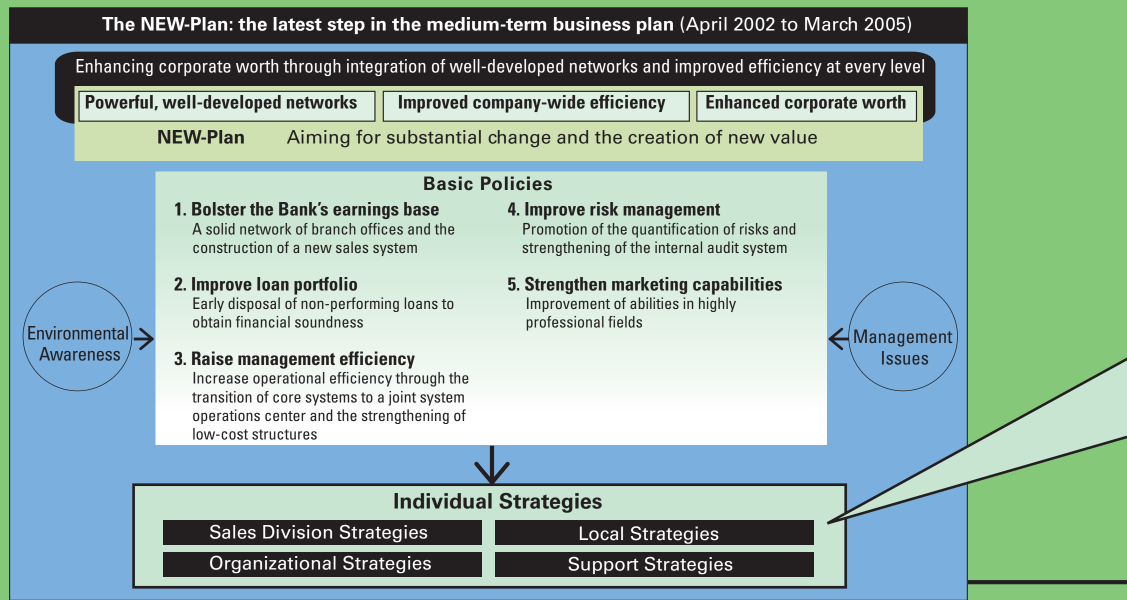
Outline of Function Improvement Plan



Plan for Enhancing Relationship Banking Functions

The Bank of Kyoto is presently implementing its Relationship Banking Function Enhancement Plan based on the FSA's Action Program concerning Enhancement of Relationship Banking Functions, which is targeted at regional and small- and medium-sized financial institutions. Our basic approach to relationship banking is consistent with the key objectives of our NEW-Plan medium-term business plan now in its final year.

—Maintain and improve relationships with local companies by emphasizing face-to-face interaction.
—Respond quickly to the funding needs of local companies.
—Provide highly focused information, functions and services of value to local companies in carrying out their business activities.

The Bank's Relationship Banking Function Enhancement Plan, which basically parallels the above strategies and directions concerning our corporate marketing advocated in our NEW-Plan, is being undertaken and is based on two overall themes: to "implement proactive support measures for easier financing" and "adopt business-reviving measures to contribute to prompt disposal of non-performing loans." Our Relationship Banking Function Enhancement Plan further consists of four main pillars: to establish and deploy "Active Corporate Support Teams," strengthen functions of the Management Support Office in the Credit Supervision Division, aggressively develop new products and services for small- and medium-sized enterprises and augment personnel training programs.

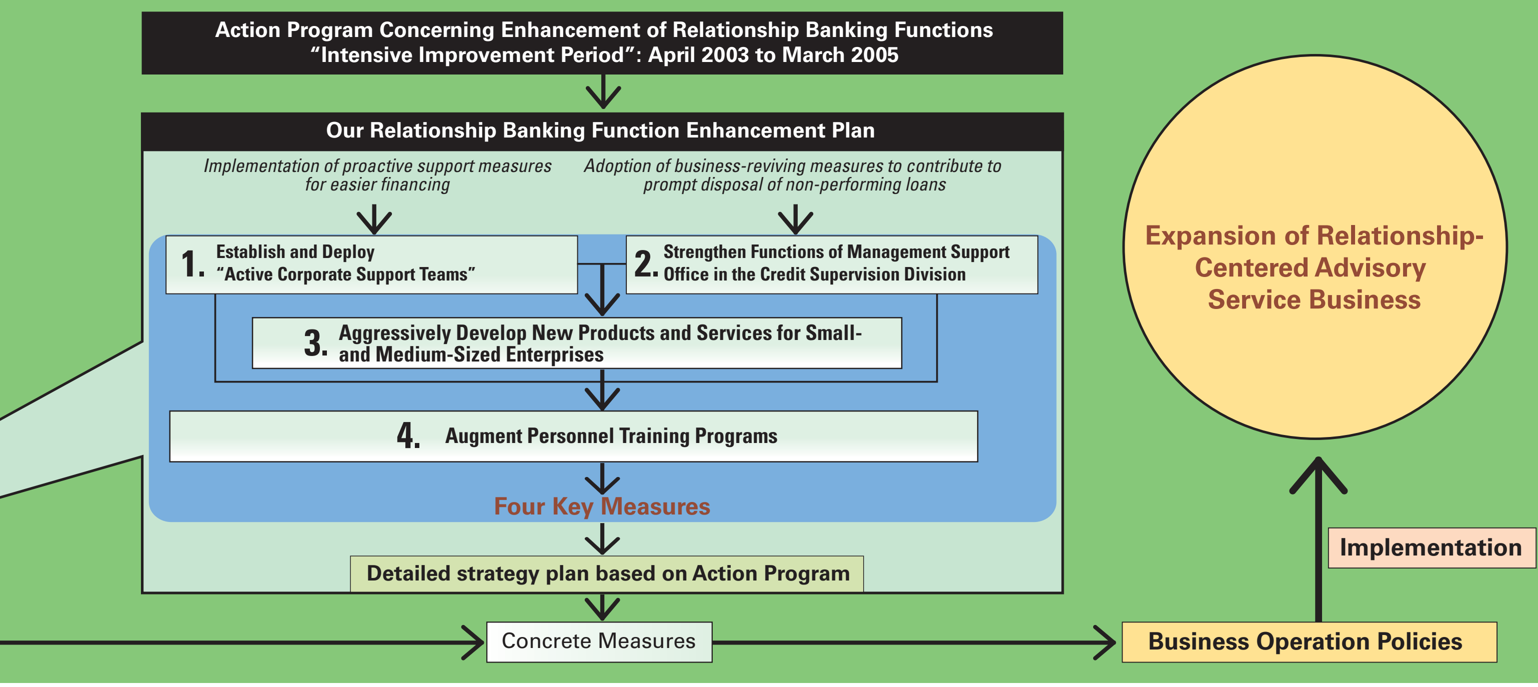
Establish and Deploy "Active Corporate Support Teams"

In August 2003, we established eight Active Corporate Support Teams composed of specialists covering 10 industry segments. Concurrently, we set up an internal structure for sharing and utilizing information throughout the Bank by creating the Industry Segment Database, which integrates industry and company-related information and business transaction know-how accumulated by individual Active Corporate Support Teams. These teams provide prompt and high-quality marketing support by publishing regular news updates that furnish branches with timely information.

The deployment of Active Corporate Support Teams has already yielded significant results. During the six-month period from October 2003 through the end of March 2004, we concluded loan contracts worth ¥11.9 billion (US$112 million) with 148 companies. This includes financing for 118 new corporate customers to the value of ¥6.6 billion (US$62 million). We attribute these results to our effective use of marketing information from branch offices and our ability to organically combine this information with the Active Corporate Support Teams' marketing know-how in each industry. The activities of the Active Corporate Support Teams also yielded a dramatic increase in the volume of marketing information related to business matching, financing and real estate, while helping to raise the level of our proposal-based marketing capabilities and contributing to easier financing for local small- and medium-sized businesses.

Strengthen Functions of the Management Support Office in the Credit Supervision Division

We are also focusing on increasing the number of companies to which we provide support. To attain this objective, in July 2003 we elevated the Corporate Management Support Section—established in the Credit Supervision Division in February 2002—to the Management Support Office and increased the number of staff. At the same time, we fortified our relationships with consulting companies with which we maintain business affiliations.



Our support for revitalization of local corporate customers paid off in a number of ways including improvements in companies' problem loan classifications and raising the loan status of these companies to "normal." The Bank was able to reduce reserves for possible loan losses to ¥1,258 million (US$11 million), which translated into higher profits.

The Bank's measures for helping companies quickly achieve revitalization are also steadily yielding other results, including the start of corporate rehabilitation activities though our affiliations with the Resolution and Collection Corporation (RCC).

Aggressively Develop New Products and Services for Small- and Medium-Sized Enterprises

Underscoring our determination to respond quickly to the funding needs of local small- and medium-sized enterprises, the Bank upgraded and expanded its lineup of unsecured loans without a need for a guarantor, which included loans using a credit scoring system. At the end of March 2004, the loan balance for these new loan products stood at ¥22.4 billion (US$211 million), up 228% from the end of September 2003, clear evidence that our new loans are contributing to easier financing for local small- and medium-sized companies.

The Venture Business Support Office within the Corporate Banking Division plays an important role in our M&A-related business and helps cultivate and support venture companies. Besides exchanging information with branches, the Venture Business Support Office uses its ties with external organizations such as The Small and Medium Enterprise Agency and other government agencies, as well as with government-affiliated financial institutions, including the Development Bank of Japan, National Life Finance Corporation, Finance Corporation for Small and Medium Enterprises and the Shoko Chukin Bank. The office also maintains ties with universities through participation in seminars and exchanges.

In addition to strengthening its network of relationships with industry, academia and government organizations, the Bank aggressively invested in venture companies in fiscal 2003. The total amount invested in venture funds by the Bank stood at ¥1.7 billion (US$16 million) at the end of March 2004. The Bank is also developing its M&A business.

Augment Personnel Training Programs

The Bank works to cultivate highly capable personnel by upgrading its training programs, mainly internal and external working-level training programs. Through these training programs, the Bank aims to cultivate personnel capable of accurately assessing the future potential and technological capabilities of companies and supporting corporate rehabilitation, and improve employees' skills for supporting small- and medium-sized enterprises. To achieve these objectives, the Bank continuously implements skill-enhancing training courses for management to strengthen top-level sales capabilities. We also implemented the "Finance Control Office and Management Support Office Training" for directors and department managers and dispatched these personnel for "training to identify the capabilities of companies" through programs hosted by the Regional Banks Association of Japan.

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3

The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of Yen)

	2004/3	Change from Mar. 31, 2003	2003/3
Unrecoverable or Valueless[1]	¥ 20.3	¥ (29.2)	¥ 49.5
Risk[2]	57.9	7.6	50.2
Special Attention[3]	54.8	(10.3)	65.2
Sub-Total (A)	133.2	(31.9)	165.1
Non-Classified	2,667.2	128.8	2,538.3
Total	¥ 2,800.4	¥ 96.9	¥ 2,703.4

1. Loans or corresponding obligations of debtors that are bankrupt under such conditions as bankruptcy procedures, corporate reorganization, or civil rehabilitation.
2. Loans of debtors not yet in bankruptcy but which are experiencing worsening financial conditions and business results and for which principal and interest is highly unlikely to be repaid under the terms of the loan agreement.
3. Within the self-assessment classification of "debtors requiring caution," loans that are delinquent for three months or more or loans for which lending conditions have been restructured.

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

(Billions of Yen)

	2004/3	Change from Mar. 31, 2003	2003/3
Reserve for Possible Loan Losses	¥ 44.8	¥ (21.5)	¥ 66.4
Amounts Recoverable Due to Guarantees, Collateral and Others	64.2	(9.6)	73.9
Total (B)	¥ 109.1	¥ (31.2)	¥140.3
Coverage Ratio (B)/(A)	81.9%	(3.1)%	85.0%

Building a Strong Financial Structure

Committed to building a solid financial structure, the Bank of Kyoto is aggressively disposing of non performing loans and raising its capital ratio by bolstering its internal reserves.

Non-Performing Loans

Policy on Non-Performing Loans

The Bank of Kyoto recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, the Bank carries out semiannual self-assessment of assets to accurately monitor the state of its asset quality and takes 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 provisions of reserves, and are disposing of all currently anticipated non-performing loans. These regulations are based on a financial inspection manual published by the Financial Services Agency and a report by the Japanese Institute of Certified Public Accountants on verifying internal regulations governing the self-assessment of assets by banks and other financial institutions, as well as practical guidelines for auditing defaulted loan write-offs and reserves for possible loan losses.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

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

At the end of fiscal 2003, the Bank's total disclosed assets, excluding non-classified assets, amounted to ¥133.2 billion (US$1,260 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 65.0%. When adding the portion secured by collateral and guarantees to the reserve, the coverage ratio was 81.9%, which we consider a sufficient level.

We thus achieved further progress toward enhancing the soundness of our loan portfolio. Moreover, the bank does not engage in partial direct write-offs of non-performing loans, however, in the event that the Bank did engage in partial direct write-offs of non-performing loans, the amount of disclosed loans under the Financial Reconstruction Law Standard (non-consolidated) would be ¥122.2 billion (US$1,157 million), or 4.38% of disclosed loans.

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 2003, the Bank's balance of risk management loans amounted to ¥133.0 billion (US$1,258 million) on a non-consolidated basis and ¥136.0 billion (US$1,287 million) on a consolidated basis.

It should be noted, however, that not all the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Capital Ratio

As of March 31, 2004, the Bank's capital ratio on a consolidated basis was 10.77% based on domestic standards and 13.74%

Risk Management Loans (Consolidated)

(Billions of Yen)

	2004/3		2003/3
		Change from Mar. 31, 2003	
Loans in Legal Bankruptcy	¥ 7.3	¥ (13.8)	¥ 21.2
Nonaccrural Loans	73.7	(7.4)	81.1
Accruing Loans Contractually Past Due Three Months or More	0.7	(1.8)	2.5
Restructured Loans	54.1	(8.5)	62.7
Total	¥ 136.0	(31.6)	¥ 167.7
Total Loans Outstanding (term-end balance)	¥ 2,749.5	¥ 96.0	¥ 2,653.4

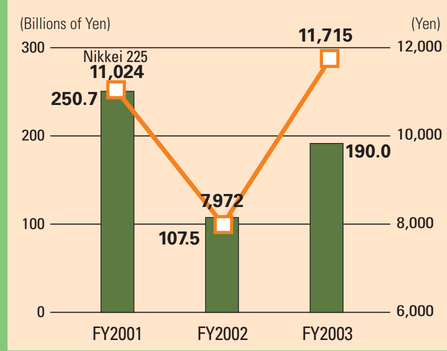
Note: Refer to page 21, note 4 regarding the above categories.

Capital Ratio (Consolidated)

(Millions of Yen)

	2004/3	2003/3	2004/3
(Consolidated)	(Domestic)	(Domestic)	(BIS)
Total Capital Ratio	10.77%	10.65%	13.74%
Tier I Capital	¥ 173,467	¥ 164,389	¥ 173,467
Tier II Capital	79,056	73,513	173,467
45% of Unrealized Gains on Securities			85,524
General Reserve for Possible Loan Losses	14,633	13,944	25,953
45% of Land Revaluation Surplus	422	369	422
Qualifying Subordinated Debt	64,000	59,200	64,000
Deducted Items	202	202	202
Total Capital	¥ 252,321	¥ 237,701	¥ 346,733
Risk Adjusted Assets	¥ 2,341,301	¥ 2,231,081	¥ 2,523,371

Unrealized Gains on Securities (Consolidated)



based on BIS standards.

On a non-consolidated basis, this ratio was 10.59% based on domestic standards and 13.39% on BIS standards. The effect of deferred tax assets on the Bank's capital ratio was 1.63% on a non-consolidated basis. Even if all deferred tax assets were deducted, the Bank would still clear the 8.0% BIS standards.

Regarding capital, which constitutes the numerator in calculating the capital ratio (domestic standard on a consolidated basis), Tier I capital rose ¥9.0 billion to ¥173.4 billion (US$1,641 million) because of an increase in retained earnings. Tier II capital increased ¥5.5 billion to ¥79.0 billion (US$747 million) due to an increase in subordinated loans.

Risk adjusted assets, which represent the denominator in calculating the capital ratio, rose ¥110.2 billion to ¥2,341.3 billion (US$22,152 million), mainly due to an increase in loans, as well as increased investment in securities.

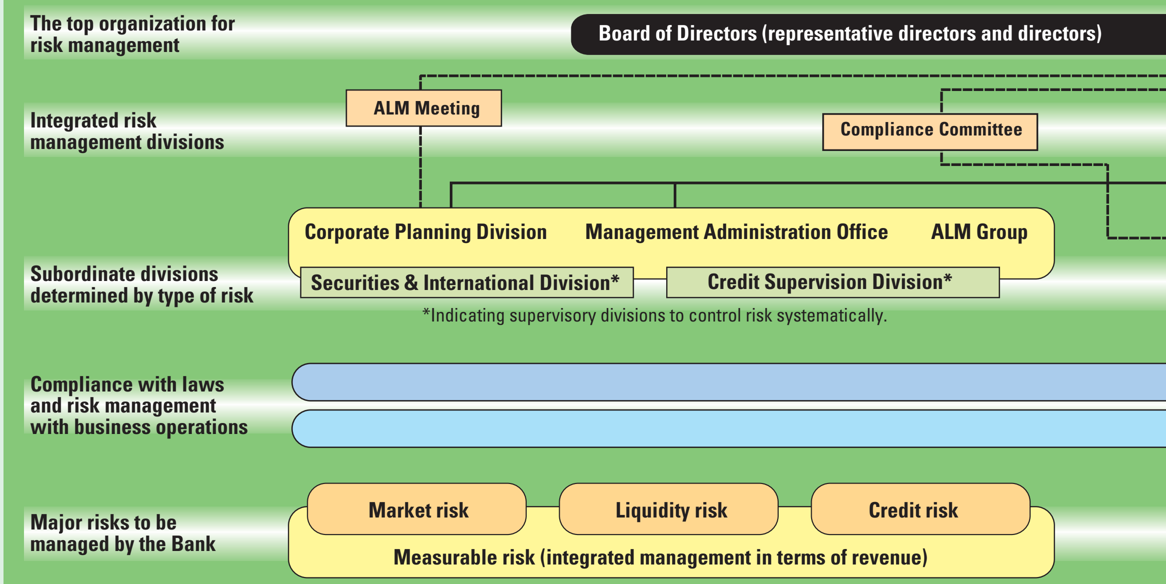
The Bank's capital ratio significantly exceeds the minimum levels prescribed by domestic standards (4%) and BIS standards (8%).

We will continue working to increase retained earnings to raise our capital ratio.

Unrealized Gains on Available-for-Sale Securities

The Bank's stock portfolio consists of stocks of globally renowned high-technology companies that are headquartered in Kyoto, and the Bank acquired these stocks at the inception of these companies or soon after. Consequently, unrealized gains on a consolidated basis were ¥177.4 billion (US$1,678 million) on stocks and ¥190.0 billion (US$1,798 million) on total available-for-sale securities subject to statement at fair value, which represents the highest amounts among all regional banks in Japan.

FOCUS 4



Bolstering Our Risk Management Structure

Ongoing liberalization and globalization of Japan's financial markets, coupled with tremendous advances in financial and information technology, have spawned increased business opportunities for financial companies. Conversely, these developments have led to a greater complexity and diversity of risks. The following sections describe the Bank's approach to risk management.

Strengthening Our Risk Management Structure

The Bank has designated effective risk management as a crucial management issue for maintaining the stability and soundness of its operations. To respond accurately and promptly to an assortment of risks, supervisory divisions designated by risk type undertake cross-sectional and systematic management of relevant risks, while each division also manages risks within their respective operations.

As part of its solid risk management structure, the Bank has also established the Management Administration Office inside the Corporate Planning Division to realize totally integrated management of risks incurred by the Bank, as well as prescribed basic risk management items in the Comprehensive Risk Management Regulations.

Credit Risk Management

Giving due consideration to its management policies, the Bank is striving to strengthen its credit risk management under our credit policy that clearly explains the Bank's basic approach to credit screening.

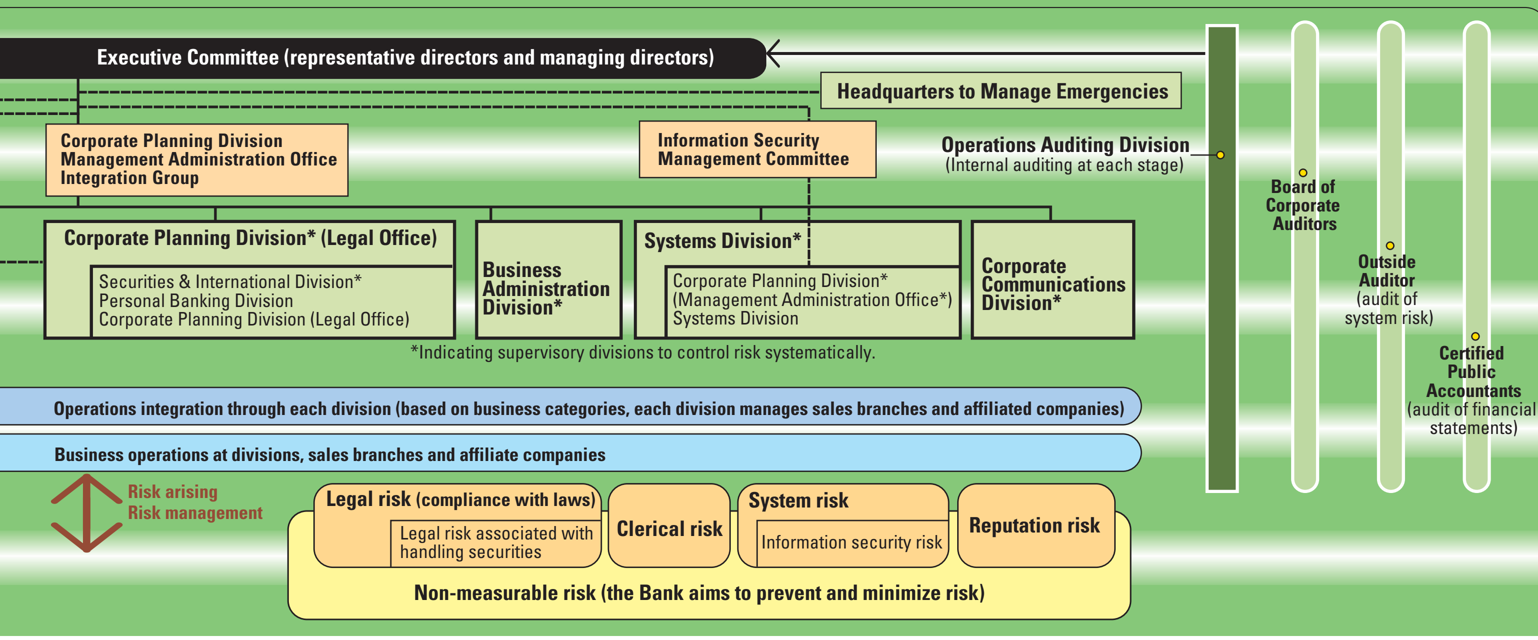
The Bank is also striving to strengthen its organizational structure by maintaining the independence of the Credit Supervision Division from marketing sections and adhering to more-stringent credit screening guidelines. The Bank has also established a section for managing credit risk to strengthen its organizational structure and enable quantitative analysis and monitoring of risk. Moreover, the Bank also works to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

The Bank undertakes self-assessment of assets to adequately write off non-performing loans and make provisions for possible loan losses. To maintain and improve the soundness of our assets, we established the Asset Audit Office as a specialized section inside the Operations Auditing Division. This division examines the validity of write-offs and reserve provisions based on self-assessment of assets. These matters also undergo auditing by a certified public auditing company.

Furthermore, the Bank is strengthening risk management by formulating solution plans for borrowers encountering financial difficulties, taking into consideration the results of its self-assessments. In addition, the section within the Credit Supervision Division that had been in charge of corporate customer management support was upgraded to the status of the Management Support Office. By helping borrowers improve their business conditions and performance in this manner, the Bank is working to enhance the soundness of its loan asset portfolio.

Market Risk Management

The Bank established the Asset Liability Management (ALM) Group within the Management Administration Office inside the Corporate Planning Division to uniformly manage market risks with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. The ALM Group strives to raise the sophistication of its risk management methods and utilizes the most-advanced analysis techniques including VaR and EaR. In addition, the Bank strategically addresses risk management by holding ALM meetings with the attendance of directors in charge of market risk management, and utilizing the ALM Committee, a subordinate organization consisting of relevant general managers, as well as by considering necessary measures such as the appropriate composition of assets and liabilities and risk hedges.



Liquidity Risk Management

Through careful projection and verification of fundraising and fund-management balances, the Bank appropriately controls its funding position. Utilizing a system that continually monitors the amount of funds available to the Bank in the market, the Bank is always prepared for the occurrence of liquidity risk.

Clerical Risk Management

Aware that gaining the trust of customers begins with accurate clerical processes, the Bank has established and continues to abide by regulations governing clerical procedures. Moreover, the bank is building a clerical system that minimizes the occurrence of human error by centralizing clerical processes and utilizing computers to bolster its checking functions. The Bank is also raising the level of clerical procedure compliance through personal guidance by specialist officers, group training courses and the use of an e-learning system.

To strengthen clerical risk management, the Operations Auditing Division carries out regular annual auditing of head office departments and branches to ensure that clerical procedures are strictly and correctly executed and to prevent any occurrence of errors.

System Risk Management

Computer systems have become indispensable in banking operations, which are not only growing more diverse and sophisticated, but are encompassing large increases in transaction volumes. Accordingly, safety measures to avoid system risks are extremely crucial for providing customers with high-quality services. From January 2004, the Bank transitioned its core computer system to a new system with the most advanced functions at the NTT Data Banking Center for Regional Banks. This center has established solid safety measures that include the adoption of a mutual backup system using its two centers in eastern and western Japan. The Bank takes all possible measures against system risks through utilization of a program that specifies detailed responses in case of system failure and internal rules for preventing computer crimes and malfunctions.

The Bank also employs external audits of its system risk management. By undergoing strict checking of our system risk management by an independent institution, we are further ensuring that our risk management is maintained at the highest level while increasing the sophistication of our system risk management.

Reputation Risk Management

The Bank institutes measures to control and minimize reputation risk. These include formulating reputation risk management regulations that specify means for reducing and preventing reputation risk, as well as measures to be taken should such problems arise.

Information Security Risk Management

Recent advances in IT have led to a rapid increase in and diversification of information-processing environments, including the Bank's internal LAN and the Internet. Therefore, strengthening the management system to maintain information security against system threats such as information leakage, unauthorized changes and destruction of information is becoming extremely crucial.

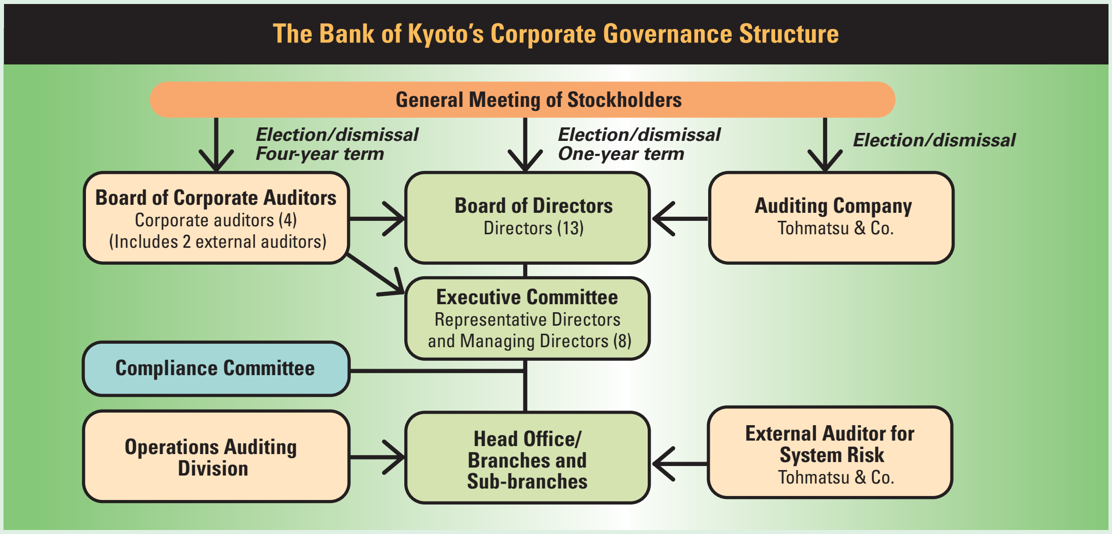
To respond to these circumstances, the Bank formulated an Information Security Policy as a basic policy on safety measures concerning the protection of information assets (information and information systems). The Bank has also formulated Information Security Standards as its specific safety standards for information security.

In October 2001, the Bank further strengthened its information asset protection capabilities by setting up a new information security risk management system that includes appointing managers responsible for information security and officers for handling information security management at the head office and branch offices under the Information Security Management Committee.

Contingency Plan

The Bank has formulated its Contingency Plan that outlines specific procedures for responding to an array of unforeseen circumstances including crimes, natural disasters such as fires or earthquakes, computer system malfunctions, financial crises, information security risks, and market and other risks. We strengthen our response structure by carrying out drills based on this plan and review this plan on a regular basis.

Corporate Governance and Compliance Structure



Corporate Governance

The Bank of Kyoto works continually to enhance its corporate governance with the fundamental aim of raising the transparency and soundness of its management by monitoring the execution of directors through surveillance by the Board of Directors and auditors and the adoption of an auditing system.

The Bank has built a structure for quick management decision making, under which it appropriately delegates the decision-making authority, with the Board of Directors being 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 system risk management.

Board of Directors

The Board of Directors is composed of 13 directors and decides on basic policies and important matters related to the execution of business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure for quick decision making by representative directors and managing directors—who have been delegated the decision-making authority by the Board of Directors—on important matters related to daily business 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. In addition, all auditors attend the Meeting of the Board of Directors and standing auditors attend the Executive Committee meeting to monitor decision-making processes and the execution of business affairs.

Election of Corporate Officers and Terms of Office

Directors are elected at the General Meeting of Stockholders after being approved as director candidates based on a resolution by the Board of Directors. Auditors are also elected at the General Meeting of Stockholders upon obtaining the consent of the Board of Corporate Auditors. Approval for fixed-limit remuneration for directors and auditors is approved at the General Meeting of Stockholders.

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

Compliance Structure

Given the highly public nature of banks, compliance continues to represent the cornerstone of the Banks' management. Recognizing this fundamental importance, the Bank has designated compliance as a crucial management strategy. Accordingly, the Bank upgrades its compliance structure to ensure that the actions of executives and employees will enable the Bank to earn the support of and build strong bonds of trust with the local community and allow it to maintain its reputation as "an appealing bank that provides customers with reassurance and satisfaction in banking transactions."

To quickly discover and respond to any improprieties, in fiscal 2003 the Bank set up a compliance hotline for reporting such matters directly to managers and the head office. Furthermore, in view of the growing importance of compliance in securities, insurance and foreign exchange-related operations, we have bolstered our compliance structure in these areas by adopting such measures as appointing staff from those divisions (Personal Banking Division, Securities & International Division) involved in the previously mentioned operations as members of the Compliance Committee.

Based on a compliance program to be devised by the Board of Directors, in fiscal 2004 we will further strengthen our compliance, maintain sound management and strengthen our protection of customers by providing appropriate training for employees and emphasizing leadership by example from management.

Financial Review

Management Environment and Business Results

During fiscal 2003, the Japanese economy increasingly moved toward a corporate-led recovery, reflecting a sharp improvement in corporate earnings amid rising exports resulting from growth in overseas economies as well as a turnaround in private-sector capital investment. Despite lingering deflation, expectations of recovery strengthened in the second half of the fiscal year along with signs of a slight rebound in personal consumption and other household spending that accompanied mild improvements in employment and income situations.

Perceptions of an overall recovery in the Kyoto economy also grew gradually during the fiscal year, as a recovery in corporate earnings gained momentum. Fiscal 2003 witnessed a dramatic improvement in corporate sentiment, primarily in the manufacturing industries—where earnings have improved—as well as a bottoming out of capital investment. These developments were particularly evident in machinery-related industries, which benefited from robust exports. Moreover, this recovery began spreading slowly to non-manufacturing industries and small- and medium-sized businesses, sectors where recoveries had been lagging. In addition, personal and household spending showed some signs of brightness, as previously lackluster personal consumption was relatively brisk while tourism-related services were also favorable.

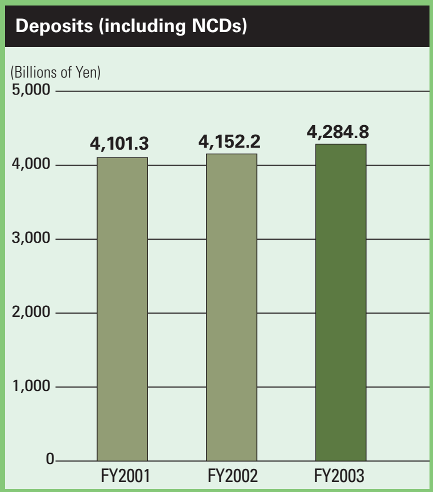
Business Results

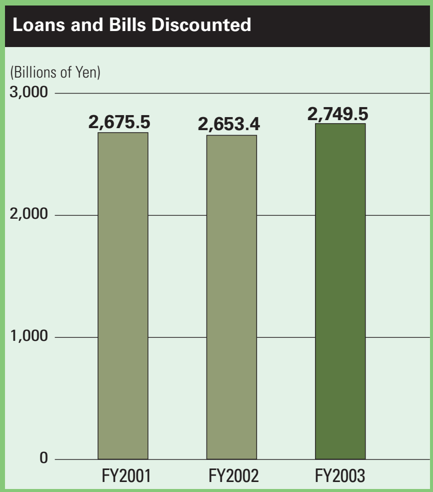
Under these conditions, the Group focused on raising management efficiency and improving business performance. Through these efforts, the Bank recorded the following results.

The balance of deposits, excluding negotiable certificates of deposit and consisting mainly of ordinary deposits and time deposits, increased ¥97.8 billion to ¥4,167.3 billion (US$39,429 million) during the fiscal year under review. The balance of negotiable certificates of deposit expanded a brisk ¥34.7 billion to end the fiscal year at ¥117.5 billion (US$1,111 million). Thus, the balance of deposits and negotiable certificates of deposit at the end of the fiscal year amounted to ¥4,284.8 billion (US$40,541 million).

The balance of loans and bills discounted rose ¥96.0 billion to ¥2,749.5 billion (US$26,014 million) in the fiscal year under review.

On the other hand, the balance of investment securities at fiscal year-end was ¥1,820.0 billion (US$17,220 million).





Net unrealized gains on available-for-sale securities amounted to ¥190.0 billion (US$1,798 million) under mark-to-market accounting. Total assets at fiscal year-end amounted to ¥4,859.4 billion (US$45,978 million) and total stockholders' equity was ¥284.2 billion (US$2,689 million).

Net income in fiscal 2003 increased ¥7.2 billion to ¥10.9 billion (US$103 million), attributable in part to the recording of extraordinary income of ¥7.7 billion (US$73 million) from the gain on exemption from the future pension obligation of the governmental program.

Net income per share and equity per share were ¥32.75 (US$0.309) and ¥857.41 (US$8.112), respectively. The capital ratio on a consolidated basis improved 0.12 percentage point to 10.77%, reflecting an expansion of stockholders' equity.

Consolidated Cash Flows

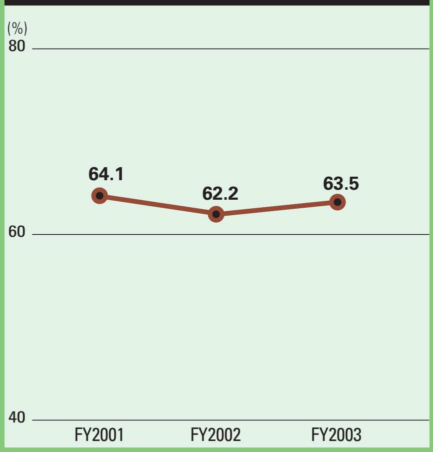
Net cash provided by operating activities amounted to ¥63.2 billion (US$598 million), primarily owing to a ¥97.8 billion (US$925 million) net increase in deposits. On the other hand, net cash used in investing activities amounted to ¥97.0 billion (US$918 million), mainly reflecting ¥802.3 billion (US$7,591 million) for purchases of investment securities. Net cash provided by financing activities amounted to ¥3.3 billion (US$31 million), mainly because of ¥5.0 billion (US$47 million) in proceeds from borrowing of subordinated loans. As a result, after foreign currency translation adjustments, cash and cash equivalents decreased ¥30.4 billion (US$288 million) during fiscal 2003 to ¥77.6 billion (US$734 million) at the end of the year.

Dividend Policy

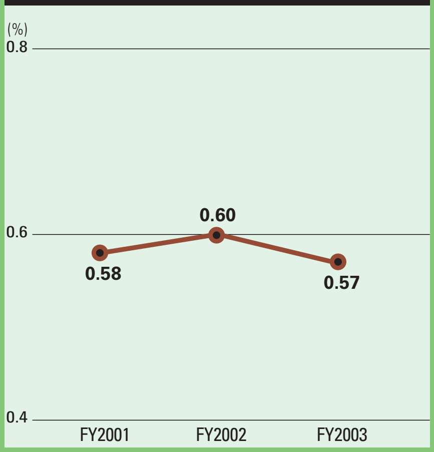
During fiscal 2003, the Bank achieved record-high net income. As a measure of appreciation to stockholders for their loyal support, we thus increased our year-end cash dividends by ¥0.5 to ¥3.0 (US$0.028) per share. As a result, total cash dividends per share paid by the Bank during fiscal 2003 amounted to ¥5.50 (US$0.052) per share, which included interim dividends of ¥2.50 (US$0.023) per share.

The Bank's basic policy is to maintain stable dividends while bolstering retained earnings to build an even stronger business foundation. The Bank intends to utilize its retained earnings for making effective investments to respond to the diversifying needs of customers amid rapid changes in the financial environment, build a strong management structure and expand its marketing foundation.

Overhead Ratio (Non-Consolidated)



Return on Assets (Non-Consolidated)



Consolidated Balance Sheets

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Assets			
Cash and Due from Bank of Japan	**¥ 77,666**	¥ 108,130	**$ 734,853**
Due from Other Banks	**816**	783	**7,721**
Call Loans and Bills Bought	**127,561**	114,023	**1,206,941**
Receivables under Resale Agreements (Note 8)	**749**	1,049	**7,096**
Commercial Paper and Other Debt Purchased	**2,388**	1,016	**22,603**
Trading Securities (Note 24)	**322**	1,825	**3,050**
Money Held in Trust (Note 24)	**2,002**	2,969	**18,943**
Investment Securities (Notes 3, 8 and 24)	**1,820,086**	1,663,159	**17,220,986**
Loans and Bills Discounted (Note 4)	**2,749,518**	2,653,495	**26,014,936**
Foreign Exchanges (Note 5)	**3,277**	3,143	**31,011**
Other Assets (Note 6)	**43,339**	38,928	**410,065**
Premises and Equipment, net (Notes 7 and 10)	**59,198**	58,054	**560,114**
Deferred Tax Assets (Note 23)	**1,594**	3,217	**15,084**
Customers' Liabilities for Acceptances and Guarantees (Note 15)	**33,868**	32,550	**320,455**
Reserve for Possible Loan Losses	**(62,950)**	(84,113)	**(595,611)**
Total Assets	**¥4,859,441**	¥4,598,235	**$45,978,253**
Liabilities, Minority Interests and Stockholders' Equity			
Liabilities			
Deposits (Notes 8 and 11)	**¥4,284,863**	¥4,152,285	**$40,541,806**
Call Money	**44,460**	21,828	**420,672**
Payables under Repurchase Agreements (Note 8)	**749**	1,049	**7,096**
Payables under Securities Lending Transactions (Note 8)	**38,379**	49,290	**363,134**
Borrowed Money (Note 12)	**37,121**	32,783	**351,226**
Foreign Exchanges (Note 5)	**101**	70	**959**
Bonds with Warrants (Note 13)	**30,000**	30,000	**283,848**
Other Liabilities (Note 14)	**49,819**	27,635	**471,371**
Reserve for Employees' Retirement Benefits (Note 22)	**12,510**	19,767	**118,365**
Reserve for Possible Losses on Collateralized Real Estate Loans Sold		808	
Deferred Tax Liabilities (Note 23)	**39,388**	278	**372,682**
Deferred Tax Liabilities for Land Revaluation (Note 10)	**382**	334	**3,618**
Acceptances and Guarantees (Note 15)	**33,868**	32,550	**320,455**
Total Liabilities	**4,571,645**	4,368,682	**43,255,236**
Minority Interests	**3,533**	2,967	**33,433**
Stockholders' Equity (Notes 10, 16 and 27)			
Common Stock, authorized, 500,000,000 shares;			
Issued, 331,821,000 shares	**27,100**	27,100	**256,410**
Capital Surplus	**15,342**	15,342	**145,166**
Retained Earnings	**129,144**	119,993	**1,221,914**
Land Revaluation Surplus	**557**	487	**5,274**
Net Unrealized Gains on Available-for-Sale Securities, Net of Taxes	**112,288**	63,786	**1,062,433**
Treasury Stock — at Cost			
355,709 shares in 2004 and 273,440 shares in 2003	**(170)**	(124)	**(1,615)**
Total Stockholders' Equity	**284,262**	226,584	**2,689,583**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥4,859,441**	¥4,598,235	**$45,978,253**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Income			
Interest Income:			
Interest on Loans and Discounts	**¥ 52,906**	¥54,370	**$ 500,583**
Interest and Dividends on Securities	**19,927**	19,521	**188,545**
Other Interest Income	**1,579**	2,177	**14,947**
Fees and Commissions	**14,395**	13,550	**136,206**
Other Operating Income (Note 17)	**6,069**	6,098	**57,423**
Other Income (Note 18)	**11,381**	1,627	**107,691**
Total Income	**106,260**	97,346	**1,005,397**
Expenses			
Interest Expenses:			
Interest on Deposits	**3,081**	4,772	**29,153**
Interest on Borrowings and Rediscounts	**1,628**	1,911	**15,404**
Other Interest Expenses	**1,591**	1,386	**15,059**
Fees and Commissions	**4,856**	4,267	**45,949**
Other Operating Expenses (Note 19)	**11,784**	7,182	**111,496**
General and Administrative Expenses	**48,627**	48,047	**460,095**
Other Expenses (Note 20)	**15,766**	22,122	**149,172**
Total Expenses	**87,334**	89,691	**826,331**
Income before Income Taxes and Minority Interests	**18,925**	7,655	**179,065**
Income Taxes (Note 23):			
Current	**631**	322	**5,976**
Deferred	**7,210**	3,494	**68,221**
Minority Interests	**164**	186	**1,558**
Net Income	**¥ 10,918**	¥ 3,651	**$ 103,309**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Land Revaluation Surplus	Retained Earnings	Net Unrealized Gains on Available-for-Sale Securities	Treasury Stock
Balance at April 1, 2002	331,772	¥27,100	¥15,342	¥888	¥117,627	¥145,264	¥ (24)
Net Income					3,651		
Cash Dividends, ¥5.00 per share					(1,658)		
Bonuses to Directors and Corporate Auditors					(40)		
Repurchase of Treasury Stock	(224)						(100)
Decrease in Land Revaluation Surplus				(401)	413		
Net Decrease in Unrealized Gains on Available-for-Sale Securities						(81,478)	
Balance at March 31, 2003	331,547	27,100	15,342	487	119,993	63,786	(124)
Net Income					10,918		
Cash Dividends, ¥5.00 per share					(1,657)		
Bonuses to Directors and Corporate Auditors					(40)		
Repurchase of Treasury Stock	(82)						(46)
Increase in Land Revaluation Surplus				70	(70)		
Net Increase in Unrealized Gains on Available-for-Sale Securities						48,502	
Balance at March 31, 2004	331,465	¥27,100	¥15,342	¥557	¥129,144	¥112,288	¥(170)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Land Revaluation Surplus	Retained Earnings	Net Unrealized Gains on Available-for-Sale Securities	Treasury Stock
Balance at March 31, 2003	$256,410	$145,166	$4,607	$1,135,333	$603,522	$(1,178)
Net Income				103,309		
Cash Dividends, $0.047 per share				(15,683)		
Bonuses to Directors and Corporate Auditors				(378)		
Repurchase of Treasury Stock						(436)
Increase in Land Revaluation Surplus			666	(666)		
Net Increase in Unrealized Gains on Available-for-Sale Securities					458,911	
Balance at March 31, 2004	$256,410	$145,166	$5,274	$1,221,914	$1,062,433	$(1,615)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Operating Activities:			
Income before Income Taxes and Minority Interests	**¥ 18,925**	¥ 7,655	**$ 179,065**
Depreciation	**8,247**	8,229	**78,038**
Decrease in Reserve for Possible Loan Losses	**(21,163)**	(11,815)	**(200,238)**
Decrease in Reserve for Possible Losses on Investments Securities		(8)	
Decrease in Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**(808)**	(1,653)	**(7,653)**
Increase (Decrease) in Reserve for Employees' Retirement Benefits	**(7,257)**	372	**(68,665)**
Interest Income	**(74,413)**	(76,069)	**(704,075)**
Interest Expenses	**6,300**	8,071	**59,617**
Losses on Investment Securities	**4,428**	5,600	**41,896**
Losses (Gains) on Money Held in Trust	**(76)**	29	**(719)**
Foreign Exchange Losses	**15,754**	8,344	**149,063**
Losses on Sales of Premises and Equipment	**1,826**	103	**17,284**
Net Decrease in Trading Securities	**1,502**	642	**14,218**
Net Decrease (Increase) in Loans	**(96,022)**	22,065	**(908,532)**
Net Increase in Deposits	**97,801**	90,523	**925,361**
Net Increase (Decrease) in Negotiable Certificate of Deposits	**34,776**	(39,585)	**329,044**
Net Decrease in Borrowed Money (excluding Subordinated Loans)	**(662)**	(1,807)	**(6,271)**
Net Increase in Due from Banks (excluding Deposits in Bank of Japan)	**(32)**	(195)	**(309)**
Net Decrease (Increase) in Call Loans and Bills Bought	**(14,610)**	77,835	**(138,239)**
Net Increase (Decrease) in Call Money	**22,332**	(2,899)	**211,299**
Net Increase (Decrease) in Payables under Securities Lending Transactions	**(10,910)**	14,191	**(103,230)**
Net Increase in Foreign Exchanges (Assets)	**(133)**	(1,198)	**(1,263)**
Net Increase in Foreign Exchanges (Liabilities)	**31**	32	**295**
Interest Received (Cash Basis)	**78,756**	83,228	**745,168**
Interest Paid (Cash Basis)	**(7,009)**	(8,757)	**(66,324)**
Other	**5,939**	(12,981)	**56,197**
Subtotal	**63,522**	169,954	**601,028**
Income Taxes—Paid	**(231)**	(1,086)	**(2,188)**
Net Cash Provided by Operating Activities	**63,291**	168,868	**598,839**
Investing Activities:			
Purchases of Investment Securities	**(802,305)**	(704,729)	**(7,591,120)**
Proceeds from Sales of Investment Securities	**401,955**	214,037	**3,803,151**
Proceeds from Redemption of Investment Securities	**307,848**	366,327	**2,912,753**
Proceeds from Sales of Money Held in Trust	**1,043**		**9,872**
Purchases of Premises and Equipment	**(5,970)**	(4,031)	**(56,486)**
Proceeds from Sales of Premises and Equipment	**350**	1,208	**3,317**
Net Cash Used in Investing Activities	**(97,077)**	(127,186)	**(918,510)**
Financing Activities:			
Proceeds from Borrowing of Subordinated Loans	**5,000**	10,000	**47,308**
Repayments of Subordinated Loans		(10,000)	
Dividends Paid by Parent	**(1,657)**	(1,658)	**(15,683)**
Dividends Paid by Subsidiaries to Minority Shareholders	**(5)**	(5)	**(51)**
Net Cash Provided by (Used in) Financing Activities	**3,336**	(1,664)	**31,572**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(14)**	(13)	**(141)**
Increase (Decrease) in Cash and Cash Equivalents	**(30,464)**	40,003	**(288,239)**
Cash and Cash Equivalents at Beginning of Year	**108,130**	68,126	**1,023,093**
Cash and Cash Equivalents at End of Year	**¥ 77,666**	¥108,130	**$ 734,853**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") and its significant subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to 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.

The accompanying 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 2004 and 2003 have been rounded down to millions of yen by dropping the final six digits.

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 ¥105.69 to $1, the approximate rate of exchange at March 31, 2004, the final business day of the term. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES:

Consolidation

The consolidated financial statements as of March 31, 2004 include the accounts of the Bank and its seven (seven in 2003) subsidiaries. The Group applies the control concept to its consolidation scope. Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated. The consolidated financial statements include the accounts of the Bank and all its subsidiaries in 2004 and 2003.

Consolidation goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. Such amounts are charged to income when incurred since they are 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 eliminated.

Cash Equivalents

For purposes of the consolidated statements of cash flows, the Group considers deposits in Bank of Japan included in "Cash and Due from Bank of Japan" in the consolidated balance sheets to be cash equivalents.

Trading and Investment Securities

Trading and investment securities are classified and accounted for, depending on management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income, ii) 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 iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realized 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 statements of income.

Derivative Transactions

The Bank enters into derivative financial instruments, such as interest rate swap, currency swaps, currency options and foreign exchange contracts. The Bank also enters into interest futures, bond futures, bond options and others. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet the needs of its customers for new financial instruments.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) 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.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation for premises and equipment is computed using the declining-balance method while the straight-line method is applied to buildings acquired 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 5 to 20 years for furniture and fixtures.

Software

Software costs for internal use are capitalized as software (presented as other assets) and amortized by the straight-line method over the estimated useful life of five years.

Reserve for Possible Loan Losses

The amount of the provision for the reserve for possible loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators.

In accordance with the Accounting Standards for Banks, the

Bank implemented the self-assessment system for asset quality. 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 for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency, including value of future cash flows, for other self-assessment categories.

Reserve for Possible Losses on Investment Securities
Reserve for possible losses on investment securities provides for the estimated devaluation losses for non-marketable investment securities held by the Group.

Reserve for Employees' Retirement Benefits
Prior to April 1, 2003, the employees' retirement benefits programs of the Bank consisted of contributory funded pension plan, non-contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank has incorporated a non-contributory funded pension plan into the contributory funded pension plan for the year ended March 31, 2004. The Bank provides the reserve for employees' retirement benefits based on projected benefit obligation and plan assets at the balance sheet date. Consolidated subsidiaries provide the reserve for employees' severance payments based on amounts which would be required to be paid if all employees eligible voluntarily terminated their employment at the balance sheet date.

Reserve for Possible Losses on Collateralized Real Estate Loans Sold
The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company, Limited ("CCPC") is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of real estate. In accordance with the terms of the loans collateralized by real estate sales contract, the Bank is required to cover certain portions of losses incurred as defined in the contract when the CCPC disposes of real estate in satisfaction of its debt.

Foreign Currency Items
Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The Bank adopted the Industry Audit Committee Report No.25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA") on July 29, 2002. In accordance with the report, the Bank applies hedge accounting method to derivative transactions such as currency swaps and foreign exchange swaps which the Bank has entered into for the purpose of exchanging the fund raised in Japanese yen into the fund invested in foreign currencies.

Accounting for Leases
All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

New Accounting Pronouncements
In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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.

The Group is currently in the process of assessing the effect of adoption of these pronouncements.

3. INVESTMENT SECURITIES:

Investment securities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Japanese government bonds	**¥ 560,905**	¥ 563,052	**$ 5,307,080**
Japanese local government bonds	**167,281**	138,392	**1,582,760**
Corporate debentures	**438,750**	470,215	**4,151,300**
Corporate stocks	**339,252**	256,605	**3,209,885**
Other securities	**313,895**	234,894	**2,969,959**
Total	**¥1,820,086**	¥1,663,159	**$17,220,986**

4. LOANS AND BILLS DISCOUNTED:

Loans and bills discounted at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Bills discounted	**¥ 66,710**	¥ 70,935	**$ 631,187**
Loans on bills	**201,999**	212,640	**1,911,245**
Loans on deeds	**2,037,869**	1,894,773	**19,281,573**
Overdrafts	**440,252**	472,420	**4,165,507**
Other	**2,686**	2,725	**25,422**
Total	**¥2,749,518**	¥2,653,495	**$26,014,936**

Loans in legal bankruptcy totaled ¥7,340 million ($69,452 thousand) and ¥21,235 million as of March 31, 2004 and 2003, respectively. Nonaccrual loans totaled ¥73,781 million ($698,089 thousand) and ¥81,194 million as of March 31, 2004 and 2003, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts), based on the management's judgment as to the collectibility of principal or interest resulting from the considerably past due payments of interest or principal and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued and those other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥736 million ($6,967 thousand) and ¥2,556 million as of March 31, 2004 and 2003, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥54,167 million ($512,510 thousand) and ¥62,732 million as of March 31, 2004 and 2003, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually be able to pay the creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded.

5. FOREIGN EXCHANGES:

Foreign exchange assets and liabilities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Assets			
Due from foreign correspondents	**¥2,174**	¥2,239	**$20,578**
Foreign bills of exchange purchased	**816**	633	**7,725**
Foreign bills of exchange receivable	**286**	270	**2,707**
Total	**¥3,277**	¥3,143	**$31,011**
Liabilities			
Foreign bills of exchange sold	**¥ 96**	¥ 70	**$ 909**
Foreign bills of exchange payable	**5**		**50**
Total	**¥ 101**	¥ 70	**$ 959**

6. OTHER ASSETS:

Other assets at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Prepaid expenses	**¥ 137**	¥ 142	**$ 1,297**
Accrued income	**6,188**	6,425	**58,550**
Other	**37,014**	32,359	**350,216**
Total	**¥43,339**	¥38,928	**$410,065**

7. PREMISES AND EQUIPMENT:

Accumulated depreciation on premises and equipment at March 31, 2004 and 2003 amounted to ¥57,492 million ($543,977 thousand) and ¥60,947 million, respectively.

8. ASSETS PLEDGED:

Assets pledged as collateral and related liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Investment securities	**¥43,329**	¥54,289	**$409,967**
Receivables under resale agreements	**¥ 749**	¥ 1,049	**$ 7,096**

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deposits	**¥18,768**	¥27,615	**$177,577**
Payables under repurchase agreements	**¥ 749**	¥ 1,049	**$ 7,096**
Payables under securities lending transactions	**¥38,379**	¥49,290	**$363,134**

In addition, investment securities totaling ¥240,796 million ($2,278,327 thousand) were pledged as collateral for settlement of exchange and derivative transactions at March 31, 2004.

Premises and equipment include surety deposits and intangibles of ¥1,555 million ($14,719 thousand), and other assets include initial margins of futures markets of ¥10 million ($94 thousand) as of March 31, 2004.

9. COMMITMENT LINE:

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments amounts to ¥1,118,698 million ($10,584,710 thousand), of which ¥1,118,079 million ($10,578,855 thousand) are those whose original contract terms are 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 unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Bank and consolidated subsidiaries can reject the application from customers or reduce the contract amounts in case economic conditions change, the Bank and consolidated subsidiaries need to secure claims or others occur. In addition, the Bank and consolidated subsidiaries request the customers to pledge collateral such as premises and securities at conclusion of the contracts, and take necessary measures such as grasping customers' financial positions, revising contracts when need arises and securing claims after conclusion of the contracts.

10. LAND REVALUATION:

Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 2002 and 2001, 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 stockholders' equity. There was no effect on the consolidated statement of income. 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, 2004, the carrying amount of the land after the above one-time revaluation was less than the market value by ¥4,536 million ($42,927 thousand).

Method of revaluation

The fair values were 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.

11. DEPOSITS:

Deposits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current deposits	**¥ 177,286**	¥ 161,279	**$ 1,677,421**
Ordinary deposits	**1,773,248**	1,665,828	**16,777,828**
Savings deposits	**105,680**	107,317	**999,906**
Deposits at notice	**29,367**	28,825	**277,863**
Time deposits	**1,775,892**	1,807,412	**16,802,839**
Other deposits	**305,867**	298,878	**2,894,009**
Subtotal	**4,167,342**	4,069,541	**39,429,868**
Negotiable certificates of deposit	**117,520**	82,744	**1,111,937**
Total	**¥4,284,863**	¥4,152,285	**$40,541,806**

12. BORROWED MONEY:

Borrowed money at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Subordinated loans	**¥35,000**	¥30,000	**$331,157**
Borrowing from banks and other	**2,121**	2,783	**20,069**
Total	**¥37,121**	¥32,783	**$351,226**

The weighted average interest rate of the above total borrowed money due serially from April 2004 through October 2014 is 1.8% for the year ended March 31, 2004.

13. BONDS WITH WARRANTS:

Subordinated unsecured bonds with warrants at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Convertible bonds	**¥30,000**	¥30,000	**$283,848**

At March 31, 2004, the 1.9% subordinated unsecured bonds with warrants due September 30, 2009 were convertible into 47,393,364 shares of common stock of the Bank, at the conversion price of ¥633, subject to adjustments under certain circumstances.

14. OTHER LIABILITIES:

Other liabilities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Domestic exchange settlement	**¥ 34**	¥ 907	**$ 328**
Accrued income taxes	**518**	118	**4,907**
Accrued expenses	**5,235**	5,704	**49,534**
Unearned income	**8,133**	8,707	**76,959**
Other	**35,896**	12,196	**339,641**
Total	**¥49,819**	¥27,635	**$471,371**

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" are shown as assets representing the Bank's right of indemnity from the applicants.

16. STOCKHOLDERS' EQUITY:

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The revised Code also provides that an amount at least equal to 10% (20% for banks pursuant to the Banking Law of Japan) of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law of Japan) of the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% (100% for banks pursuant to the Banking Law of Japan) of the common stock balance may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

The amount of retained earnings available for dividends under the Code was ¥129,144 million ($1,221,914 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At the general stockholders meeting held on June 27, 2003, the Bank's stockholders approved that the Bank is authorized to purchase treasury stock of the Bank up to 10 million shares (aggregate amount of ¥6,000 million ($56,769 thousand)) in the period from the closing of this general stockholders meeting to that of the next general stockholders meeting.

At March 31, 2004, the Bank has not yet repurchased shares of the Bank's common stock under this plan.

17. OTHER OPERATING INCOME:

Other operating income for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Gains on foreign exchange transactions	**¥ 540**	¥ 645	**$ 5,118**
Gains on trading securities	**30**	72	**285**
Gains on sales of bonds	**399**	502	**3,781**
Other	**5,098**	4,878	**48,237**
Total	**¥6,069**	¥6,098	**$57,423**

18. OTHER INCOME:

Other income for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Gains on sales of stocks and other securities	**¥ 1,783**	¥ 83	**$ 16,872**
Other	**9,598**	1,544	**90,819**
Total	**¥11,381**	¥1,627	**$107,691**

"Other" for the year ended March 31, 2004 includes ¥7,774 million ($73,558 thousand) of a gain on exemption from future pension obligation of the governmental program in accordance with a transitional measurement of the accounting standard of employees' retirement benefits. See Note 22.

19. OTHER OPERATING EXPENSES:

Other operating expenses for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Losses on sales of bonds	**¥ 5,621**	¥ 312	**$ 53,184**
Losses on redemption of bonds	**825**	952	**7,809**
Other	**5,337**	5,917	**50,502**
Total	**¥11,784**	¥7,182	**$111,496**

20. OTHER EXPENSES:

Other expenses for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Provision for reserve for possible loan losses	**¥ 8,908**	¥14,361	**$84,285**
Written-off claims	**176**	194	**1,670**
Losses on sales of stocks and other securities	**37**	140	**350**
Losses on devaluation of stocks and other securities	**121**	4,029	**1,152**
Other	**6,522**	3,397	**61,713**
Total	**¥15,766**	¥22,122	**$149,172**

21. LEASES:

Lessee

The Bank and subsidiaries lease certain equipment and other assets.

Lease payments under finance leases for the years ended March 31, 2004 and 2003 amounted to ¥51 million ($490 thousand) and ¥156 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Acquisition cost	**¥392**	¥368	**$3,717**
Accumulated depreciation	**177**	195	**1,684**
Net leased property	**¥214**	¥173	**$2,033**

Obligations under finance leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	**¥ 84**	¥143	**$ 802**
Due after one year	**203**	31	**1,928**
Total	**¥288**	¥175	**$2,730**

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	**¥113**	¥152	**$1,071**
Interest expense	**6**	5	**58**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Lessor

One consolidated subsidiary leases certain equipment and other assets.

Lease receipts under finance leases for the years ended March 31, 2004 and 2003, amounted to ¥4,543 million ($42,988 thousand) and ¥4,191 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, lessor's receivables under finance leases, depreciation expense and interest expense for finance leases for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Acquisition cost	**¥22,013**	¥20,817	**$208,281**
Accumulated depreciation	**10,341**	9,283	**97,847**
Net leased property	**¥11,671**	¥11,533	**$110,433**

Lessor's receivables under finance leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	**¥ 3,598**	¥ 3,625	**$ 34,049**
Due after one year	**8,578**	8,393	**81,163**
Total	**¥12,176**	¥12,019	**$115,212**

The imputed interest expense portion which is computed using the interest method is excluded from the above lessor's receivables under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	**¥3,863**	¥3,647	**$36,553**
Interest expense	**587**	577	**5,557**

The minimum future rentals to be received under noncancellable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	**¥ 76**	¥48	**$ 721**
Due after one year	**95**	1	**901**
Total	**¥171**	¥49	**$1,622**

22. EMPLOYEES' RETIREMENT BENEFITS:

The Bank has a contributory funded pension plan and an unfunded retirement benefit plan. During the current fiscal year, the Bank has incorporated a non-contributory funded pension into the contributory funded pension plan. Certain consolidated subsidiaries have unfunded retirement benefit plans.

The reserve for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥(44,024)**	¥(78,488)	**$(416,545)**
Plan assets (fair value)	**16,743**	27,320	**158,419**
Unfunded projected benefit obligation	**(27,281)**	(51,168)	**(258,126)**
Unrecognized actuarial net loss	**14,771**	31,401	**139,760**
Net amount recorded on the consolidated balance sheet	**(12,510)**	(19,767)	**(118,365)**
Reserve for employees' retirement benefits	**¥(12,510)**	¥(19,767)	**$(118,365)**

In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Bank applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. The Bank obtained approval for exemption from the future obligation by the Ministry of Health, Labor and Welfare on June 20, 2003 and recognized a gain on exemption from the future pension obligation of the governmental program in the amount of ¥7,774 million ($73,558 thousand) for the year ended March 31, 2004. The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥12,533 million ($118,585 thousand) as at March 31, 2004.

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥1,974**	¥1,688	**$18,682**
Interest cost	**528**	1,640	**4,999**
Expected return on plan assets	**(179)**	(883)	**(1,699)**
Amortization of prior service cost	**(7)**		**(72)**
Recognized actuarial net loss	**2,153**	627	**20,378**
Other	**128**		**1,218**
Net periodic retirements benefit costs	**4,598**	3,072	**43,507**
A gain on exemption from future pension obligation of the governmental program	**(7,774)**		**(73,558)**
Total	**¥(3,176)**	¥3,072	**$(30,050)**

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	**1.0%**	1.0%
Expected rate of return on plan assets	**1.0%**	1.0%
Amortization period of prior service cost	**1 year**	
Recognized period of actuarial gain or loss	**10 years**	10 years

23. INCOME TAXES:

The Bank and its subsidiaries are subject to Japanese national and local income taxes.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.6%, effective for years beginning April 1, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Reserve for possible loan losses	**¥23,198**	¥29,134	**$219,492**
Reserve for retirement benefits	**4,686**	7,467	**44,339**
Tax loss carryforwards	**2,905**		**27,489**
Depreciation		1,531	
Other	**9,048**	8,866	**85,608**
Less valuation allowance			
Total	**¥39,837**	¥46,999	**$376,930**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥77,343**	¥43,772	**$731,793**
Reserve for deduction of cost of fixed assets	**289**	289	**2,734**
Total	**¥77,632**	¥44,061	**$734,528**
Net deferred tax assets	**¥ 1,594**	¥ 3,217	**$ 15,084**
Net deferred tax liabilities	**¥39,388**	¥ 278	**$372,682**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2003 was as follows:

	2003
Normal effective statutory tax rate	42.0%
Expenses not permanently deductible for income tax purposes	1.0
Income not taxable for income tax purposes	(6.4)
Per capita taxes	1.0
Adjustment resulting from a tax reform	13.4
Other—net	(1.2)
Actual effective tax rate	49.8%

Since the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income is not more than 5 %, the above information for the year ended March 31, 2004 is not required to be disclosed.

24. MARKET VALUE AND OTHER INFORMATION ON SECURITIES:

Market value and other information on securities as of March 31, 2004 and 2003 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen			
	2004		2003	
	Consolidated balance sheet amount	Gains included in profit/ loss during this fiscal year	Consolidated balance sheet amount	Gains included in profit/ loss during this fiscal year
Bonds classified as trading	**¥322**		¥1,825	¥1

	Thousands of U.S. Dollars	
	2004	
	Consolidated balance sheet amount	Gains included in profit/ loss during this fiscal year
Bonds classified as trading	**$3,050**	

(2) There are no bonds classified as held-to-maturity.

(3) Available-for-sale securities that have market value

	Millions of Yen									
	2004					2003				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	**¥ 158,662**	**¥ 336,069**	**¥177,407**	**¥177,928**	**¥ 521**	¥ 161,498	¥ 253,527	¥ 92,028	¥ 96,014	¥ 3,985
Bonds:	**1,150,526**	**1,157,292**	**6,766**	**9,189**	**2,422**	1,147,096	1,164,034	16,938	18,044	1,106
Japanese government bonds	**557,270**	**560,905**	**3,635**	**4,409**	**774**	555,441	563,052	7,611	8,600	989
Japanese local government bonds	**165,215**	**167,281**	**2,066**	**2,684**	**617**	133,019	138,392	5,372	5,373	
Japanese corporate bonds	**428,041**	**429,105**	**1,064**	**2,095**	**1,030**	458,635	462,590	3,954	4,070	116
Other	**305,520**	**311,400**	**5,879**	**6,153**	**273**	233,736	232,343	(1,393)	3,005	4,398
Total	**¥1,614,708**	**¥1,804,762**	**¥190,053**	**¥193,270**	**¥3,216**	¥1,542,331	¥1,649,905	¥107,573	¥117,064	¥9,490

	Thousands of U.S. Dollars				
	2004				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	**$ 1,501,205**	**$ 3,179,766**	**$1,678,560**	**$1,683,492**	**$ 4,931**
Bonds:	**10,885,858**	**10,949,880**	**64,022**	**86,945**	**22,922**
Japanese government bonds	**5,272,686**	**5,307,080**	**34,394**	**41,720**	**7,326**
Japanese local government bonds	**1,563,204**	**1,582,760**	**19,555**	**25,398**	**5,843**
Japanese corporate bonds	**4,049,967**	**4,060,040**	**10,073**	**19,825**	**9,752**
Other	**2,890,719**	**2,946,354**	**55,634**	**58,217**	**2,583**
Total	**$15,277,783**	**$17,076,001**	**$1,798,217**	**$1,828,655**	**$30,437**

Note: Market value is calculated by using the market prices at the fiscal year end as for stocks, bonds and other.

(4) Bonds classified as held-to-maturity were not sold during the fiscal year.

(5) Available-for-sale securities sold during the fiscal year

	Millions of Yen					
	2004			2003		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	**¥402,057**	**¥2,182**	**¥5,658**	¥213,369	¥585	¥452

	Thousands of U.S. Dollars		
	2004		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	**$3,804,118**	**$20,654**	**$53,535**

(6) Securities with no readily available market value

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount
Available-for-sale securities:			
Non-listed bonds	**¥9,645**	¥7,625	**$91,260**
Non-listed stocks (except OTC stocks)	**3,183**	3,078	**30,119**
Other	**2,494**	2,550	**23,605**

(7) The classification of securities has not been changed.

(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity was as follows:

	Millions of Yen							
	2004				2003			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds:	**¥157,129**	**¥691,673**	**¥200,479**	**¥117,656**	¥229,680	¥666,011	¥178,704	¥ 97,263
Japanese government bonds	**52,137**	**287,433**	**103,676**	**117,656**	95,341	261,421	109,026	97,263
Japanese local government bonds	**20,051**	**94,676**	**52,553**		11,484	80,234	46,672	
Japanese corporate bonds	**84,939**	**309,562**	**44,248**		122,853	324,355	23,006	
Other	**12,121**	**124,529**	**89,520**	**61,119**	5,027	91,111	25,033	92,669
Total	**¥169,250**	**¥816,202**	**¥289,999**	**¥178,856**	¥234,708	¥757,123	¥203,738	¥189,933

	Thousands of U.S. Dollars			
	2004			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds:	**$1,486,699**	**$6,544,357**	**$1,896,859**	**$1,113,223**
Japanese government bonds	**493,309**	**2,719,594**	**980,952**	**1,113,223**
Japanese local government bonds	**189,720**	**895,795**	**497,244**	
Japanese corporate bonds	**803,669**	**2,928,967**	**418,663**	
Other	**114,688**	**1,178,251**	**847,007**	**579,051**
Total	**$1,601,387**	**$7,722,608**	**$2,743,867**	**$1,692,275**

Money Held in Trust

(1) Money held in trust classified as trading

	Millions of Yen			
	2004		2003	
	Consolidated balance sheet amount	Losses included in profit/ loss during this fiscal year	Consolidated balance sheet amount	Losses included in profit/ loss during this fiscal year
Money held in trust classified as trading	**¥2,002**	**¥1**	¥2,969	¥2

	Thousands of U.S. Dollars	
	2004	
	Consolidated balance sheet amount	Losses included in profit/ loss during this fiscal year
Money held in trust classified as trading	**$18,943**	**$9**

(2) No money held in trust was classified as held-to-maturity.

(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)

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:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount
Net unrealized gains on investment securities	**¥190,053**	¥107,573	**$1,798,217**
Available-for-sale securities	**190,053**	107,573	**1,798,217**
(Deferred tax liabilities)	**(77,343)**	(43,772)	**(731,793)**
Net unrealized gains (losses) on valuation (before adjustment)	**112,710**	63,801	**1,066,424**
(Minority interests)	**(421)**	(15)	**(3,990)**
Net unrealized gains/losses on valuation	**¥112,288**	¥ 63,786	**$1,062,433**

25. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS:

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterpart'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 risk in the derivative instruments is theoretically offset by opposite movement in the value of hedged assets or liabilities. Credit risk at March 31, 2004 and 2003 amounted to ¥11,045 million ($104,510 thousand) and ¥3,997 million, respectively. These figures are measured to calculate risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

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

(1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2004 and 2003 are excluded from disclosure because all the interest-rate-related transactions the Bank has entered into qualify for hedge-accounting.

(2) Currency-related transactions

Market value information on revalued currency-related derivatives as of March 31, 2004 was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2004				**2004**			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:								
Forward exchange contracts:	**¥106,054**	**¥2,219**	**¥(2,827)**	**¥(2,827)**	**$1,003,449**	**$21,000**	**$(26,756)**	**$(26,756)**
Sold	**17,754**	**1,109**	**548**	**548**	**167,986**	**10,500**	**5,193**	**5,193**
Bought	**88,300**	**1,109**	**(3,376)**	**(3,376)**	**835,462**	**10,500**	**(31,949)**	**(31,949)**
Currency options:	**881**				**8,341**			
Sold	**440**		**(3)**		**4,170**		**(28)**	
Bought	**440**		**3**		**4,170**		**28**	
Total			**¥(2,827)**	**¥(2,827)**			**$(26,756)**	**$(26,756)**

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss figures are reflected in the accompanying consolidated statement of income for the year ended March 31, 2004. Derivative transactions to which hedge-accounting method is applied are excluded from the above amounts.

2. Forward exchange contracts, currency options and others were revalued at the end of the year. From the current fiscal year, market value information on those transactions is included in the above disclosure. Currency swaps are excluded from the above information pursuant to the Industry Audit Committee Report No.25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," issued by the JICPA.

Currency-related transactions as of March 31, 2003 were revalued at the end of the year and the related gain and loss figures are reflected in the accompanying consolidated statement of income. Presentation of those figures is not required under the related regulations for the year ended March 31, 2003. Derivative transactions to which hedge-accounting method is applied are excluded from disclosure as market value information.

Contractual values of revalued currency-related derivatives as of March 31, 2003 were as follows:

	Millions of Yen
	2003
	Contractual value
Over-the-counter:	
Forward exchange contracts:	
Sold	¥14,431
Bought	8,351
Currency options:	
Sold	395
Bought	¥ 395

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

26. NET INCOME PER SHARE:

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

	Yen in millions	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2004				
Basic EPS				
Net income available to common stockholders	**¥10,858**	**331,507**	**¥32.75**	**$0.309**
Effect of dilutive securities				
Bonds with warrants	**346**	**47,393**		
Diluted EPS				
Net income for computation	**¥11,204**	**378,900**	**¥29.57**	**$0.279**
For the year ended March 31, 2003				
Basic EPS				
Net income available to common stockholders	¥3,611	331,688	¥10.88	
Effect of dilutive securities				
Bonds with warrants	338	47,393		
Diluted EPS				
Net income for computation	¥3,950	379,082	¥10.41	

27. SUBSEQUENT EVENTS:

a. Issuance of Unsecured Straight Bonds

On May 14, 2004, the Bank issued ¥20,000 million ($189,232 thousand) of callable unsecured subordinated straight bonds due May 14, 2014, at the issue price of 100% of the face value of the bonds. The bonds bear interest at the rate of 1.3% per annum for the period from May 15, 2004 to May 14, 2009, and at the rate of 6 month JPY LIBOR plus 2.05% per annum subsequent to May 14, 2009.

b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Bank's general stockholders meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.028) per share	**¥994**	**$9,408**
Bonuses to directors and corporate auditors	**60**	**567**

28. SEGMENT INFORMATION:

Information about industry segments of the Bank and subsidiaries as of and for the years ended March 31, 2004 and 2003 is as follows:

a. Operating income

	Millions of Yen				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	**¥89,739**	**¥8,567**	**¥ 98,307**		**¥98,307**
Intersegment income	**362**	**3,269**	**3,631**	**¥(3,631)**	
Total	**90,102**	**11,836**	**101,939**	**(3,631)**	**¥98,307**
Operating expenses	**77,677**	**11,309**	**88,986**	**(3,626)**	**85,360**
Net income for computation	**¥12,425**	**¥ 527**	**¥ 12,952**	**¥ (5)**	**¥12,947**

b. Total assets, depreciation and capital expenditures

	Millions of Yen				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	**¥4,850,305**	**¥34,259**	**¥4,884,564**	**¥(25,123)**	**¥4,859,441**
Depreciation	**3,540**	**4,707**	**8,247**		**8,247**
Capital expenditures	**7,701**	**4,834**	**12,535**		**12,535**

a. Operating income

	Thousands of U.S. Dollars				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	**$849,086**	**$ 81,062**	**$930,149**		**$930,149**
Intersegment income	**3,430**	**30,934**	**34,364**	**$(34,364)**	
Total	**852,516**	**111,996**	**964,513**	**(34,364)**	**930,149**
Operating expenses	**734,954**	**107,003**	**841,958**	**(34,310)**	**807,647**
Net income for computation	**$117,562**	**$ 4,993**	**$122,555**	**$ (54)**	**$122,501**

b. Total assets, depreciation and capital expenditures

	Thousands of U.S. Dollars				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	**$45,891,806**	**$324,153**	**$46,215,960**	**$(237,706)**	**$45,978,253**
Depreciation	**33,496**	**44,542**	**78,038**		**78,038**
Capital expenditures	**72,870**	**45,738**	**118,608**		**118,608**

a. Operating income

	Millions of Yen				
	2003				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	¥88,762	¥ 8,363	¥ 97,126		¥97,126
Intersegment income	317	2,796	3,113	¥(3,113)	
Total	89,079	11,159	100,239	(3,113)	¥97,126
Operating expenses	81,568	10,899	92,467	(3,074)	89,393
Net income for computation	¥ 7,511	¥ 260	¥ 7,771	¥ (38)	¥ 7,733

b. Total assets, depreciation and capital expenditures

	Millions of Yen				
	2003				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥4,589,565	¥34,271	¥4,623,938	¥(25,601)	¥4,598,235
Depreciation	3,777	4,451	8,229		8,229
Capital expenditures	4,240	5,604	9,844		9,844

Note: "Other" includes business in leasing and other banking related activities such as credit guarantee, venture capital and other.

The Group does not operate outside Japan. Accordingly, segment information by geographic area is not presented herein for the years ended March 31, 2004 and 2003.

Operating income arising from international operations for the years ended March 31, 2004 and 2003 is less than 10% of the total income, respectively. Accordingly, presentation of those figures is not required under the related regulations.

Independent Auditors' Report

The Bank of Kyoto, Ltd.

Deloitte.

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

We have audited the accompanying consolidated balance sheets of The Bank of Kyoto, Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 29, 2004

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Five-Year Summary

The Bank of Kyoto, Ltd.
Years Ended March 31, 2004, 2003, 2002, 2001 and 2000

	Millions of Yen					Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
For the Year						
Total Income	**¥ 98,043**	¥ 89,277	¥ 100,248	¥ 110,476	¥ 114,925	**$ 927,652**
Interest on Loans and Discounts	**52,678**	54,164	57,194	61,066	64,076	**498,427**
Interest and Dividends on Securities	**19,904**	19,501	20,997	22,151	28,518	**188,327**
Fees and Commissions	**11,578**	10,685	10,014	9,498	9,090	**109,549**
Total Expenses	**79,494**	81,729	94,273	103,250	106,304	**752,152**
Interest on Deposits	**3,083**	4,775	7,706	13,735	12,458	**29,174**
Interest on Borrowings and Rediscounts	**1,599**	1,874	1,186	935	993	**15,132**
Fees and Commissions	**5,471**	4,679	4,244	4,096	3,998	**51,764**
General and Administrative Expenses	**47,569**	46,804	48,827	48,895	49,790	**450,084**
Income before Income Taxes	**18,548**	7,547	5,975	7,226	8,621	**175,500**
Net Income	**10,863**	3,715	4,085	4,621	5,494	**102,787**
Cash Dividends	**1,657**	1,658	1,990	1,659	1,824	**15,683**
At Year-End						
Total Assets	**¥4,850,305**	¥4,589,565	¥4,671,283	¥4,561,366	¥4,078,898	**45,891,806**
Cash and Due from Banks	**78,442**	108,838	68,681	77,148	62,752	**742,195**
Call Loans and Bills Bought	**127,561**	114,023	191,917	140,370	134,543	**1,206,941**
Investment Securities	**1,818,018**	1,661,771	1,698,251	1,630,427	1,124,950	**17,201,423**
Loans and Bills Discounted	**2,763,407**	2,667,720	2,688,236	2,692,966	2,683,549	**26,146,351**
Total Liabilities	**4,567,928**	4,364,771	4,366,943	4,231,122	3,925,638	**43,220,026**
Deposits	**4,293,106**	4,160,640	4,111,313	3,965,561	3,780,552	**40,619,798**
Call Money	**44,460**	21,828	24,558	13,654	1,418	**420,672**
Borrowed Money	**35,013**	30,022	30,040	36,064	30,069	**331,285**
Total Stockholders' Equity	**282,376**	224,794	304,339	330,244	153,259	**2,671,743**
Common Stock	**27,100**	27,100	27,100	27,100	27,100	**256,410**
	Yen					U.S. Dollars
Per Share						
Net Assets	**¥851.72**	¥677.89	¥917.31	¥995.24	¥461.87	**8.058**
Net Income	**32.58**	11.08	12.31	13.92	16.55	**0.308**
Cash Dividends Applicable to the Year	**5.50**	5.00	6.00	5.00	5.50	**0.052**
	Millions of U.S. Dollars					
Other Data						
Foreign Exchange Transactions	**$3,635**	$3,163	$3,622	$4,810	$4,177	
Foreign Currency Assets	**2,400**	2,369	1,098	1,416	1,271	
Number of Offices	**124**	123	121	118	116	
Number of Employees	**2,609**	2,660	2,702	2,776	2,862	

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 ¥105.69 to US$1.00 on March 31, 2004, the final business day of the term.
3. "Net Income Per Share" for the years ended March 31, 2004 and 2003 is computed in accordance with a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan.
4. "Number of Offices" includes sub-branch offices.

Non-Consolidated Balance Sheets (unaudited)

The Bank of Kyoto, Ltd.
As of March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Assets			
Cash and Due from Banks	**¥ 78,442**	¥ 108,838	**$ 742,195**
Call Loans	**76,561**	114,023	**724,398**
Receivables under Resale Agreements	**749**	1,049	**7,096**
Bills Bought	**51,000**		**482,543**
Commercial Paper and Other Debt Purchased	**2,388**	1,016	**22,603**
Trading Securities	**322**	1,825	**3,050**
Money Held in Trust	**2,002**	2,969	**18,943**
Investment Securities	**1,818,018**	1,661,771	**17,201,423**
Loans and Bills Discounted	**2,763,407**	2,667,720	**26,146,351**
Foreign Exchanges	**3,277**	3,143	**31,011**
Other Assets	**22,270**	17,744	**210,714**
Premises and Equipment, net	**56,409**	54,992	**533,730**
Deferred Tax Assets		1,879	
Customers' Liabilities for Acceptances and Guarantees	**33,868**	32,550	**320,455**
Reserve for Possible Loan Losses	**(58,416)**	(79,960)	**(552,712)**
Total Assets	**¥4,850,305**	¥4,589,565	**$45,891,806**
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	**¥4,293,106**	¥4,160,640	**$40,619,798**
Call Money	**44,460**	21,828	**420,672**
Payables under Repurchase Agreements	**749**	1,049	**7,096**
Payables under Securities Lending Transactions	**38,379**	49,290	**363,134**
Borrowed Money	**35,013**	30,022	**331,285**
Foreign Exchanges	**101**	70	**959**
Bonds with Warrants	**30,000**	30,000	**283,848**
Other Liabilities	**40,501**	18,480	**383,205**
Reserve for Employees' Retirement Benefits	**12,438**	19,695	**117,686**
Reserve for Possible Losses on Collateralized Real Estate Loans Sold		808	
Deferred Tax Liabilities	**38,925**		**368,300**
Deferred Tax Liabilities for Land Revaluation	**382**	334	**3,618**
Acceptances and Guarantees	**33,868**	32,550	**320,455**
Total Liabilities	**4,567,928**	4,364,771	**43,220,062**
Stockholders' Equity			
Common Stock	**27,100**	27,100	**256,410**
Capital Surplus	**15,342**	15,342	**145,166**
Retained Earnings	**127,300**	118,204	**1,204,468**
Land Revaluation Surplus	**557**	487	**5,274**
Net Unrealized Gains on Investment Securities, Net of Taxes	**112,246**	63,784	**1,062,039**
Treasury Stock — at Cost	**(170)**	(124)	**(1,615)**
Total Stockholders' Equity	**282,376**	224,794	**2,671,743**
Total Liabilities and Stockholders' Equity	**¥4,850,305**	¥4,589,565	**$45,891,806**

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 ¥105.69 to US$1.00 on March 31, 2004, the final business day of the term.

Non-Consolidated Statements of Income (unaudited)

The Bank of Kyoto, Ltd.
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Income			
Interest Income:			
Interest on Loans and Discounts	**¥52,678**	¥54,164	**$498,424**
Interest and Dividends on Securities	**19,904**	19,501	**188,327**
Other Interest Income	**1,564**	2,158	**14,798**
Fees and Commissions	**11,578**	10,685	**109,549**
Other Operating Income	**1,017**	1,235	**9,629**
Other Income	**11,300**	1,531	**106,924**
Total Income	**98,043**	89,277	**927,652**
Expenses			
Interest Expenses:			
Interest on Deposits	**3,083**	4,775	**29,174**
Interest on Borrowings and Rediscounts	**1,599**	1,874	**15,132**
Other Interest Expenses	**1,582**	1,379	**14,976**
Fees and Commissions	**5,471**	4,679	**51,764**
Other Operating Expenses	**6,446**	2,008	**60,994**
General and Administrative Expenses	**47,569**	46,804	**450,084**
Other Expenses	**13,742**	20,208	**130,025**
Total Expenses	**79,494**	81,729	**752,152**
Income before Income Taxes	**18,548**	7,547	**175,500**
Income Taxes:			
Current	**79**	90	**748**
Deferred	**7,605**	3,741	**71,964**
Net Income	**¥10,863**	¥ 3,715	**$102,787**
	Yen		U.S. Dollars
Per Share:			
Basic EPS	**¥32.58**	¥11.08	**$0.308**
Diluted EPS	**29.42**	10.58	**0.278**
Cash Dividends Applicable to the Year	**5.50**	5.00	**0.052**

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 ¥105.69 to US$1.00 on March 31, 2004, the final business day of the term.

Non-Consolidated Statements of Retained Earnings (unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Balance at Beginning of Year	**¥118,204**	¥ 115,774	**$1,118,409**
Reversal of Land Revaluation Surplus	**(70)**	413	**(666)**
Appropriations:			
Cash Dividends	**1,657**	1,658	**15,683**
Bonuses to Directors and Corporate Auditors	**40**	40	**378**
Total Appropriations	**1,697**	1,698	**16,062**
Net Income	**10,863**	3,715	**102,787**
Balance at End of Year	**¥127,300**	¥118,204	**$1,204,468**

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 ¥105.69 to US$1.00 on March 31, 2004, the final business day of the term.

The Bank's Organization

As of July 1, 2004

- General Meeting of Stockholders
  - Board of Corporate Auditors
    Corporate Auditors
- Board of Directors
- Executive Committee
  - President
  - Senior Managing Directors
  - Managing Directors
- Directors

- Corporate Planning Division
- Corporate Communications Division
- Business Promotion Division
- Corporate Banking Division
- Personal Banking Division
- Personal Loan Division
- Public Institutions Division
- Credit Supervision Division
- Head Office Business Department
- Domestic Branches and Sub-branches (123 Offices)
- Treasury & Investment Division
- Securities & International Division
  - Hong Kong Representative Office
- General Secretariat
- Personnel Division
- General Affairs Division
- Business Administration Division
  - Business Operations Center
- Systems Division
- Operations Auditing Division
- Tokyo Liaison Office

Board of Directors and Corporate Auditors

As of 29 June, 2004

President

Yasuo Kashihara

Senior Managing Directors

Hiroaki Ikeda
Yukitoshi Yasumura

Managing Directors

Yoshiki Kizaki
Hideo Takasaki
Yuji Shimiya
Masanori Murase
Masahiro Morise

Directors

Shigeo Ohi
Junichi Katsuta
Tsutomu Tsutsumi
Issei Daido
Yoshio Yamane

Corporate Auditors

Akio Kimura (Standing)
Tadanao Kiuchi (Standing)
Kaneyoshi Jinde
Kyozo Hayashi

Corporate Data

As of March 31, 2004

Date of Establishment

October 1, 1941

Number of Employees

2,609

Number of Authorized Shares

500,000,000

Number of Issued Shares

331,821,000

Capital (Paid-in)

¥ 27,100,000 thousand

Major Stockholders (Number of shares in thousands)

Nippon Life Insurance Company	16,589	(4.99%)
Mizuho Corporate Bank, Ltd.	16,400	(4.94%)
Japan Trustee Services Bank, Ltd. (trust account)	15,286	(4.60%)
Meiji Yasuda Life Insurance Company	14,001	(4.21%)
Gunze Ltd.	10,458	(3.15%)
Sompo Japan Insurance Inc.	8,912	(2.68%)
The Bank of Kyoto Employees' Shareholding Association	8,829	(2.66%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,386	(2.52%)
Kyocera Corporation	7,980	(2.40%)
The Tokio Marine & Fire Insurance Co., Ltd.	7,743	(2.33%)

R&I Rating*

A+

*Rating and Investment Information, Inc.

International Service Network

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Consolidated Subsidiaries

Name	Establishment	Capital (¥ million)	Line of business
Karasuma Shoji Co., Ltd.	October 1958	10	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, investment and financial services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

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Bank of Kyoto

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