

Message from the President

Seeking to provide the highest-level services to our customers in Kyushu, and prospering together with our customers as the No. 1 bank in the Kyushu region, we have undertaken a wide range of initiatives. Below are summarized our business results for the fiscal year ended March 31, 2010. The progress made under our new medium-term (three-year) business plan, “New Stage 2008”, and the management policies to be implemented in the current period are also described.

Isao Kubota, *President*



Aiming to be the No. 1 bank in Kyushu

Business Conditions in the Fiscal Year Ended March 31, 2010

Although the Japanese economy experienced tough times in fiscal 2009, with unemployment rates temporarily soaring to the 5% range, exports and production started to recover supported by Asian economic growth driven mainly by China as well as the Japanese government's economic stimulus plans. As a result, corporate performance improved in the second half of the period, indicating that the economy was on the road to recovery.

We saw seesawing Japanese share prices during this period. However, toward the end of the fiscal year the stock market began to rise and remained steady. With the domestic economy depressed by low economic growth and deflationary pressures, long-term interest rates hovered in the low 1.0% range. In the foreign currency market, the yen's appreciation continued. At one point, the Japanese yen breached 90 yen against US dollar, however, it could not maintain that level to the end of the fiscal year.

Against this backdrop, the Group has been working to strengthen its business base and improve performance. Dragged down by the decline in revenue from funds management caused by falling market interest rates, consolidated operating income fell ¥8,232 million year on year, to ¥173,537 million (\$1,865 million). Income before income taxes and minority interests rose to ¥37,834 million (\$406 million), an increase of ¥18,441 million from the previous fiscal year. Net income grew by ¥7,184 million, to ¥21,800 million (\$234 million) year on year.

Increase in the Size of Loans and Deposits

To boost its presence as a regional financial institution, Nishi-Nippon City Bank has consistently pursued community-oriented

financial services which are aimed at achieving integrated growth with the community.

At the end of fiscal 2010, the Bank had total loan assets of ¥4,931.5 billion (\$53,004 million) on a non-consolidated basis, up ¥82.1 billion year on year. Loans to customers located in Kyushu accounted for ¥4,538.8 billion, or 92.0% of the total. Furthermore, 80.3% of loans were provided to SMEs and individuals, underlining our commitment to actively accommodate the diverse financing needs of local customers.

The corresponding year-end balance of deposits, including certificates of deposit, increased by ¥223.7 billion, to ¥6,303.8 billion (\$67,753 million). The primary driving factor was growth in deposits from individuals. Kyushu-area customers accounted for ¥6,056.9 billion in deposits, or 96.0% of the total balance.

Activities to Commemorate the 5th Anniversary of our New Start through Merger

Thanks to the support of all of our shareholders, customers and the local community, the Bank celebrated the fifth anniversary of its new start through the merger in October 2009. On behalf of our management and all employees, I would like to express my heartfelt gratitude to our shareholders, customers and the local community for their patronage and support.

To express our gratitude, we held a variety of commemorative events under the concept of “prospering with the community.” These include the sale of combined five-year commemorative time deposits exclusively for shareholders and, convening the NCB Business Fair symposium for revitalizing the local economy for our customers. For the local community, we also put on a charity concert in which the local orchestra performed together with a choral ensemble composed of citizens and bank employees.

Strengthening Services to Meet the Needs of our Customers

In order to meet the diverse needs of its local customers, the Group seeks to provide top-level services. As part of this mission, in May 2010, we launched a securities brokerage subsidiary called “Nishi-Nippon City Tokai Tokyo Securities” for responding to the diverse asset management requirements of our customers. In the future, we will offer enhanced professional consultation services for asset management to all of our customers, regardless of the type of clients, whether they are individual or corporate customers.

Meanwhile, we reorganized our International Business Unit to create the new “International Business Division.” The aim of this initiative is to strengthen our support capabilities for local companies wishing to break into high-growth Asian markets. Our mission is to provide cutting-edge products and services swiftly, including trade settlement services and foreign exchange risk hedging tools, which preempt changes in the international business environment. We also strengthened our comprehensive

support systems by establishing the International Business Support Office, which provides trade consulting services and support business expansion into overseas markets, among other services.

In June 2010, the Group launched “NCB Foreign Exchange Super Direct,” a functionally enhanced version of “NCB Foreign Exchange Direct,” the service previously accessed by our customers. Customer convenience has been enhanced through changes that include extended access hours and same-day processing of international money transfers.

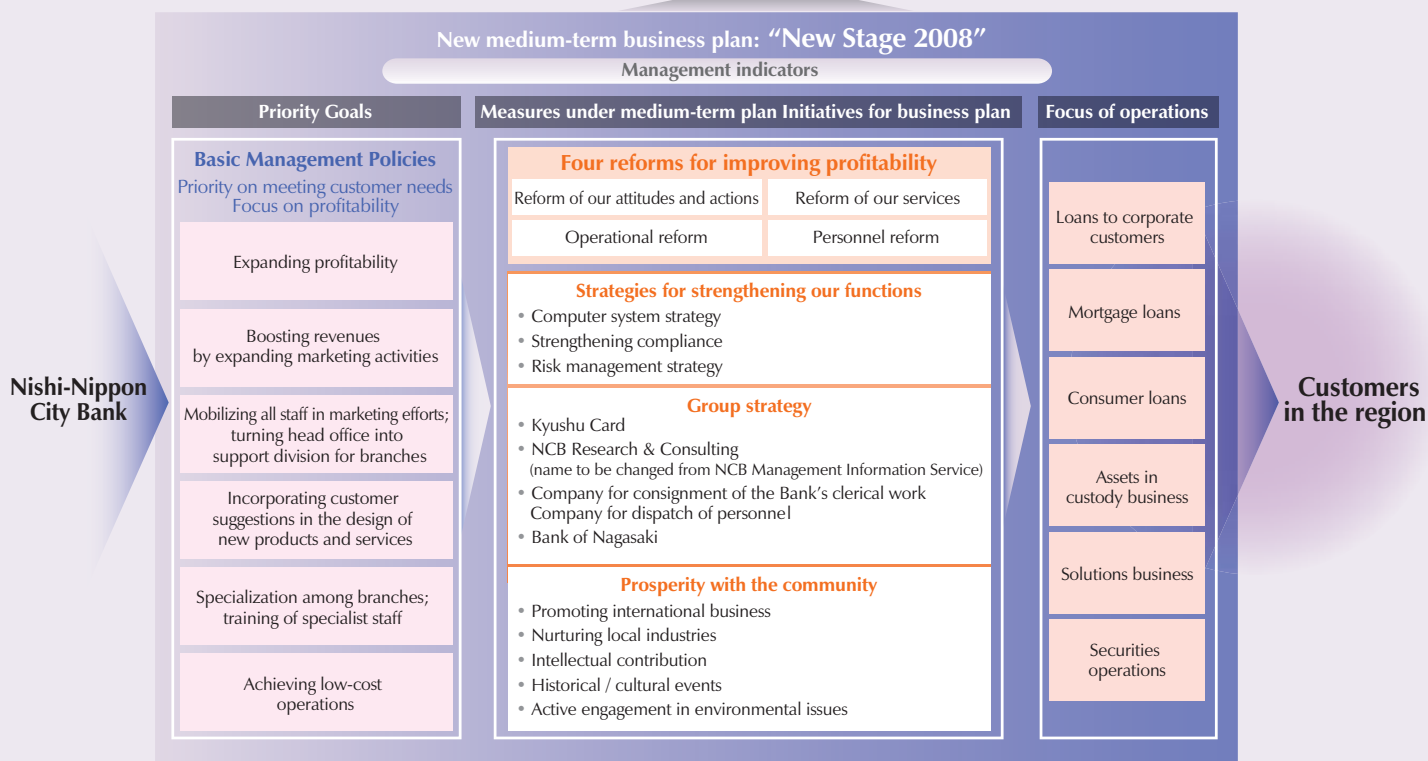
Meanwhile, in response to increased social demand for banks to facilitate access to financing, the Group established the “Financing Consultation Desk” so that it is able to respond more closely to its customers’ needs by providing consultation services on reviewing loan repayments and other matters.

We have also been concentrating on strengthening business areas such as loans, the sales of investment trusts and insurance and solutions business, the main areas of focus of the medium-term business plan.

Framework for “New Stage 2008”

Management goals

Aiming to be the No. 1 bank in Kyushu by providing top-level services to our customers for mutual prosperity



In the area of consumer loans, we established two loan business centers to act as dedicated loan hubs by June 2010. We also enhanced the functions of our Holiday Opening Consultation Desk to enable customers who lead diverse lifestyles to readily discuss their loans with us even on holidays. In our solutions business, we are employing a range of methods for offering business solutions to our customers, and have increased the number of corporate advisory staff with special skills from 8 to 18. We are also actively engaged in convening business fairs for business matching and seminars by providing advice on business succession, M&As and other areas.

In Pursuit of a Sounder Financial Position

The Group is taking steps to further strengthen its financial position. The capital ratio is the primary indicator of a bank's financial health. As of March 31, 2010, Nishi-Nippon City Bank's capital ratio stood at 10.42% on a consolidated basis and 10.40% on a non-consolidated basis. These high figures exceed medium-term business plan targets and are significantly higher than the minimum level of 4% required for banks operating only in Japan.

Furthermore, the Bank's Non-Performing Loan Ratio (subject to mandatory disclosure of claims under the Financial Reconstruction Law, including claims held by a subsidiary established for asset management purposes) increased from 3.29% to 3.58%. The Bank currently has a total coverage ratio of 100% for non-performing loans and corresponding forms of bad debt.

Additionally, we are continuing to focus our efforts on improving levels of corporate governance in management, and working to develop, refine, and ensure the effectiveness of our internal control systems. Legal compliance is a top-priority issue for management. The Bank's top management has made it clear to all employees that decisive measures will be implemented in this area, and is now investing our energy into the creation of a compliance-oriented corporate culture.

Achieving the Objectives of the New Medium-Term Business Plan

With future uncertainty still clouding the economic situation, fiscal 2010 will mark the final year of the Group's medium-term business plan. We do more than merely providing financial intermediary services to our customers. By providing consultation services tailored to our customers' business challenges, we seek to leverage our function as a value creation-oriented financial intermediary. These functions add value to local companies and assist our corporate and individual customers in building their wealth. Developing a solid management foundation for supporting these activities is not only the role but also the social responsibility of regional financial institutions.

In order to achieve all the objectives of fiscal 2010, the final fiscal term of the medium-term business plan, the Group will further strengthen its systems for providing top-level financial services that meet the expectations of our customers. We recognize that our growth as a bank is inseparable from the prosperity of the region. Therefore, our mission is to further contribute to the expansion of the regional economy. In our quest to satisfy the expectations of our shareholders and investors, we also remain committed to making management profit focused, one of the key objectives of our business plan.

I would like to take this opportunity to thank you for your continued understanding and support of the Nishi-Nippon City Bank Group in its future endeavors.



Isao Kubota,
President

Numerical targets of the Medium-Term Business Plan

Earnings	Year ending March 2011
Gross business profit	→ ¥134 billion
Expenses	→ ¥74 billion
Core banking profit	→ ¥60.0 billion
Net income	→ ¥30.0 billion

* Non-consolidated basis

Management indicators	Year ending March 2011
ROE (net income basis)	→ approx. 9%
OHR (Core gross business profit basis)	→ approx. 55%
Capital ratio (consolidated)	→ approx. 9.5%
Tier I ratio (consolidated)	→ approx. 6.5%