

*NISHI-NIPPON CITY BANK*

*Annual Report*  
*2013*



THE NISHI-NIPPON CITY BANK, LTD.

# Profile

The Nishi-Nippon City Bank Group, headquartered in the city of Fukuoka (population 1.50 million) the largest urban center in Kyushu, a gateway to Asia, comprises the parent bank, eight consolidated subsidiaries and one affiliate. While banking services are its prime focus, the Group also provides a full range of financial services, including securities, credit guarantees and credit card services, as well as credit management and business consulting services.

The Group's management philosophy is: "Adapt to changing times with great vision and pride while growing with customers to become the leading bank in Kyushu." Based on this, our core banking services involve providing community-oriented financial services to a customer base comprised mainly of individuals and small and medium-sized enterprises (SME) in the Kyushu Region of Japan. As of March 31, 2013, the Bank has a network of 206 branches including head office and sub-branches. It also maintains representative offices in Hong Kong, Seoul and Shanghai.

## Consolidated Financial Highlights

### The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Total income	¥156,314	¥164,616	\$1,662,031
Total expenses	122,809	123,271	1,305,790
Income before income taxes and minority interests	33,504	41,344	356,240
Net income	18,436	17,972	196,032
	Yen		U.S. dollars
Net income per share	¥23.18	¥22.60	\$0.24

### The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Total assets	¥7,774,565	¥7,670,937	\$82,664,169
Deposits	6,822,234	6,665,687	72,538,376
Loans and bills discounted	5,585,226	5,389,886	59,385,714
Securities	1,717,636	1,722,791	18,263,018
Capital stock	85,745	85,745	911,702
Total net assets	409,320	373,541	4,352,154

Notes: 1. Translation into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥94.05 to U.S.\$1.  
2. In this report, Japanese yen figures are rounded down to the nearest million yen.

## Contents

Message from the President	1	Financial Section	7
Toward a Sounder Financial Position	4	Organization Chart	58
Risk Management Systems	5	Corporate Data	59
Board of Directors and Corporate Auditors	6	International Network	59



# Message from the President

While aiming to make a further leap forward through our medium-term business plan for the next fiscal period, we will strive after “enhancement of a comprehensive financial service business that responds to changing times” and “further improvement of productivity.”



Isao Kubota, *President*

## Business performance in the fiscal year ended March 2013

In fiscal 2012, a moderate recovery could be seen in the Japanese economy until around the summer due to factors including restoration-related demand following the Great East Japan Earthquake and the effects of various government measures. But from around the middle of the fiscal year, this recovery lost momentum as the Japanese economy was impacted by the slowdown in the world economy, mainly caused by the European financial crisis. The recovery subsequently regained momentum around the end of the year with the change of government, but looking forward, as before the destination the economy is headed in remains unclear.

The economy of the Bank’s operational base of Kyushu performed steadily in its automobile-industry sector, which is its primary industry, and taken as a whole the economy remained on a recovery track.

In this kind of business environment and based on the Nishi-Nippon City Bank Group’s medium-term business plan, “New Stage 2011 — Act with Vigor!” (from April 1, 2011 to March 31, 2014), we have worked to further enhance our businesses and to improve our business performance.

In the consolidated fiscal year ended March 31, 2013, total income fell ¥8,302 million year on year to ¥156,314 million (\$1,662 million) due to factors including a decline in earnings from lending in conjunction with a fall in interest rates. Total expenses declined ¥462 million year on year

to ¥122,809 million (\$1,305 million) primarily because of reductions in financing and other costs. As a result, income before income taxes and minority interests fell ¥7,840 million year on year to ¥33,504 million (\$356 million), but net income increased ¥464 million to ¥18,436 million (\$196 million).

## Completion of the conversion to the new mainframe computer system

In January 2013, we successfully converted to the new mainframe computer system, NTT DATA Regional Bank Integrated Service Center, which was one of the most important issues we had to address. The Center is managed by the NTT DATA Corporation and is the largest shared-use center among regional banks in the country, being used by 14 banks at the end of the fiscal period under review.

To date, we solved such major business issues as human resource integration and branch consolidation following the merger as well as the full repayment of public funds. As a result of the conversion to the new mainframe computer system, we are now able to respond more rapidly to our customers’ needs, reduce system costs, and further advance strategies for the Bank’s businesses.

## Both the loan balance and the deposit balance continued to increase

The loan balance (non-consolidated basis) at the end of the fiscal period under review benefited from our proactive

approach to stably supply funds to our local customers, increasing by ¥181.5 billion during the year to ¥5,359.4 billion (\$56,984 million). Within this amount, loans for the local Kyushu region were ¥4,892.8 billion (\$52,024 million), accounting for 91.2% of the total balance. Also, loans to small-and-medium enterprises (SMEs) and individuals accounted for 76.2% of all loans.

The corresponding year-end balance of deposits, including Certificates of Deposit, increased by ¥152.9 billion to ¥6,614.4 billion (\$70,329 million), mainly from deposits by individuals and general corporate customers. Within this total, deposits from the local Kyushu region were ¥6,364.6 billion (\$67,672 million), or 96.2% of the total balance. Also, the ratio of non-performing loans improved by 0.19% year on year and remained at the low level of 3.01%.

## Supporting the development of the local economy

Based on the recognition that “regional banks have no bright future without the revitalization of the regions,” we proactively support the development of the local economy. In February 2013, we held a “seminar to promote the growth of the agriculture, forestry, and fishery industries” as part of our series of measures to contribute to the region and to further advance regional industry. In April, we established and invested a total of ¥2.0 billion in the Support Fund for the Transition of the Kyushu Economy to Industry Integration. The objective of this was to support those client agricultural, forestry and fishery businesses that are aiming to achieve the integration of production, processing, sales, and distribution.

Also, eight of our corporate customers exhibited at the Regional Bank—Food Selection 2012 exhibition held in October 2012 at Tokyo Big Sight, and they engaged in active business discussions with some of the more than 10,000 buyers who visited the event. In January 2013, we held the Net Shop Seminar to introduce one method for companies to expand their sales channels and in March held the Online Sales Business Seminar. Both of these seminars were attended by more people than we anticipated. In addition, we regularly hold healthcare seminars to support the management of medical and nursing facilities, providing the attendees with a wealth of useful information on this topic.

In April 2012, with the goal of further strengthening the support we provide to local SMEs for their overseas businesses, we established the International Consulting Office within the Group company, NCB Research & Consulting. Then in September, we launched that company’s Door to Asia website, which provides

comprehensive support for companies and individuals looking to do business in Asia. Consequently, in addition to the conventional consulting methods of telephone and face-to-face conversations, we have strengthened our service for providing support for customers’ overseas businesses over the Internet.

Moreover, we have been responding to the increasing need from local companies for cross-border transactions and foreign currency-denominated transactions. Accordingly, in April 2013, we launched an initiative for the further improvement of our service for transactions denominated in foreign currencies.

## Measures to improve customer convenience and strengthen our CSR

Since March 2013, we have newly constructed or refurbished three branches as *Marugoto Support Branches* that provide one-stop services to meet the various needs of our customers. These services include insurance, loans, and asset management for individual customers, and corporate finance, foreign exchange, and other solution businesses for corporate clients. In addition to increasing the number of *Hoken Plaza* specialist insurance service desks and Nishi-Nippon City Tokai Tokyo Securities’ branches, we have established consultation desks in 30 locations, where our customers can receive consultations about loans and insurance even on Saturdays and Sundays. In these and other ways, we are working hard to improve customer convenience and the services we provide to them.

Elsewhere, as one part of our CSR activities, we are actively introducing a customer-friendly universal design at our new branches, featuring barrier-free facilities and environmentally sound eco facilities, including photovoltaic power generation systems. This design was introduced at two branches in fiscal 2012 and at one branch in April 2013. Also, all of our branches are equipped with at least one ATM designed for visually impaired persons. These ATMs are gradually being installed at non-branch locations. Going forward, we will continue with our efforts to create easy-to-use branches for all of our customers.

## Focusing our energies into accomplishing all the goals of our medium-term business plan

On the one hand, many people expect that the Japanese economy will recover thanks to the economic and monetary-easing policies of the new government; indeed, a recovery is currently being seen in some areas. On the other hand, we expect the business environment facing the banking industry

to become even tougher, as can be seen in interest rates continuing to be maintained at historically low levels.

Against this backdrop, we have completed the aforementioned conversion to a new mainframe computer system and thereby resolved some of the business challenges that we faced in the past. Fiscal 2013 marks the final year of the medium-term business plan “New Stage 2011 — Act with Vigor!” Accordingly, we are actively investing the management resources that we had allocated to resolving these challenges into positive new areas, such as to strengthen our sales capabilities and revenue resources. Reflecting this, in our medium-term business plan for the next fiscal period, we will strive after “enhancement of a comprehensive financial service business that responds to changing times” and “further improvement of productivity.”

Furthermore, although the SME Financing Facilitation Act expired at the end of March 2013, we will continue to

do our best to stably supply funds to our local customers and provide them with consultation services to meet their various needs.

Going forward, all of our board members and employees will ceaselessly “Act with Vigor” as we execute our medium-term business plan, and we will continue to work toward the development of the regional economy.

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



Isao Kubota,  
President

## Outline of the Bank’s medium-term business plan: “New Stage 2011 — Act with Vigor!”

Plan period: Three years from April 2011 to March 2014

### Our Goal

To become the No.1 bank in Kyushu  
by providing top-level products and services to our customers for mutual prosperity



### Medium-term business plan: “New Stage 2011 — Act with Vigor!”

Transforming the Bank into a comprehensive financial services institution capable of adapting to the changing times, and realizing a radical improvement in productivity.



# Toward a Sounder Financial Position

The pursuit of a sounder financial position is ranked as one of the Bank's key priorities. Therefore, we are strengthening our capital adequacy and reducing non-performing loans (NPL).

## NPL ratio improved by 0.19 percentage points to 3.01%

The Bank carries out write-offs and provision of reserves for its NPLs according to strict standards, based on self-assessment of assets. As of March 31, 2013, the Bank's NPL balance (subject to mandatory disclosure of claims under the Financial Reconstruction Law, non-consolidated basis) decreased by ¥4,679 million year on year, to ¥162,844 million. As a result, the NPL ratio decreased to 3.01% compared with 3.20% for previous fiscal year-end. The coverage ratio for loans subject to mandatory disclosure of claims under the Financial Reconstruction Law is 84.53% through collateral, guarantees, and the reserve for possible loan losses. Coverage ratio for bankrupt and quasi-bankrupt assets is 100%.

## Capital ratio (consolidated) is 10.29%

The capital ratio as of March 31, 2013 stood at 10.07% (a decrease of 0.38 of a percentage point year on year) on a non-consolidated basis and 10.29% (a decrease of 0.38 of a percentage point year on year) on a consolidated basis. These figures are significantly higher than the minimum level of 4% required for banks operating in Japan.

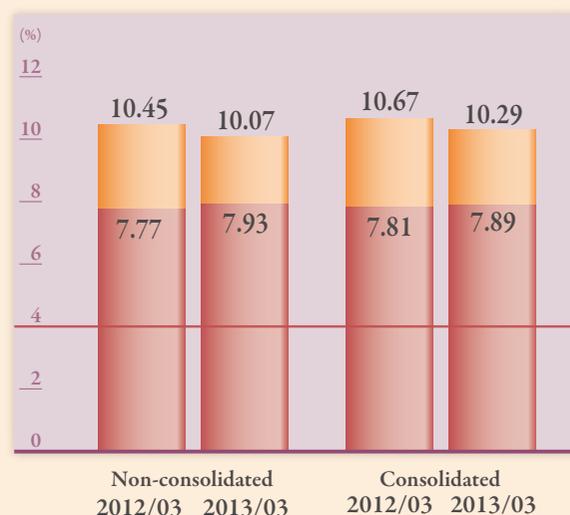
The core Tier I ratio stood at 7.93% (an increase of 0.16 of a percentage point year on year) on a non-consolidated basis and 7.89% (an increase of 0.08 of a percentage point year on year) on a consolidated basis, with both figures exceeding the levels of the previous fiscal year. We will be implementing measures to further strengthen our capital adequacy and raise the capital ratio.

Balance of NPLs and ratio of loans subject to mandatory disclosure of claims under the Financial Reconstruction Law



- Bankrupt and quasi-bankrupt assets (unrecoverable claims)
- Claims on potentially bankrupt borrowers
- Substandard loans
- Ratio of loans subject to mandatory disclosure of claims under the Financial Reconstruction Law

Capital ratio



Minimum level required for banks operating in Japan: 4

- Capital ratio
- Tier I ratio

# Risk Management Systems

While business opportunities are increasing with financial deregulation, globalization and the development of financial technologies, the risks attendant on financial services are becoming more complex and diverse. Against this backdrop, the Bank is strengthening its risk management systems, a priority issue for management, with the goal of establishing a sound management foundation and ensuring stable revenues.

**Integrated Risk Management:** The Risk Management Rules and Regulations were established pursuant to our Basic Policy on Risk Management. Additionally, the Corporate Risk Management & Compliance Division is responsible for handling risk management across the Bank's entire operations. We classify the risk inherent in financial operations into four categories—credit, market, liquidity and operational risk—and tailor our measures to manage by each risk category. Quantifiable risk is kept within certain parameters. To ensure that an appropriate balance is struck between earnings and risk, risk is quantified using a statistical approach employing the VaR (Value at Risk) method, with economic capital allocated to cover potential risk. Earnings are measured and valued on a risk-adjusted basis. Risks that are difficult to quantify are subject to precautionary measures to minimize their realization.

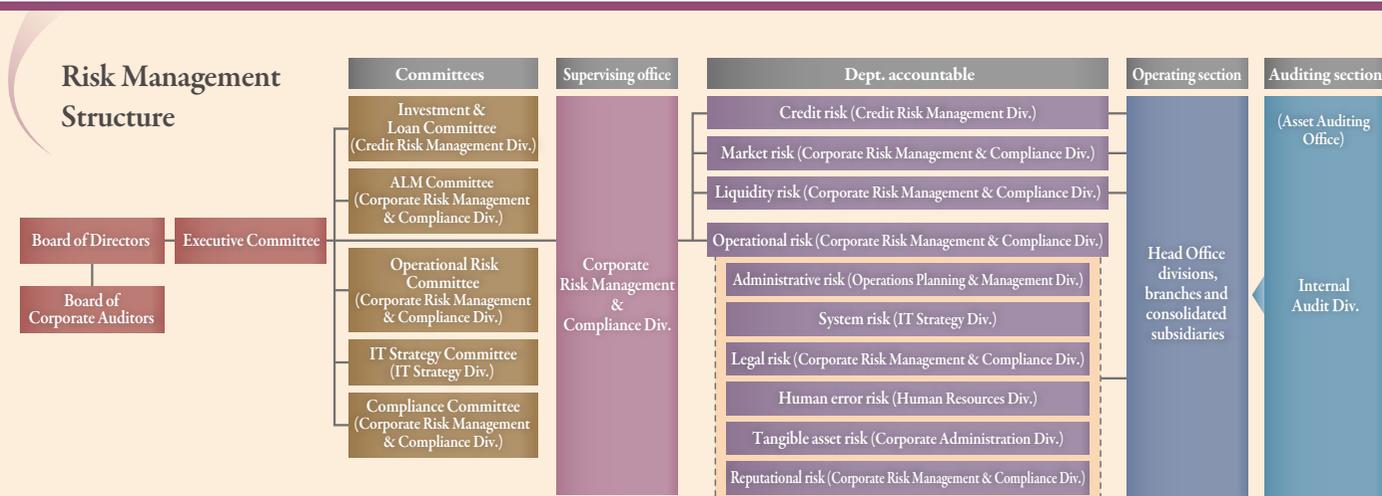
**Credit Risk Management:** Credit risk is ranked as the top priority risk category, and we are working to exert even tighter control over the Bank's credit risk. This is done in accordance with the Bank's Credit Risk Management Policy and Credit Policy. Strict standards are applied to the screening of each individual case, and in this way, we are working hard to maintain the soundness of our assets. In our loan portfolio, we also try to diversify risk and ensure there is no concentration of any particular industrial sector or customer. We do this using a system of credit risk quantification and sector-based portfolio management, based on our credit rating system. We also carry out asset self-assessment and constantly monitor the procedures and based on the outcomes, we audit the

appropriateness of write-offs and provisions for loan-loss reserves.

\*In addition to the above, we rigorously manage market, liquidity, operational and other risks through a cross-checking system.

**The ALM System:** The ALM committee, consisting of top management members, meets monthly to decide on asset and liability management and procurement policy based on projections of economic trends and capital market interest rates. The committee also quantifies risk in areas such as deposits and loans, bonds, stocks and investment trusts using the VaR (Value at Risk) method. It also conducts strategic management, such as determining key policies on market risk and by other means. This is done after gaps generated by the difference in contract terms for asset and liability management and procurement are analyzed to ascertain the relationship between risk and profit.

**The Internal Audit System:** The Internal Audit Division, which is directly under management control, carries out internal audits as an independent entity that has no involvement in banking operations. The division undertakes audits of the head office divisions, branches and subsidiaries in line with our Basic Policy on Internal Audits. This policy is determined for each fiscal year at a meeting of the Board of Directors. Audit findings and problems are reported directly to top management by internal audit division staff members at the monthly Board of Directors' Meeting and at other opportunities. The Internal Audit Division also issues instructions for implementing remedial measures.



# Board of Directors and Corporate Auditors

**Masahiro Honda**

*Chairman*



**Isao Kubota**

*President*



**Seiji Isoyama**

*Deputy President*



**Hiromichi Tanigawa**

*Deputy President*



*Chairman*

Masahiro Honda

*President*

Isao Kubota

*Deputy Presidents*

Seiji Isoyama  
Hiromichi Tanigawa

*Representative Executive Director*

Shigeru Urayama

*Executive Directors*

Kiyota Takata  
Souichi Kawamoto  
Sadamasa Okamura  
Yasuyuki Ishida

*Managing Directors*

Hiroyuki Irie  
Michiharu Kitazaki  
Shinya Hirota

*Director (outside)*

Michiaki Uriu

*Corporate Auditors*

*(Senior Corporate Auditor)*

Akira Mitsutomi  
Tomoaki Kawakami  
Masahiro Sakata  
Yuji Tanaka  
Hirohiko Okumura

*(outside)*

*(outside)*

*(outside)*

(as of June 30, 2013)

# *Financial Section*

## **Contents**

Consolidated Balance Sheets	8
Consolidated Statements of Income	9
Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Changes in Net Assets	11
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	15
Quarterly Information (Unaudited)	51
Non-Consolidated Balance Sheets (Unaudited)	52
Non-Consolidated Statements of Income (Unaudited)	53
Non-Consolidated Statements of Changes in Net Assets (Unaudited)	54
Notes to Non-Consolidated Financial Statements (Unaudited)	56
Independent Auditor's Report	57

# Consolidated Balance Sheets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Assets:</b>			
Cash and due from banks (Notes 7, 28 and 37)	¥248,461	¥283,453	\$2,641,801
Call loans and bills bought	293	9,099	3,123
Commercial paper and other debt purchased (Notes 7 and 28)	27,543	27,962	292,864
Trading account assets (Notes 4 and 29)	1,548	1,275	16,466
Money held in trust (Note 30)	3,000	2,981	31,897
Securities (Notes 5, 7, 28 and 29)	1,717,636	1,722,791	18,263,018
Loans and bills discounted (Notes 6, 8 and 28)	5,585,226	5,389,886	59,385,714
Foreign exchange assets (Note 9)	5,137	7,665	54,626
Other assets (Notes 7 and 10)	45,804	46,708	487,026
Tangible fixed assets (Notes 11 and 18)	117,073	120,029	1,244,798
Intangible fixed assets	9,904	3,950	105,308
Deferred tax assets (Note 33)	19,459	43,019	206,904
Customers' liabilities for acceptances and guarantees	33,043	53,308	351,337
Reserve for possible loan losses (Note 28)	(38,955)	(40,174)	(414,197)
Reserve for devaluation of securities	(613)	(1,021)	(6,520)
<b>Total assets</b>	<b>¥7,774,565</b>	<b>¥7,670,937</b>	<b>\$82,664,169</b>
<b>Liabilities and net assets:</b>			
Liabilities:			
Deposits (Notes 7, 12 and 28)	¥6,822,234	¥6,665,687	\$72,538,376
Call money and bills sold (Notes 7 and 28)	233,352	277,877	2,481,153
Guarantee deposits received under securities lending transactions (Note 7)	46,104	72,160	490,208
Borrowed money (Notes 7, 14 and 28)	74,004	52,467	786,868
Foreign exchange liabilities (Note 9)	133	83	1,421
Bonds (Notes 13 and 28)	73,300	88,300	779,372
Other liabilities (Note 15)	52,610	51,773	559,384
Reserve for employee retirement benefits (Note 32)	6,726	10,851	71,523
Reserve for retirement benefits for directors and corporate auditors	151	152	1,607
Reserve for reimbursement of deposits	2,421	2,673	25,751
Reserve for other contingent losses	2,104	2,506	22,377
Reserve under the special laws	0	0	6
Deferred tax liabilities on revaluation of premises (Note 18)	19,056	19,552	202,623
Acceptances and guarantees	33,043	53,308	351,337
<b>Total liabilities</b>	<b>7,365,244</b>	<b>7,297,395</b>	<b>78,312,014</b>
Net assets:			
Capital stock (Note 16)	85,745	85,745	911,702
Capital surplus	90,301	90,301	960,140
Earned surplus	143,541	128,247	1,526,220
Treasury stock (Note 17)	(673)	(668)	(7,161)
<b>Total shareholders' equity</b>	<b>318,914</b>	<b>303,625</b>	<b>3,390,900</b>
Net unrealized gains on securities available for sale, net of taxes (Note 29)	35,521	11,032	377,685
Net deferred gains (losses) on hedging instruments, net of taxes	0	(0)	0
Revaluation of premises, net of taxes (Note 18)	29,916	30,751	318,086
<b>Total accumulated other comprehensive income</b>	<b>65,437</b>	<b>41,783</b>	<b>695,771</b>
Minority interests	24,968	28,132	265,481
<b>Total net assets (Note 38)</b>	<b>409,320</b>	<b>373,541</b>	<b>4,352,154</b>
<b>Total liabilities and net assets</b>	<b>¥7,774,565</b>	<b>¥7,670,937</b>	<b>\$82,664,169</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Income:</b>			
Interest and dividend income:			
Interest on loans and discounts	¥96,095	¥101,601	\$1,021,748
Interest and dividends on securities	17,446	18,899	185,502
Other interest income (Note 19)	962	878	10,231
Fees and commissions	30,840	30,672	327,910
Trading income	338	188	3,598
Other operating income (Note 20)	5,639	2,611	59,964
Other income (Note 21)	4,991	9,763	53,074
<b>Total income</b>	<b>156,314</b>	<b>164,616</b>	<b>1,662,031</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	4,969	6,467	52,840
Interest on call money and bills sold	380	374	4,044
Interest on borrowings	521	561	5,549
Other interest expenses (Note 22)	2,104	2,183	22,380
Fees and commissions	9,544	9,331	101,481
Other operating expenses (Note 23)	1,226	706	13,037
General and administrative expenses (Note 24)	81,826	85,175	870,027
Other expenses (Note 25)	22,236	18,470	236,429
<b>Total expenses</b>	<b>122,809</b>	<b>123,271</b>	<b>1,305,790</b>
Income before income taxes and minority interests	33,504	41,344	356,240
Income taxes (Note 33):			
Current	3,418	993	36,347
Deferred	10,079	20,816	107,174
<b>Total income taxes</b>	<b>13,498</b>	<b>21,810</b>	<b>143,521</b>
Income before minority interests	20,006	19,534	212,718
Minority interests in net income	1,569	1,561	16,685
<b>Net income (Note 38)</b>	<b>¥18,436</b>	<b>¥17,972</b>	<b>\$196,032</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Comprehensive Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	<b>¥20,006</b>	¥19,534	<b>\$212,718</b>
Other comprehensive income:			
Net unrealized gains on securities available for sale	<b>24,638</b>	7,638	<b>261,976</b>
Net deferred gains on hedging instruments	<b>0</b>	0	<b>2</b>
Gains on revaluation of premises	<b>—</b>	2,697	<b>—</b>
Translation adjustments	<b>—</b>	0	<b>—</b>
Gains on change in shares in consolidated subsidiaries	<b>—</b>	6	<b>—</b>
Share of other comprehensive income of affiliates accounted for by the equity method	<b>1</b>	(0)	<b>12</b>
Total other comprehensive income (Note 26)	<b>¥24,640</b>	¥10,342	<b>\$261,991</b>
Comprehensive income	<b>¥44,646</b>	¥29,876	<b>\$474,710</b>
Comprehensive income attributable to shareholders of the parent	<b>¥42,926</b>	¥28,300	<b>\$456,418</b>
Comprehensive income attributable to minority interests	<b>¥1,720</b>	¥1,575	<b>\$18,291</b>

*See accompanying Notes to Consolidated Financial Statements.*

# Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Shareholders' equity</b>			
Capital stock (Note 16)			
Balance at beginning of the year	¥85,745	¥85,745	\$911,702
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$911,702
Capital surplus			
Balance at beginning of the year	¥90,301	¥90,301	\$960,140
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥90,301	¥90,301	\$960,140
Earned surplus			
Balance at beginning of the year	¥128,247	¥116,300	\$1,363,611
Changes during the year			
Cash dividends paid (Note 39)	(3,975)	(5,963)	(42,268)
Net income	18,436	17,972	196,032
Transfer to reserve for deferred capital gains	—	0	—
Sale of treasury stock	(3)	(4)	(41)
Reversal of revaluation of premises	835	(64)	8,885
Increase in earned surplus due to change in shares in consolidated subsidiaries	—	6	—
Total changes during the year	15,293	11,946	162,608
Balance at end of the year	¥143,541	¥128,247	\$1,526,220
Treasury stock (Note 17)			
Balance at beginning of the year	(¥668)	(¥661)	(\$7,109)
Changes during the year			
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	7	9	74
Total changes during the year	(4)	(7)	(52)
Balance at end of the year	(¥673)	(¥668)	(\$7,161)
Total shareholders' equity			
Balance at beginning of the year	¥303,625	¥291,686	\$3,228,344
Changes during the year			
Cash dividends paid (Note 39)	(3,975)	(5,963)	(42,268)
Net income	18,436	17,972	196,032
Transfer to reserve for deferred capital gains	—	0	—
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	3	5	33
Reversal of revaluation of premises	835	(64)	8,885
Increase in earned surplus due to change in shares in consolidated subsidiaries	—	6	—
Total changes during the year	15,288	11,939	162,556
Balance at end of the year	¥318,914	¥303,625	\$3,390,900

## Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥11,032	¥3,408	\$117,301
Changes during the year			
Net changes in items other than shareholders' equity	24,489	7,624	260,383
Total changes during the year	24,489	7,624	260,383
Balance at end of the year	¥35,521	¥11,032	\$377,685
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	(¥0)	(¥0)	(\$2)
Changes during the year			
Net changes in items other than shareholders' equity	0	0	2
Total changes during the year	0	0	2
Balance at end of the year	¥0	(¥0)	\$0
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥30,751	¥27,989	\$326,972
Changes during the year			
Net changes in items other than shareholders' equity	(835)	2,762	(8,885)
Total changes during the year	(835)	2,762	(8,885)
Balance at end of the year	¥29,916	¥30,751	\$318,086
Cumulative translation adjustments			
Balance at beginning of the year	¥ —	(¥0)	\$ —
Changes during the year			
Net changes in items other than shareholders' equity	—	0	—
Total changes during the year	—	0	—
Balance at end of the year	¥ —	¥ —	\$ —
Total accumulated other comprehensive income			
Balance at beginning of the year	¥41,783	¥31,396	\$444,271
Changes during the year			
Net changes in items other than shareholders' equity	23,653	10,387	251,500
Total changes during the year	23,653	10,387	251,500
Balance at end of the year	¥65,437	¥41,783	\$695,771
<b>Minority interests</b>			
Balance at beginning of the year	¥28,132	¥28,397	\$299,120
Changes during the year			
Net changes in items other than shareholders' equity	(3,163)	(265)	(33,638)
Total changes during the year	(3,163)	(265)	(33,638)
Balance at end of the year	¥24,968	¥28,132	\$265,481
<b>Total net assets</b>			
Balance at beginning of the year	¥373,541	¥351,480	\$3,971,736
Changes during the year			
Cash dividends paid (Note 39)	(3,975)	(5,963)	(42,268)
Net income	18,436	17,972	196,032
Transfer to reserve for deferred capital gains	—	0	—
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	3	5	33
Reversal of revaluation of premises	835	(64)	8,885
Increase in earned surplus due to change in shares in consolidated subsidiaries	—	6	—
Net changes in items other than shareholders' equity	20,489	10,122	217,861
Total changes during the year	35,778	22,061	380,417
Balance at end of the year	¥409,320	¥373,541	\$4,352,154

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>I. Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥33,504	¥41,344	\$356,240
Depreciation	5,405	5,293	57,476
Losses on impairment of fixed assets	1,612	511	17,144
Amortization of goodwill	232	129	2,473
Equity in losses of nonconsolidated subsidiaries and affiliate	476	276	5,070
Gains on negative goodwill	—	(144)	—
Decrease in reserve for possible loan losses	(1,219)	(386)	(12,966)
(Decrease) increase in reserve for devaluation of securities	(405)	21	(4,316)
Decrease in reserve for bonuses to directors and corporate auditors	—	(49)	—
(Decrease) increase in reserve for employee retirement benefits	(350)	45	(3,726)
Decrease in reserve for retirement benefits for directors and corporate auditors	(1)	(605)	(11)
(Decrease) increase in reserve for reimbursement of deposits	(251)	1,625	(2,670)
(Decrease) increase in reserve for other contingent losses	(401)	390	(4,271)
Income from lending activities	(114,504)	(121,379)	(1,217,482)
Funding costs	7,976	9,586	84,814
Losses on securities	1,714	2,013	18,231
(Gains) losses on money held in trust	(8)	16	(88)
Net foreign exchange gains	(247)	(514)	(2,627)
Losses on sale of tangible fixed assets	368	301	3,920
Losses on contribution of securities to retirement benefit trust	2,774	—	29,501
Net (increase) decrease in trading account assets	(272)	2,021	(2,899)
Net increase in loans and bills discounted	(195,339)	(163,740)	(2,076,976)
Net increase in deposits	70,580	78,112	750,460
Net increase (decrease) in certificates of deposit	85,966	(5,327)	914,046
Net increase in borrowed money, exclusive of subordinated borrowings	21,537	9,496	229,000
Net decrease (increase) in due from banks, exclusive of central bank	5,256	(1,710)	55,892
Net decrease (increase) in call loans	9,223	(900)	98,074
Net (decrease) increase in call money	(44,525)	143,497	(473,418)
Net (decrease) increase in guarantee deposits received under securities lending transactions	(26,056)	27,701	(277,053)
Net decrease in foreign exchange assets	2,528	2,775	26,880
Net increase (decrease) in foreign exchange liabilities	49	(17)	530
Interest and dividends received	119,001	125,005	1,265,302
Interest paid	(9,584)	(11,510)	(101,912)
Others	(28,146)	2,557	(299,275)
Subtotal	(53,104)	146,441	(564,637)
Income taxes paid	(1,842)	(917)	(19,589)
Net cash (used in) provided by operating activities	(¥54,946)	¥145,524	(\$584,227)

## Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>II. Cash flows from investing activities:</b>			
Payments for purchase of securities	(¥381,912)	(¥377,373)	(\$4,060,736)
Proceeds from sale of securities	252,365	124,066	2,683,308
Proceeds from redemption of securities	186,369	173,289	1,981,602
Payments for purchase of money held in trust	(18)	(57)	(199)
Payments for purchase of tangible fixed assets	(3,125)	(3,663)	(33,231)
Proceeds from sale of tangible fixed assets	551	70	5,858
Payments for purchase of intangible fixed assets	(5,171)	(4,266)	(54,986)
Proceeds from sale of intangible fixed assets	84	—	898
Payments for purchase of stock of subsidiaries	(4,103)	(826)	(43,626)
Net cash provided by (used in) investing activities	¥45,039	(¥88,761)	\$478,887
<b>III. Cash flows from financing activities:</b>			
Repayments of subordinated borrowings	¥ —	(¥3,000)	\$ —
Issuance of subordinated bonds and bonds with stock subscription rights	—	10,000	—
Redemption of subordinated bonds and bonds with stock subscription rights	(15,000)	—	(159,489)
Dividends paid	(3,975)	(5,957)	(42,270)
Dividends paid to minority shareholders	(880)	(889)	(9,365)
Payments for acquisition of treasury stock	(11)	(16)	(127)
Proceeds from sale of treasury stock	3	5	33
Net cash (used in) provided by financing activities	(¥19,865)	¥141	(\$211,219)
<b>IV. Effects of changes in exchange rates on cash and cash equivalents</b>	¥36	(¥4)	\$391
<b>V. Net (decrease) increase in cash and cash equivalents</b>	(¥29,735)	¥56,900	(\$316,168)
<b>VI. Cash and cash equivalents at beginning of the year</b>	¥274,659	¥217,758	\$2,920,351
<b>VII. Cash and cash equivalents at end of the year (Note 37)</b>	¥244,923	¥274,659	\$2,604,183

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

**1. Basis of Presentation of Consolidated Financial Statements** The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the "Bank"), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥94.05 = U.S.\$ 1.00, the exchange rate on 31st March, 2013, has been used in translation.

In the consolidated financial statements, "-" is used to denote "nil" and "0" is used to denote rounding down to zero.

## 2. Summary of Significant Accounting Policies

### (a) Scope of Consolidation

The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2013 and 2012 is as follows:

	2013	2012
i) Number of consolidated subsidiaries:	8	10
ii) Number of non-consolidated subsidiaries:	1	1

i) NCB Office Service Co., Ltd. and NCB Mortgage Service Co., Ltd. were excluded from consolidation due to their liquidations in 2013.

ii) The Nishi-Nippon Challenge 2, Limited Partnership was excluded from consolidation due to its insignificance in 2013 and 2012.

### (b) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2013 and 2012 is as follows:

	2013	2012
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	1	1
iv) Number of affiliates not accounted for by the equity method:	0	0

### (c) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries in 2013 and 2012 are as follows:

	2013	2012
January 14 *	1	1
March 31	7	9

\*A subsidiary with the closing date of January 14 is consolidated based on the financial statements at the provisional closing of accounts performed as of 31st March. Other subsidiaries are consolidated based on the financial statements at their respective closing date.

(d) *Trading Account Assets and Liabilities*

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Bank values securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

(e) *Securities*

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. In principle, securities available for sale are carried at fair value with cost of sales determined by the moving average method. However, securities available for sale, for which it is extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(f) *Derivatives*

Derivatives held or written are stated at fair value.

(g) *Tangible Fixed Assets (excluding leased assets)*

The Bank uses the declining-balance method for depreciation of tangible fixed assets other than buildings acquired on and after 1st April, 1998 which are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(h) *Intangible Fixed Assets (excluding leased assets)*

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries (generally 5 years).

(i) *Leased Assets*

The tangible and intangible fixed assets capitalized under the finance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

*(j) Reserve for Possible Loan Losses*

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at 31st March, 2013 and 2012 were ¥24,666 million (\$262,273 thousand), and ¥31,147 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

*(k) Reserve for Devaluation of Securities*

In order to provide for a loss on investments, the Bank estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

*(l) Reserve for Employee Retirement Benefits*

Reserve for employee retirement benefits is provided based on the projected retirement benefit obligation and the pension plan assets at the balance sheet date.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

*(m) Reserve for Retirement Benefits for Directors and Corporate Auditors*

Reserve for retirement benefits for directors and corporate auditors is provided by some of the consolidated subsidiaries at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

*(n) Reserve for Reimbursement of Deposits*

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the Bank.

*(o) Reserve for Other Contingent Losses*

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Bank.

(p) *Reserve under the Special Laws*

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Bank's consolidated subsidiaries in Japan at an amount estimated pursuant to Article 46, item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments business.

(q) *Foreign Currency Translation*

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(r) *Accounting for Leases*

Finance lease transactions which were initially engaged by the Bank and its consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(s) *Hedge Accounting*

① Hedge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).

The Bank treats foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the Bank tests hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

② Internal contract

For internal contracts, the Bank manages the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No.25. Therefore, the Bank either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

Special treatments for interest rate swaps are applied to certain assets and liabilities.

(t) *Amortization of Goodwill*

Goodwill is primarily amortized using the straight-line method over five years.

(u) *Cash and Cash Equivalents in the Consolidated Statements of Cash Flows*

Cash and Cash Equivalents in the consolidated statements of cash flows are composed of cash and due from central bank.

(v) *Accounting Treatment for Consumption Taxes*

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes for the Bank and its domestic consolidated subsidiaries.

<b>3. Accounting Standards yet to be Applied</b>	"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on 17th May, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on 17th May, 2012)
--	--

*(a) Outline*

The accounting standard and guidance are introduced primarily to ( i ) change the accounting treatment for unrecognized actuarial gains and losses as well as prior service costs and expand the scope of disclosure items; and ( ii ) change the calculation method for projected retirement benefit obligation and service costs, with an eye to improving financial reporting while taking into consideration international trends.

*(b) Effective date*

The Bank plans to apply ( i ) described above effective as of the end of the fiscal year beginning on 1st April, 2013, and ( ii ) effective 1st April, 2014.

*(c) Impact of application of the accounting standard and guidance*

The Bank is currently evaluating the impact of application of the accounting standard and guidance.

<b>4. Trading Account Assets</b>	Trading account assets at 31st March, 2013 and 2012 consisted of the following:
----------------------------------	---

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Trading securities	¥1,548	¥1,275	\$16,466
Other trading assets	—	—	—
Total	¥1,548	¥1,275	\$16,466

<b>5. Securities</b>	Securities at 31st March, 2013 and 2012 consisted of the following:
----------------------	---

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japanese government bonds	¥560,939	¥637,612	\$5,964,268
Japanese municipal bonds	193,325	213,799	2,055,559
Corporate bonds (including government-guaranteed bonds)*	481,879	483,622	5,123,656
Stock**	99,246	97,584	1,055,252
Other securities***	382,245	290,172	4,064,280
Total	¥1,717,636	¥1,722,791	\$18,263,018

\* Corporate bonds included bonds offered through private placement. The Bank's guarantee obligation for such private placement bonds at 31st March, 2013 and 2012 were ¥5,911 million (\$62,849 thousand) and ¥7,301 million, respectively.

\*\* Stock included stock of affiliates of ¥524 million (\$5,580 thousand) and ¥341 million at 31st March, 2013 and 2012, respectively.

\*\*\* Other securities included investments in non-consolidated subsidiaries of ¥312 million (\$3,321 thousand) and ¥312 million at 31st March, 2013 and 2012, respectively.

<b>6. Loans and Bills Discounted</b>	Loans and bills discounted at 31st March, 2013 and 2012 consisted of the following:
--------------------------------------	---

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bills discounted*	¥35,407	¥39,719	\$376,474
Loans on notes	197,780	182,918	2,102,925
Loans on deed	4,853,072	4,684,658	51,600,978
Overdraft	498,966	482,590	5,305,335
Total	¥5,585,226	¥5,389,886	\$59,385,714

\* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24). The Bank has right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥35,636 million (\$378,912 thousand) and ¥40,035 million at 31st March, 2013 and 2012, respectively.

Non-performing loans included in the loans at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans to legally bankrupt entities**	¥3,687	¥4,290	\$39,210
Delinquent loans***	145,064	150,961	1,542,420
Loans past due for three months or more****	323	161	3,442
Loans with altered lending conditions*****	26,061	25,034	277,102
<b>Total</b>	<b>¥175,137</b>	<b>¥180,448</b>	<b>\$1,862,175</b>

\*\* Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status ("non-accrual loans"), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

\*\*\* Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

\*\*\*\* Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

\*\*\*\*\* Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

#### 7. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets pledged as collateral			
Cash and due from banks	¥60	¥68	\$645
Commercial paper and other debt purchased	536	848	5,701
Securities	449,175	578,689	4,775,927
<b>Total</b>	<b>¥449,772</b>	<b>¥579,605</b>	<b>\$4,782,274</b>
Liabilities secured by the above assets			
Deposits	¥11,060	¥9,110	\$117,603
Call money and bills sold	134,600	198,219	1,431,153
Guarantee deposits received under securities lending transactions	46,104	72,160	490,208
Borrowed money	51,380	32,715	546,311

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and due from banks	¥2	¥2	\$21
Securities	111,561	136,986	1,186,197

The following deposits were included in other assets at 31st March, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deposits included in other assets	¥3,221	¥3,379	\$34,258

**8. Contracts for Commitment Lines of Credit** Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Aggregate amount under commitment contracts not yet drawn down	<b>¥1,731,366</b>	¥1,761,911	<b>\$18,409,001</b>
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	<b>1,710,394</b>	1,742,764	<b>18,186,014</b>

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries. Many of these contracts have stipulations that allow the Bank and its consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the Bank and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

**9. Foreign Exchange** Foreign exchange assets and liabilities at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Assets:</b>			
Foreign exchange bills bought	<b>¥229</b>	¥316	<b>\$2,437</b>
Foreign exchange bills receivable	<b>319</b>	426	<b>3,392</b>
Due from foreign banks (their accounts)	—	4,276	—
Due from foreign banks (our accounts)	<b>4,589</b>	2,646	<b>48,796</b>
Total	<b>¥5,137</b>	¥7,665	<b>\$54,626</b>
<b>Liabilities:</b>			
Foreign exchange bills sold	<b>¥39</b>	¥2	<b>\$419</b>
Foreign exchange bills payable	<b>94</b>	81	<b>1,002</b>
Total	<b>¥133</b>	¥83	<b>\$1,421</b>

**10. Other Assets** Other assets at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Domestic exchange settlement account*	<b>¥19</b>	¥1,346	<b>\$210</b>
Accrued income	<b>8,526</b>	9,182	<b>90,656</b>
Prepaid expenses	<b>61</b>	63	<b>651</b>
Financial derivative products	<b>5,948</b>	7,980	<b>63,244</b>
Other	<b>31,249</b>	28,134	<b>332,263</b>
Total	<b>¥45,804</b>	¥46,708	<b>\$487,026</b>

\* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

**11. Tangible Fixed Assets**

Tangible fixed assets at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥80,697	¥82,122	\$858,026
Buildings	72,199	72,846	767,670
Construction in progress	116	177	1,240
Leased assets	851	800	9,050
Other tangible fixed assets	36,705	37,698	390,279
	190,570	193,644	2,026,267
Less accumulated depreciation	(73,497)	(73,615)	(781,468)
Total	¥117,073	¥120,029	\$1,244,798

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	¥7,829	¥8,291	\$83,244

**12. Deposits**

Deposits at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current deposits	¥288,589	¥280,889	\$3,068,473
Ordinary deposits	3,250,185	3,122,138	34,558,056
Deposits at notice	10,080	12,657	107,184
Time deposits	2,935,187	2,987,638	31,208,795
Negotiable certificates of deposit	222,134	136,168	2,361,874
Other deposits	116,057	126,194	1,233,992
Total	¥6,822,234	¥6,665,687	\$72,538,376

**13. Bonds**

Bonds at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bonds:			
3.20% Japanese yen subordinated bonds due 2014	¥15,000	¥15,000	\$159,489
2.78% Japanese yen subordinated bonds due 2015	14,500	14,500	154,173
2.10% Japanese yen callable subordinated bonds due 2017	—	15,000	—
2.70% Japanese yen subordinated bonds due 2017	10,000	10,000	106,326
1.70% Japanese yen callable subordinated bonds due 2020	15,000	15,000	159,489
1.55% Japanese yen callable subordinated bonds due 2021	8,800	8,800	93,567
1.37% Japanese yen callable subordinated bonds due 2021	10,000	10,000	106,326
Total	¥73,300	¥88,300	\$779,372

**14. Borrowed Money**

Borrowed money included subordinated borrowings of ¥13,000 million (\$138,224 thousand) and ¥13,000 million at 31st March, 2013 and 2012, respectively.

The weighted average interest rates on borrowed money at 31st March, 2013 and 2012 are 0.71% and 0.98%, respectively.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2013 are as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2014	¥59,174	\$629,182
2015	499	5,312
2016	851	9,049
2017	253	2,696
2018	147	1,565

**15. Other Liabilities**

Other liabilities at 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Domestic exchange settlement account	¥52	¥2,156	\$553
Accrued income taxes	2,698	738	28,695
Accrued expenses	11,043	12,672	117,418
Unearned income	2,786	3,034	29,623
Financial derivative products	5,184	7,248	55,120
Lease obligations	414	461	4,403
Asset retirement obligations	825	874	8,782
Others	29,605	24,587	314,787
Total	¥52,610	¥51,773	\$559,384

**16. Capital Stock**

Capital stock during the year ended 31st March, 2013 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2012	796,732,552	¥85,745	\$911,702
Increase	—	—	—
Decrease	—	—	—
31st March, 2013	796,732,552	¥85,745	\$911,702

Capital stock during the year ended 31st March, 2012 consisted of the following:

	Common stock	Capital stock
	Issued shares	Millions of yen
1st April, 2011	796,732,552	¥85,745
Increase	—	—
Decrease	—	—
31st March, 2012	796,732,552	¥85,745

**17. Treasury Stock**

Treasury stock during the year ended 31st March, 2013 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2012	1,653,320	(¥668)	(\$7,109)
Increase*	60,946	(11)	(127)
Decrease*	17,503	7	74
31st March, 2013	1,696,763	(¥673)	(\$7,161)

\* An increase for the year ended 31st March, 2013 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

Treasury stock during the year ended 31st March, 2012 consisted of the following:

	Common stock	Treasury stock
	Number of shares	Millions of yen
1st April, 2011	1,603,082	(¥661)
Increase*	72,812	(16)
Decrease*	22,574	9
31st March, 2012	1,653,320	(¥668)

\* An increase for the year ended 31st March, 2012 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

**18. Revaluation of Premises Account**

Based on the Law Concerning Land Revaluation (Law No.34, promulgated on 31st March, 1998), the Bank has revalued its land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation at 31st March, 2013 and 2012 is as follows:

Millions of yen		Thousands of U.S. dollars
2013	2012	2013
<b>¥33,365</b>	¥34,995	<b>\$354,763</b>

**19. Other Interest Income**

Other interest income for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Interest on call loans and bills bought	<b>¥81</b>	¥116	<b>\$867</b>
Interest on deposits with banks	<b>48</b>	75	<b>515</b>
Others	<b>832</b>	686	<b>8,848</b>
<b>Total</b>	<b>¥962</b>	¥878	<b>\$10,231</b>

**20. Other Operating Income**

Other operating income for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gains on foreign exchange transactions	<b>¥525</b>	¥583	<b>\$5,584</b>
Gains on sale of bonds	<b>4,516</b>	1,489	<b>48,018</b>
Trust fees	—	9	—
Income from derivatives other than trading derivatives	—	14	—
Others	<b>598</b>	514	<b>6,361</b>
<b>Total</b>	<b>¥5,639</b>	¥2,611	<b>\$59,964</b>

**21. Other Income**

Other income for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gains on sale of stock and other securities	<b>¥286</b>	¥264	<b>\$3,048</b>
Gains on money held in trust	<b>8</b>	2	<b>88</b>
Gains on disposition of fixed assets	<b>101</b>	3	<b>1,078</b>
Recoveries of written-off claims	<b>2,173</b>	2,726	<b>23,104</b>
Rental income on land and buildings	<b>387</b>	391	<b>4,122</b>
Gains on negative goodwill	—	144	—
Gains on dormant deposits*	<b>1,498</b>	5,010	<b>15,928</b>
Others	<b>536</b>	1,220	<b>5,702</b>
<b>Total</b>	<b>¥4,991</b>	¥9,763	<b>\$53,074</b>

\* The Bank separately manages certain deposits, which have been inactive for a long period of time following the last transaction date, by transferring such deposits from the deposit account and recognizes gains at the amount of balances of those dormant deposits. Although a period of ten years was used as the criterion for such transfer in the past, starting the first half of the year ended 31st March, 2012, a period of five years has been adopted, instead, for a portion of liquid deposits from the perspective of prevention of criminal or improper use of deposit accounts.

**22. Other Interest Expenses** Other interest expenses for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bonds	¥1,693	¥1,895	\$18,011
Securities lending transactions	220	169	2,339
Others	190	119	2,029
Total	¥2,104	¥2,183	\$22,380

**23. Other Operating Expenses** Other operating expenses for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Losses on sale of bonds	¥978	¥317	\$10,400
Losses on redemption of bonds	212	384	2,255
Losses on derivatives other than trading derivatives	35	—	381
Others	0	4	0
Total	¥1,226	¥706	\$13,037

**24. General and Administrative Expenses** General and administrative expenses for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Salaries and allowances	¥34,806	¥35,386	\$370,080
Employee retirement benefits	3,271	4,017	34,785
Retirement benefits for directors and corporate auditors	30	64	323
Depreciation	5,405	5,293	57,476
Rental expenses	4,702	4,931	50,001
Amortization of goodwill	232	129	2,473
Taxes	4,063	3,974	43,209
Others	29,313	31,376	311,677
Total	¥81,826	¥85,175	\$870,027

**25. Other Expenses** Other expenses for the years ended 31st March, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Provision for possible loan losses	¥1,095	¥2,563	\$11,644
Losses on write-offs of claims	5,777	6,224	61,433
Losses on sale of stock and other securities	801	1,033	8,518
Losses on devaluation of stock and other securities	4,526	2,032	48,124
Equity in losses of affiliates	476	276	5,070
Losses on money held in trust	—	18	—
Losses on disposition of tangible fixed assets	470	305	4,998
Impairment losses	1,612	511	17,144
Losses on contribution of securities to retirement benefit trust	2,774	—	29,501
Losses on sale of loans	1,594	1,482	16,952
Provision for reserve for reimbursement of deposits	—	2,233	—
Others	3,107	1,789	33,043
Total	¥22,236	¥18,470	\$236,429

**26. Other Comprehensive Income**

Reclassification adjustments and tax effects related to other comprehensive income for the years ended 31st March, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains on securities available for sale:			
Amount arising during the year	¥33,604	¥9,873	\$357,300
Reclassification adjustments	4,019	1,591	42,735
Amount before tax effect	37,623	11,465	400,036
Tax effect	(12,984)	(3,827)	(138,059)
Net unrealized gains on securities available for sale	¥24,638	¥7,638	\$261,976
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥190)	(¥119)	(\$2,023)
Reclassification adjustments	190	119	2,028
Amount before tax effect	0	0	4
Tax effect	(0)	(0)	(1)
Net deferred gains (losses) on hedging instruments	¥0	¥0	\$2
Gains on revaluation of premises:			
Amount arising during the year	¥ —	¥ —	\$ —
Reclassification adjustments	—	—	—
Amount before tax effect	—	—	—
Tax effect	—	2,697	—
Gains on revaluation of premises	¥ —	¥2,697	\$ —
Translation adjustments:			
Amount arising during the year	¥ —	(¥0)	\$ —
Reclassification adjustments	—	0	—
Amount before tax effect	—	0	—
Tax effect	—	—	—
Translation adjustments	¥ —	¥0	\$ —
Gains on change in shares in consolidated subsidiaries:			
Amount arising during the year	¥ —	¥6	\$ —
Reclassification adjustments	—	—	—
Amount before tax effect	—	6	—
Tax effect	—	—	—
Gains on change in shares in consolidated subsidiaries	¥ —	¥6	\$ —
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	¥1	(¥0)	\$12
Reclassification adjustments	—	—	—
Amount before tax effect	1	(0)	12
Tax effect	—	—	—
Share of other comprehensive income of affiliates accounted for by the equity method	¥1	(¥0)	\$12
Total other comprehensive income	¥24,640	¥10,342	\$261,991

## 27. Lease Transactions

## (1) Finance leases

Information on finance lease transactions which are accounted for as operating leases at 31st March, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥4,355	¥6,662	\$46,305
Total	¥4,355	¥6,662	\$46,305
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥3,321	¥5,239	\$35,315
Total	¥3,321	¥5,239	\$35,315
Amounts equivalent to carrying value			
Tangible fixed assets	¥1,033	¥1,422	\$10,989
Total	¥1,033	¥1,422	\$10,989

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Future finance lease payments			
Due within one year	¥202	¥387	\$2,155
Due after one year	830	1,035	8,834
Total	¥1,033	¥1,422	\$10,989

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total lease payments during the year	¥370	¥450	\$3,941
The amount equivalent to depreciation expenses *	370	450	3,941

\* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

## (2) Operating leases

Future lease payments required under operating leases that are non-cancelable at 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Future operating lease payments			
Due within one year	¥386	¥278	\$4,111
Due after one year	1,302	325	13,850
Total	¥1,689	¥604	\$17,961

---

## 28. Financial Instruments

### (1) Matters related to status of financial instruments

#### 1. Policies for financial instruments

The Nishi-Nippon City Bank Group (the "Group") is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Bank comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Bank operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Bank's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

#### 2. Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates and callable time deposits, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Bank assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

## 3. Risk management system for financial instruments

## ① Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, each related division carries out self-assessment of its assets for calculating the appropriate level of write-offs and provisions. The asset audit office in the Internal Audit Division of the Bank constantly monitors the status of the self-assessment procedures and adequacy of the write-offs and provisions.

## ② Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the Corporate Risk Management & Compliance Division of the Bank, which is independent from the market divisions, has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at 31st March, 2013 and 2012 were ¥40,144 million (\$426,845 thousand) and ¥27,818 million, respectively.

The Bank's financial instruments which are subject to the measurement include loans, deposits, securities and derivatives. The Bank measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months. The quantity of market risks of the Bank at 31st March, 2013 and 2012 were ¥38,915 million (\$413,777 thousand) and ¥25,817 million, respectively.

The Bank performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

## ③ Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Bank, a system of mutual controls among divisions has been put into place. As a part of this system, the Treasury & Securities Transaction Division and Treasury & Portfolio Investment Division, which are responsible for the Bank's day-to-day cash management, raise and manage marketable funds, while the Corporate Risk Management & Compliance Division, which is responsible for managing the liquidity risk, monitors the Bank's cash position. In this way, the Bank maintains a fluid and stable cash position.

## ④ Risk management for derivative transactions

The Bank's derivative transactions are entered into using operational rules prepared in accordance with the Bank's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

## 4. Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

## (2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2013 and 2012 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely difficult to be estimated are excluded from the table below (refer to Note 2).

## &lt;At 31st March, 2013&gt;

	Millions of yen		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
(1) Cash and due from banks	¥248,461	¥248,461	¥ —
(2) Securities:			
Held-to-maturity securities	75,624	79,609	3,985
Available-for-sale securities	1,623,950	1,623,950	—
(3) Loans and bills discounted	5,585,226		
Reserve for possible loan losses*	(36,010)		
	5,549,215	5,668,833	119,617
<b>Total assets</b>	<b>¥7,497,251</b>	<b>¥7,620,854</b>	<b>¥123,603</b>
<b>Liabilities:</b>			
(1) Deposits	¥6,822,234	¥6,823,373	¥1,138
(2) Call money and bills sold	233,352	233,352	—
(3) Borrowed money	74,004	74,270	265
(4) Bonds	73,300	76,043	2,743
<b>Total liabilities</b>	<b>¥7,202,891</b>	<b>¥7,207,039</b>	<b>¥4,147</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥543	¥543	¥ —
Hedge accounting applied	220	220	—
<b>Total derivatives</b>	<b>¥764</b>	<b>¥764</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
(1) Cash and due from banks	\$2,641,801	\$2,641,801	\$ —
(2) Securities:			
Held-to-maturity securities	804,084	846,458	42,373
Available-for-sale securities	17,266,882	17,266,882	—
(3) Loans and bills discounted	59,385,714		
Reserve for possible loan losses*	(382,887)		
	59,002,827	60,274,679	1,271,852
<b>Total assets</b>	<b>\$79,715,595</b>	<b>\$81,029,821</b>	<b>\$1,314,226</b>
<b>Liabilities:</b>			
(1) Deposits	\$72,538,376	\$72,550,484	\$12,108
(2) Call money and bills sold	2,481,153	2,481,153	—
(3) Borrowed money	786,868	789,687	2,819
(4) Bonds	779,372	808,547	29,174
<b>Total liabilities</b>	<b>\$76,585,771</b>	<b>\$76,629,873</b>	<b>\$44,102</b>
<b>Derivatives**</b>			
Hedge accounting not applied	\$5,776	\$5,776	\$ —
Hedge accounting applied	2,347	2,347	—
<b>Total derivatives</b>	<b>\$8,124</b>	<b>\$8,124</b>	<b>\$ —</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value.

&lt;At 31st March, 2012&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
<b>Assets:</b>			
(1) Cash and due from banks	¥283,453	¥283,453	¥ —
(2) Securities:			
Held-to-maturity securities	78,997	82,667	3,669
Available-for-sale securities	1,624,170	1,624,170	—
(3) Loans and bills discounted	5,389,886		
Reserve for possible loan losses*	(36,805)		
	5,353,081	5,463,325	110,244
<b>Total assets</b>	<b>¥7,339,703</b>	<b>¥7,453,616</b>	<b>¥113,913</b>
<b>Liabilities:</b>			
(1) Deposits	¥6,665,687	¥6,667,476	¥1,789
(2) Call money and bills sold	277,877	277,877	—
(3) Borrowed money	52,467	52,899	432
(4) Bonds	88,300	90,559	2,259
<b>Total liabilities</b>	<b>¥7,084,332</b>	<b>¥7,088,813</b>	<b>¥4,480</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥692	¥692	¥ —
Hedge accounting applied	40	40	—
<b>Total derivatives</b>	<b>¥732</b>	<b>¥732</b>	<b>¥ —</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

\*\* Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value.

## (Note 1) Methods for estimating the market value of financial instruments

## Assets:

## (1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

## (2) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the banks. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Floating-rate Japanese government bonds ("JGB") are valued and stated at the amounts the Bank estimated reasonably as of 31st March, 2013 and 2012 since the current market prices of such bonds are not deemed reasonable fair value considering various current market factors. As a result, securities and net unrealized gains on securities available for sale increased by ¥660 million (\$7,024 thousand) and ¥426 million (\$4,538 thousand), respectively, and deferred tax assets decreased by ¥233 million (\$2,486 thousand) at 31st March, 2013, and securities and net unrealized gains on securities available for sale increased by ¥2,128 million and ¥1,375 million, respectively, and deferred tax assets decreased by ¥753 million at 31st March, 2012, compared with the corresponding amounts if the fair value of the bonds were stated at the market price.

The reasonably estimated fair value of floating-rate JGBs is based on future cash flows derived from JGB yield and volatilities of the underlying assets of 10-year interest rate swaptions, discounted by the respective JGB yield.

Notes concerning securities by each carrying purpose are presented in "29. Securities" of "Notes to Consolidated Financial Statements."

(3) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities:

(1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(2) Call money and bills sold

Since call money and bills sold have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(3) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short period of time and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

(4) Bonds

The fair value of bonds is based on the Reference Price (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with floating interest rates reflect market interest rates in a short period of time and the credit standing of the issuers has not changed significantly since the issuance, the fair value of such bonds is deemed to approximate their carrying value. Thus, the carrying value is treated as the fair value.

Derivative transactions:

Derivative transactions are presented in "31. Derivatives" of "Notes to Consolidated Financial Statements."

(Note 2) Financial instruments whose fair value is extremely difficult to be estimated are as stated below.  
They are not included in "Assets: (2) Available-for-sale securities" presented in "Estimated fair value of financial instruments."

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Non-listed stocks	¥15,914	¥17,136	\$169,213
Investments in partnerships	2,147	2,486	22,837
Total	¥18,062	¥19,622	\$192,051

Notes: 1. Because non-listed stocks have no market price and because it is extremely difficult to estimate their fair value, they are not subject to the fair value disclosure.  
2. In the year ended 31st March, 2013 and 2012, impairment losses of ¥109 million (\$1,166 thousand) and ¥55 million were recorded for non-listed stocks, respectively.  
3. Investments in partnerships whose fair value is extremely difficult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2013 and 2012:

<At 31st March, 2013>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥136,638	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities:						
Government bonds	—	7,000	11,927	26,906	25,000	6,000
Municipal bonds	—	5,000	6,089	6,290	—	—
Corporate bonds	—	2,000	5,838	10,616	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity:						
Government bonds	186,721	443,201	416,048	278,975	124,778	1,189
Municipal bonds	84,500	77,000	122,800	115,700	108,000	—
Corporate bonds	25,770	106,310	31,731	8,400	—	—
Others	41,999	198,382	117,978	90,342	2,400	—
Others	34,452	61,509	143,538	64,532	14,378	1,189
Loans and bills discounted	1,129,217	1,006,967	788,359	514,708	682,119	1,219,149
Total	¥1,452,577	¥1,457,168	¥1,216,334	¥820,590	¥831,898	¥1,226,339

	Millions of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$1,452,824	\$ —	\$ —	\$ —	\$ —	\$ —
Securities:						
Held-to-maturity securities:						
Government bonds	—	74,428	126,815	286,081	265,816	63,795
Municipal bonds	—	53,163	64,742	66,879	—	—
Corporate bonds	—	21,265	62,073	112,876	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity:						
Government bonds	1,985,346	4,712,402	4,423,692	2,966,251	1,326,727	12,645
Municipal bonds	898,458	818,713	1,305,688	1,230,196	1,148,325	—
Corporate bonds	274,003	1,130,358	337,385	89,314	—	—
Others	446,560	2,109,324	1,254,426	960,584	25,518	—
Others	366,325	654,006	1,526,192	686,156	152,883	12,645
Loans and bills discounted	12,006,565	10,706,723	8,382,342	5,472,710	7,252,732	12,962,784
Total	\$15,444,737	\$15,493,554	\$12,932,851	\$8,725,043	\$8,845,275	\$13,039,226

Note: Excluded from Loans and bills discounted are ¥147,726 million (\$1,570,725 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥96,977 million (\$1,031,129 thousand) relating to those that do not have contractual maturity.

<At 31st March, 2012>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Due from banks	¥171,270	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities:						
Government bonds	—	300	7,200	24,236	32,597	16,000
Municipal bonds	—	—	—	—	25,000	16,000
Corporate bonds	—	—	5,000	7,089	5,290	—
Others	—	300	200	3,000	—	—
Securities available for sale with maturity:						
Government bonds	141,815	347,183	540,156	299,380	128,322	12,000
Municipal bonds	29,690	103,000	182,394	135,500	116,700	12,000
Corporate bonds	35,317	71,968	70,126	12,383	2,550	—
Others	64,100	118,997	141,172	122,403	7,564	—
Others	12,708	53,217	146,463	29,094	1,508	—
Loans and bills discounted	1,075,980	962,730	809,340	490,500	655,114	1,139,119
Total	¥1,389,066	¥1,310,213	¥1,356,696	¥814,116	¥816,034	¥1,167,119

Note: Excluded from Loans and bills discounted are ¥154,040 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥103,060 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2013 and 2012:

<At 31st March, 2013>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	¥6,276,869	¥496,581	¥40,176	¥3,730	¥4,875	¥ —
Call money and bills sold	233,352	—	—	—	—	—
Borrowed money	59,174	1,350	400	13,055	23	—
Bonds	—	29,500	10,000	—	33,800	—
Total	¥6,569,396	¥527,431	¥50,577	¥16,786	¥38,699	¥ —

	Millions of U.S. dollars					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	\$66,739,710	\$5,279,968	\$427,186	\$39,667	\$51,843	\$ —
Call money and bills sold	2,481,153	—	—	—	—	—
Borrowed money	629,182	14,362	4,261	138,813	248	—
Bonds	—	313,662	106,326	—	359,383	—
Total	\$69,850,046	\$5,607,993	\$537,774	\$178,480	\$411,475	\$ —

Note: Demand deposits are included under "Due in 1 year or less."

<At 31st March, 2012>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	¥6,010,785	¥592,927	¥51,876	¥5,076	¥5,020	¥ —
Call money and bills sold	277,877	—	—	—	—	—
Borrowed money	36,400	2,073	867	3,081	10,044	—
Bonds	—	15,000	14,500	25,000	33,800	—
Total	¥6,325,064	¥610,000	¥67,244	¥33,157	¥48,865	¥ —

Note: Demand deposits are included under "Due in 1 year or less."

## 29. Securities

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Holding losses recognized in income	¥7	(¥0)	\$82

(2) Held-to-maturity securities

1. Securities whose fair value exceeds their carrying value

&lt;At 31st March, 2013&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥39,164	¥41,535	¥2,371
Municipal bonds	17,744	18,482	738
Corporate bonds	18,715	19,591	875
	75,624	79,609	3,985
Others	—	—	—
Total	¥75,624	¥79,609	¥3,985

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	\$416,418	\$441,632	\$25,214
Municipal bonds	188,671	196,521	7,849
Corporate bonds	198,995	208,304	9,309
	804,084	846,458	42,373
Others	—	—	—
Total	\$804,084	\$846,458	\$42,373

&lt;At 31st March, 2012&gt;

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥38,915	¥41,358	¥2,442
Municipal bonds	17,822	18,373	551
Corporate bonds	18,766	19,432	666
	75,503	79,164	3,660
Others	3,494	3,502	8
Total	¥78,997	¥82,667	¥3,669

2. Securities whose carrying value exceeds their fair value

<At 31st March, 2013>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥ —	¥ —	¥ —
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	\$ —	\$ —	\$ —
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

<At 31st March, 2012>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥ —	¥ —	¥ —
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

(3) Available-for-sale securities

1. Securities whose carrying value exceeds their acquisition cost

<At 31st March, 2013>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥58,630	¥38,124	¥20,505
Bonds:			
Government bonds	449,520	443,861	5,658
Municipal bonds	174,115	172,464	1,650
Corporate bonds	433,596	426,116	7,480
	1,057,232	1,042,442	14,789
Others	320,112	294,937	25,175
<b>Total</b>	<b>¥1,435,975</b>	<b>¥1,375,504</b>	<b>¥60,471</b>

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$623,394	\$405,364	\$218,029
Bonds:			
Government bonds	4,779,586	4,719,421	60,165
Municipal bonds	1,851,303	1,833,749	17,554
Corporate bonds	4,610,281	4,530,748	79,532
	11,241,172	11,083,920	157,251
Others	3,403,646	3,135,960	267,685
<b>Total</b>	<b>\$15,268,213</b>	<b>\$14,625,245</b>	<b>\$642,967</b>

&lt;At 31st March, 2012&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥38,672	¥25,174	¥13,497
Bonds:			
Government bonds	556,326	549,265	7,060
Municipal bonds	190,385	188,558	1,826
Corporate bonds	453,163	447,255	5,907
	1,199,874	1,185,080	14,794
Others	227,033	219,847	7,186
<b>Total</b>	<b>¥1,465,581</b>	<b>¥1,430,102</b>	<b>¥35,479</b>

## 2. Securities whose acquisition cost exceeds their carrying value

&lt;At 31st March, 2013&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	<b>¥24,701</b>	<b>¥28,996</b>	<b>(¥4,294)</b>
Bonds:			
Government bonds	72,255	72,661	(406)
Municipal bonds	1,465	1,468	(2)
Corporate bonds	29,567	29,589	(22)
	103,288	103,719	(430)
Others	59,984	61,175	(1,190)
<b>Total</b>	<b>¥187,974</b>	<b>¥193,890</b>	<b>(¥5,915)</b>

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	<b>\$262,644</b>	<b>\$308,306</b>	<b>(\$45,662)</b>
Bonds:			
Government bonds	768,263	772,583	(4,319)
Municipal bonds	15,584	15,609	(24)
Corporate bonds	314,380	314,614	(234)
	1,098,228	1,102,807	(4,578)
Others	637,796	650,455	(12,659)
<b>Total</b>	<b>\$1,998,669</b>	<b>\$2,061,569</b>	<b>(\$62,900)</b>

&lt;At 31st March, 2012&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥41,775	¥56,519	(¥14,743)
Bonds:			
Government bonds	42,371	42,607	(236)
Municipal bonds	5,591	5,599	(7)
Corporate bonds	11,692	11,787	(95)
	59,654	59,994	(339)
Others	57,157	60,622	(3,464)
<b>Total</b>	<b>¥158,588</b>	<b>¥177,136</b>	<b>(¥18,547)</b>

(4) Available-for-sale securities sold for the years ended 31st March, 2013 and 2012 were as follows:

<At 31st March, 2013>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥6,939	¥286	(¥801)
Bonds:			
Government bonds	152,101	2,585	(65)
Municipal bonds	11,263	61	—
Corporate bonds	17,720	89	(1)
	181,086	2,736	(67)
Others	47,454	1,779	(910)
<b>Total</b>	<b>¥235,479</b>	<b>¥4,802</b>	<b>(¥1,779)</b>

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$73,782	\$3,048	(\$8,518)
Bonds:			
Government bonds	1,617,246	27,491	(699)
Municipal bonds	119,763	655	—
Corporate bonds	188,417	949	(15)
	1,925,427	29,096	(714)
Others	504,561	18,921	(9,685)
<b>Total</b>	<b>\$2,503,771</b>	<b>\$51,066</b>	<b>(\$18,918)</b>

<At 31st March, 2012>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥3,518	¥217	(¥1,033)
Bonds:			
Government bonds	50,609	396	—
Municipal bonds	3,348	26	—
Corporate bonds	10,175	66	(2)
	64,133	489	(2)
Others	35,702	1,046	(315)
<b>Total</b>	<b>¥103,355</b>	<b>¥1,754</b>	<b>(¥1,350)</b>

(5) Devaluation of securities

Securities other than trading securities (excluding securities whose fair value is extremely difficult to be estimated) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value. The amounts of devaluation were ¥4,416 million\* (\$46,958 thousand) and ¥1,976 million\*\* for the years ended 31st March, 2013 and 2012, respectively.

\* stocks ..... ¥4,416 million (\$46,958 thousand)

\*\* stocks ..... ¥1,976 million

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost.
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the quoted market price maintains a certain level or lower.

## (6) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2013 and 2012 were as follows:

## &lt;At 31st March, 2013&gt;

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥54,555	\$580,066
Deferred tax liability	(18,785)	(199,734)
Revaluation difference (before minority interest adjustment), net of taxes	35,770	380,332
Amount corresponding to minority interests	(249)	(2,648)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	0	0
Unrealized gains on securities available for sale, net of taxes	¥35,521	\$377,685

## &lt;At 31st March, 2012&gt;

	Millions of yen
Revaluation difference	¥16,931
Deferred tax liability	(5,800)
Revaluation difference (before minority interest adjustment), net of taxes	11,131
Amount corresponding to minority interests	(98)
Amount corresponding to the parent's share of net unrealized losses on available-for-sale securities owned by affiliates	(1)
Unrealized gains on securities available for sale, net of taxes	¥11,032

### 30. Money Held in Trust

Money held in trust at 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Money held in trust for investment purposes:			
Carrying value	¥2,000	¥1,981	\$21,265
Unrealized gains included in income before income taxes and minority interests	—	—	—
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥1,000	¥1,000	\$10,632
Carrying value	1,000	1,000	10,632
Unrealized gains/losses	—	—	—

### 31. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2013 and 2012, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

#### 1. Interest related transactions

<At 31st March, 2013>

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥16,665	¥16,285	¥329	¥329
Receive-floating and pay-fixed	16,665	16,285	(196)	(196)
Total	—	—	¥133	¥133

Type of transactions	Thousands of U.S. dollars			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$177,196	\$173,155	\$3,507	\$3,507
Receive-floating and pay-fixed	177,196	173,155	(2,088)	(2,088)
Total	—	—	\$1,419	\$1,419

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2012>

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥11,408	¥10,165	¥226	¥226
Receive-floating and pay-fixed	11,408	10,165	(93)	(93)
Total	—	—	¥133	¥133

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

## 2. Currency related transactions

&lt;At 31st March, 2013&gt;

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥176,008	¥116,431	¥212	¥212
Forward foreign:				
Sell	6,910	—	159	159
Buy	4,603	—	37	37
Currency option:				
Sell	37,835	21,593	(1,452)	694
Buy	37,835	21,593	1,452	(62)
<b>Total</b>	<b>—</b>	<b>—</b>	<b>¥409</b>	<b>¥1,041</b>

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$1,871,438	\$1,237,972	\$2,262	\$2,262
Forward foreign:				
Sell	73,473	—	1,692	1,692
Buy	48,943	—	401	401
Currency option:				
Sell	402,293	229,599	(15,441)	7,381
Buy	402,293	229,599	15,441	(661)
<b>Total</b>	<b>—</b>	<b>—</b>	<b>\$4,356</b>	<b>\$11,076</b>

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

&lt;At 31st March, 2012&gt;

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥170,869	¥158,712	¥285	¥286
Forward foreign:				
Sell	3,268	—	255	255
Buy	1,372	—	16	16
Currency option:				
Sell	55,765	34,625	(3,801)	(474)
Buy	55,765	34,625	3,801	1,596
<b>Total</b>	<b>—</b>	<b>—</b>	<b>¥558</b>	<b>¥1,680</b>

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.  
2. Calculation of fair value is based on the discounted cash flows and others.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2013 and 2012, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

<At 31st March, 2013>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	¥5,000 296,447 15,000	¥5,000 276,447 15,000	(Note 2)
Total			—	—	

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		Fair value
			Contract value		
			Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	\$53,163 3,152,021 159,489	\$53,163 2,939,368 159,489	(Note 2)
Total			—	—	

- Notes:
1. Calculation of fair value is based on the discounted cash flows and others.
  2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 28)." The balance of unamortized premium for interest rate options is ¥210 million (\$2,238 thousand).

<At 31st March, 2012>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	¥5,600 261,592 15,000	¥5,100 258,878 15,000	(Note 2)
Total			—	—	

- Notes:
1. Calculation of fair value is based on the discounted cash flows and others.
  2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 28)." The balance of unamortized premium for interest rate options is ¥267 million.

2. Currency related transactions  
<At 31st March, 2013>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥92,585	¥ —	¥10
Total			—	—	¥10

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$984,427	\$ —	\$109
Total			—	—	\$109

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).  
2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2012>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥20,986	¥ —	(¥226)
Total			—	—	(¥226)

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).  
2. Calculation of fair value is based on the discounted cash flows and others.

32. Reserve for Employee Retirement Benefits

(1) Description of the retirement benefit plan

The Bank and its domestic consolidated subsidiaries adopt defined benefit plans such as corporate pension fund plans and lump-sum payment plans, and the defined contribution plan. The Bank may also pay additional retirement benefits which are not subject to actuarial calculation.

The Bank has established a retirement benefit trust.

As of 31st March, 2013, the lump-sum payment plans are adopted by 8 group companies including the Bank and its domestic consolidated subsidiaries. The corporate pension fund plans are adopted by the Bank and 1 consolidated subsidiary. The defined contribution plan is adopted by 1 consolidated subsidiary.

(2) The funded status and amounts recognized in the consolidated balance sheets at 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	(¥64,432)	(¥56,641)	(\$685,091)
Plan assets	62,248	47,342	661,863
Projected benefit obligation in excess of plan assets	(2,184)	(9,299)	(23,228)
Unrecognized actuarial loss	6,051	7,954	64,338
Unrecognized prior service cost	—	—	—
Net asset (liability) recognized	3,866	(1,345)	41,110
Prepaid pension cost	10,593	9,506	112,634
Reserve for employee retirement benefits	(¥6,726)	(¥10,851)	(\$71,523)

## (3) Pension cost for the years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥1,674	¥1,691	\$17,804
Interest cost	1,397	1,380	14,856
Expected return on plan assets for the year	(1,555)	(1,408)	(16,543)
Amortization of unrecognized prior service cost	—	—	—
Amortization of unrecognized actuarial loss	1,295	2,004	13,774
Others (additional retirement benefit payments)	417	349	4,441
<b>Net pension benefit expense</b>	<b>¥3,228</b>	<b>¥4,017</b>	<b>\$34,332</b>

## (4) Basic information used for calculation of the retirement benefit obligation

	2013	2012
(1) Discount rate	1.623% (principally)	2.5% (principally)
(2) Expected rate of return on plan assets	3.3% (principally)	3.3% (principally)
(3) Method of attribution of projected benefit obligation	Straight-line method	Straight-line method
(4) Number of years over which actuarial gains/losses are amortized	10 years (principally)*	10 years (principally)*

\* Using the straight-line method from the following fiscal year over a 10-year period within the average remaining years of service of employees.

**33. Income Taxes**

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Deferred tax assets:</b>			
Reserve for possible loan losses	¥19,302	¥20,266	\$205,240
Reserve for retirement benefits	3,635	3,682	38,651
Accumulated depreciation	2,089	2,351	22,212
Loss carryforwards for tax purposes	19,450	28,701	206,805
Others	12,323	12,633	131,033
Sub-total	56,800	67,634	603,943
Valuation allowance	(18,436)	(18,644)	(196,027)
Total deferred tax assets	38,364	48,990	407,915
<b>Deferred tax liabilities:</b>			
Reserve fund for deferred income of fixed assets	(1)	(2)	(20)
Unrealized losses on securities attributable to partition of corporation, net	(61)	(102)	(652)
Asset retirement obligations	(56)	(65)	(603)
Deferred gains on hedging instruments, net	(0)	—	(0)
Unrealized gains on securities available for sale, net	(18,785)	(5,800)	(199,734)
Total deferred tax liabilities	(18,905)	(5,970)	(201,011)
<b>Net deferred tax assets</b>	<b>¥19,459</b>	<b>¥43,019</b>	<b>\$206,903</b>

The effective tax rates reflected in the consolidated statements of income for the years ended 31st March, 2013 and 2012 differ from the statutory tax rates for the following reasons:

	2013	2012
Statutory tax rate	<b>37.8 %</b>	40.4 %
Adjustments:		
Expenses permanently nondeductible for income tax purposes	<b>0.5</b>	0.5
Dividend income deductible for income tax purposes	<b>(1.8)</b>	(1.3)
Inhabitant's per capita taxes	<b>0.3</b>	0.2
Increase in valuation allowance	<b>2.4</b>	3.4
Adjustment in deferred tax assets due to a change in statutory tax rate	<b>—</b>	9.7
Others, net	<b>1.0</b>	(0.2)
Effective tax rate	<b>40.2 %</b>	52.7 %

**34. Asset retirement obligations** Information on asset retirement obligations is as follows:

*Asset retirement obligations that are recorded in the consolidated balance sheets*

(1) Outline of asset retirement obligations

The Bank and its consolidated subsidiaries recognize asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Bank and its consolidated subsidiaries also recognize asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of the year	<b>¥874</b>	¥865	<b>\$9,294</b>
Increase due to acquisition of tangible fixed assets	<b>5</b>	6	<b>57</b>
Adjustment for passage of time	<b>15</b>	16	<b>163</b>
Decrease due to fulfillment of asset retirement obligation	<b>68</b>	13	<b>732</b>
Balance at end of the year	<b>¥825</b>	¥874	<b>\$8,782</b>

**35. Business Segment Information**

*Segment Information*

(1) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of the Bank, 8 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which the Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

(2) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies." The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

(3) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2013>

	Millions of yen				
	Reportable segment			Adjustments	Consolidated
	Banking	Other	Total		
Ordinary income					
Ordinary income from third party customers	¥146,448	¥9,764	¥156,212	¥ —	¥156,212
Internal ordinary income among segments	1,201	7,090	8,292	(8,292)	—
Total ordinary income	147,650	16,855	164,505	(8,292)	156,212
Segment profit	34,829	4,430	39,260	(999)	38,260
Segment assets	7,734,804	76,768	7,811,572	(37,007)	7,774,565
Segment liabilities	7,367,477	37,638	7,405,115	(39,870)	7,365,244
Other items					
Depreciation	5,158	247	5,405	—	5,405
Interest and dividend income	112,823	2,886	115,709	(1,205)	114,504
Interest expenses	8,598	189	8,787	(810)	7,976
Increase in tangible and intangible fixed assets	¥7,937	¥358	¥8,296	¥ —	¥8,296

	Thousands of U.S. dollars				
	Reportable segment			Adjustments	Consolidated
	Banking	Other	Total		
Ordinary income					
Ordinary income from third party customers	\$1,557,131	\$103,821	\$1,660,953	\$ —	\$1,660,953
Internal ordinary income among segments	12,778	75,394	88,173	(88,173)	—
Total ordinary income	1,569,910	179,216	1,749,126	(88,173)	1,660,953
Segment profit	370,329	47,109	417,438	(10,629)	406,808
Segment assets	82,241,407	816,252	83,057,659	(393,490)	82,664,169
Segment liabilities	78,335,747	400,200	78,735,947	(423,933)	78,312,014
Other items					
Depreciation	54,846	2,629	57,476	—	57,476
Interest and dividend income	1,199,607	30,689	1,230,296	(12,813)	1,217,482
Interest expenses	91,421	2,010	93,431	(8,617)	84,814
Increase in tangible and intangible fixed assets	\$84,401	\$3,816	\$88,218	\$ —	\$88,218

- Notes: 1. Ordinary income is presented instead of net sales.  
 2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.  
 3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

&lt;In 2012&gt;

	Millions of yen				
	Reportable segment		Total	Adjustments	Consolidated
	Banking	Other			
Ordinary income					
Ordinary income from third party customers	¥155,056	¥9,412	¥164,468	¥ —	¥164,468
Internal ordinary income among segments	863	7,757	8,620	(8,620)	—
Total ordinary income	155,919	17,169	173,089	(8,620)	164,468
Segment profit	38,325	4,164	42,489	(476)	42,013
Segment assets	7,613,334	77,725	7,691,060	(20,123)	7,670,937
Segment liabilities	7,279,766	41,118	7,320,885	(23,490)	7,297,395
Other items					
Depreciation	5,035	258	5,293	—	5,293
Interest and dividend income	119,341	2,942	122,283	(903)	121,379
Interest expenses	10,202	227	10,430	(843)	9,586
Increase in tangible and intangible fixed assets	¥7,787	¥142	¥7,929	¥ —	¥7,929

- Notes: 1. Ordinary income is presented instead of net sales.  
 2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.  
 3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

*Related Information*

Ordinary income by services:

&lt;In 2013&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥102,189	¥22,587	¥31,435	¥156,212

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$1,086,544	\$240,168	\$334,241	\$1,660,953

Note: Ordinary income is presented instead of net sales.

&lt;In 2012&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥108,501	¥20,842	¥35,124	¥164,468

Note: Ordinary income is presented instead of net sales.

*Impairment Losses on Tangible Fixed Assets by Reportable Segments*

<In 2013>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Impairment losses	¥1,612	¥ —	¥1,612

	Thousands of U.S. dollars		
	Reportable segment		
	Banking	Other	Total
Impairment losses	\$17,144	\$ —	\$17,144

<In 2012>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Impairment losses	¥511	¥ —	¥511

*Amortization and Balance of Goodwill by Reportable Segments*

<In 2013>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
<b>Goodwill</b>			
Amortization of goodwill	¥ 103	¥129	¥232
Balance at end of the year	¥ —	¥256	¥256

	Thousands of U.S. dollars		
	Reportable segment		
	Banking	Other	Total
<b>Goodwill</b>			
Amortization of goodwill	\$1,095	\$1,377	\$2,473
Balance at end of the year	\$ —	\$2,731	\$2,731

Note: "Other" mainly consists of services for financial instruments exchange.

<In 2012>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
<b>Goodwill</b>			
Amortization of goodwill	¥ —	¥129	¥129
Balance at end of the year	¥ —	¥386	¥386

Note: "Other" mainly consists of services for financial instruments exchange.

*Information on Gains on Negative Goodwill by Reportable Segments*

In connection with the Bank's acquisition of additional shares of its consolidated subsidiary, The Kyushu Card Co., Ltd., the acquisition price of the subsidiary's shares which were acquired from minority shareholders was below the amount of reduction in the minority interests. As a result, negative goodwill was incurred in "other" segment, and gain of ¥144 million on negative goodwill was recognized for the year ended 31st March, 2012.

**36. Related Party Transactions**

Related party transactions for the years ended 31st March, 2013 and 2012 are as follows:

## 1. Transactions of the Bank with related individuals, including shareholders and directors

## &lt;In 2013&gt;

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Yamada Shoji Co., Ltd.	Chikushino Fukuoka	¥10 (million)	Hotel business	—	Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan Guarantee	— —	Loans Customer's liabilities for acceptances and guarantee	¥232 ¥40 (million)

\* Terms and conditions of the transactions are similar to those with unrelated parties.

## &lt;In 2012&gt;

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Yamada Shoji Co., Ltd.	Chikushino Fukuoka	¥10 (million)	Hotel business	—	Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan Guarantee	— —	Loans Customer's liabilities for acceptances and guarantee	¥232 ¥40 (million)

\* Terms and conditions of the transactions are similar to those with unrelated parties.

## 2. There are no relevant transactions of the Bank's consolidated subsidiaries with related parties to report.

**37. Reconciliation of Cash and Cash Equivalents**

The reconciliation between "Cash and cash equivalents" in the consolidated statements of cash flows and each account in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and due from banks on the consolidated balance sheets	¥248,461	¥283,453	\$2,641,801
Due from banks, exclusive of central bank	(3,537)	(8,794)	(37,617)
Cash and cash equivalents on the consolidated statements of cash flows	¥244,923	¥274,659	\$2,604,183

**38. Per Share Information**

	Yen		U.S. dollars
	2013	2012	2013
Net assets per share at end of the year	¥483.43	¥434.43	\$5.140
Net income per share*	23.18	22.60	0.246

Basis for net assets per share as of 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net assets	¥409,320	¥373,541	\$4,352,154
Items to be deducted from net assets	24,968	28,132	265,481
Minority interests	24,968	28,132	265,481
Net assets attributable to common stock	384,351	345,409	4,086,672
	Shares		
	2013	2012	
Number of shares of common stock outstanding at end of the year	795,035,789	795,079,232	

Basis for net income per share for the years ended 31st March, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Basic:			
Net income	¥18,436	¥17,972	\$196,032
Items not attributable to common stock	—	—	—
Net income attributable to common stock	18,436	17,972	196,032
	Shares		
	2013	2012	
Average number of shares of common stock outstanding during the year	795,058,726	795,102,858	

\* Diluted net income per share for the years ended 31st March, 2013 and 2012 was not presented, because the Bank and its consolidated subsidiaries had no dilutive shares during the years.

### 39. Cash Dividends

Cash dividends paid during the year ended 31st March, 2013, which were distribution of earned surplus at 31st March, 2012, are as follows:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 28, 2012 Ordinary General Meeting of Shareholders	Cash dividends (¥2.5 per share)	¥1,987	\$21,134
November 9, 2012 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	¥1,987	\$21,133

Cash dividends paid during the year ended 31st March, 2012, which were distribution of earned surplus at 31st March, 2011, are as follows:

Resolution	Types	Millions of yen
June 29, 2011 Ordinary General Meeting of Shareholders	Cash dividends (¥5 per share)	¥3,975
November 11, 2011 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	¥1,987

### 40. Subsequent Event

The following appropriation of earned surplus for the year ended 31st March, 2013 was approved at the shareholders' meeting held on 27th June, 2013:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 27, 2013 Ordinary General Meeting of Shareholders	Cash dividends (¥2.5 per share)	¥1,987	\$21,133

# Quarterly Information (Unaudited)

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2013

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st April, 2012 to 30th September, 2012	from 1st April, 2012 to 31st December, 2012	from 1st April, 2012 to 31st March, 2013
Ordinary income	<b>¥38,332</b>	<b>¥80,863</b>	<b>¥117,473</b>	<b>¥156,212</b>
Income before income taxes and minority interests	<b>3,715</b>	<b>16,727</b>	<b>28,244</b>	<b>33,504</b>
Net income	<b>1,753</b>	<b>9,707</b>	<b>16,198</b>	<b>18,436</b>

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st April, 2012 to 30th September, 2012	from 1st April, 2012 to 31st December, 2012	from 1st April, 2012 to 31st March, 2013
Net income per share	<b>¥2.20</b>	<b>¥12.10</b>	<b>¥20.37</b>	<b>¥23.18</b>

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st July, 2012 to 30th September, 2012	from 1st October, 2012 to 31st December, 2012	from 1st January, 2013 to 31st March, 2013
Net income per share	<b>¥2.20</b>	<b>¥10.00</b>	<b>¥8.16</b>	<b>¥2.81</b>

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st April, 2012 to 30th September, 2012	from 1st April, 2012 to 31st December, 2012	from 1st April, 2012 to 31st March, 2013
Ordinary income	<b>\$407,570</b>	<b>\$859,788</b>	<b>\$1,249,048</b>	<b>\$1,660,953</b>
Income before income taxes and minority interests	<b>39,510</b>	<b>177,859</b>	<b>300,311</b>	<b>356,240</b>
Net income	<b>18,648</b>	<b>103,213</b>	<b>172,228</b>	<b>196,032</b>

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st April, 2012 to 30th September, 2012	from 1st April, 2012 to 31st December, 2012	from 1st April, 2012 to 31st March, 2013
Net income per share	<b>\$0.02</b>	<b>\$0.12</b>	<b>\$0.21</b>	<b>\$0.24</b>

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2012 to 30th June, 2012	from 1st July, 2012 to 30th September, 2012	from 1st October, 2012 to 31st December, 2012	from 1st January, 2013 to 31st March, 2013
Net income per share	<b>\$0.02</b>	<b>\$0.10</b>	<b>\$0.08</b>	<b>\$0.02</b>

# Non-Consolidated Balance Sheets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Assets:</b>			
Cash and due from banks	¥240,356	¥266,316	\$2,555,625
Call loans and bills bought	293	9,099	3,123
Trading account assets	1,542	1,272	16,401
Money held in trust	3,000	2,981	31,897
Securities	1,726,900	1,728,211	18,361,514
Loans and bills discounted	5,359,415	5,177,913	56,984,750
Foreign exchange assets	5,137	7,665	54,626
Other assets	41,380	43,291	439,986
Tangible fixed assets	113,253	115,843	1,204,181
Intangible fixed assets	10,287	3,332	109,387
Deferred tax assets	17,022	40,305	180,996
Customers' liabilities for acceptances and guarantees	30,037	31,757	319,380
Reserve for possible loan losses	(29,915)	(29,866)	(318,084)
Reserve for devaluation of securities	(497)	(890)	(5,290)
<b>Total assets</b>	<b>¥7,518,215</b>	<b>¥7,397,235</b>	<b>\$79,938,496</b>
<b>Liabilities and Net assets:</b>			
<b>Liabilities:</b>			
Deposits	¥6,614,463	¥6,461,574	\$70,329,221
Call money and bills sold	233,352	277,877	2,481,153
Guarantee deposits received under securities lending transactions	46,104	72,160	490,208
Borrowed money	85,405	64,351	908,086
Foreign exchange liabilities	133	83	1,421
Bonds	73,300	88,300	779,372
Other liabilities	29,668	28,213	315,450
Reserve for employee retirement benefits	5,782	9,841	61,488
Reserve for reimbursement of deposits	2,394	2,642	25,455
Reserve for other contingent losses	2,053	2,434	21,833
Deferred tax liabilities on revaluation of premises	18,634	19,096	198,129
Acceptances and guarantees	30,037	31,757	319,380
<b>Total liabilities</b>	<b>7,141,329</b>	<b>7,058,335</b>	<b>75,931,203</b>
<b>Net assets:</b>			
Capital stock	85,745	85,745	911,702
Capital surplus	85,684	85,684	911,047
Earned surplus			
Legal reserve	61	61	654
Voluntary reserves	122,803	109,703	1,305,728
Unappropriated retained earnings	18,654	17,104	198,346
Treasury stock	(673)	(668)	(7,161)
<b>Total shareholders' equity</b>	<b>312,275</b>	<b>297,630</b>	<b>3,320,316</b>
Net unrealized gains on securities available for sale, net of taxes	34,694	10,517	368,890
Net deferred gains (losses) on hedging instruments, net of taxes	0	(0)	0
Revaluation of premises, net of taxes	29,916	30,751	318,086
<b>Total valuation and translation adjustments</b>	<b>64,610</b>	<b>41,269</b>	<b>686,976</b>
<b>Total net assets</b>	<b>376,885</b>	<b>338,900</b>	<b>4,007,293</b>
<b>Total liabilities and net assets</b>	<b>¥7,518,215</b>	<b>¥7,397,235</b>	<b>\$79,938,496</b>

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statements of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of
	2013	2012	U.S. dollars
<b>Income:</b>			<b>2013</b>
Interest income:			
Interest on loans and discounts	¥90,667	¥95,575	\$964,040
Interest and dividends on securities	17,812	18,940	189,399
Other interest income	171	230	1,819
Fees and commissions	24,286	24,380	258,227
Trading income	30	63	327
Other operating income	5,133	2,113	54,585
Other income	4,573	9,138	48,623
<b>Total income</b>	<b>142,675</b>	<b>150,441</b>	<b>1,517,022</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	4,835	6,293	51,411
Interest on call money and bills sold	379	374	4,037
Interest on borrowings	1,138	1,168	12,110
Other interest expenses	2,104	2,183	22,380
Fees and commissions	11,625	11,200	123,609
Other operating expenses	1,226	706	13,037
General and administrative expenses	71,873	75,332	764,207
Other expenses	19,399	16,001	206,272
<b>Total expenses</b>	<b>112,584</b>	<b>113,262</b>	<b>1,197,066</b>
Income before income taxes	30,091	37,179	319,955
Income taxes			
Current	2,328	66	24,754
Deferred	9,970	20,019	106,010
<b>Total income taxes</b>	<b>12,298</b>	<b>20,086</b>	<b>130,765</b>
<b>Net income</b>	<b>¥17,793</b>	<b>¥17,092</b>	<b>\$189,190</b>

See accompanying Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statements of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$911,702
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$911,702
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$911,047
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$911,047
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$654
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$654
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥3	¥3	\$38
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(1)
Transfer to reserve for deferred capital gains	—	0	—
Total changes during the year	(0)	0	(1)
Balance at end of the year	¥3	¥3	\$37
Other voluntary reserves			
Balance at beginning of the year	¥109,700	¥98,300	\$1,166,403
Changes during the year			
Transfer to other voluntary reserves	13,100	11,400	139,287
Total changes during the year	13,100	11,400	139,287
Balance at end of the year	¥122,800	¥109,700	\$1,305,690
Unappropriated retained earnings			
Balance at beginning of the year	¥17,104	¥17,443	\$181,865
Changes during the year			
Cash dividends paid	(3,975)	(5,963)	(42,268)
Transfer from reserve for deferred capital gains	0	0	1
Transfer to other voluntary reserves	(13,100)	(11,400)	(139,287)
Net income	17,793	17,092	189,190
Sale of treasury stock	(3)	(4)	(41)
Reversal of revaluation of premises	835	(64)	8,885
Total changes during the year	1,549	(339)	16,480
Balance at end of the year	¥18,654	¥17,104	\$198,346
Total earned surplus			
Balance at beginning of the year	¥126,869	¥115,809	\$1,348,962
Changes during the year			
Cash dividends paid	(3,975)	(5,963)	(42,268)
Transfer from reserve for deferred capital gains	—	—	—
Transfer to reserve for deferred capital gains	—	0	—
Transfer to other voluntary reserves	—	—	—
Net income	17,793	17,092	189,190
Sale of treasury stock	(3)	(4)	(41)
Reversal of revaluation of premises	835	(64)	8,885
Total changes during the year	14,649	11,060	155,766
Balance at end of the year	¥141,519	¥126,869	\$1,504,728

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Treasury stock</b>			
Balance at beginning of the year	(¥668)	(¥661)	(\$7,109)
Changes during the year			
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	7	9	74
Total changes during the year	(4)	(7)	(52)
Balance at end of the year	(¥673)	(¥668)	(\$7,161)
<b>Total shareholders' equity</b>			
Balance at beginning of the year	¥297,630	¥286,577	\$3,164,602
Changes during the year			
Cash dividends paid	(3,975)	(5,963)	(42,268)
Net income	17,793	17,092	189,190
Transfer to reserve for deferred capital gains	—	0	—
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	3	5	33
Reversal of revaluation of premises	835	(64)	8,885
Total changes during the year	14,644	11,053	155,714
Balance at end of the year	¥312,275	¥297,630	\$3,320,316
<b>Valuation and translation adjustments</b>			
<b>Net unrealized gains on securities available for sale, net of taxes</b>			
Balance at beginning of the year	¥10,517	¥3,000	\$111,832
Changes during the year			
Net changes in items other than shareholders' equity	24,176	7,517	257,057
Total changes during the year	24,176	7,517	257,057
Balance at end of the year	¥34,694	¥10,517	\$368,890
<b>Net deferred gains (losses) on hedging instruments, net of taxes</b>			
Balance at beginning of the year	(¥0)	(¥0)	(\$2)
Changes during the year			
Net changes in items other than shareholders' equity	0	0	2
Total changes during the year	0	0	2
Balance at end of the year	¥0	(¥0)	\$0
<b>Revaluation of premises, net of taxes</b>			
Balance at beginning of the year	¥30,751	¥27,989	\$326,972
Changes during the year			
Net changes in items other than shareholders' equity	(835)	2,762	(8,885)
Total changes during the year	(835)	2,762	(8,885)
Balance at end of the year	¥29,916	¥30,751	\$318,086
<b>Total valuation and translation adjustments</b>			
Balance at beginning of the year	¥41,269	¥30,989	\$438,801
Changes during the year			
Net changes in items other than shareholders' equity	23,340	10,280	248,174
Total changes during the year	23,340	10,280	248,174
Balance at end of the year	¥64,610	¥41,269	\$686,976
<b>Total net assets</b>			
Balance at beginning of the year	¥338,900	¥317,566	\$3,603,404
Changes during the year			
Cash dividends paid	(3,975)	(5,963)	(42,268)
Net income	17,793	17,092	189,190
Transfer to reserve for deferred capital gains	—	0	—
Acquisition of treasury stock	(11)	(16)	(127)
Sale of treasury stock	3	5	33
Reversal of revaluation of premises	835	(64)	8,885
Net changes in items other than shareholders' equity	23,340	10,280	248,174
Total changes during the year	37,985	21,333	403,888
Balance at end of the year	¥376,885	¥338,900	\$4,007,293

See accompanying Notes to Non-Consolidated Financial Statements.

# Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd.      Years ended 31st March, 2013 and 2012

---

- 1. Basis of Presentation of Financial Statements**      The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the Bank) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.
  
- 2. Other Accounting Principles and Practices Employed by the Bank**      Accounting principles employed by the Bank in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

## Independent Auditor's Report

The Board of Directors  
The Nishi-Nippon City Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

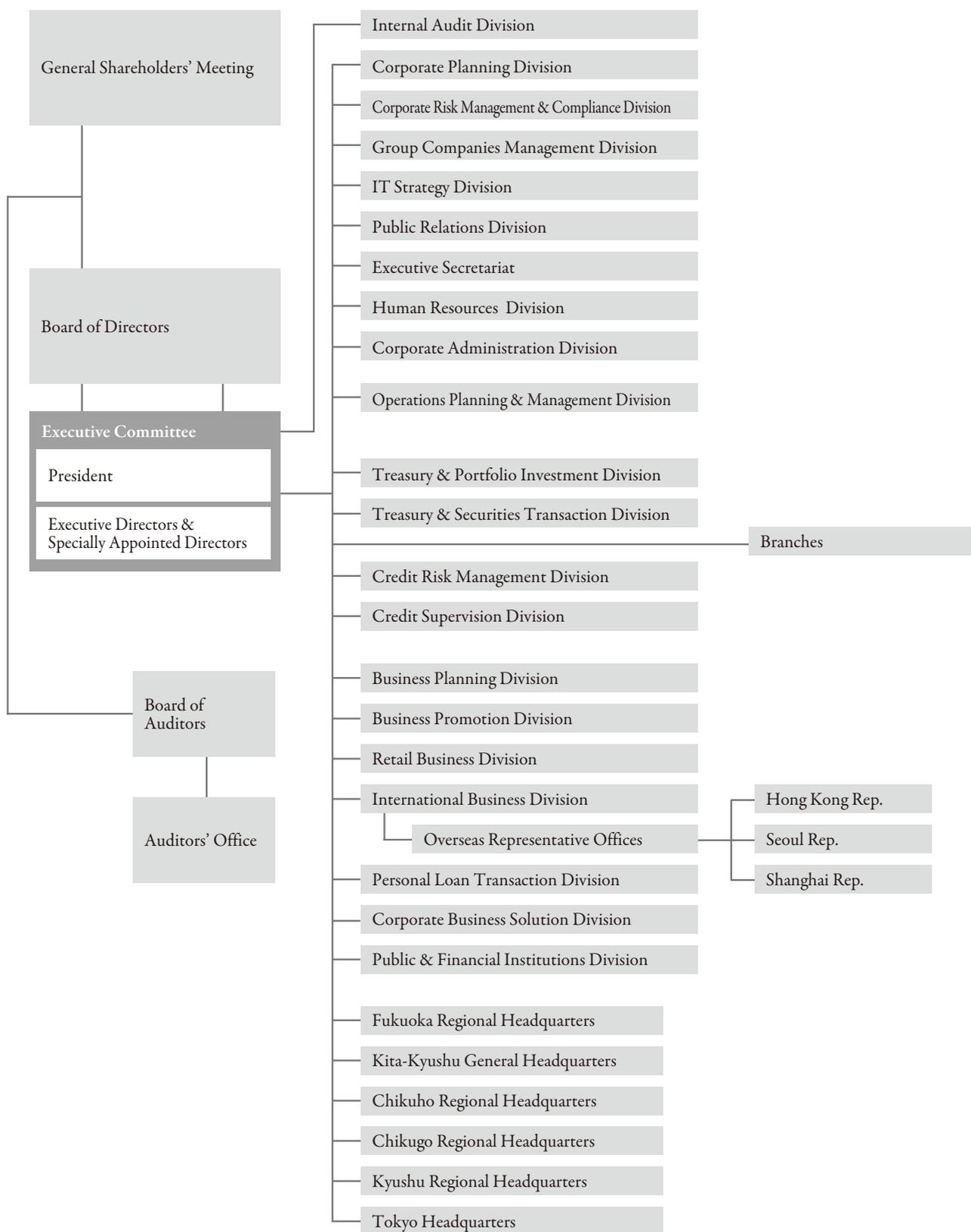
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

*Ernst & Young ShinNihon LLC*

June 27, 2013  
Fukuoka, Japan

# Organization Chart



(as of June 30, 2013)

## Corporate Data

### Head Office:

1-1, Hakata-ekimae 3-chome, Hakata-ku,  
Fukuoka 812-0011, Japan  
Phone: (092) 476-2481

### Established:

December 1, 1944

### Paid-up Capital:

¥85,745 million

### Number of Shareholders:

Ordinary shares: 12,583

### Number of Employees:

3,745

### Number of Domestic Offices:

206

### Number of Correspondent Banks:

128

### Major Shareholders (common stock):

Name	Shares held (thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	100,644	12.63
Japan Trustee Service Bank, Ltd. (Trust Account No. 4)	45,245	5.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,458	3.82
Nippon Life Insurance Company	20,477	2.57
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	17,082	2.14
Mizuho Corporate Bank, Ltd.	11,507	1.44
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,280	1.41
The Nishi-Nippon City Bank Employee Shareholding Association	11,066	1.38
Resona Bank, Ltd.	11,000	1.38
Meiji Yasuda Life Insurance Company	10,945	1.37

(as of March 31, 2013)

## International Network

### INTERNATIONAL BUSINESS DIVISION

3-6, Hakata-ekimae 1-chome, Hakata-ku,  
Fukuoka 812-0011, Japan  
Phone: +81-92-476-2481  
SWIFT: NISJJPJTFKK  
Fax: +81-92-476-2488

### TREASURY & PORTFOLIO INVESTMENT DIVISION

11-8, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan  
Phone: +81-3-3561-9306  
SWIFT: NISJJPJT  
Fax: +81-3-3561-4365

### HONG KONG REPRESENTATIVE OFFICE

Suite 3112, Tower 6, The Gateway, Harbour City, 9 Canton Road,  
Tsim Sha Tsui, Kowloon, Hong Kong  
Phone: +852-2526-2259  
Fax: +852-2845-9264

### SEOUL REPRESENTATIVE OFFICE

6th Fl, The Exchange Seoul Bldg, 21 Mugyo-ro, Chung-ku,  
Seoul 100-170, Republic of Korea  
Phone: +82-2-755-0670  
Fax: +82-2-756-2160

### SHANGHAI REPRESENTATIVE OFFICE

Room No.2209 Shanghai International Trade Center,  
2201 Yan-An Road (W.), Chang Ning District,  
Shanghai, People's Republic of China  
Phone: +86-21-6219-0600  
Fax: +86-21-6278-5940



## **THE NISHI-NIPPON CITY BANK, LTD.**

1-1, Hakata-ekimae 3-chome, Hakata-ku,  
Fukuoka, 812-0011, Japan  
Phone: +81-92-476-2481