

Message from the President

Aiming to be the leading bank in Kyushu, providing customer-focused comprehensive financial services while simultaneously strengthening profitability

I would like to thank you, our shareholders, for your continued loyal support of the Nishi-Nippon City Bank Group. In the following message, I describe the business performance of the Nishi-Nippon City Bank for the fiscal year ended March 2012.



Isao Kubota, *President*

Business conditions in the fiscal year ended March 31, 2012

In fiscal 2011, the Japanese economy was severely affected by the Great East Japan Earthquake and nuclear power plants' accident, and resulting power supply issues. However, there were also signs of recovery as production activity was restored along with the re-establishment of supply chains, and various government measures took effect. Nonetheless, the recovery only proceeded at a gradual pace due to fears of a global economic slowdown prompted by the European financial crisis, the strong yen, the adverse impact of the Thai floods on corporate results, and other factors, and economic prospects remain uncertain.

The economy of the Bank's operational base of Kyushu performed strongly during the reporting term, supported by its growing role as a corporate production base following the redistribution of industrial operations around Japan after the earthquake, and by solid exports to the United States and emerging markets. In particular, the region felt the economic benefits of the opening of the Kagoshima Route of the Kyushu Shinkansen (which connects Fukuoka in the north of Kyushu with Kagoshima in the south), and the opening of JR Hakata City, Japan's largest in-station shopping mall.

In these circumstances, the Nishi-Nippon City Bank Group has been engaged in providing comprehensive financial services with a high level of expertise and user-friendliness, and in further enhancing business efficiency through exhaustive cost savings, based on the Bank's new medium-term business plan "New Stage 2011 — Act with Vigor!" (from April 1, 2011 to March 31, 2014).

In the consolidated fiscal year ended March 31, 2012, total income fell ¥8,214 million year on year to ¥164,616 million (\$2,002 million). Income before income taxes and minority interests came to ¥41,344 million (\$503 million), a solid increase of ¥7,108 million year on year. Net income fell ¥35,411 million year on year to ¥17,972 million (\$218 million).

Growth recorded in balances of loans and deposits

As of the end of fiscal 2011, the Bank had total loan assets of ¥5,177.9 billion (\$62,999 million) on a non-consolidated basis, an increase of ¥161.4 billion during the year, as a result of efforts to provide consistent funding to local customers. Loans to customers in Kyushu accounted for ¥4,735.3

billion (\$57,615 million), or 91.4% of the total. Loans to SMEs and individuals accounted for 77.2% of all loans, underlying our commitment to actively meeting the diverse financing needs of local SMEs and individual customers.

The corresponding year-end balance of deposits, including Certificates of Deposit, increased by ¥35.5 billion to ¥6,461.5 billion (\$78,617 million), primarily due to growth in deposits from individuals. Kyushu-area customers accounted for ¥6,279.3 billion (\$76,400 million), or 97.1% of the total balance.

Proactive support for local companies' development and their overseas business

The Bank proactively supports local companies in a diversity of areas. In March 2012, we held a forum to support our local customers in expanding their sales channels, to which a large company developing general merchandise stores in the Kanto area was invited as a buyer. We also held a Sales Channel Development Seminar during the year, to which we invited lecturers with extensive experience in the retail sector.

We also held a healthcare seminar to support the management of healthcare institutions, as well as a seminar tailored to food security and safety requirements, targeting managers and quality control personnel in the food sector.

Concerning our support for clients' overseas business, in April 2012 an International Consulting Office was set up at Group company NCB Research & Consulting. Staff with in-depth knowledge of business conditions in China and the ASEAN countries provide comprehensive concierge-style solutions, including various consultations on moving into overseas markets and doing business with overseas companies, and the provision of a wide range of information.

In addition, as a means of supporting development of the infrastructure necessary for local companies' overseas activities, we were the first regional bank to participate in a syndicated loan for a hydropower plant construction project in Vietnam involving private sector companies. With this loan, credit and other risks have been minimized, including a 100% guarantee by the Vietnamese government

with regard to repayment of the principal and interest.

Concerning China-related business, in February 2012 we dispatched a trainee to the Dalian Development Zone branch of the Bank of China, having previously sent trainees to the Shanghai branch of the same bank, reflecting our focus on these cities as growth areas. In December 2011, we co-hosted a China Seminar with the Bank of China, to provide information for local SMEs to assist with their China business.

Working in partnership with individual customers and the region

Nishi-Nippon City Bank is also working to strengthen its service lineup to meet the varying needs that arise at the different life-stages of its individual customers, including personalized consultations by Money Advisors. The Nishi-Nippon City Bank's Daimyo Branch Building is a dedicated base for home loans, life insurance, asset management, and pension benefits, and is open on weekends and after 15:00 on weekdays for the convenience of our customers. In July 2012, our securities brokerage subsidiary, Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., established the Shingu Branch, its seventh branch, within Nishi-Nippon City Bank's Shingu Branch.

Meanwhile, as part of our CSR activities, we are actively introducing a customer-friendly universal design at our new branches, with barrier-free facilities and environmentally-friendly eco facilities. This was introduced at three branches in fiscal 2011, and at one branch in April 2012. Furthermore, all of our branches are equipped with at least one ATM designed for visually impaired persons.

Going forward, we will continue with our efforts to create easy-to-use branches for all of our customers.

Steady implementation of new medium-term business plan

Given the continued stagnation and growing sense of uncertainty surrounding the Japanese economy, we expect

business conditions to remain challenging next year.

In these circumstances, the Nishi-Nippon City Bank Group is pushing forward to become the No.1 bank in Kyushu by providing our customers with top-level products and services, for mutual prosperity, as set out in our new medium-term plan “New Stage 2011 — Act with Vigor!” launched in fiscal 2011.

Based on the recognition that regional banks have no future without the revitalization of the regions, we remain committed to contributing to the development of the local economy through the implementation of this business plan, “acting with vigor,” by all of our board members and

employees, while also enhancing our business performance by bolstering our earning power.

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



Isao Kubota,
President

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**

