

# Message from the President

## *Aiming for the position of Kyushu's No. 1 bank, highly trusted by both our customers and our shareholders*

We have been steadily implementing initiatives under New Stage 2008, the new medium-term management plan launched in April 2008, and have been focusing on business reforms and the development of priority business fields. Below, we summarize our business results for the year ended March 2009, the progress we have made under our new medium-term management plan, and the management policies we plan to implement in the current period.

### Business Conditions in the Year Ended March 2009

The financial market turmoil that started in the US in September had an enormous impact on the real economies of major countries, and eventually evolved into a full-fledged global recession. Business conditions in Japan remain bleak. Corporate earnings — especially among the export-oriented firms that had driven the economy — deteriorated significantly, and curbs on private-sector capital investment and payroll adjustments gained momentum. Consumer spending also weakened.

In the second half of the period, domestic stock prices plunged and long-term interest rates remained low in response to this weakness in the stock market, as well as to the steps taken by the Bank of Japan to cut its policy rates. In the foreign currency market, a series of interest rate cuts by the US Federal Reserve Board had the effect of driving the yen up sharply against the US dollar and the euro, although some correctional movements in the exchange rates of the yen were observed toward the end of the fiscal year.

Against this backdrop, the Nishi-Nippon City Bank Group has worked to enhance the scope of its operations and boost earnings.

As a result, total income on a consolidated basis totaled ¥181,770 million (\$1,850 million), down ¥2,499 million from the year before, due chiefly to a decline in fees and commissions on the sale of assets in custody. Income before income taxes and minority interests totaled ¥19,393 million (\$197 million), down ¥10,396 million year-on-year. This was attributable to an increase in credit costs under the increasingly strained business environment, together with increased impairment losses on securities holdings. As tax expenses decreased in line with a decline in income before income taxes, however, net income for the year totaled ¥14,616 million (\$148 million), up ¥299 million year-on-year.



Isao Kubota,  
President

### Growth in Loan and Deposit Balances

To boost its presence as a regional bank, Nishi-Nippon City Bank has consistently pursued community-oriented financial services, which are tailored to the needs of local customers.

As of the end of March 2009, the Bank had total loan assets of ¥4,849.4 billion (\$49,367 million) on a non-consolidated basis, up ¥172.2 billion year-on-year. Of that total, loans to customers located in Kyushu amounted to ¥4,472.2 billion, accounting for 92.2 percent of the total. Furthermore, 81.7 percent of total loans were provided to small and medium-sized enterprises (SMEs) and individuals, underlining our commitment to actively accommodating the diverse financing needs of local customers in the communities we serve.

The corresponding year-end balance of deposits, including certificates of deposit, reached ¥6,070 billion (\$61,794 million), for an increase of ¥152.9 billion, led primarily by growth in time deposits from individuals. Kyushu-area customers accounted for ¥5,862.3 billion in deposits, or 96.5% of the total balance.

### Steady Implementation of New Medium-Term Management Plan

Under New Stage 2008, the Bank has been focusing on a range of business fields, including loans to corporate customers, mortgage loans, consumer loans, the assets-in-custody business, and the solutions business.

To expand our asset management consulting services for retail customers, we have assigned asset management advisors who are specialized in the asset-in-custody business to key branches. Additionally, at our head office we set up a Private Banking Office that handles the training of asset-in-custody business officers as well as direct marketing. In the years ahead, we plan to

continue expanding our business scale, and to create marketing systems for insurance products and investment trusts, among others, as new categories in our assets-in-custody business.

In the mortgage loan business we took various steps to improve customer convenience. In fiscal 2008 we began accepting online mortgage loan applications, and expanded the operations of our specialized Mortgage Loan Business Center.

Additionally, for SMEs and sole proprietors we set up the International Business Department to provide support for overseas business operations by local Japanese enterprises. We also established service alliances enabling us to strengthen our financial and information service offerings through banks in Vietnam and Thailand, both countries in which Japanese companies have exhibited strong interests in business operations.

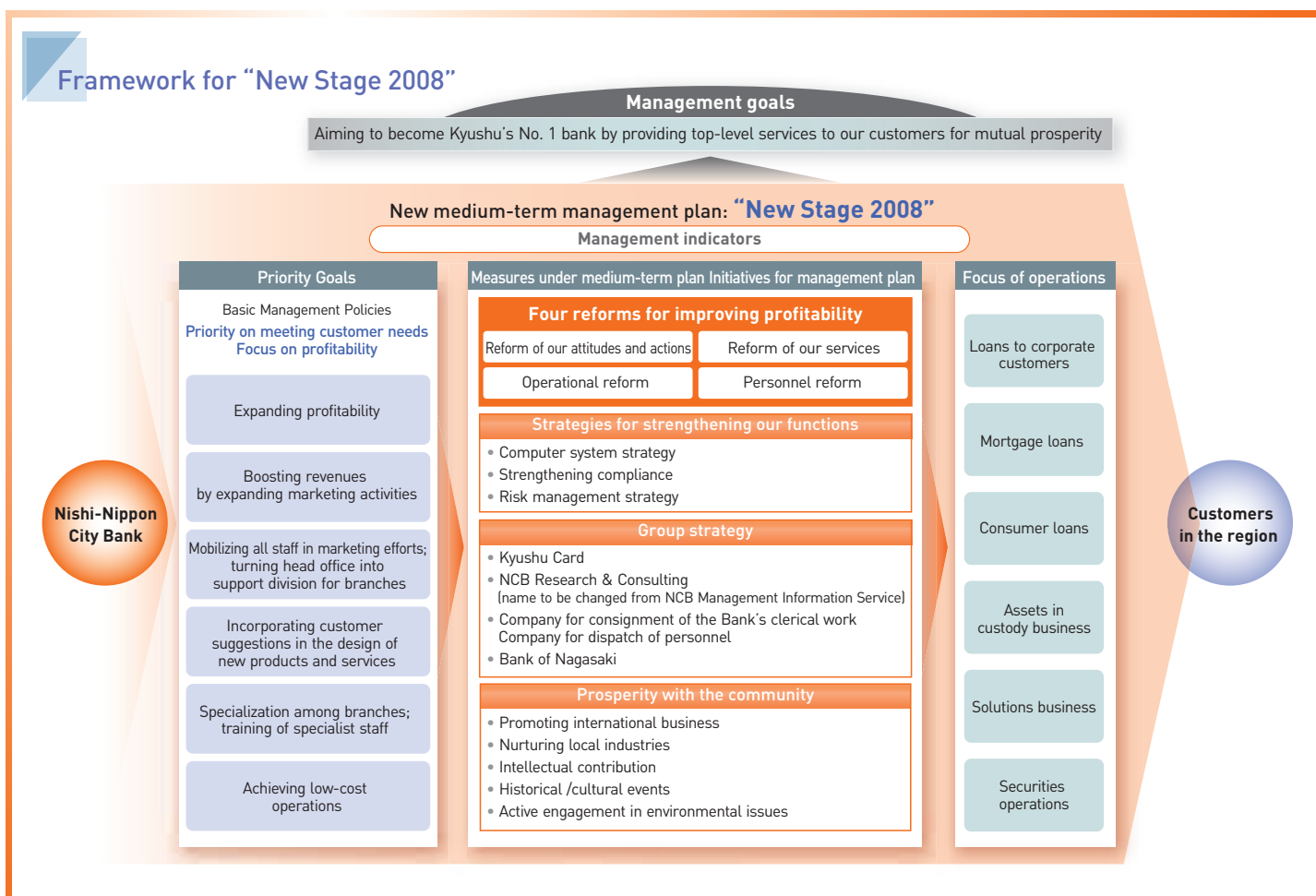
We actively accommodated growing corporate customer needs for financing through the use of such facilities as the government's emergency guarantee framework.

For our solutions business, we set up an Environmental Office within our General Planning Department to strengthen our undertakings in the environmental business field.

Additionally, we engaged in efforts to develop our frameworks for the advanced solutions business, for example, by commencing sale of currency derivative products at branches.

Nishi-Nippon City Bank also fulfills its responsibilities and role as a regional banking institution. For instance, we host business meetings and seminars that benefit the business activities of our customers, we disseminate business and financial information of value to the community, we assist in making financial and economic education programs available to students, and we cooperate with undertakings in environmental protection.

At the same time, we have also made a start in the area of personnel reform, one of four reform goals declared under our new medium-term management plan. More specifically, we have established a "Regional Generalist" career course for bank employees who are not to be transferred to other areas, and have created a new framework for employee re-employment as well. Further, to support female employees developing their career path while simultaneously meeting the demands of family life, we have initiated new programs for the extension of childcare leave and the utilization of shortened working hours.



## In Pursuit of a Sounder Financial Position

Since last autumn, when global financial markets were being shaken by forces of unprecedented turmoil, the Nishi-Nippon City Bank Group has endeavored to solidify its position of financial health.

The capital ratio is the primary indicator of a bank's financial health. As of the end of March 2009, Nishi-Nippon City Bank's capital ratio stood at 9.87% on a consolidated basis and at 9.91% on a nonconsolidated basis. These figures are significantly higher than the minimum level (4%) required for banks operating solely in Japan.

Furthermore, the Bank's Non-Performing Loan Ratio (subject to disclosure under the Financial Reconstruction Law, including assets held by a subsidiary newly established for asset management purposes) improved from 4.52% to 3.29%. Assuming a total coverage ratio of 100 percent for non-performing loans and corresponding forms of bad debt, the Bank has made substantial progress in improving the soundness of the Bank's loan portfolio.

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

## Aiming for Status as the Region's Most-Trusted Bank

The competitive climate in the financial services sector has grown even more intense as Japan Post Bank moves to widen the scope of its operations, and as other banks enter the market and expand their service lines. With uncertainty still clouding the outlook for

the domestic economy and the business climate, and corporate earnings still showing signs of deterioration, regional banks face strong social pressure to exercise their financial intermediary and consulting functions and to contribute to the advancement of the regional economies they serve.

Against the backdrop of these developments, Nishi-Nippon City Bank has been positioning itself to steadily implement an assortment of initiatives aimed at helping it achieve one of the key goals of the New Stage 2008 medium-term management plan it launched in April 2008: namely, becoming the leading regional bank in Kyushu by providing top-level services to, and prospering together with, its customers. Needless to say, we look forward to seeing these efforts translate into results.

On October 1, 2009, Nishi-Nippon City Bank will mark the fifth anniversary of its new start through merger. To celebrate that anniversary and show our gratitude for the patronage and support our customers have shown us, and also to promote closer ties of unity with the Kyushu community, we plan to hold a variety of commemorative events. These will include commemorative campaigns, business fairs, the opening of new eco-friendly branches, and the handling of commemorative time deposit products solely for our shareholders.

The future growth of Nishi-Nippon City Bank will be inseparable from the future prosperity of Kyushu, and thus we are determined to contribute to regional economic advancement and to boost our own presence as a regional bank by ensuring smooth access to financing and offering a range of quality financial services. At the same time, we will strive to boost our profitability — one of the goals of our current medium-term management plan — to satisfy the expectations of all our shareholders and investors.

We urge your continued understanding and support of the Nishi-Nippon City Bank Group in its future endeavors.



Isao Kubota,  
President

## Numerical targets of the Medium-Term Management Plan

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

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

\* Non-consolidated basis