



NEWS RELEASE

Mar 10, 2010

R&I Assigns A-: The Nishi-Nippon City Bank Sub. Bonds No.6

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: The Nishi-Nippon City Bank, Ltd. (Sec. Code: 8327)
Unsec. Sub. Bonds No.6
New Issue (issued under the Shelf Registration)

R&I RATING: A- (Assigned)

RATIONALE:

The Nishi-Nippon City Bank, Ltd. is a regional bank whose operations are based mainly in Fukuoka Prefecture, a center of the Kyushu economic zone. It has The Bank of Nagasaki, Ltd. in the consolidated account. Placed in a relatively high market position, the share of Nishi-Nippon City Bank in the prefecture is next to Fukuoka Bank which is in the top spot. Nishi-Nippon City Bank has an extensive client base of small and mid-sized enterprises. Its share of outstanding loans guaranteed by credit guarantee corporations ranks top in the prefecture.

Looking at the bank's risk profile, the concentration risk to large borrowers is limited thanks to the bank's efforts to diversify its credit portfolio and expand transactions with small borrowers. By sector, lending to real estate leasing companies account for a high percentage of the total. While risk appetite is not necessarily low, the bank's top management has keen insight and the risk profile seems to be appropriately controlled. Meanwhile, its Tier 1 capital is somewhat small, and the ratio of the book value of stocks held by the bank to the Tier 1 capital is high.

As risk reduction and capital accumulation proceed, the bank's risk resilience has improved to the level corresponding to the A zone. Concentration risk to any particular industry or large borrower is appropriately managed, and R&I believes such risk will unlikely grow again in the future. With the strong capacity to accumulate retained earnings, R&I also sees little possibility that its risk resilience will deteriorate substantially. That said, repayment of public funds constrains improvement of risk resilience.

The asset quality of Nishi-Nippon City Bank is at the average level for a regional bank. The bank has also been able to constrain the credit cost ratio at the low level, despite the harsh economic climate. However, lending to real-estate businesses accounts for a high percentage, and the quality of apartment loans, which account for the majority of lending to real estate leasing businesses, has deteriorated somewhat. The bank has strengthened credit management and other structures. R&I will pay close attention to improvements going forward.

The bank's basic capacity to generate earnings is maintained at a level slightly above the average for the regional banks. The bank also secures the level of profit margin after credit costs corresponding to the A zone. That said, the cost efficiency is not necessarily firm for the bank's size, and improvement of the cost efficiency is an issue.

The bank's base of personal deposits comprised mainly of those in the prefecture is solid and the liquidity is ample.

The primary rating methodologies applied to this rating are provided at "Basic Methodologies for R&I's Credit Rating" and "R&I's Analytical Approach to Hybrid Securities and Financial Institutions". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

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NEWS RELEASE

R&I RATINGS:

ISSUER: The Nishi-Nippon City Bank, Ltd. (Sec. Code: 8327)

LONG-TERM ISSUE RATING: Issue Date Redemption Issue Amount (mn)

Unsec. Sub. Bonds No.6 Mar 19, 2010 Apr 15, 2020 Yen 15,000

R&I RATING: A- (Assigned)

ISSUER RATING: A

RATING OUTLOOK: Stable

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

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