

Information Meeting The Year Ended March 2013

June 7, 2013



THE NANTO BANK, LTD

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I. Financial Results for FY2012

II. Management Strategy

Financial Results for FY2012 – 1. Profit and Loss

(¥ billion)		FY2011	FY2012	Y/Y change
1	Core gross business profit	60.8	59.6	-1.2
2	Interest income	55.6	54.2	-1.3
3	Fees and commissions	5.5	5.6	+0.1
4	Other operating income (*1)	(0.2)	(0.2)	+0.0
5	Cost of derivative financial products	0.5	0.2	-0.2
6	Expenses	49.5	47.5	-1.9
7	Personnel expenses	26.6	26.8	+0.1
8	Non-personnel expenses	20.8	18.8	-2.0
9	Taxes	1.9	1.8	-0.1
10	Core net business profit	11.3	12.0	+0.7
11	Gains/Losses on bonds (JGBs, etc.)	3.1	4.0	+0.8
12	Net transfer to general provision for possible loan losses	—	(1.4)	-1.4
13	Net business profit	14.5	17.5	+3.0
14	Non-recurrent gains/losses	(5.3)	(7.6)	-2.3
15	Gains/Losses on stocks	(4.2)	(1.5)	+2.7
16	Disposal of non-performing loans	2.2	6.8	+4.6
17	Reversal of bad debt reserve	1.1	—	-1.1
18	Bad debt recovered	0.8	0.7	-0.1
19	Ordinary income	9.1	9.8	+0.7
20	Extraordinary gains/losses	(0.4)	(0.4)	-0.0
21	Income before taxes	8.7	9.4	+0.6
22	Income taxes	5.4	1.8	-3.5
23	Net income	3.3	7.5	+4.2
24	Credit cost (*2)	0.1	4.7	+4.5

*1 Except gains/losses on bonds (JGBs, etc.)

*2 (Net transfer to general provision for possible loan losses + Disposal of non-performing loans) – (Reversal of reserves) – (Bad debt recovered)

<No.10 Core net business profit>

◆ Despite lower interest income, declines in expenses caused core net business profit to increase by ¥0.7 billion year on year to ¥12.0 billion.

<Breakdown of interest income>

(¥ billion)	FY2011	FY2012	Y/Y change
Interest income	55.6	54.2	-1.3
Interest on loans and deposits	39.1	37.7	-1.4
Interest on loans	43.5	41.1	-2.4
Interest on deposits	4.4	3.4	-0.9
Interest on market sector	16.4	16.5	+0.0
Interest on securities	17.9	17.5	-0.3
Interest on fund management	0.4	0.3	-0.0
Interest on fund procurement	1.9	1.4	-0.5

<No.19 Ordinary income, No.23 Net income>

◆ Even with an increased in credit cost, factors like improve on securities caused ordinary income to increase by ¥0.7 billion year on year to ¥9.8 billion.

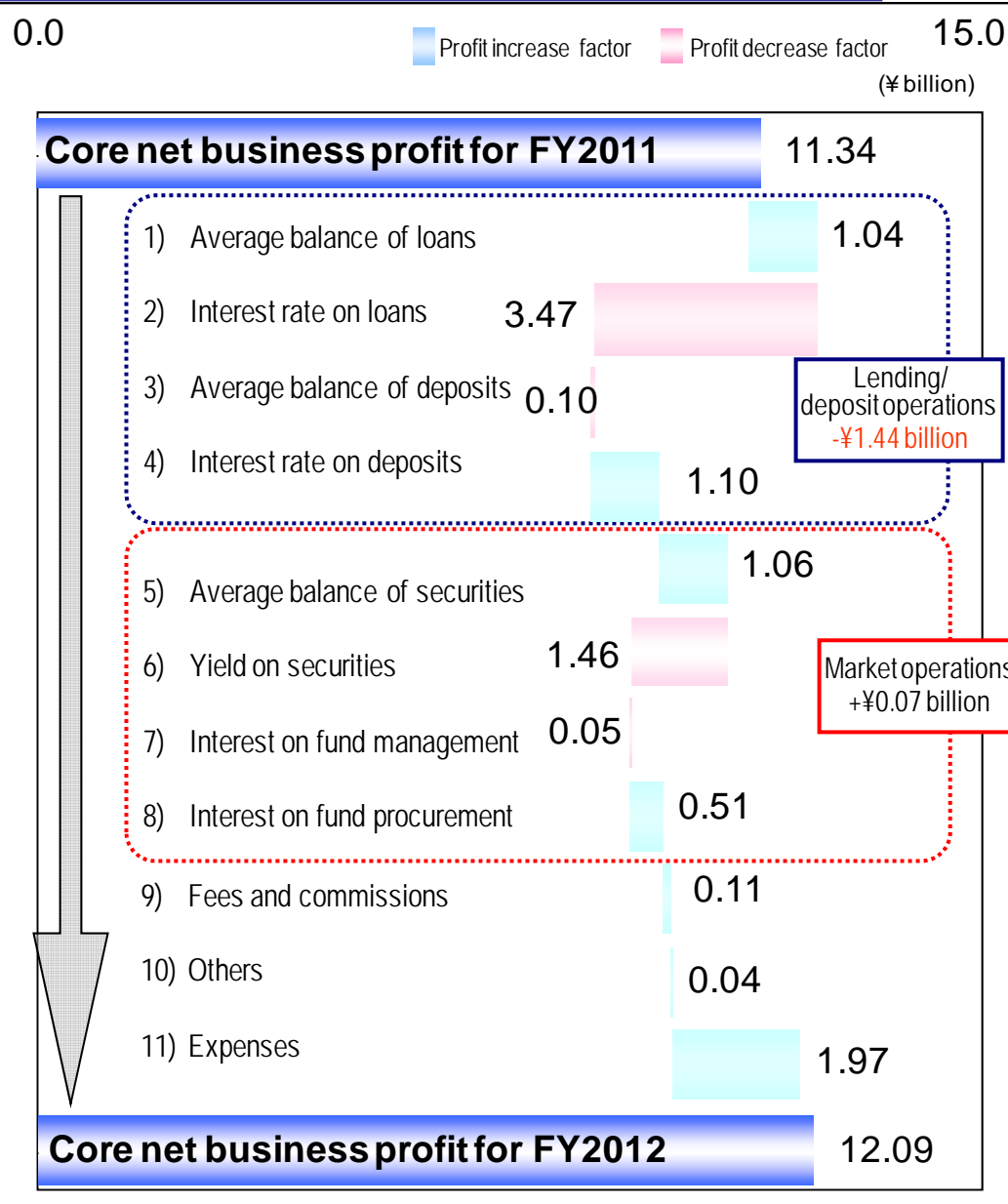
◆ Net income increased by ¥4.2 billion year on year to ¥7.5 billion due to a decrease in income taxes-deferred.

<Breakdown of gains/losses on securities and credit cost>

(¥ billion)	FY2011	FY2012	Y/Y change
Gains/Losses on securities	(1.0)	2.5	+3.5
Gains/Losses on bonds (JGBs, etc.)	3.1	4.0	+0.8
Gains/Losses on stocks	(4.2)	(1.5)	+2.7
Credit cost	0.1	4.7	+4.5
Net transfer to general provision for possible loan losses	—	(1.4)	-1.4
Disposal of non-performing loans	2.2	6.8	+4.6
Reversal of bad debt reserve	1.1	—	-1.1
Bad debt recovered	0.8	0.7	-0.1

Financial Results for FY2012 – 2. Core Net Business Profit

Analysis of Change Factors in Core Net Business Profit

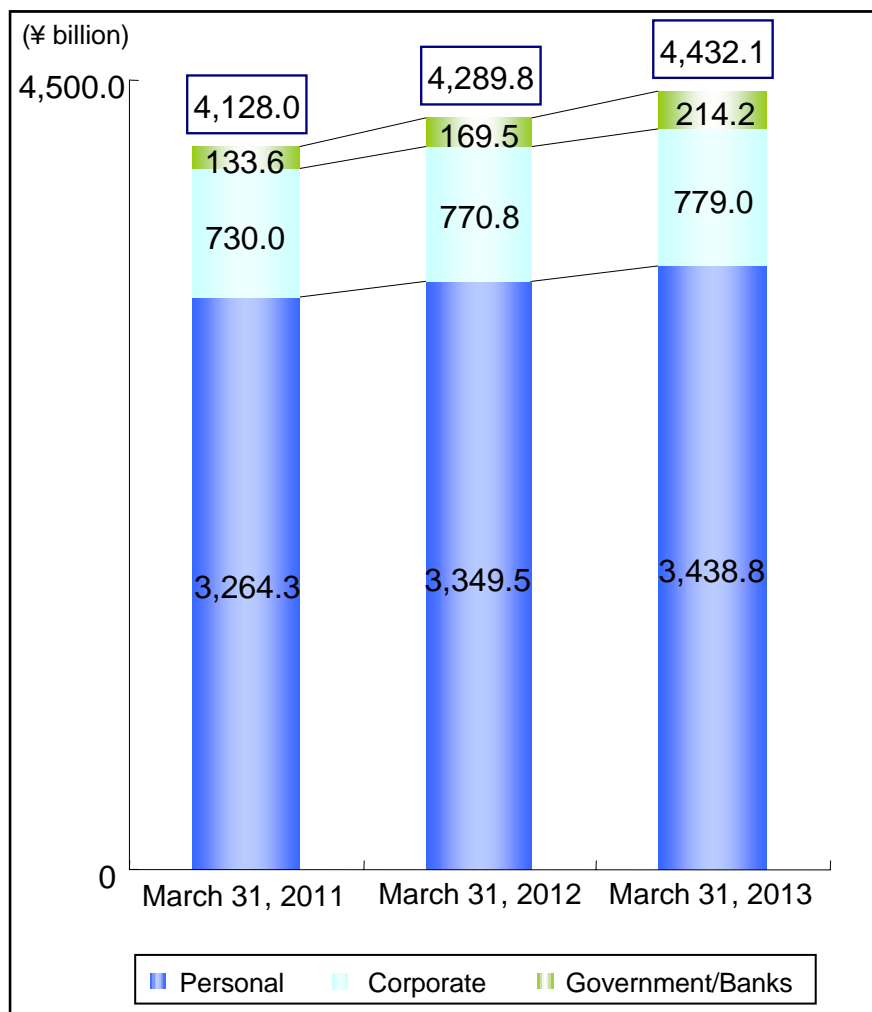


1) Average balance of loans (Y/Y change)	¥2,779.5 billion +¥65.0 billion
2) Interest rate on loans	1.48% (Y/Y change -0.12pp)
3) Average balance of deposits (Y/Y change)	¥4,416.5 billion +¥106.5 billion
4) Interest rate on deposits	0.07% (Y/Y change -0.03pp)
5) Average balance of securities (Y/Y change)	¥1,788.7 billion +¥100.2 billion
6) Yield on securities	0.98% (Y/Y change -0.08pp)
7) Interest on fund management Y/Y change	-¥0.05 billion
8) Interest on fund procurement Y/Y change	-¥0.51 billion
9) Commissions on investment trust Y/Y change	+¥0.01 billion
Commissions on life insurance Y/Y change	-¥0.02 billion
11) Expenses	-¥1.97 billion
Personnel expenses Y/Y change	+¥0.16 billion
Non-personnel expenses Y/Y change	-¥2.02 billion

Financial Results for FY2012 – 3. Deposits

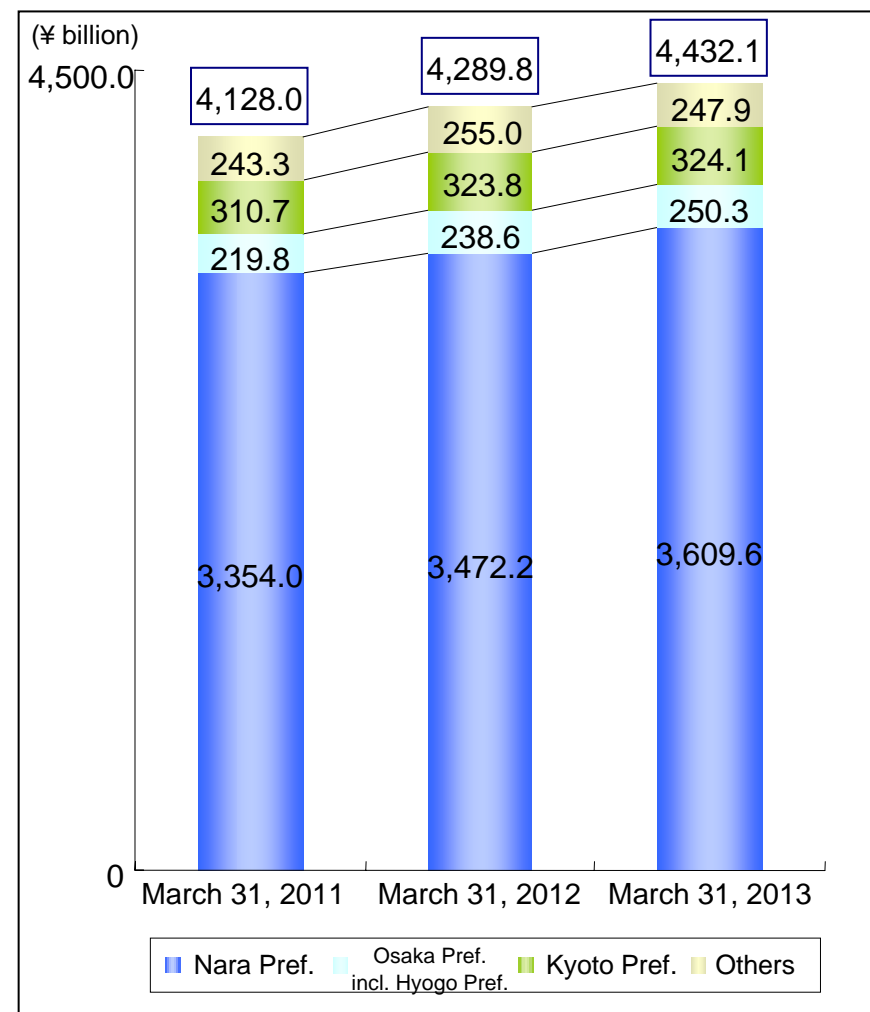
Balance of Deposits by Sector

- ◆ Deposits balance as of March 31, 2013 stood at ¥4,432.1 billion, up ¥142.2 billion year on year mainly due to a steady rise in personal deposits.



Balance of Deposits by Prefecture

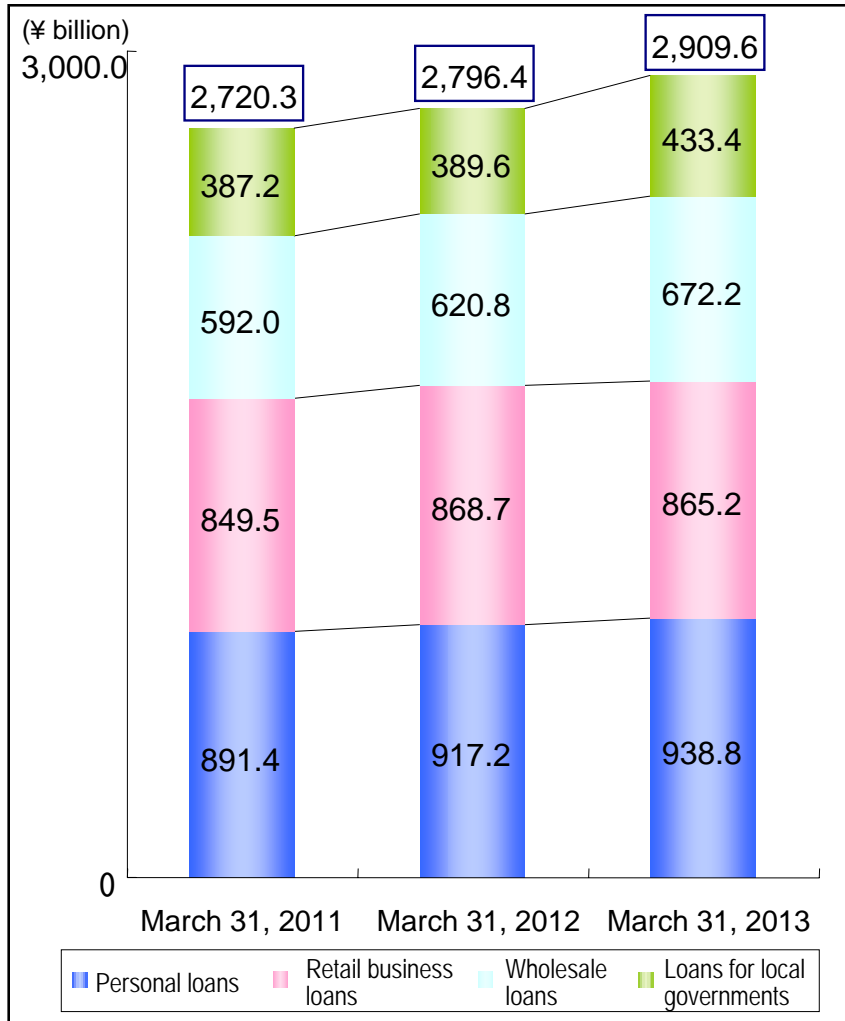
- ◆ Deposits for all prefectures rose year on year. Its balance for Nara Prefecture was ¥3,609.6 billion, which accounted for 81.4% of Nanto Bank's total as of March 31, 2013.



Financial Results for FY2012 – 4. Loans

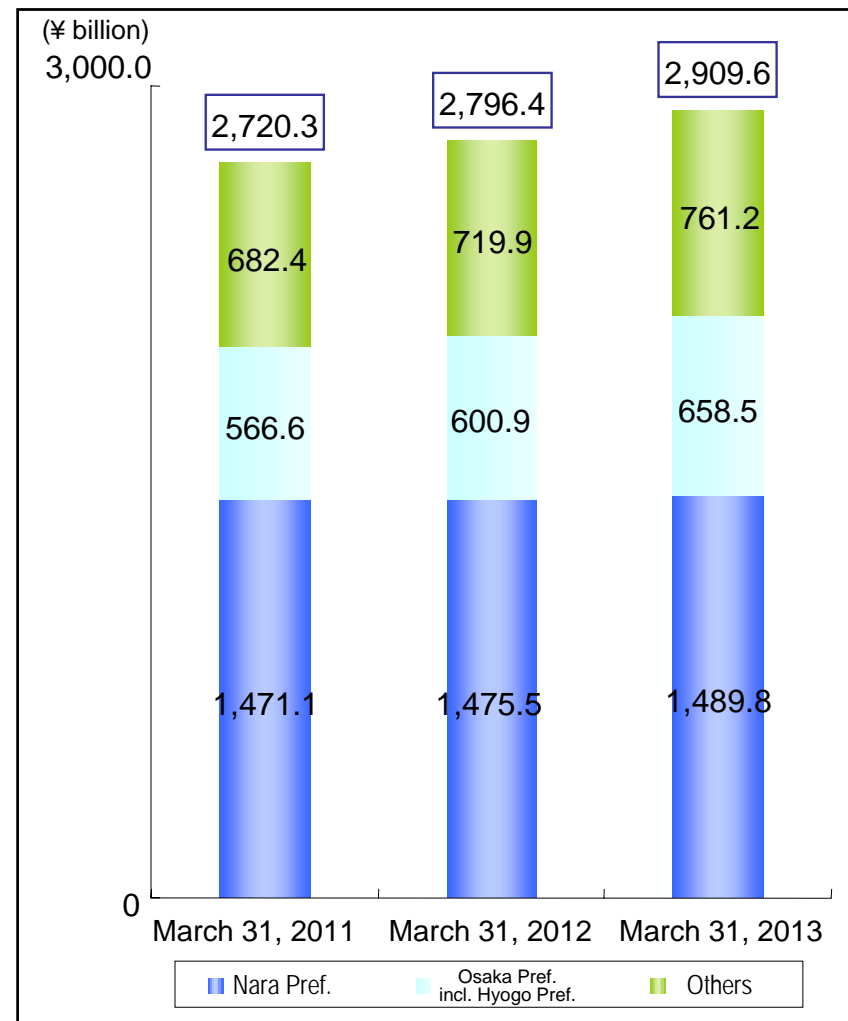
Balance of Loans by Sector

◆ Loans balance as of March 31, 2013 rose by ¥113.2 billion year on year to ¥2,909.6 billion.



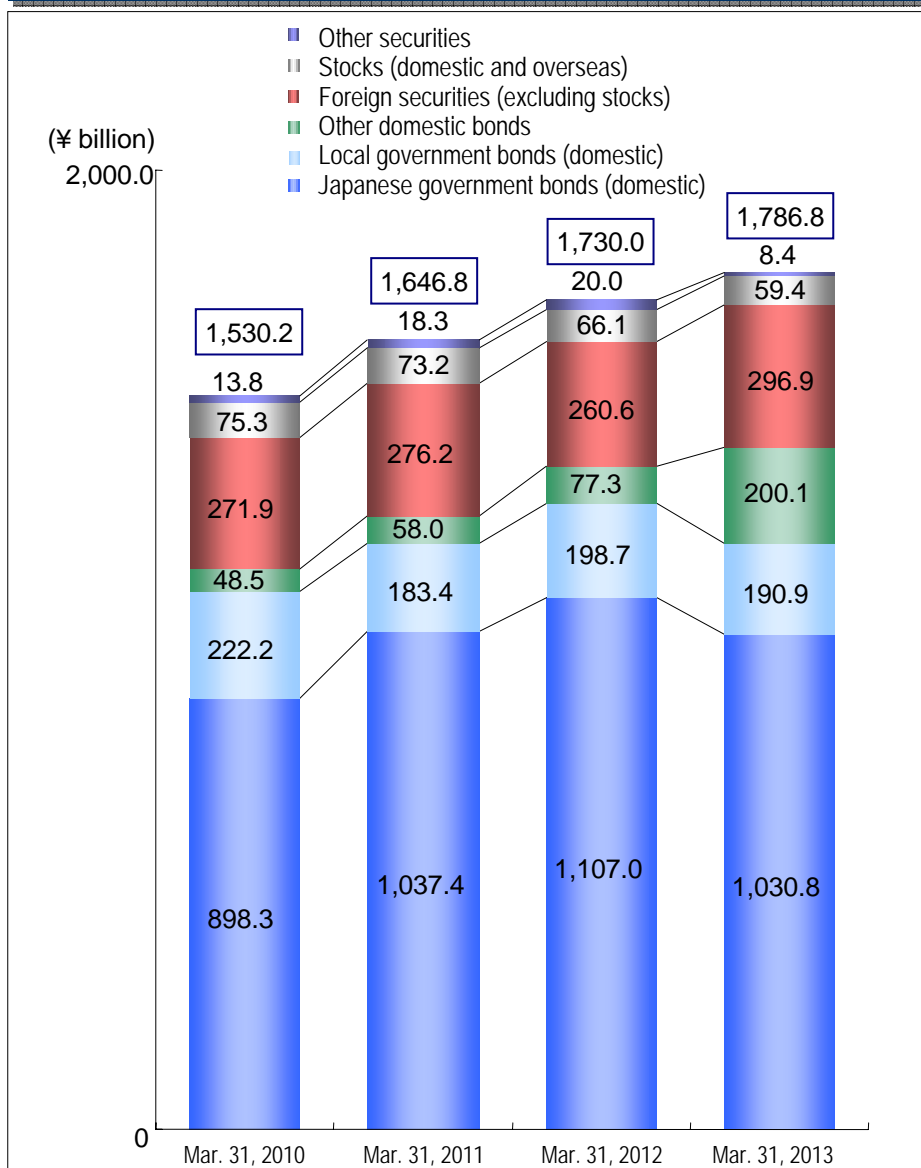
Balance of Loans by Prefecture

◆ With outstanding loans of ¥1,489.8 billion, Nara Prefecture accounted for 51% of total loans. At ¥658.5 billion, Osaka Prefecture accounted for 22% of the total.



Financial Results for FY2012 – 5. Securities

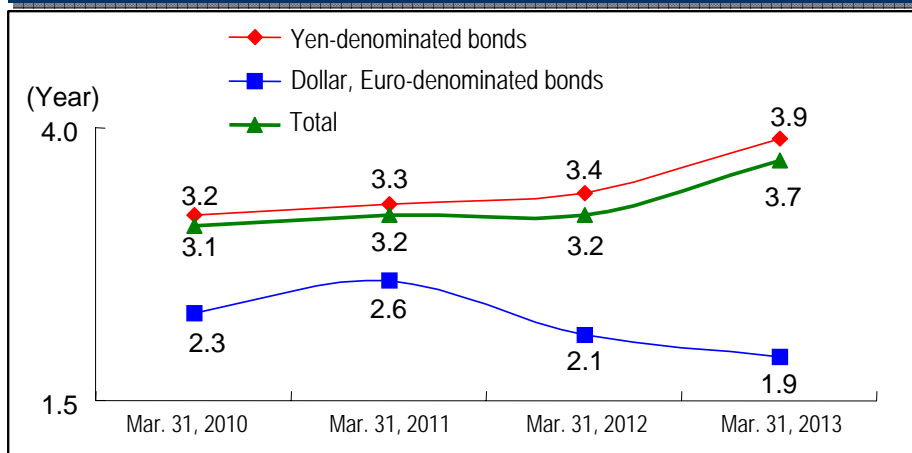
Balance of Securities



Unrealized Gains/Losses of Securities



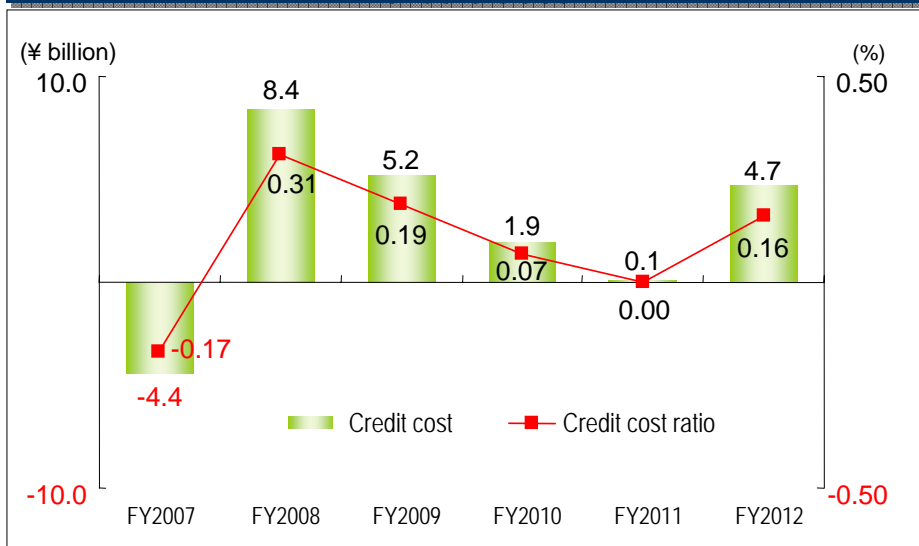
Bond Duration



* Book value basis (after deduction of unrealized gains/losses of securities)

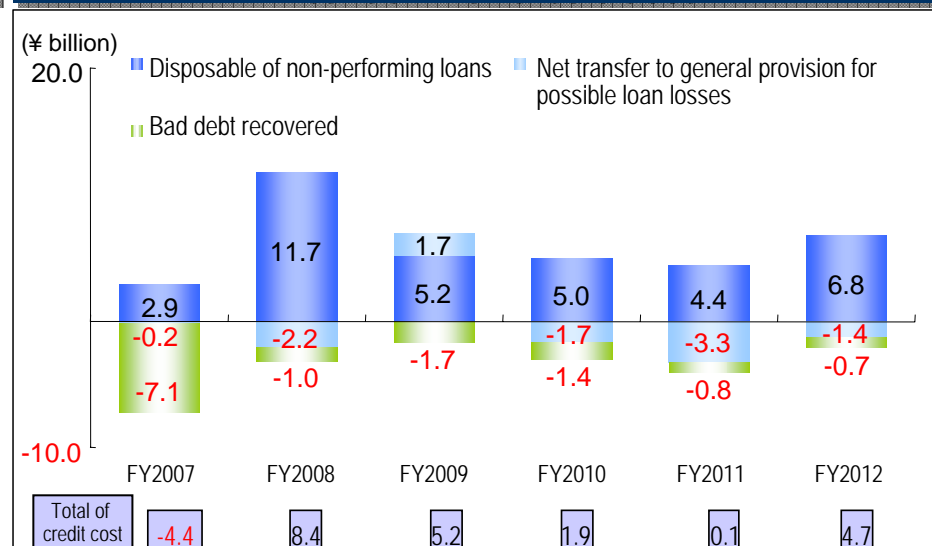
Financial Results for FY2012 – 6. Disposal of Non-Performing Loans

Credit Cost

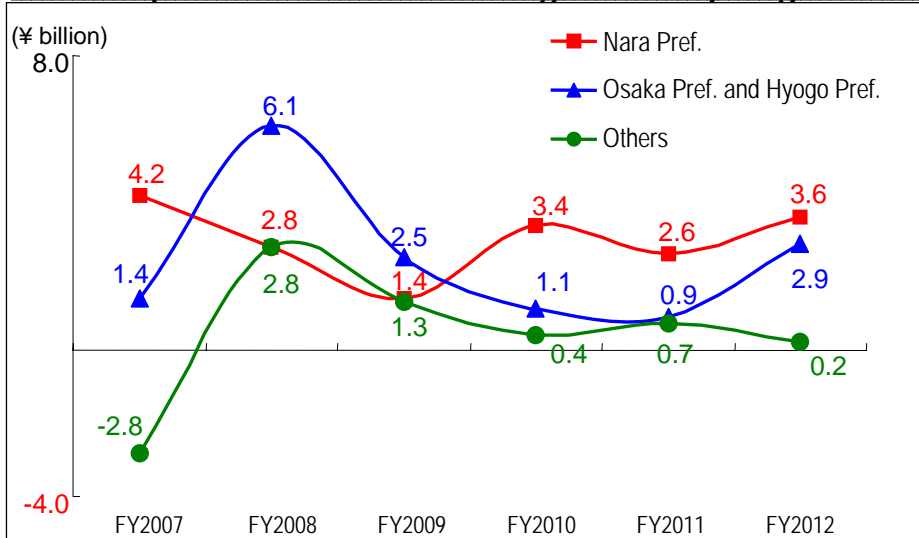


*Credit cost ratio = Credit cost / Average balance of loans

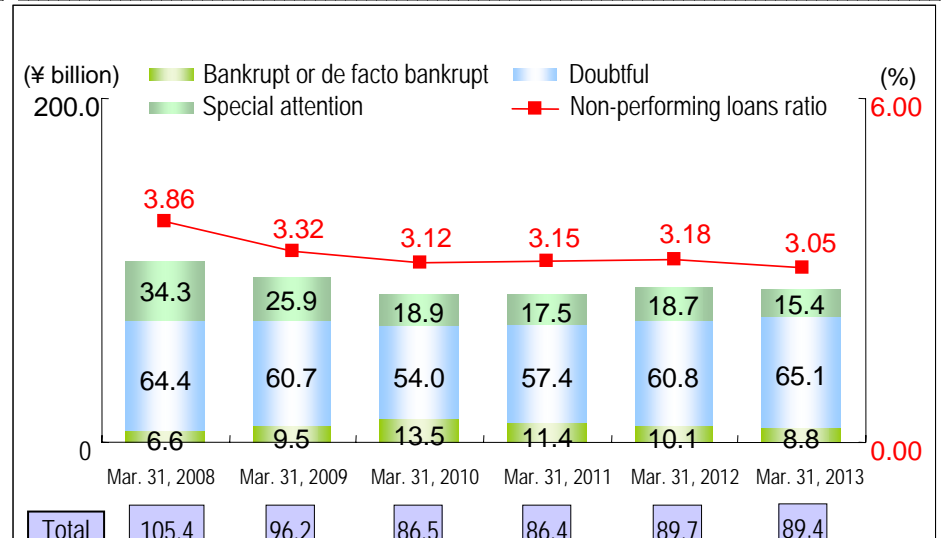
Breakdown of Credit Cost



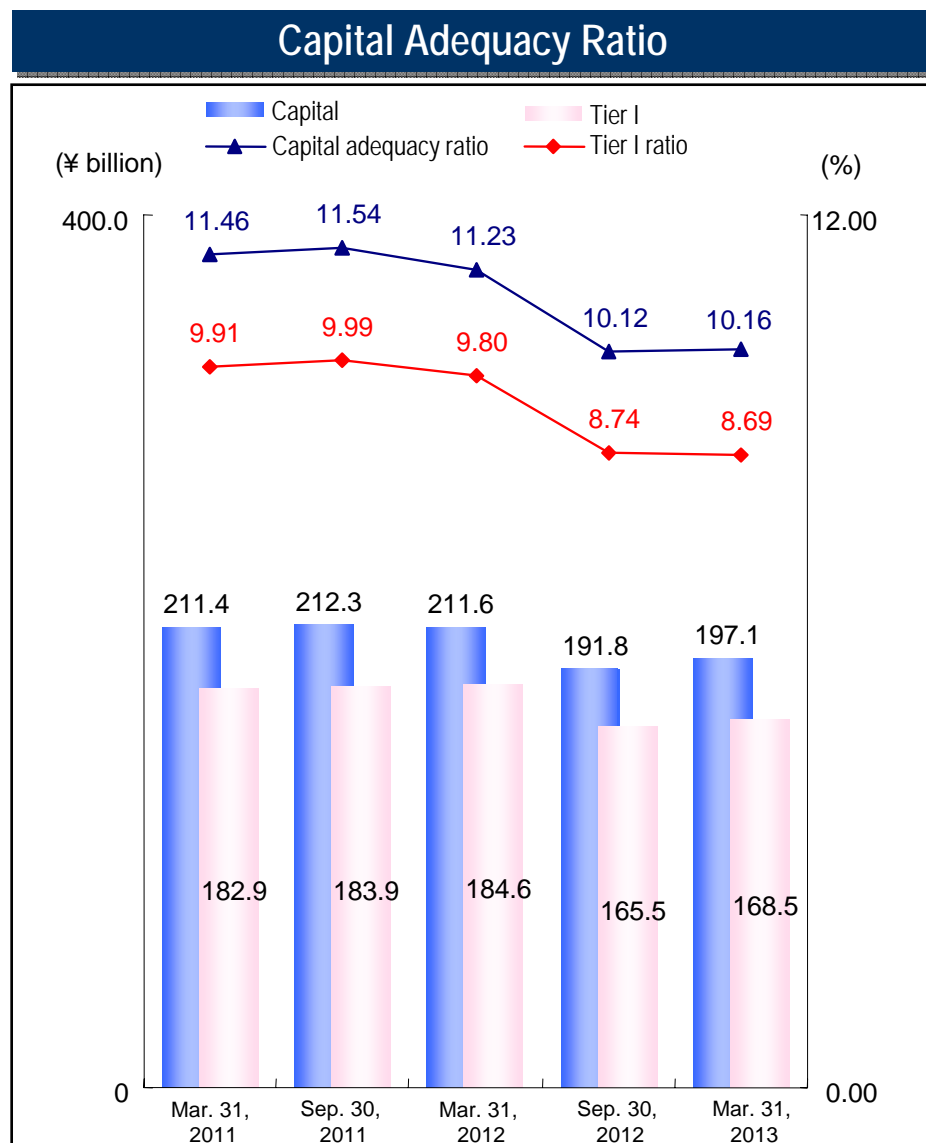
Disposal of Non-Performing Loans by Region



Loans Based on the Financial Reconstruction Law / Non-performing Loans Ratio



Financial Results for FY2012 – 7. Capital Adequacy Ratio



		Mar. 31, 2011	Sep. 30, 2011	Mar. 31, 2012	Sep. 30, 2012	Mar. 31, 2013	Change from Mar. 31, 2012	Change from Sep. 30, 2012
(¥ billion, %)								
1	Tier I (Core capital)	182.9	183.9	184.6	165.5	168.5	-16.0	3.0
2	Preferred securities	20.0	20.0	20.0	—	—	-20.0	—
3	Tier II (Supplementary capital)	31.5	31.5	30.1	29.3	28.6	-1.5	-0.7
4	General provision for possible loan losses	11.5	11.5	10.1	9.3	8.6	-1.5	-0.7
5	Hybrid debt capital instruments	20.0	20.0	20.0	20.0	20.0	—	—
6	Deductions	2.9	3.1	3.1	3.1	0.1	-3.0	-3.0
7	Capital	211.4	212.3	211.6	191.8	197.1	-14.5	5.2
8	Risk weighted assets	1,844.7	1,840.0	1,883.5	1,893.7	1,938.3	54.8	44.5
9	Loan risk	1,456.6	1,464.2	1,518.3	1,544.6	1,587.7	69.4	43.0
10	Stock risk	148.8	143.1	141.2	125.8	147.3	6.1	21.5

1	Capital adequacy ratio (No.7 / No.8 × 100)	11.46	11.54	11.23	10.12	10.16	-1.07	0.04
2	Tier I ratio (No.1 / No.8 × 100)	9.91	9.99	9.80	8.74	8.69	-1.11	-0.05

Business Forecast for FY2013

FY2012		FY2013 Forecast	Y/Y change	
(¥ billion)				
1	Core gross business profit	59.6	58.5	-1.0
2	Interest income	54.2	51.7	-2.4
3	Fees and commissions	5.6	6.3	+0.6
4	Other operating income (*1)	(0.2)	0.5	+0.7
5	Cost of derivative financial products	0.2	—	-0.2
6	Expenses	47.5	46.5	-1.0
7	Personnel expenses	26.8	26.3	-0.5
8	Non-personnel expenses	18.8	18.4	-0.4
9	Taxes	1.8	1.7	-0.1
10	Core net business profit	12.0	12.0	+0.0
11	Gains/Losses on bonds (JGBs, etc.)	4.0	0.2	-3.8
12	Net transfer to general provision for possible loan losses	(1.4)	0.5	+1.9
13	Net business profit	17.5	11.7	-5.8
14	Non-recurrent gains/losses	(7.6)	(2.7)	+4.8
15	Gains/Losses on stocks	(1.5)	0.1	+1.6
16	Disposal of non-performing loans	6.8	4.0	-2.8
17	Reversal of bad debt reserve	—	—	—
18	Bad debt recovered	0.7	0.5	-0.2
19	Ordinary income	9.8	9.0	-0.8
20	Extraordinary gains/losses	(0.4)	(0.0)	+0.4
21	Income before taxes	9.4	8.9	-0.4
22	Income taxes	1.8	3.3	+1.4
23	Net income	7.5	5.5	-1.9
24	Credit cost (*2)	4.7	4.0	-0.7

*1 Except gains/losses on bonds (JGBs, etc.)
 *2 (Net transfer to general provision for possible loan losses + Disposal of non-performing loans) - (Reversal of reserves) - (Bad debt recovered)

<No.10 Core net business profit>

◆ Interest income is to decline by ¥2.4 billion year on year, however, with increased fees and commissions (by ¥600 million) and lower expenses (by ¥1.0 billion), core net business profit is expected to remain unchanged from the previous fiscal year at ¥12.0 billion.

<Breakdown of real net interest income>

(¥ billion)	FY2012	FY2013 Forecast	Y/Y change
Interest income	54.2	51.7	-2.4
Interest on loans and deposits	37.7	35.6	-2.0
Interest on loans	41.1	38.5	-2.6
Interest on deposits	3.4	2.8	-0.5
Interest on market sector	16.5	16.1	-0.3
Interest on securities	17.5	17.0	-0.4
Interest on fund management	0.3	0.2	-0.0
Interest on fund procurement	1.4	1.2	-0.1

<No. 23 Net income>

◆ Lower gains on securities is anticipated to reduce net income by ¥1.9 billion year on year to ¥5.5 billion.

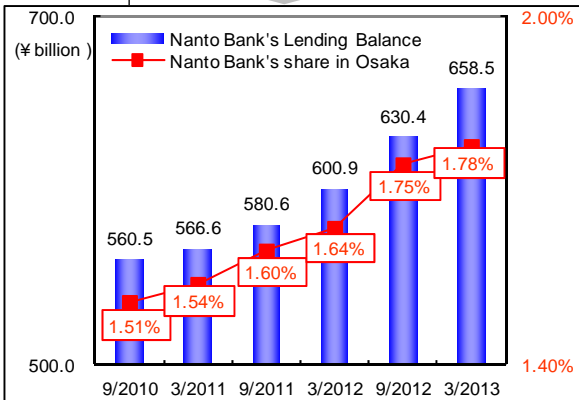
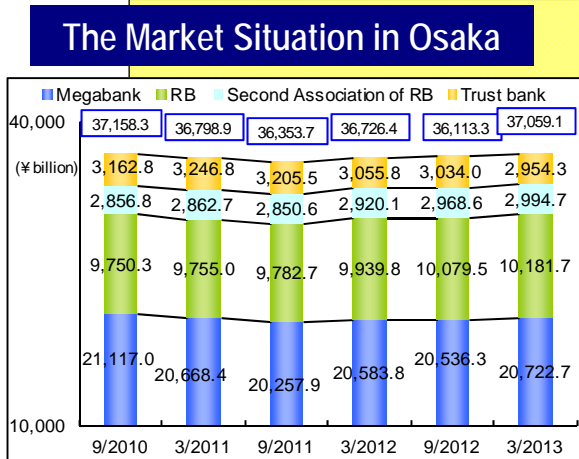
<Breakdown of gains/losses on securities and credit cost>

(¥ billion)	FY2012	FY2013 Forecast	Y/Y change
Gains/Losses on securities	2.5	0.3	-2.2
Gains/Losses on bonds (JGBs, etc.)	4.0	0.2	-3.8
Gains/Losses on stocks	(1.5)	0.1	+1.6
Credit cost	4.7	4.0	-0.7
Net transfer to general provision for possible loan losses	(1.4)	0.5	+1.9
Disposal of non-performing loans	6.8	4.0	-2.8
Bad debt recovered	0.7	0.5	-0.2

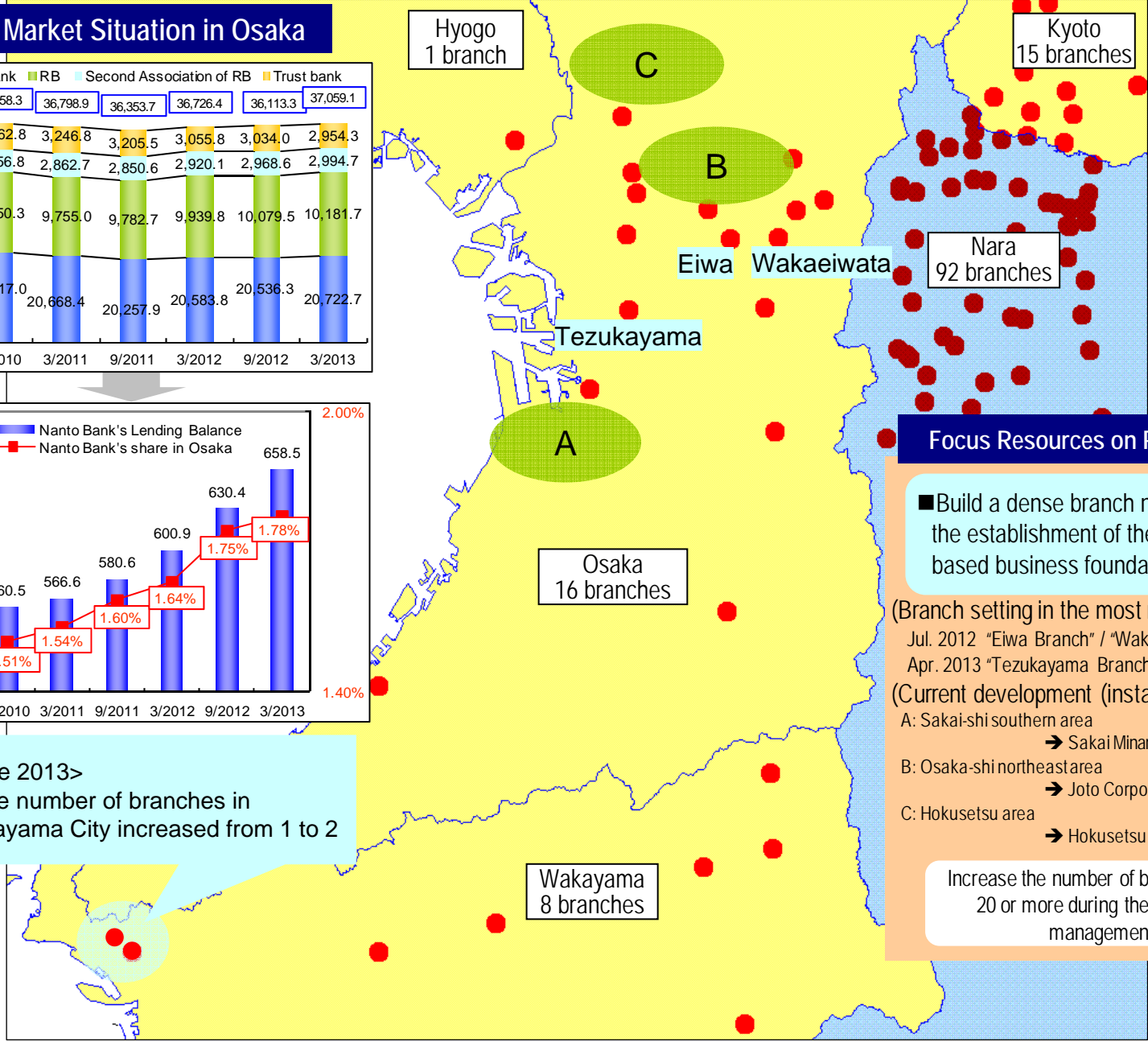
I. Financial Results for FY2012

II. Management Strategy

Business Strategy for Osaka (1)



<June 2013>
 ◆ The number of branches in Wakayama City increased from 1 to 2



Focus Resources on Priority Strategic Areas

- Build a dense branch network aiming for the establishment of the geographically broad-based business foundation

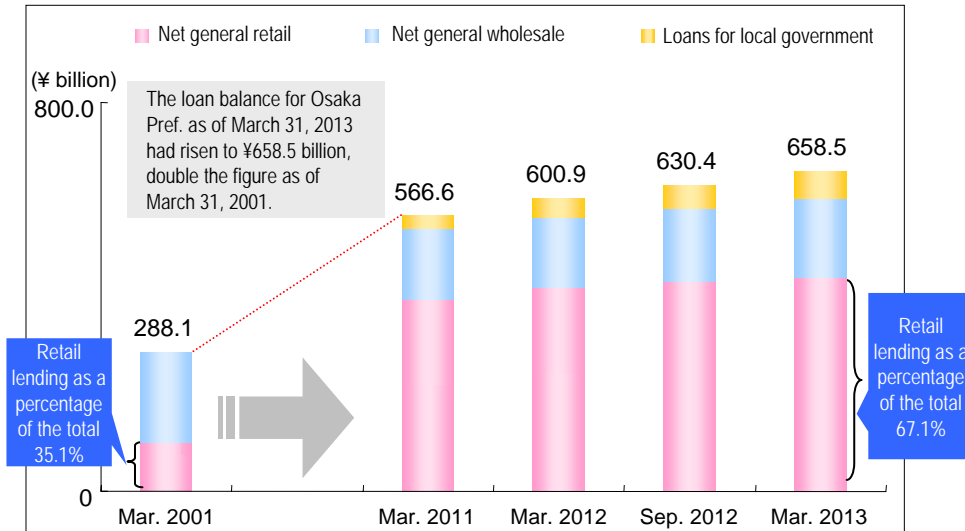
(Branch setting in the most recent one year period)
 Jul. 2012 "Eiwa Branch" / "Wakaeiwata Branch"
 Apr. 2013 "Tezukayama Branch" (relocated in Oct. 2013)

(Current development (installation in Apr. 2013))
 A: Sakai-shi southern area
 → Sakai Minami Corporate Business Promotion Team
 B: Osaka-shi northeast area
 → Joto Corporate Business Office
 C: Hokusetsu area
 → Hokusetsu Corporate Business Office

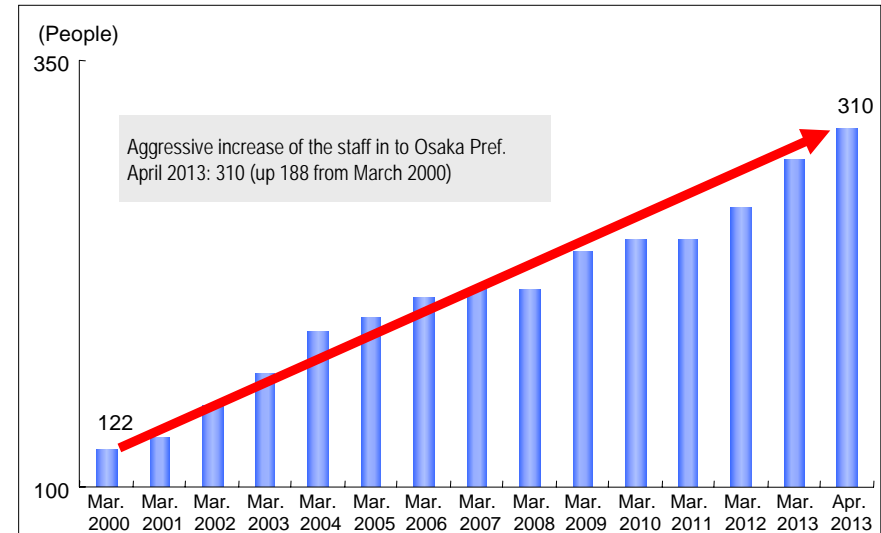
Increase the number of branches in Osaka Pref. to 20 or more during the current medium-term management plan period.

Business Strategy for Osaka (2)

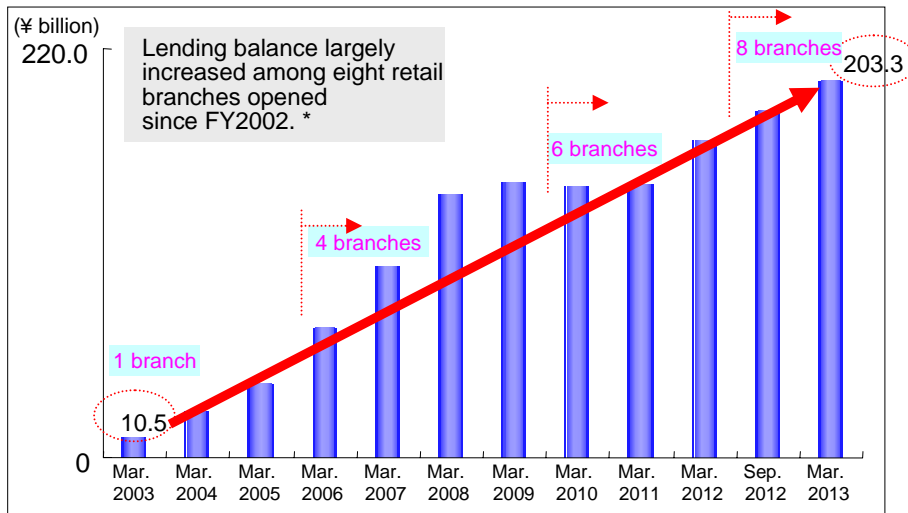
Loan Balance in Osaka Pref.



More Staff Assigned in Osaka Pref.

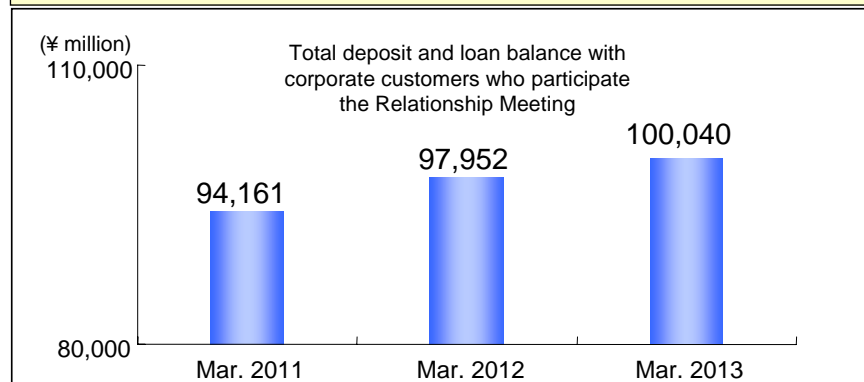


Outstanding Loans of New Branches



Reinforce Relations with Corporate Customers

Strengthen the relations with corporate customers by establishing a NANTO Relationship Meeting at each branch in Osaka Pref. for the purpose of inter-sector coordination and exchange among our corporate customers

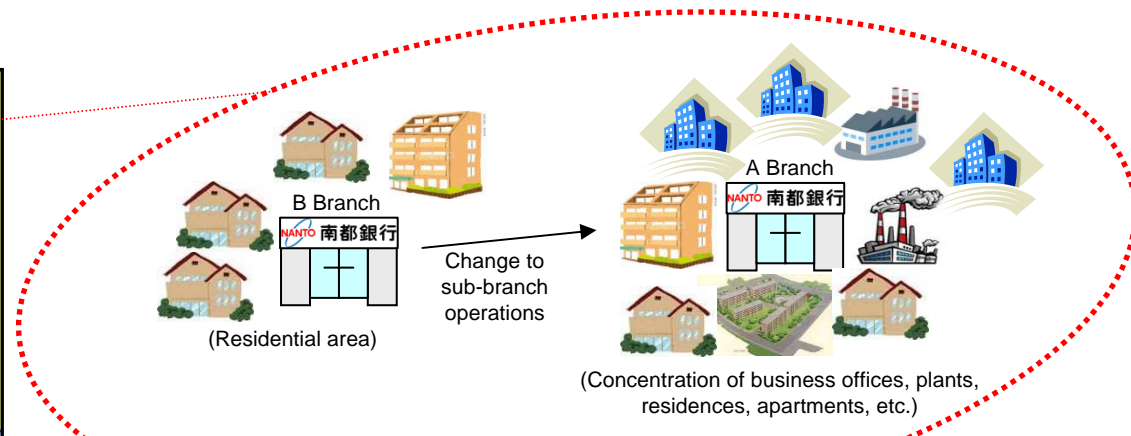
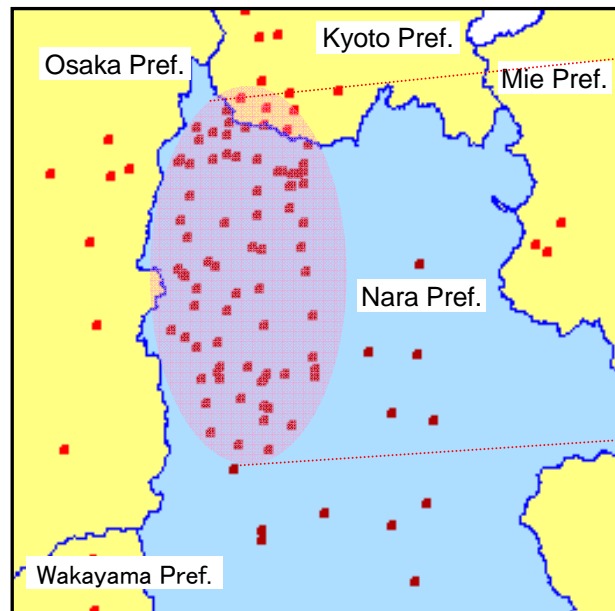


*New retail branches opened since FY2002: Osaka-Higashi, Daitoh, Osaka-Kita, Sakai, Shin-Osaka, Amagasaki, Eiwa, Wakaeiwata.

Rationalization of the Branch Channel (Existing Sales Area)

- Rationalized the operation of 6 branches to sub-branch operations in May-June 2013, recognizing the need for rationalizing the operation and staff allocation of branches according to market characteristics in order to strengthen cost competitiveness and sales capability.
- Shifting branch office from leasing to own property.
- ATMs are installed or abolished in a more flexible manner.

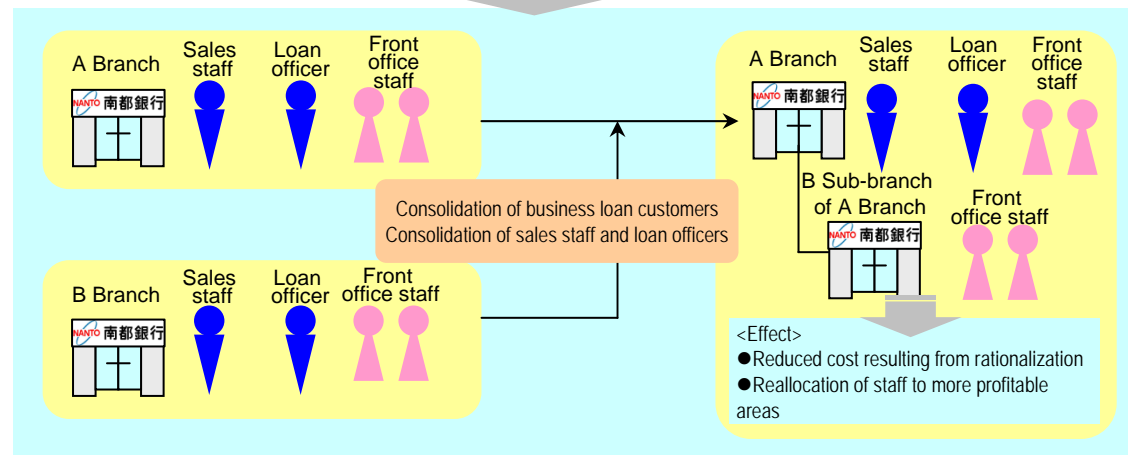
Branch Network of the Bank (An excerpt)



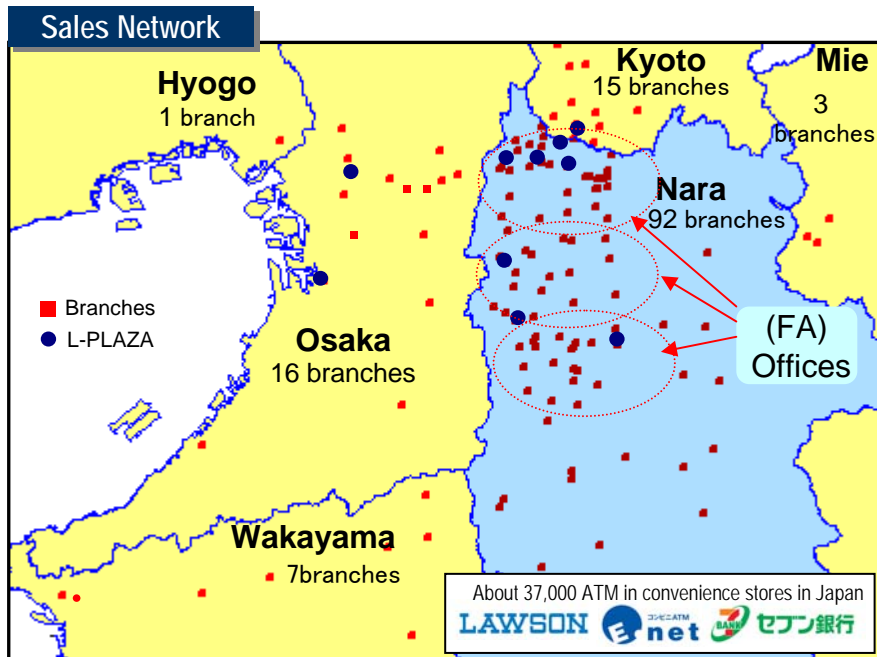
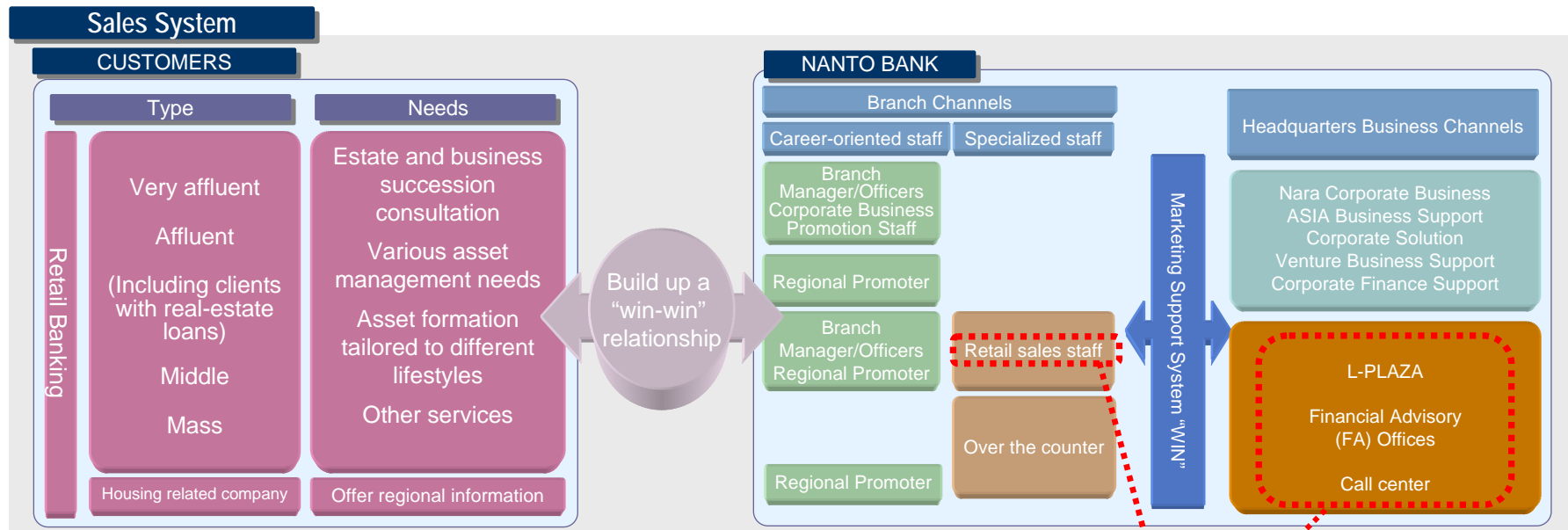
Branches are rationalized to sub-branch operations in case their business market volume and business loan balance are small

Further cost reduction

- Aim to cut cost further in FY2013 and beyond by converting more branches to sub-branches and using the bank agency system.
- Shift branch office spaces from leasing to own property.
- ATMs will be installed or abolished in a more flexible manner.

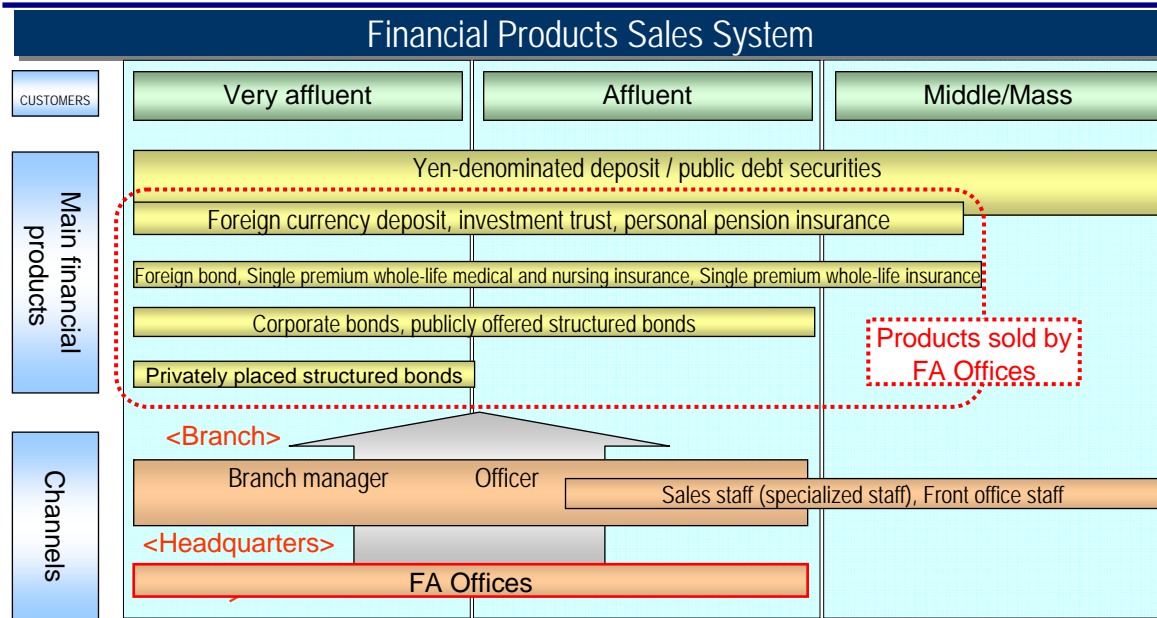


Sales Force to Retail Customers

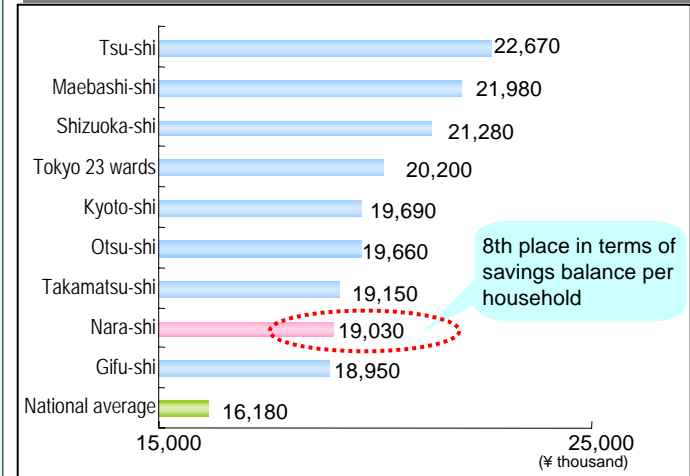


- L-PLAZA**
 - Housing Loan Centers and Life Consultation Office have been integrated as L-PLAZAs since April 2011 to strengthen the consulting services for personal loans and assets in custody (open also on Saturdays and Sundays).
7 locations in Nara Prefecture and 4 locations outside of Nara Prefecture
- Financial Advisory (FA) Offices**
 - Financial Advisory Offices currently includes 17 staff with highly specialized financial knowledge (three locations in Nara Prefecture). They respond to the various needs of customers by providing consultation for asset management, inheritance, business succession and effective use of real estate.
- Call Center**
 - Actively respond to customer needs in coordination with branches by providing information about sales products and services through direct mails and telephone calls.
- Retail Sales Staff**
 - The retail sales staff currently includes talented 80 female staffs with significant experience and financial knowledge to provide attentive services.

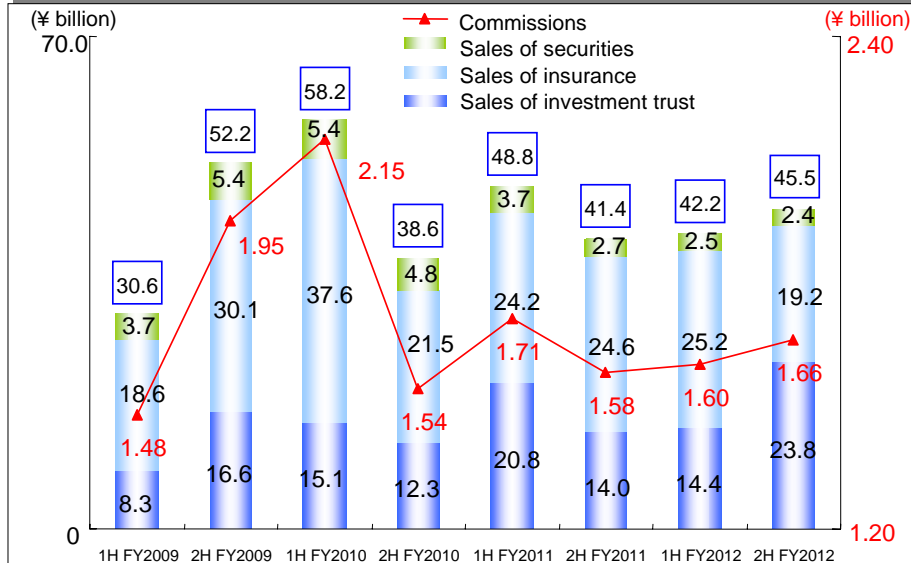
Business by Assets in Custody



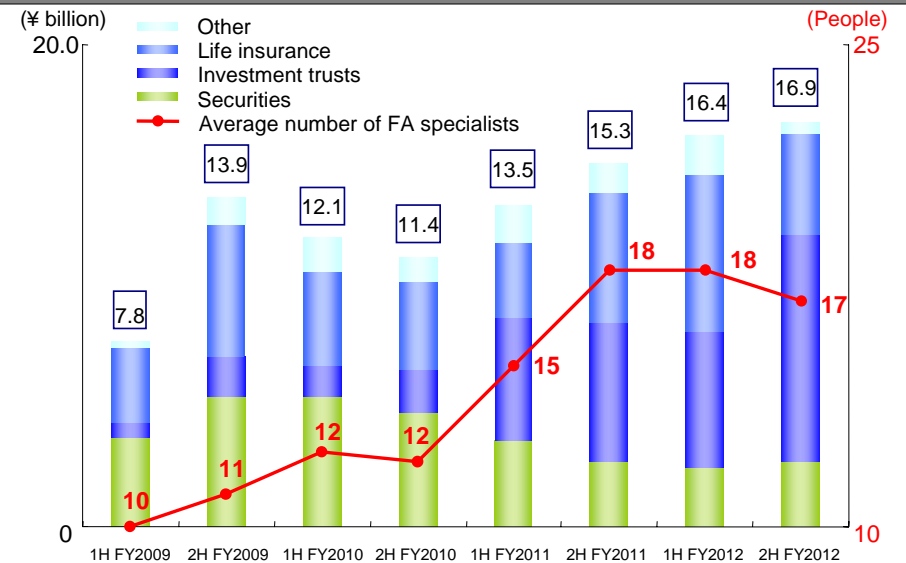
Savings Balance per Household by Prefectural Capital



Sales by Assets in Custody

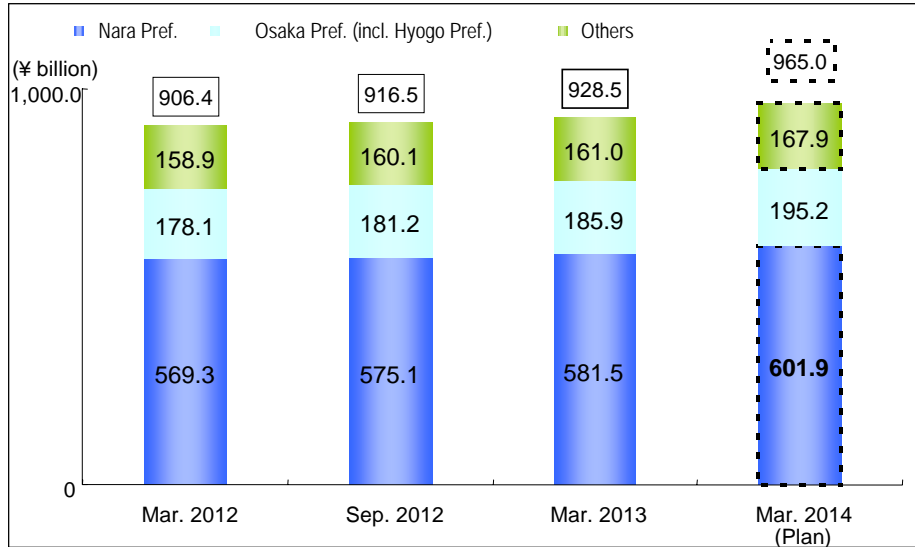


Sales by FA Office

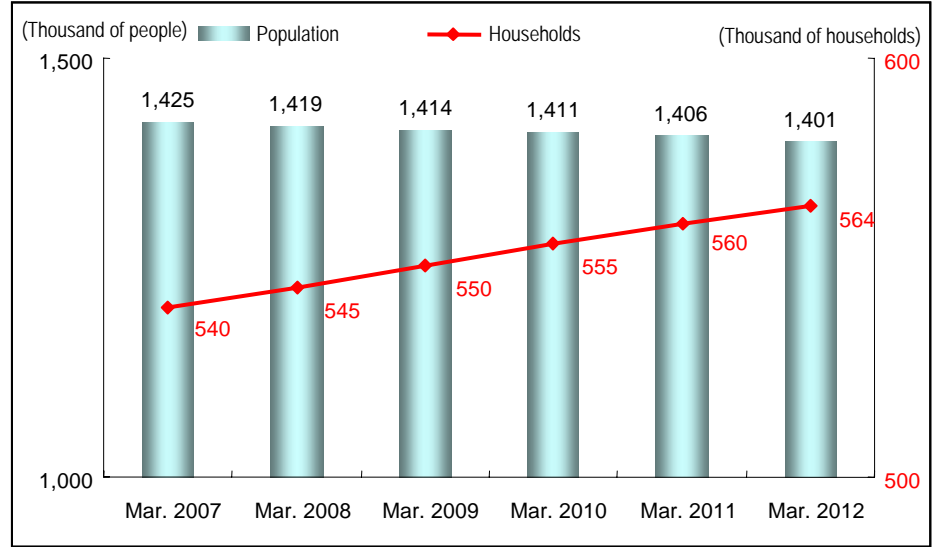


Personal Loan

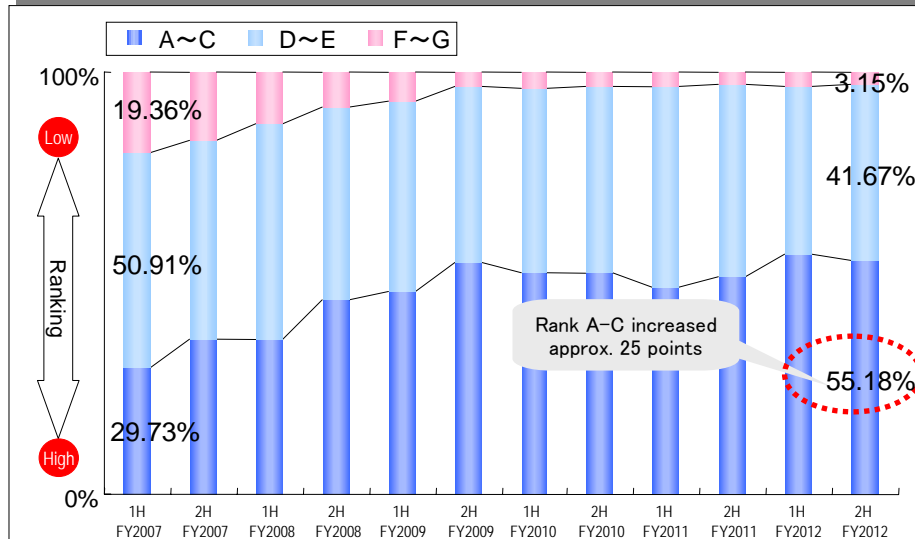
Personal Loan Balance by Prefecture



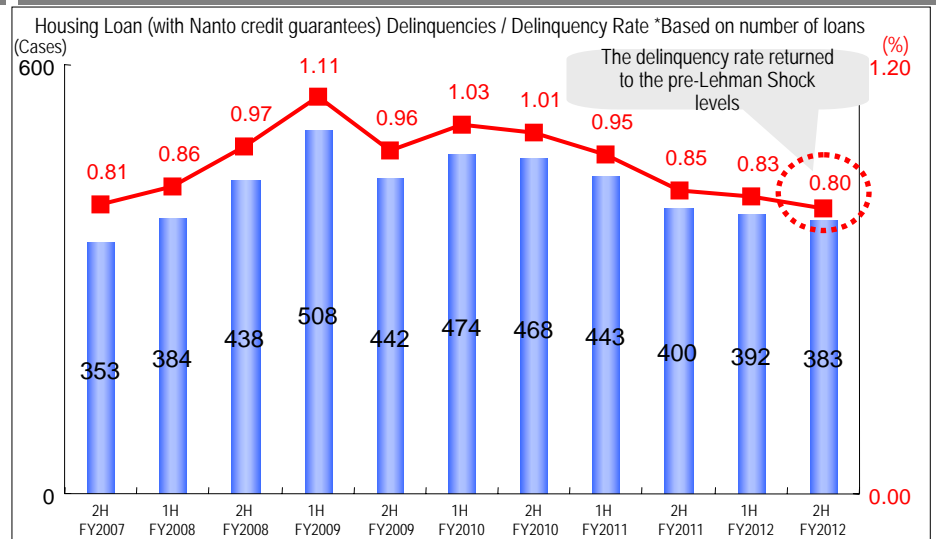
Population and Households in Nara Pref.



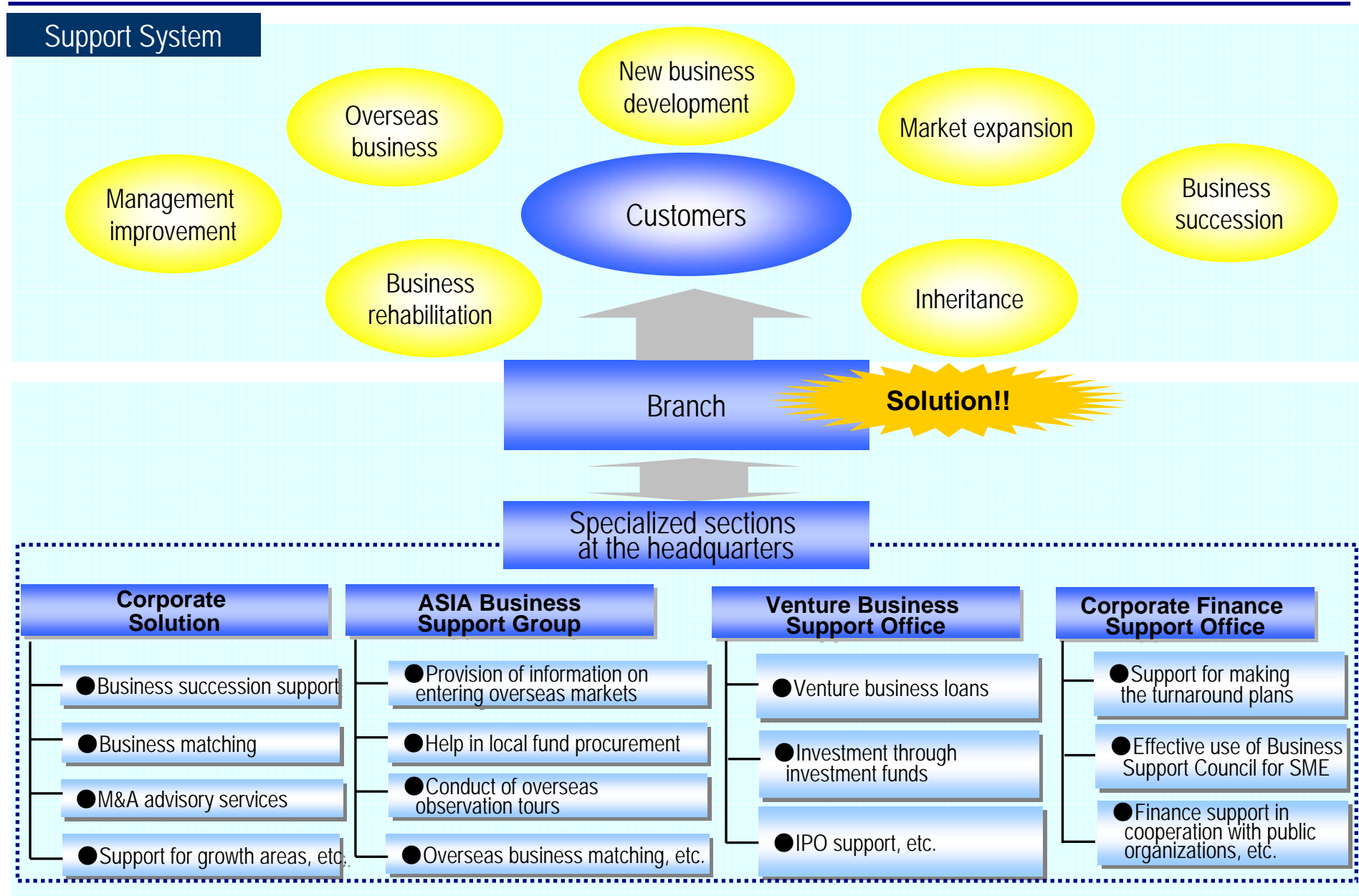
Composition of Housing Loans Actually Executed by Rating System



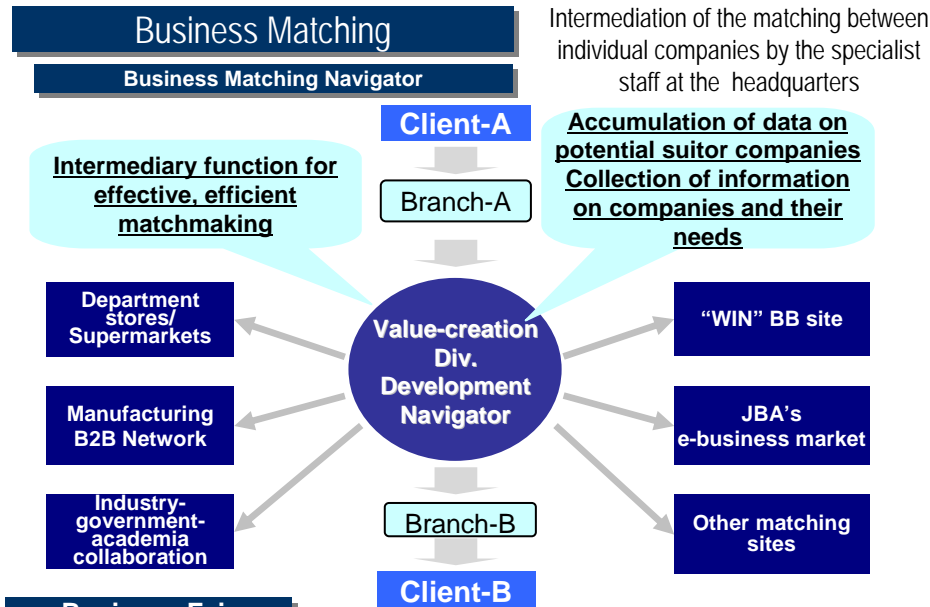
Housing Loan Delinquency



Promoting Relationship-based Local Banking



Implementation of the Solution Business Approach



Business Fair

< Venture Business Matching Fair 2012 >

- ◆ November 2012
- ◆ 202 companies/organizations of participants
- ◆ 820 negotiation cases
- ◆ New initiative: Establishment of Overseas Expansion Support Plaza to provide face-to-face consultation on overseas matters



< Consumer Monitor Fair >

- ◆ June 2012, March 2013
- ◆ 20 companies/organizations of participants
- ◆ An event at which housewives, female office workers, and other female monitors test and sample the products of exhibitors (companies) and provide them with feedback on what to improve from a consumer's perspective

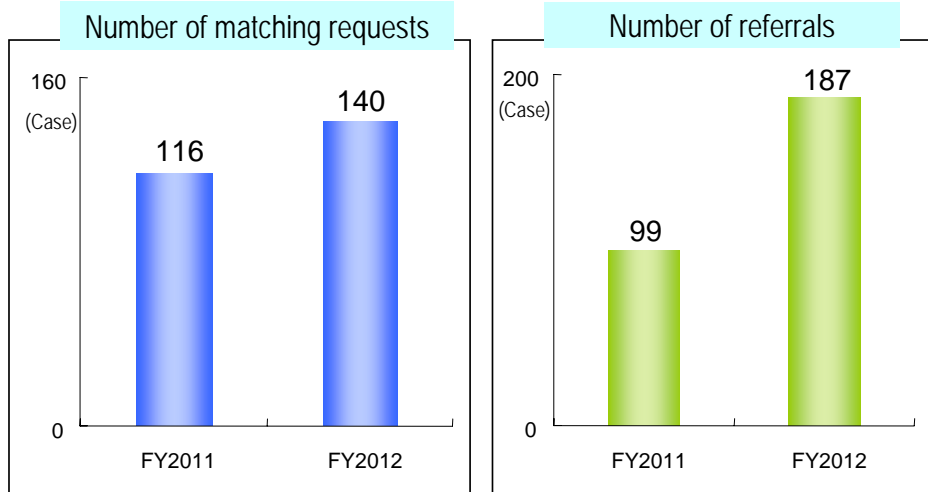


< Traditional Cool Fair >

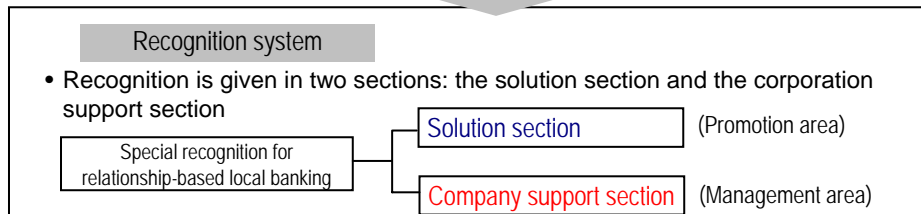
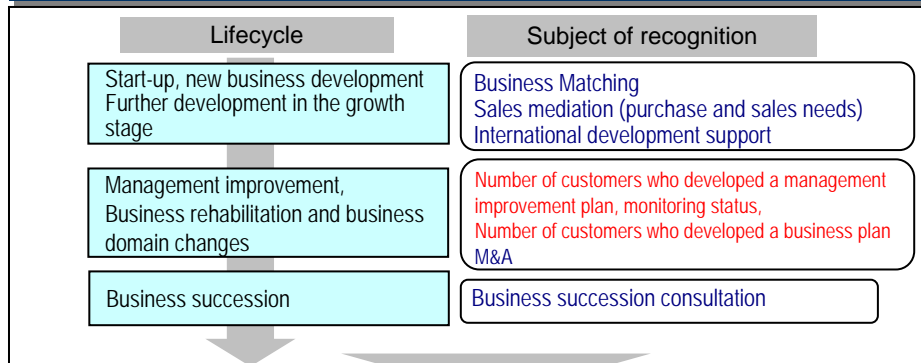
- ◆ September 2012
- ◆ 8 companies/organizations of participants
- ◆ Matching between the companies manufacturing traditional goods or new products combining traditional goods with revolutionary new design technology and the companies that see value in such products



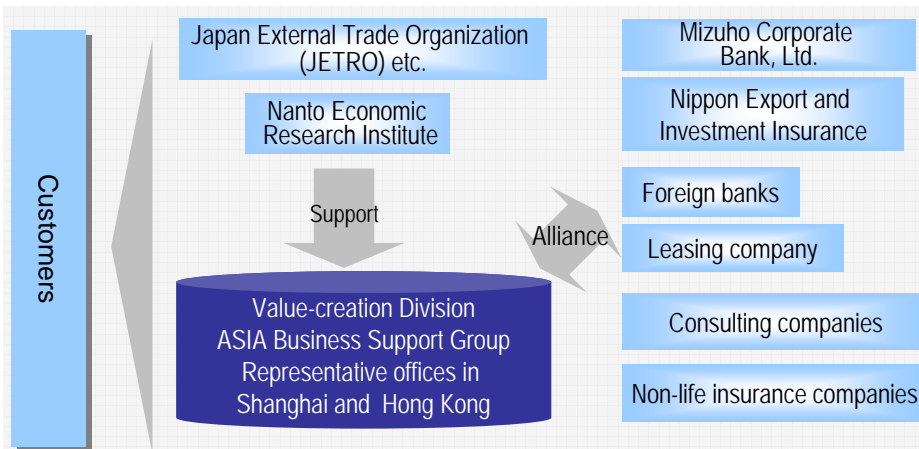
Number of Matching Requests to Business Matching Navigator



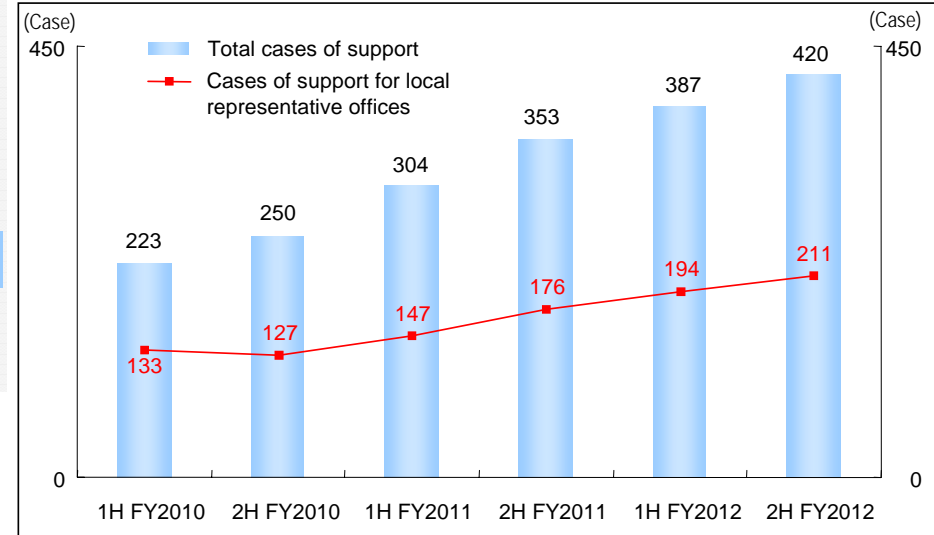
Special Recognition for Relationship-based Local Banking



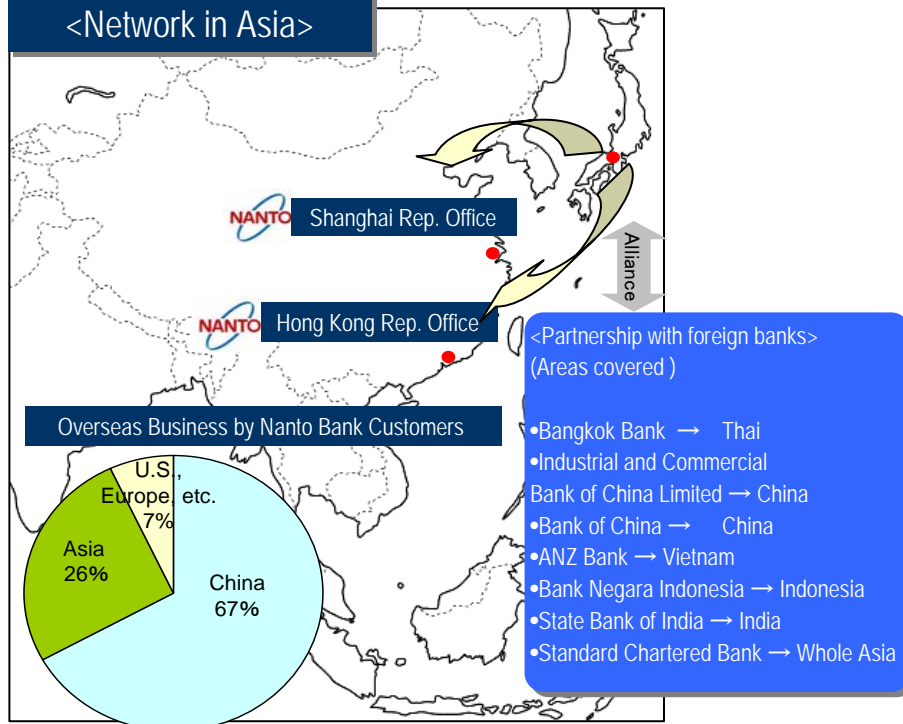
Overseas Business Support



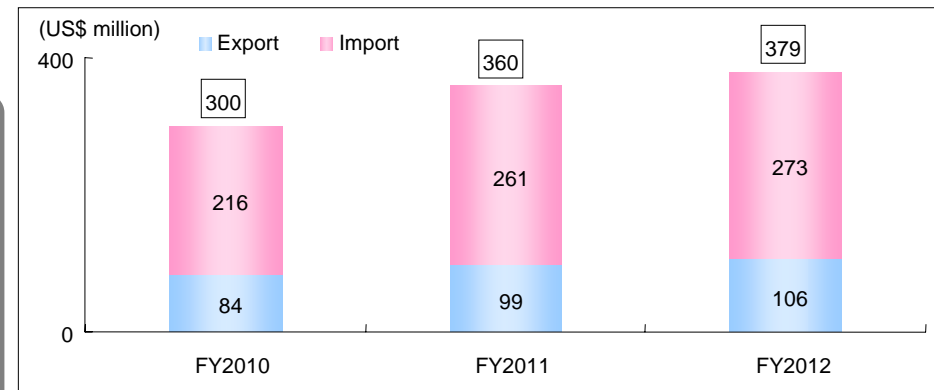
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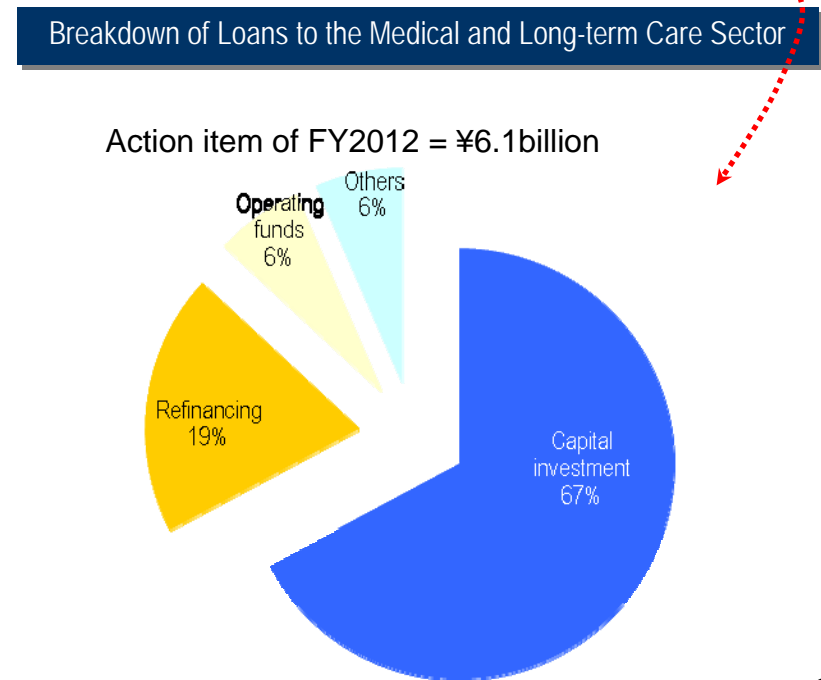
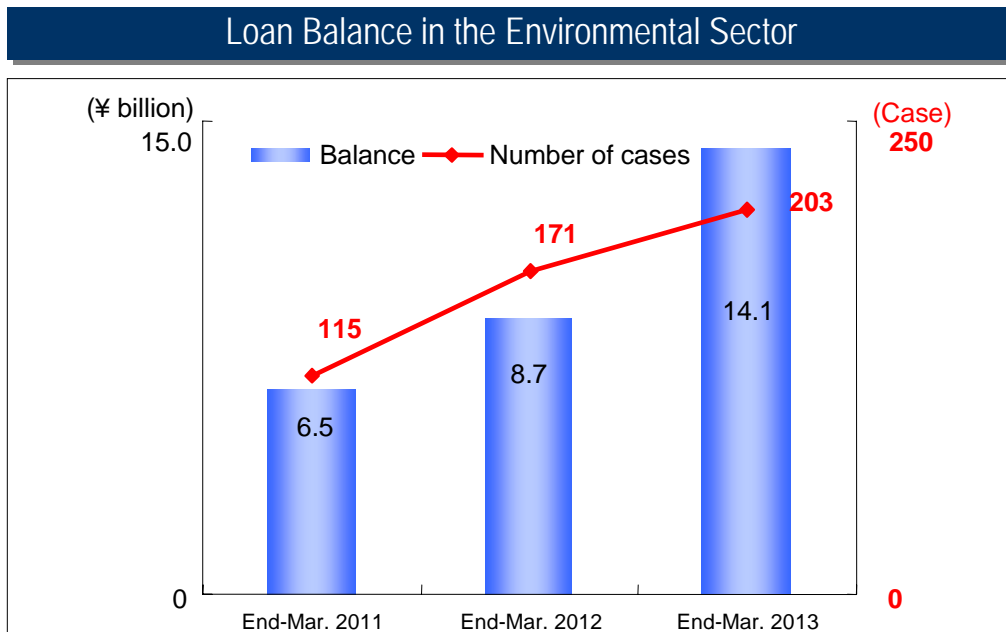
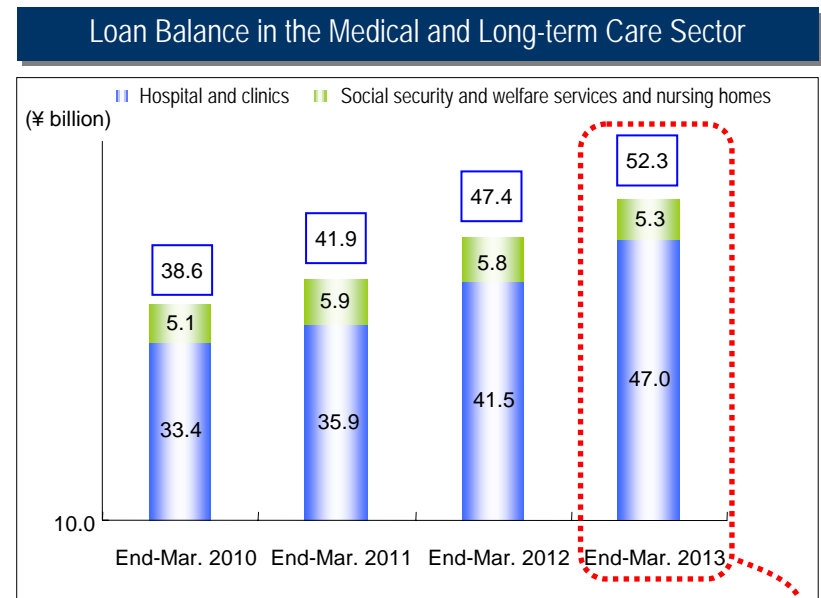
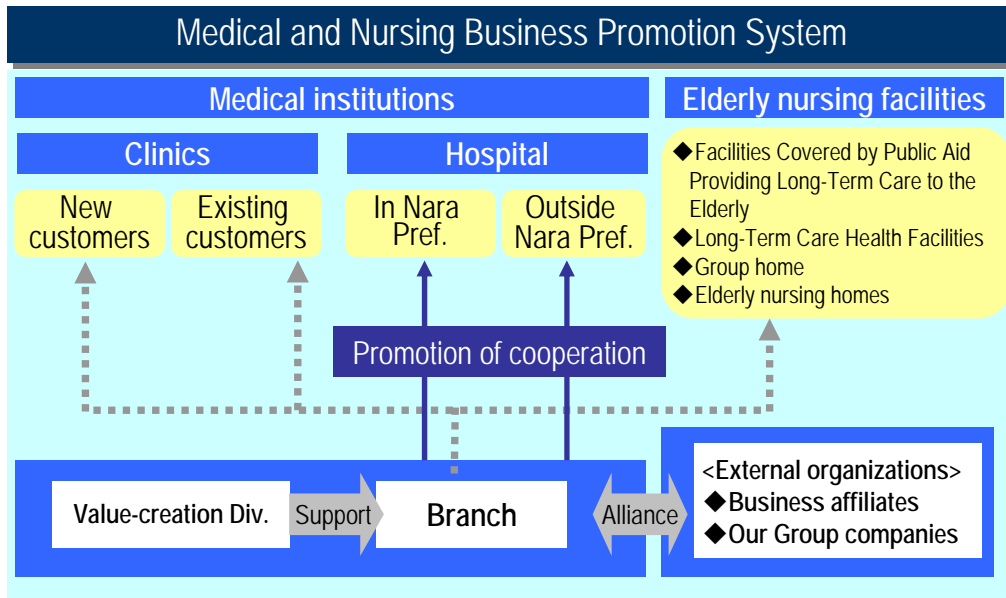
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<Trade Volume with Local Corporate Customers>

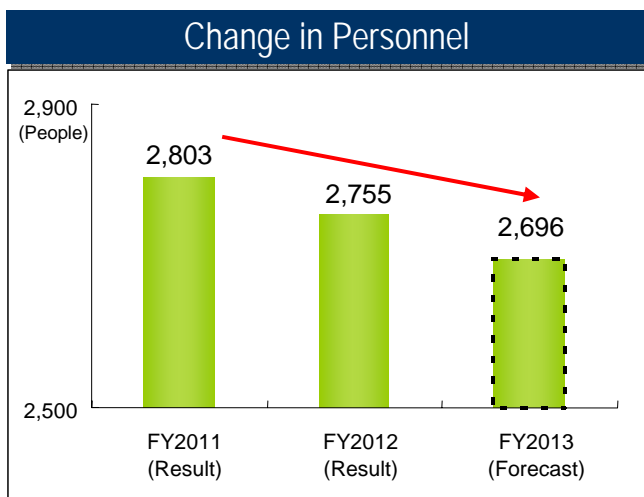
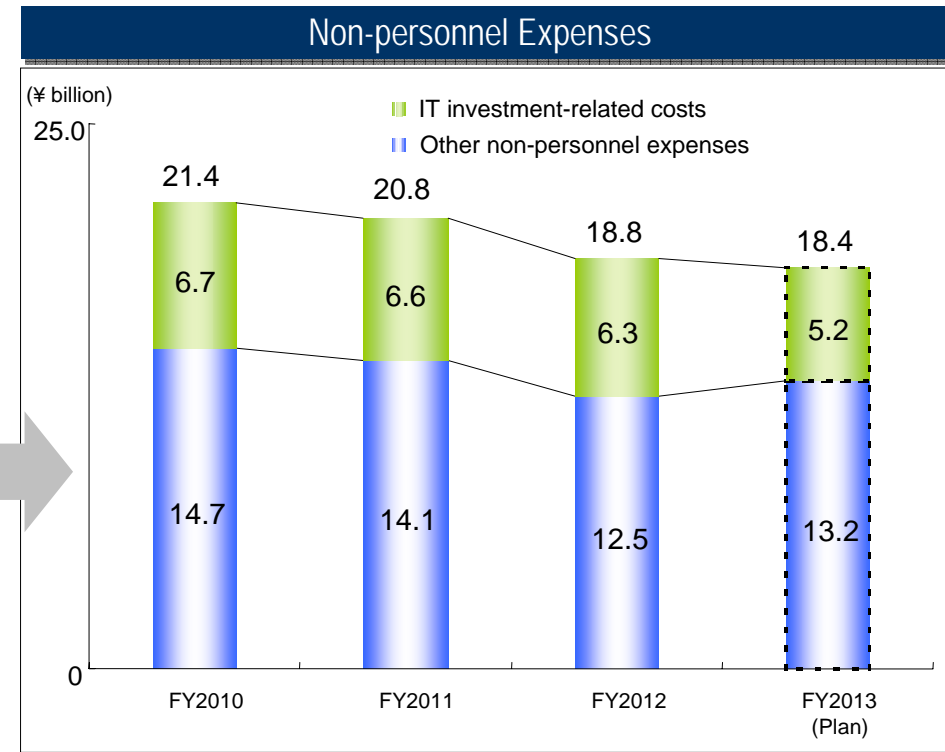
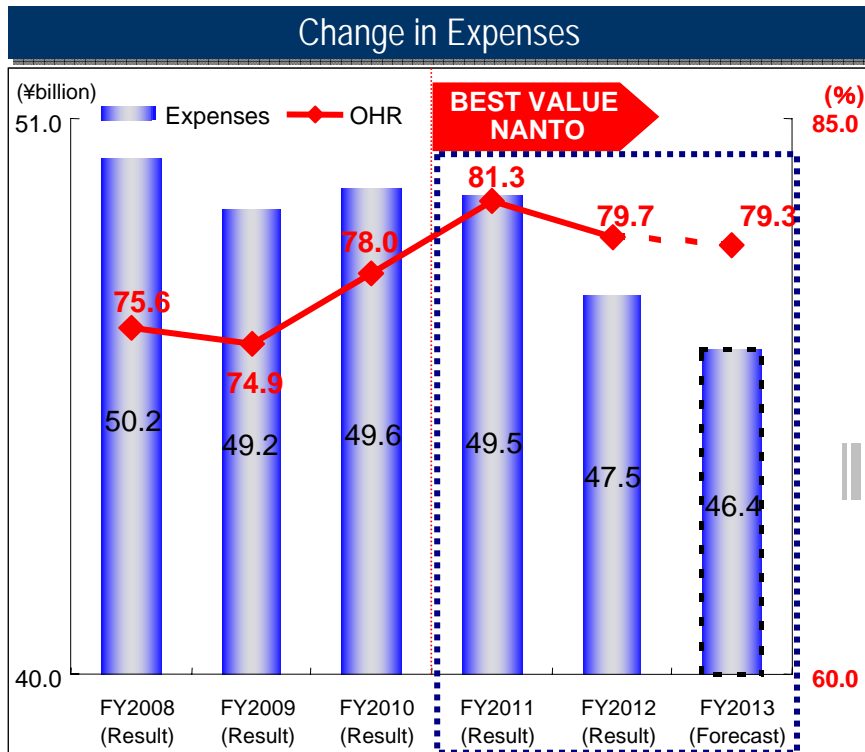


Focus on Growth Sectors



* The figures in the graph above represent the balance of loans provided under the BOJ growth support fund (loans to the environmental and energy sectors)

Effective Injection of Corporate Resources



Measures to Streamline Operations

Expense Reduction Project (since November 2010)

- ◆ Cost reduction through business process reengineering and prioritization.
- ◆ Reduction of office related maintenance expense, contractor fees, and security service fees.

Branch Operations Staff Rationalization Project (since October 2012)

- ◆ More accurate calculation of the standard staff level for each branch based on administrative work volume data.

We will rationalize the administrative staff such as the service counter and loan staff and strengthen the sales force.

In this material, we refer to the future performance of the bank. However, please be aware that these contents do not guarantee our future performance and it may change due to the unexpected risks and uncertainties in the operating environment.

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