

Financial Statements

March 31, 2011



 **THE NAGANO BANK, LTD.**
JAPAN

Profile

The Nagano Bank, a regional bank whose operational base is Nagano Prefecture in central Japan, was established in 1950.

Since that time, the Bank's staff worked tirelessly to contribute to the prosperity of the regional community and win the trust of local residents and businesses.

In line with these efforts, the Nagano Bank has grown steadily, with the number of offices as of the end of March 31, 2011 reaching 54 within Nagano Prefecture and one in Tokyo.

Total deposits stood at ¥904 billion (US\$10,877 million) and total assets at ¥945 billion (US\$11,370 million).

In March 1997, the Bank's stock was listed on the second section of the Tokyo Stock Exchange. The listing was upgraded to the first section in September 1998, and a private placement of stocks was carried out in 1999 to further bolster the Bank's capital ratio. In this way, we have been steadily laying the cornerstones of a strong business structure.

Message from the Management

While expressing my sincere appreciation for the support extended to the Bank by all of its stakeholders, I would like to take this opportunity to express my heartfelt condolences to all those who suffered the loss of a family member, and my deepest sympathies to all affected by the Great East Japan Earthquake that also had such a devastating impact on the northern region of Nagano Prefecture. It is my sincere wish that afflicted areas will experience a swift and complete recovery.

The Nagano Bank celebrated its 60th anniversary in November 2010. On behalf of the Bank, I would like to express our most sincere gratitude for your continued support and patronage. Since its establishment in 1950, the Bank has worked tirelessly to contribute to the prosperity of the regional community and win the trust of local residents and businesses over the ensuing six decades. In order to assist all interested parties in gaining a deeper understanding of the Bank, we have prepared a Disclosure Report, which outlines in an easy-to-read manner the Bank's operating activities in this milestone fiscal year ended March 31, 2011. I hope that this Report will prove useful as a source of information regarding the Bank.

Guided by its eighth three-year management plan, Vector-V, the Nagano Bank is endeavoring to consolidate its earnings base to give it the resilience to cope with change in the business environment, to win the trust of local residents and businesses and to become a bank that is recognized as a source of high-quality consultation services. Working toward achieving these objectives, all directors and employees are


united in their efforts to expand the scope of the Bank's operations and further enhance management efficiency.

Looking ahead, the operating environment for financial institutions is expected to become increasingly harsh. Under these circumstances, we plan to strengthen front-line banking capabilities by overhauling our headquarters organization, revamping our various personnel systems, rebuilding our branch network and implementing business process re-engineering. At the same time, our policies entail building a robust earnings base while fostering a corporate culture of respect for compliance and rigorously stepping up risk management.

As a regional financial institution, we will also upgrade and expand our financial intermediary and relationship banking functions, which are considered fundamental to our overall mission. Harnessing our consulting capabilities, we will actively push forward initiatives aimed at providing management as well as business reconstruction support. Among a variety of endeavors, the Nagano Bank will also work to further facilitate regional finance.

As we work toward achieving our established goals, we kindly request your continued support and understanding.

July 2011



Isao Nakajo

President

Non-Consolidated Balance Sheets

As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assets			
Cash and due from banks	¥ 18,604	¥ 13,333	\$ 223,749
Call loans	33,383	14,172	401,481
Trading account securities	7	7	92
Investment securities.....	316,327	260,160	3,804,304
Loans and bills discounted	571,025	597,773	6,867,408
Foreign exchanges.....	1,314	1,334	15,805
Other assets	3,233	2,430	38,891
Tangible fixed assets.....	9,803	9,860	117,902
Intangible fixed assets.....	904	980	10,873
Deferred income taxes	5,498	6,982	66,126
Customers' liabilities for acceptances and guarantees	2,526	2,863	30,379
Reserve for possible loan losses.....	(16,564)	(21,003)	(199,217)
Allowance for investment loss	(579)	—	(6,974)
Total assets	¥945,483	¥888,893	\$11,370,821
Liabilities and net assets			
Liabilities			
Deposits	¥904,493	¥846,428	\$10,877,855
Call money	0	0	0
Borrowed money	900	—	10,823
Foreign exchanges.....	0	0	0
Bonds payable.....	4,700	4,700	56,524
Other liabilities	2,673	3,252	32,152
Other reserves.....	1,926	2,009	23,168
Acceptances and guarantees.....	2,526	2,863	30,379
Total liabilities	917,219	859,253	11,030,904
Net assets			
Common stock	13,000	13,000	156,343
Capital surplus.....	9,663	9,663	116,219
Earned surplus reserve	2,850	2,760	34,283
Other retained earnings.....	7,674	6,909	92,297
Total valuation and translation adjustments	(4,146)	(1,896)	(49,864)
Treasury stock.....	(820)	(814)	(9,865)
Subscription rights to shares	41	18	503
Total net assets	28,264	29,640	339,917
Total liabilities and net assets	¥945,483	¥888,893	\$11,370,821

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to the sum totals given.

2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥83.15 to US\$1.00, the prevailing rate on March 31, 2011 (the last business day of the term).

Non-Consolidated Statements of Operations and Retained Earnings

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Income			
Interest on loans and discounts.....	¥12,772	¥13,626	\$153,608
Interest and dividends on securities	3,043	2,844	36,600
Interest on call loans.....	32	30	391
Other interest income	52	38	630
Fees and commissions.....	1,399	1,516	16,826
Other operating income	2,008	1,312	24,150
Other income.....	194	286	2,338
Total income	19,502	19,656	234,547
Expenses			
Interest on deposits	1,543	2,303	18,565
Interest on call money	0	0	0
Other interest expenses	203	164	2,444
Fees and commissions.....	1,323	1,329	15,916
Other operating expenses	259	114	3,114
General and administrative expenses	11,448	11,278	137,684
Other expenses	1,942	10,229	23,355
Total expenses	16,719	25,420	201,082
Income (loss) before income taxes.....	2,782	(5,764)	33,465
Provision for income taxes	20	28	249
Deferred income taxes	1,454	(823)	17,489
Net income (loss).....	¥ 1,307	¥ (4,968)	\$ 15,725

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans to bankrupt borrowers ¹	¥ 9,634	¥ 8,941	\$115,869
Non-accrual loans ²	22,922	22,100	275,674
Loans past due for 3 months or more ³	—	—	—
Restructured loans ⁴	1,762	2,528	21,199
Total	¥34,319	¥33,570	\$412,743

- Notes: 1. Loans to bankrupt borrowers refers to loans for which the accrual of interest income for accounting purposes is no longer recognized, and at the same time where the obligor is the subject of legal proceedings under the company rehabilitation law, the bankruptcy law, the civil rehabilitation law, or the commercial code; and/or where the obligor's bills are barred by clearing houses.
2. Non-accrual loans refer to loans for which the accrual of interest income for accounting purposes is no longer recognized, other than those falling into the category of "loans to bankrupt borrowers" or loans on which the receipt of interest has been waived in order to provide support for obligor in their corporate rehabilitation efforts.
3. Loans past due for 3 months or more are loans for which the repayment of principal or payments of interest are three months past the day after the contract date outside the scope of the categories of "loans to bankrupt borrowers" or "non-accrual loans."
4. Restructured loans comprise loans for which lending conditions have been relaxed to promote the financial rehabilitation of obligors in distress, such as reduction of the original interest rate, forbearance of interest payment and/or principal repayment, waiver of claims and similar measures that are outside the scope of the categories of "loans to bankrupt borrowers" and "loans past due 3 months or more."

Risk Management System

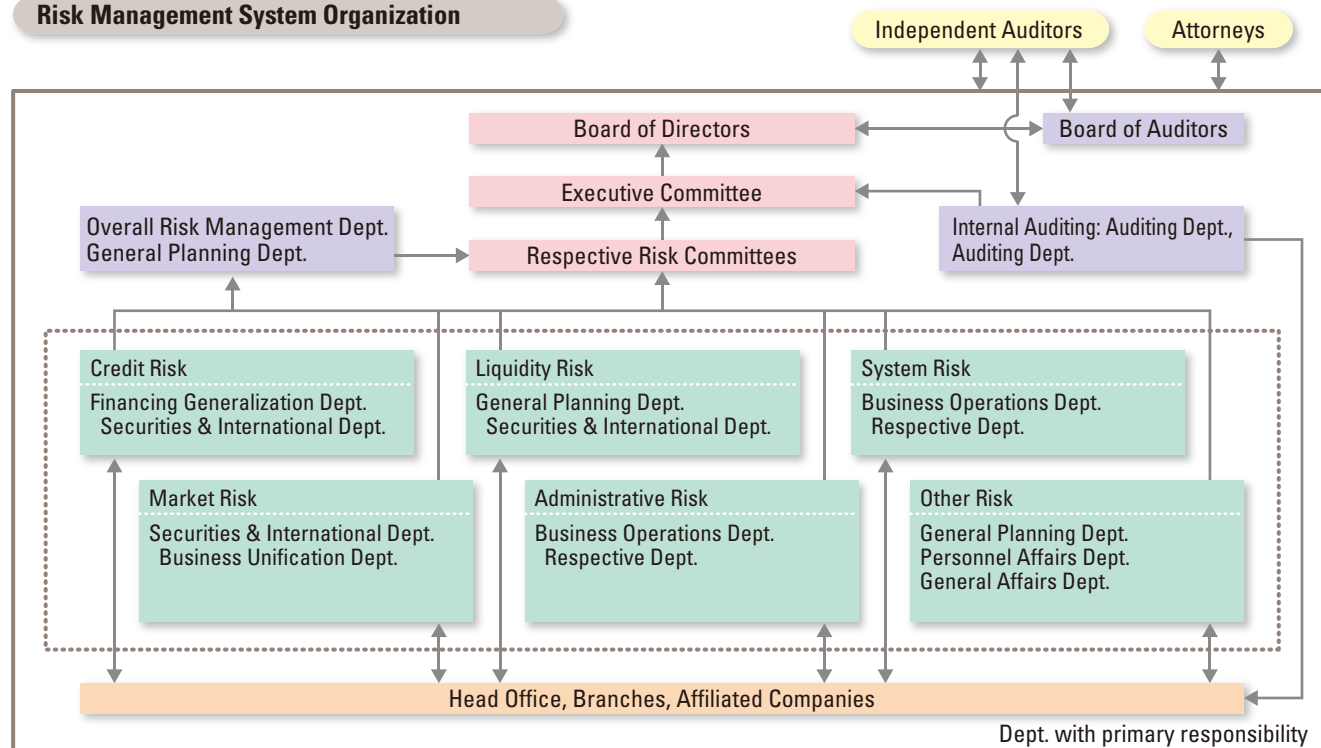
We position comprehensive risk management as one of our top-priority management tasks from the viewpoint of maintaining a sound financial position and improving the Bank's earnings structure. Consequently, we are engaged in ongoing efforts to further strengthen our comprehensive risk management system.

The main categories of risk to which financial institutions are exposed include credit risk, market risk, liquidity risk and operational risk. The Nagano Bank has drafted full in-house regulations relating to risk management, has set up an organizational system to optimize risk management, and has clearly delineated

the spheres of authority and responsibility of staff at each level of the Bank's hierarchy. Moreover, to monitor the effectiveness of the Bank's risk management, we conduct our own internal audits, under supervision of the Head Office Auditing and Asset Auditing Departments, as well as external audits carried out by the Bank's accounting auditor.

Furthermore, we have strengthened our risk management system by establishing a Risk Management Section within the General Planning Department, to exercise centralized control over all the Bank's risk management activities.

Risk Management System Organization



Corporate Data

As of March 31, 2011

Founded: November 1950

Paid-in Capital: ¥13,000 million

Number of Employees: 801

Board of Directors

As of June 30, 2011

Chairman of the Board of Directors	Seiji Tanaka		
President	Isao Nakajo		
Managing Directors	Hideo Kaneko	Haruyoshi Otsuki	Nobuo Otsuki
Directors	Hiroshi Iwadare	Akio Shimizu	Hideki Iwabuchi
	Katsuhiko Kubota		
Standing Auditor	Yoshiaki Sato		
Auditors	Syohei Okano	Mitsunobu Kamijo	Mika Godo

Service Network

As of March 31, 2011

Head Office	Address: 2-9-38, Nagisa, Matsumoto City, Nagano 390-8708, Japan Phone: +81-263-27-3311 URL: http://www.naganobank.co.jp/ Email: enagagin@ruby.ocn.ne.jp
Tokyo Branch	Address: 2-12-6, Uchikanda, Chiyoda-ku, Tokyo 101-0048, Japan Phone: +81-3-3258-6351
Securities & International Department	Address: 2-9-38, Nagisa, Matsumoto City, Nagano 390-8708, Japan Phone: +81-263-27-3311 Fax: +81-263-28-6550 SWIFT: NAGAJPJZ
Number of Branches	Nagano: 54 Offices Tokyo: 1 Office
Money Exchange Offices	11 Offices



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