
Annual Report 2019



Message from the Management

I would like to take this opportunity to express our heartfelt gratitude for your continuous patronage and support for the Bank of Saga.

We are pleased to present you our “Annual Report 2019” that summarizes the Bank’s management policies, as well as its business performance for fiscal 2018.

The Bank of Saga will enhance consulting capabilities of all employees and provide high-quality financial services to help our customers build a brighter future, with the aim of translating regional vitality into the future growth.

We hope that we can count on your never-ending patronage and kind support as we pursue these endeavors going forward.

July 2019

Hideaki Sakai, President

The Bank’s Fundamental Thinking

A Clear Perspective on the Future with a View to Regional Development

Management Policy

In its commitment to maintaining “close relationships with the citizens of its region and sound, stable management,” the Bank of Saga provides high-quality financial services and contributes to local community development through its operations as a regional financial institution.

Basic Management Principles

Contributing to local community development

As a regional bank with its roots deeply embedded in the community, the Bank promotes the development of local industries and dedicates itself to assuring a high standard of living for regional residents and enriching the regional culture.

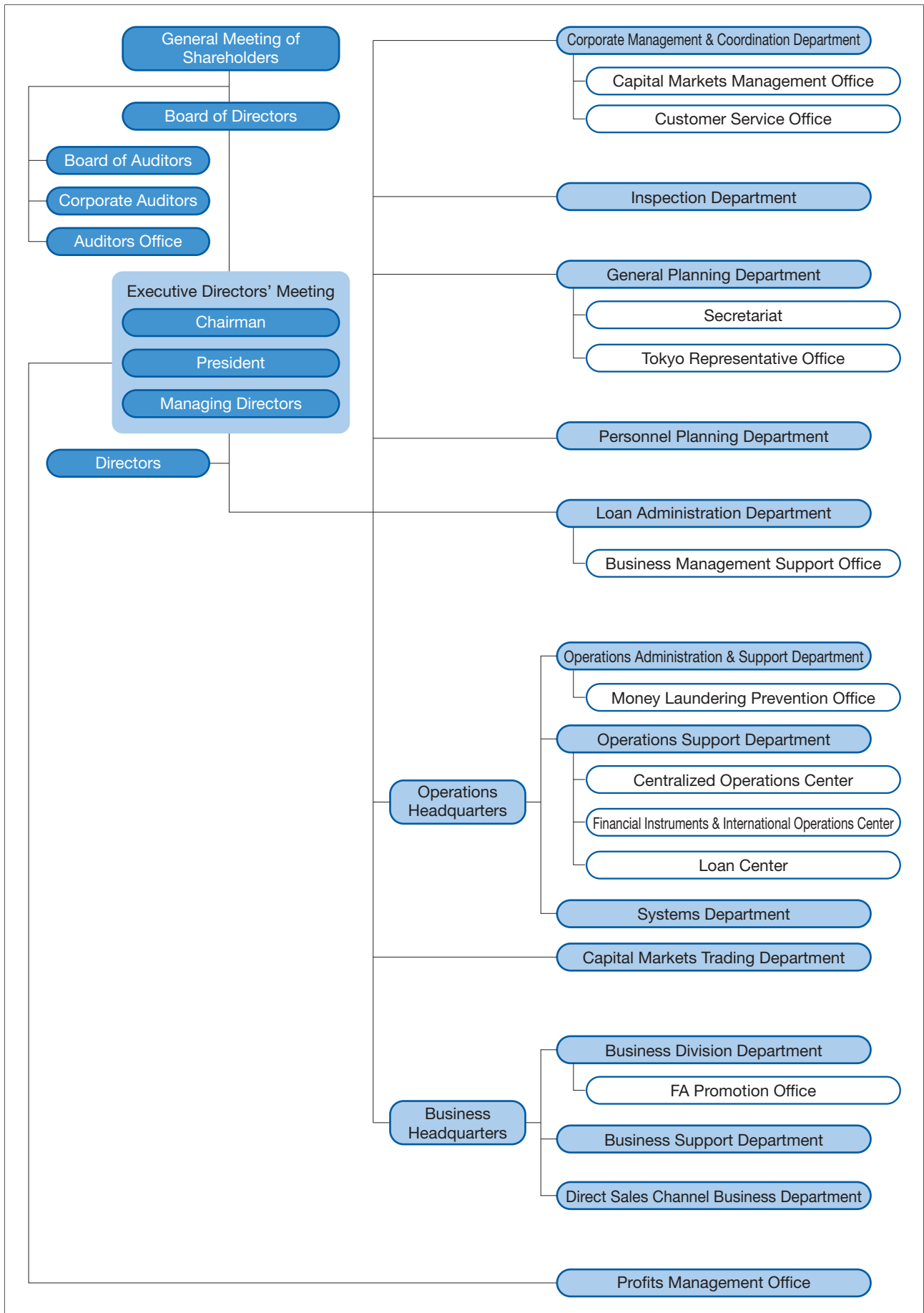
Responding to the trust of customers and shareholders

The Bank seeks to enhance its services to assure continued customer satisfaction.
It satisfies the expectations of its shareholders as well by pursuing management that responds quickly and accurately to changes in the times.

Improving employee welfare

The Bank seeks to ensure that every employee enjoys an affluent life by providing an optimal working environment and cultivating a corporate climate that emphasizes respect for others.

Organization



(as of June 30, 2019)

Consolidated Balance Sheets

The Bank of Saga Ltd. and its consolidated subsidiaries
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets:			
Cash and due from banks	¥ 227,074	¥ 322,825	\$ 2,045,896
Monetary claims bought	2,131	3,568	19,199
Money held in trust	876	398	7,892
Securities	463,795	526,138	4,178,709
Loans and bills discounted	1,721,385	1,506,293	15,509,370
Foreign exchanges	3,403	3,880	30,660
Lease receivables and investment assets	14,291	13,440	128,759
Other assets	13,136	15,529	118,353
Tangible fixed assets	25,396	27,270	228,813
Intangible fixed assets	1,352	1,710	12,181
Deferred tax assets	619	683	5,577
Customers' liabilities for acceptances and guarantees	12,631	12,499	113,803
Allowance for possible loan losses	(15,770)	(12,976)	(142,084)
Allowance for investment loss	(31)	(31)	(279)
Total assets	¥2,470,292	¥2,421,231	\$22,256,888
Liabilities:			
Deposits	¥2,296,752	¥2,239,186	\$20,693,323
Payables under securities lending transactions	7,713	10,563	69,492
Borrowed money	8,711	9,543	78,484
Foreign exchanges	139	43	1,252
Other liabilities	14,959	9,866	134,777
Provision for bonuses	663	675	5,973
Net defined benefit liability	3,742	3,444	33,714
Reserve for directors' retirement benefits	22	21	198
Reserve for reimbursement of deposits	399	332	3,594
Deferred tax liabilities	494	4,465	4,450
Deferred tax liabilities for land revaluation	3,567	4,013	32,138
Acceptances and guarantees	12,631	12,499	113,803
Total liabilities	2,349,799	2,294,657	21,171,267
Net assets:			
Common stock	16,062	16,062	144,715
Capital surplus	13,327	13,327	120,073
Retained earnings	70,163	67,687	632,156
Treasury stock	(1,073)	(1,130)	(9,667)
Total shareholders' equity	98,479	95,945	887,278
Valuation difference on available-for-sale securities	16,034	23,201	144,463
Revaluation reserve for land	7,211	8,232	64,969
Remeasurements of defined benefit plans	(1,431)	(1,005)	(12,893)
Total valuation and translation adjustments	21,814	30,429	196,540
Subscription rights to share	199	199	1,792
Total net assets	120,493	126,574	1,085,620
Total liabilities and net assets	¥2,470,292	¥2,421,231	\$22,256,888

Consolidated Income Statements

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Income			
Interest income:			
Loans and discounts	¥18,517	¥18,431	\$166,834
Securities	5,454	7,413	49,139
Others	163	195	1,468
Fees and commissions	6,532	6,389	58,852
Other operating income	8,150	5,490	73,430
Other income	8,600	6,866	77,484
Total income	47,418	44,786	427,227
Expenses			
Interest expenses:			
Deposits	317	429	2,856
Borrowings and call money	43	58	387
Others	98	26	882
Fees and commissions payments	3,564	3,396	32,111
Other operating expenses	11,029	8,516	99,369
General and administrative expenses	23,323	23,404	210,136
Other expenses	5,122	873	46,148
Total expenses	43,500	36,705	391,927
Income before income taxes	3,917	8,080	35,291
Income taxes:			
Current	2,317	719	20,875
Deferred	(1,036)	462	(9,334)
Net income attributable to non-controlling interests	—	247	—
Net income attributable to owners of parent	¥ 2,636	¥ 6,650	\$ 23,749
	Yen		U.S. dollars
Per share of common stock:			
Basic net income	¥157.50	¥397.98	\$ 1.41

Consolidated Statements of Comprehensive Income

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income	¥ 2,636	¥ 6,898	\$ 23,749
Other comprehensive income:	(7,593)	3,164	(68,411)
Valuation difference on available-for-sale securities	(7,167)	2,647	(64,573)
Defined benefit plans	(426)	517	(3,838)
Share of other comprehensive income of entities accounted for using equity method	—	(0)	—
Comprehensive income	¥(4,957)	¥10,062	\$(44,661)
(Breakdown)			
Comprehensive income attributable to owners of parent	(4,957)	9,815	(44,661)
Comprehensive income attributable to non-controlling interests	—	247	—

Consolidated Statements of Changes in Net Assets

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2019

	Millions of yen										
	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total valuation and translation adjustments	Subscription rights to share	Total net assets
Balance at March 31, 2018	¥16,062	¥13,327	¥67,687	¥(1,130)	¥95,945	¥23,201	¥8,232	¥(1,005)	¥30,429	¥199	¥126,574
Changes during the fiscal year											
Dividends from surplus			(1,171)		(1,171)						(1,171)
Net income attributable to owners of parent			2,636		2,636						2,636
Purchase of treasury stock				(1)	(1)						(1)
Disposal of treasury stock			(10)	59	49						49
Reversal of revaluation reserve for land			1,021		1,021						1,021
Net changes other than shareholders' equity (net)						(7,167)	(1,021)	(426)	(8,615)	0	(8,614)
Total changes during the fiscal year	—	—	2,476	57	2,534	(7,167)	(1,021)	(426)	(8,615)	0	(6,080)
Balance at March 31, 2019	¥16,062	¥13,327	¥70,163	¥(1,073)	¥98,479	¥16,034	¥7,211	¥(1,431)	¥21,814	¥199	¥120,493

	Thousands of U.S. dollars										
	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total valuation and translation adjustments	Subscription rights to share	Total net assets
Balance at March 31, 2018	\$144,715	\$120,073	\$609,847	\$(10,181)	\$864,447	\$209,036	\$74,168	\$ (9,054)	\$274,159	\$1,792	\$1,140,409
Changes during the fiscal year											
Dividends from surplus			(10,550)		(10,550)						(10,550)
Net income attributable to owners of parent			23,749		23,749						23,749
Purchase of treasury stock				(9)	(9)						(9)
Disposal of treasury stock			(90)	531	441						441
Reversal of revaluation reserve for land			9,199		9,199						9,199
Net changes other than shareholders' equity (net)						(64,573)	(9,199)	(3,838)	(77,619)	0	(77,610)
Total changes during the fiscal year	—	—	22,308	513	22,830	(64,573)	(9,199)	(3,838)	(77,619)	0	(54,779)
Balance at March 31, 2019	\$144,715	\$120,073	\$632,156	\$ (9,667)	\$887,278	\$144,463	\$64,969	\$(12,893)	\$196,540	\$1,792	\$1,085,620

Consolidated Statements of Cash Flows

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥ 3,917	¥ 8,080	\$ 35,291
Depreciation	1,499	1,448	13,505
Impairment losses	75	193	675
Gain on bargain purchase	—	(2,778)	—
(Gain) loss on securities contribution to employees' benefits trust	—	(2,224)	—
(Gain) loss on step acquisitions	—	288	—
(Gain) loss on equity method	—	(3)	—
Increase (decrease) in allowance for possible loan losses	2,794	(1,322)	25,173
Increase (decrease) in provision for bonuses	(12)	(22)	(108)
Increase (decrease) in net defined benefit liability	(314)	(347)	(2,829)
Increase (decrease) in reserve for directors' retirement benefits	0	1	0
Increase (decrease) in reserve for reimbursement of deposits	67	4	603
Interest income	(24,135)	(26,039)	(217,452)
Interest expenses	460	514	4,144
(Gain) loss on securities transactions	(3,960)	2,831	(35,678)
(Gain) loss on money held in trust	21	(5)	189
Net exchange (gain) loss	(0)	0	(0)
(Gain) loss on disposal of properties	(618)	8	(5,568)
Net (increase) decrease in loans and bills discounted	(215,091)	(54,887)	(1,937,931)
Net increase (decrease) in deposits	53,045	82,329	477,925
Net increase (decrease) in negotiable certificates of deposit	4,521	782	40,733
Net increase (decrease) in borrowed money (other than subordinated borrowings)	1,668	(634)	15,028
Net (increase) decrease in due from banks (other than the Bank of Japan)	(4)	227	(36)
Net (increase) decrease in call loans	1,437	(32)	12,947
Net increase (decrease) in call money	—	(5,048)	—
Net increase (decrease) in payables under securities lending transactions	(2,849)	8,419	(25,668)
Net (increase) decrease in foreign exchange assets	477	(890)	4,297
Net increase (decrease) in foreign exchange liabilities	95	(15)	855
Net (increase) decrease in lease receivables and investment assets	(851)	(444)	(7,667)
Interest received	24,683	26,663	222,389
Interest paid	(466)	(822)	(4,198)
Other, net	1,473	(11,878)	13,271
Subtotal	(152,066)	24,393	(1,370,087)
Payments of income taxes	(983)	(2,802)	(8,856)
Refund of income taxes	2,186	831	19,695
Net cash provided by (used in) operating activities	(150,863)	22,423	(1,359,248)
Cash flows from investing activities:			
Purchase of securities	(123,493)	(116,967)	(1,112,649)
Proceeds from sales of securities	126,983	166,692	1,144,094
Redemption of securities	54,501	91,764	491,044
Increase in money held in trust	(500)	—	(4,504)
Decrease in money held in trust	—	5	—
Purchase of tangible fixed assets	(727)	(3,174)	(6,550)
Purchase of intangible fixed assets	(278)	(229)	(2,504)
Proceeds from sales of tangible fixed assets	2,297	53	20,695
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,424)	—
Net cash provided by (used in) investing activities	58,782	134,719	529,615
Cash flows from financing activities:			
Repayments of subordinated borrowings	(2,500)	—	(22,524)
Payments of cash dividends	(1,172)	(1,170)	(10,559)
Dividends paid to non-controlling interests	—	(5)	—
Purchase of treasury stock	(1)	(5)	(9)
Proceeds from sales of treasury stock	—	87	—
Proceeds from exercise of stock options	0	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(3,173)	—
Net cash provided by (used in) financing activities	(3,674)	(4,266)	(33,102)
Translation adjustments of cash and cash equivalents	0	(0)	0
Net increase (decrease) in cash and cash equivalents	(95,755)	152,875	(862,735)
Cash and cash equivalents at beginning of the year	322,262	169,387	2,903,522
Cash and cash equivalents at end of the year	¥226,506	¥322,262	\$2,040,778

Date of Establishment:	March 9, 1882	Number of Shareholders:	6,441
Date of Incorporation:	July 11, 1955	Number of Branches:	103 (Saga: 61, Fukuoka: 38, Nagasaki: 3, Tokyo: 1)
Capital:	¥16,062 million	Number of Sales Branches:	83 (Saga: 51, Fukuoka 28, Nagasaki: 3, Tokyo: 1)
Head Office:	7-20, Tojin 2-chome, Saga City, Saga, Japan	Number of Out-of-Branch ATMs:	98
Number of Employees:	1,434		

* The number of sales branches states the number after the branch-in-branch method integration.

Directors and Corporate Auditors

(as of June 30, 2019)

Yoshihiro Jinnouchi	Representative Director and Chairman	Toru Unoike	Director (General Manager, Head Office Business Department)
Hideaki Sakai	Representative Director and President	Shigeyuki Yamasaki	Director (General Manager, Karatsu Area, General Manager, Karatsu Branch, and General Manager, Karatsu Ekimae Branch)
Sunao Imaizumi	Managing Director (General Manager, Business Headquarters)	Naoto Furutachi	Director
Akira Tashiro	Managing Director	Kentaro Tomiyoshi	Director
Kingo Tominaga	Managing Director	Kenji Tsuruda	Standing Corporate Auditor
Kazuyuki Tsutsumi	Managing Director	Syuichi Idera	Corporate Auditor
Tomio Nihei	Director (General Manager, Operations Headquarters)	Toshiaki Tanaka	Corporate Auditor
Shinzaburo Nakamura	Director (Deputy General Manager, Business Headquarters)	Takumi Ikeda	Corporate Auditor

(Notes) 1. Directors Naoto Furutachi and Kentaro Tomiyoshi are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. Corporate Auditors Syuichi Idera, Toshiaki Tanaka and Takumi Ikeda are Outside Corporate Auditors as stipulated in Article 2, Paragraph 16 of the Companies Act.