
Annual Report 2020



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 2020” that summarizes the Bank’s management policies, as well as its business performance for fiscal 2019.

The Bank commemorated its 65th anniversary in July 2020, which was in no small part due to the support of our regional residents and for which we, the executives and the employees of the Bank, are truly grateful. Going forward, the Bank of Saga will continue to further enhance consulting capabilities of all employees and translate regional vitality into the future growth, thereby striving to create a sustainable regional community.

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

July 2020

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.

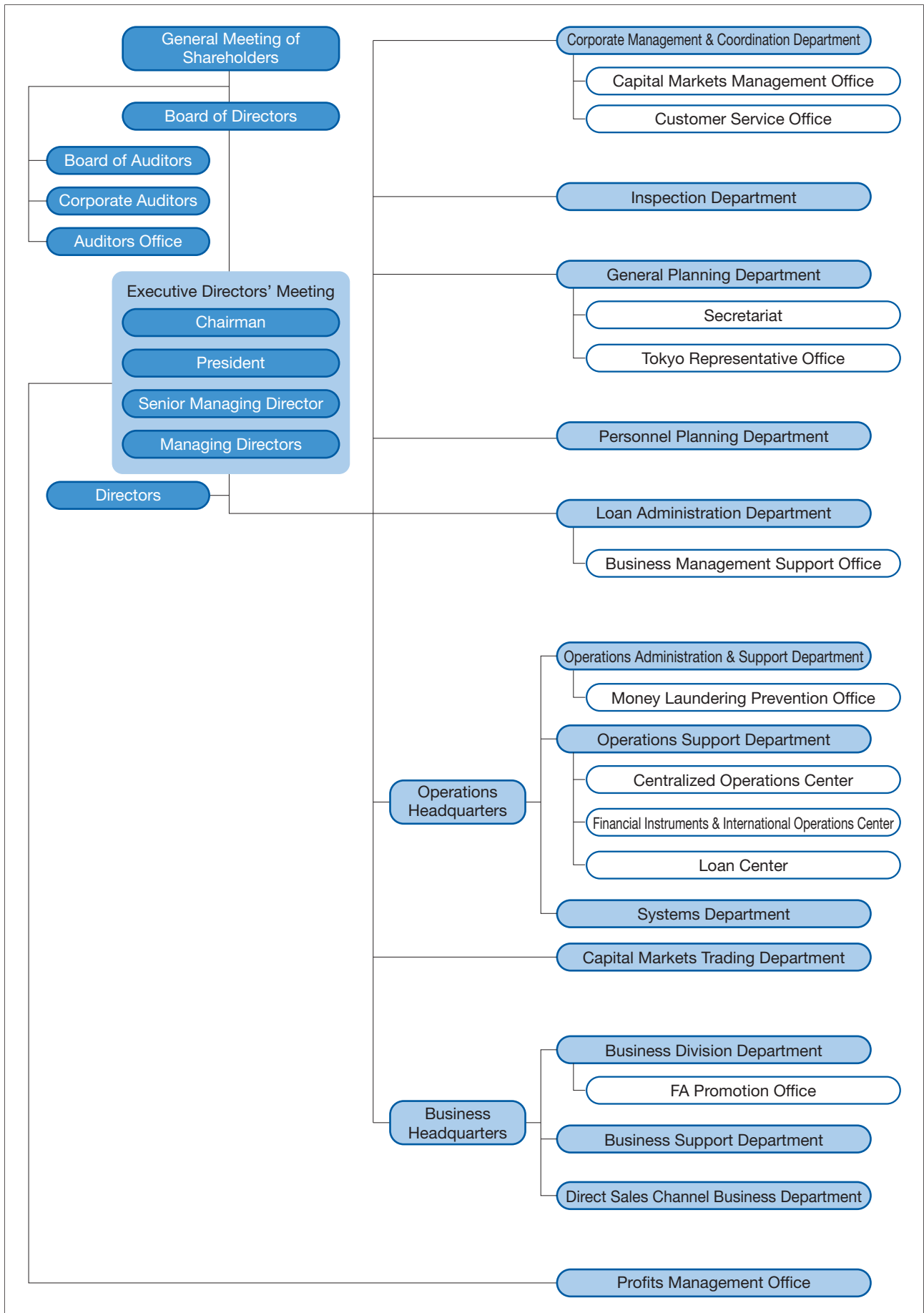
Responding to the trust of customers and shareholders

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, 2020)

Consolidated Balance Sheets

The Bank of Saga Ltd. and its consolidated subsidiaries
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets:			
Cash and due from banks	¥ 214,707	¥ 227,074	\$ 1,972,865
Monetary claims bought	2,162	2,131	19,865
Money held in trust	862	876	7,920
Securities	521,195	463,795	4,789,074
Loans and bills discounted	1,765,020	1,721,385	16,218,138
Foreign exchanges	3,460	3,403	31,792
Lease receivables and investment assets	15,546	14,291	142,846
Other assets	11,999	13,136	110,254
Tangible fixed assets	24,378	25,396	224,000
Intangible fixed assets	1,168	1,352	10,732
Deferred tax assets	1,962	619	18,028
Customers' liabilities for acceptances and guarantees	11,610	12,631	106,680
Allowance for possible loan losses	(14,156)	(15,770)	(130,074)
Allowance for investment loss	(31)	(31)	(284)
Total assets	¥2,559,886	¥2,470,292	\$23,521,878
Liabilities:			
Deposits	¥2,383,241	¥2,296,752	\$21,898,750
Call money	1,741	—	15,997
Payables under securities lending transactions	2,365	7,713	21,731
Borrowed money	14,429	8,711	132,582
Foreign exchanges	248	139	2,278
Other liabilities	23,558	14,959	216,466
Provision for bonuses	654	663	6,009
Net defined benefit liability	3,439	3,742	31,599
Reserve for directors' retirement benefits	21	22	192
Reserve for reimbursement of deposits	301	399	2,765
Deferred tax liabilities	115	494	1,056
Deferred tax liabilities for land revaluation	3,410	3,567	31,333
Acceptances and guarantees	11,610	12,631	106,680
Total liabilities	2,445,140	2,349,799	22,467,518
Net assets:			
Common stock	16,062	16,062	147,587
Capital surplus	13,327	13,327	122,457
Retained earnings	71,783	70,163	659,588
Treasury stock	(1,067)	(1,073)	(9,804)
Total shareholders' equity	100,105	98,479	919,829
Valuation difference on available-for-sale securities	8,660	16,034	79,573
Revaluation reserve for land	6,860	7,211	63,034
Remeasurements of defined benefit plans	(1,120)	(1,431)	(10,291)
Total valuation and translation adjustments	14,400	21,814	132,316
Subscription rights to share	240	199	2,205
Total net assets	114,746	120,493	1,054,360
Total liabilities and net assets	¥2,559,886	¥2,470,292	\$23,521,878

Consolidated Income Statements

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income			
Interest income:			
Loans and discounts	¥18,338	¥18,517	\$168,501
Securities	4,993	5,454	45,878
Others	211	163	1,938
Fees and commissions	7,156	6,532	65,753
Other operating income	9,498	8,150	87,273
Other income	1,204	8,600	11,063
Total income	41,401	47,418	380,419
Expenses			
Interest expenses:			
Deposits	320	317	2,940
Borrowings and call money	85	43	781
Others	19	98	174
Fees and commissions payments	3,530	3,564	32,435
Other operating expenses	8,150	11,029	74,887
General and administrative expenses	22,704	23,323	208,618
Other expenses	2,498	5,122	22,953
Total expenses	37,311	43,500	342,837
Income before income taxes	4,090	3,917	37,581
Income taxes:			
Current	831	2,317	7,635
Deferred	817	(1,036)	7,507
Total income taxes	1,649	1,281	15,152
Net income	2,441	2,636	22,429
Net income attributable to owners of parent	¥ 2,441	¥ 2,636	\$ 22,429

	Yen	U.S. dollars
Per share of common stock:		
Basic net income	¥145.80	\$ 1.33

Consolidated Statements of Comprehensive Income

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income	¥ 2,441	¥ 2,636	\$ 22,429
Other comprehensive income:	(7,062)	(7,593)	(64,890)
Valuation difference on available-for-sale securities	(7,373)	(7,167)	(67,747)
Remeasurements of defined benefit plans	311	(426)	2,857
Comprehensive income	¥(4,620)	¥(4,957)	\$(42,451)
(Breakdown)			
Comprehensive income attributable to owners of parent	¥(4,620)	¥(4,957)	\$(42,451)

Consolidated Statements of Changes in Net Assets

The Bank of Saga Ltd. and its consolidated subsidiaries
Year ended March 31, 2020

	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, 2019	¥16,062	¥13,327	¥70,163	¥(1,073)	¥ 98,479	¥16,034	¥7,211	¥(1,431)	¥21,814	¥199	¥120,493
Changes during the fiscal year											
Dividends from surplus			(1,172)		(1,172)						(1,172)
Net income attributable to owners of parent			2,441		2,441						2,441
Purchase of treasury stock				(1)	(1)						(1)
Disposal of treasury stock			(0)	7	7						7
Reversal of revaluation reserve for land			351		351						351
Net changes other than shareholders' equity (net)						(7,373)	(351)	311	(7,413)	40	(7,372)
Total changes during the fiscal year	—	—	1,619	6	1,625	(7,373)	(351)	311	(7,413)	40	(5,746)
Balance at March 31, 2020	¥16,062	¥13,327	¥71,783	¥(1,067)	¥100,105	¥ 8,660	¥6,860	¥(1,120)	¥14,400	¥240	¥114,746

	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, 2019	\$147,587	\$122,457	\$644,702	\$(9,859)	\$904,888	\$147,330	\$66,259	\$(13,148)	\$200,441	\$1,828	\$1,107,167
Changes during the fiscal year											
Dividends from surplus			(10,769)		(10,769)						(10,769)
Net income attributable to owners of parent			22,429		22,429						22,429
Purchase of treasury stock				(9)	(9)						(9)
Disposal of treasury stock			(0)	64	64						64
Reversal of revaluation reserve for land			3,225		3,225						3,225
Net changes other than shareholders' equity (net)						(67,747)	(3,225)	2,857	(68,115)	367	(67,738)
Total changes during the fiscal year	—	—	14,876	55	14,931	(67,747)	(3,225)	2,857	(68,115)	367	(52,797)
Balance at March 31, 2020	\$147,587	\$122,457	\$659,588	\$(9,804)	\$919,829	\$ 79,573	\$63,034	\$(10,291)	\$132,316	\$2,205	\$1,054,360

Consolidated Statements of Cash Flows

The Bank of Saga Ltd. and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 4,090	¥ 3,917	\$ 37,581
Depreciation	1,352	1,499	12,423
Impairment losses	492	75	4,520
Increase (decrease) in allowance for possible loan losses	(1,613)	2,794	(14,821)
Increase (decrease) in allowance for investment loss	(0)	—	(0)
Increase (decrease) in provision for bonuses	(9)	(12)	(82)
Increase (decrease) in net defined benefit liability	144	(314)	1,323
Increase (decrease) in reserve for directors' retirement benefits	(0)	0	(0)
Increase (decrease) in reserve for reimbursement of deposits	(98)	67	(900)
Interest income	(23,542)	(24,135)	(216,319)
Interest expenses	427	460	3,923
(Gain) loss on securities transactions	(1,540)	(3,960)	(14,150)
(Gain) loss on money held in trust	12	21	110
Net exchange (gain) loss	0	(0)	0
(Gain) loss on disposal of properties	6	(618)	55
Net (increase) decrease in loans and bills discounted	(43,635)	(215,091)	(400,946)
Net increase (decrease) in deposits	87,271	53,045	801,902
Net increase (decrease) in negotiable certificates of deposit	(782)	4,521	(7,185)
Net increase (decrease) in borrowed money (other than subordinated borrowings)	5,718	1,668	52,540
Net (increase) decrease in due from banks (other than the Bank of Japan)	(6,584)	(4)	(60,498)
Net (increase) decrease in call loans	(30)	1,437	(275)
Net increase (decrease) in call money	1,741	—	15,997
Net increase (decrease) in payables under securities lending transactions	(5,348)	(2,849)	(49,140)
Net (increase) decrease in foreign exchange assets	(57)	477	(523)
Net increase (decrease) in foreign exchange liabilities	109	95	1,001
Net (increase) decrease in lease receivables and investment assets	(1,254)	(851)	(11,522)
Interest received	24,277	24,683	223,072
Interest paid	(466)	(466)	(4,281)
Other, net	13,332	1,473	122,502
Subtotal	54,009	(152,066)	496,269
Payments of income taxes	(3,184)	(983)	(29,256)
Refund of income taxes	88	2,186	808
Net cash provided by (used in) operating activities	50,914	(150,863)	467,830
Cash flows from investing activities:			
Purchase of securities	(201,192)	(123,493)	(1,848,681)
Proceeds from sales of securities	80,614	126,983	740,733
Redemption of securities	52,557	54,501	482,927
Increase in money held in trust	—	(500)	—
Purchase of tangible fixed assets	(317)	(727)	(2,912)
Purchase of intangible fixed assets	(425)	(278)	(3,905)
Proceeds from sales of tangible fixed assets	71	2,297	652
Net cash provided by (used in) investing activities	(68,692)	58,782	(631,186)
Cash flows from financing activities:			
Repayments of subordinated borrowings	—	(2,500)	—
Payments of cash dividends	(1,172)	(1,172)	(10,769)
Purchase of treasury stock	(1)	(1)	(9)
Proceeds from exercise of stock options	0	0	0
Net cash provided by (used in) financing activities	(1,173)	(3,674)	(10,778)
Translation adjustments of cash and cash equivalents	(0)	0	(0)
Net increase (decrease) in cash and cash equivalents	(18,952)	(95,755)	(174,143)
Cash and cash equivalents at beginning of the year	226,506	322,262	2,081,282
Cash and cash equivalents at end of the year	¥207,554	¥226,506	\$1,907,139

Date of Establishment:	March 9, 1882	Number of Shareholders:	6,553
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:	80 (Saga: 48, Fukuoka 28, Nagasaki: 3, Tokyo: 1)
Head Office:	7-20, Tojin 2-chome, Saga City, Saga, Japan	Number of Out-of-Branch ATMs:	87
Number of Employees:	1,319		

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

Directors and Corporate Auditors

(as of June 30, 2020)

Yoshihiro Jinnouchi	Chairman	Hidemitsu Muta	Director (General Manager, Saga Minami Block and General Manager, Head Office Business Department)
Hideaki Sakai	Representative Director and President	Hiroshi Koso	Director (Deputy General Manager, Business Headquarters)
Kingo Tominaga	Representative Director and Senior Managing Director (General Manager, Business Headquarters)	Naoto Furutachi	Director
Kazuyuki Tsutsumi	Managing Director	Kentaro Tomiyoshi	Director
Shinzaburo Nakamura	Managing Director (General Manager, Operations Headquarters)	Kenji Tsuruda	Standing Corporate Auditor
Toru Unoike	Managing Director	Syuichi Idera	Corporate Auditor
Shigeyuki Yamasaki	Director (General Manager, Karatsu Block, General Manager, Karatsu Area, General Manager, Karatsu Branch, and General Manager, Karatsu Ekimae Branch)	Toshiaki Tanaka	Corporate Auditor
		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.