

IR Presentation

Results for Fiscal Year Ended March 31, 2010



77 BANK



七十七銀行

1. Results for FY2010

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Summary of profits and losses

(JPY bn, %)

	FY2009	FY2010	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	78.0	77.8	(0.2)	(0.3)
[Core gross operating income]	[86.0]	[82.0]	[(4.0)]	[(4.7)]
Interest income	76.2	71.7	(4.5)	(5.9)
Fees and commissions	9.3	9.7	0.4	4.7
Gains (losses) on bonds	(8.0)	(4.2)	3.8	
Foreign exchange transaction income	0.2	0.4	0.2	
Expenses	57.2	56.8	(0.4)	(0.7)
Operating income before provision of reserve for possible loan losses	20.8	21.0	0.2	0.9
[Core operating income]	[28.8]	[25.2]	[(3.6)]	[(12.6)]
Provision of general reserve for possible loan losses	2.7	—	(2.7)	
Operating income	18.1	21.0	2.9	16.1
Special income and losses	(5.4)	(2.5)	2.9	
Gains (losses) on stocks	10.5	1.4	(9.1)	
Losses on bad debt written-off	14.6	2.1	(12.5)	
Ordinary income	12.6	18.4	5.8	45.7
Extraordinary income	0.0	1.4	1.4	
Gains on provision of reserve for possible loan losses	—	1.4	1.4	
Extraordinary loss	0.7	0.5	(0.2)	
Income taxes (incl. deferred taxes)	4.2	7.7	3.5	
Net income	7.7	11.6	3.9	50.7
Credit-related expenses	17.3	0.7	(16.6)	

Interest income

Decrease due to cuts in market interest rates resulting in fall in (1) interest on loans and bills discounted and (2) interests and dividends on trading account and investment securities

Core operating income

Decrease mainly due to fall in interest income

Ordinary income

Increase due to decline in credit-related expenses

Gains on reserve for possible loan losses is posted, due to the reversal of general reserve for possible loan losses (JPY -0.5 bn) and specific reserve for possible loan losses (JPY -0.9 bn)

Net income

First profit increase in 2 years

Major accounts / interest rates / interest margin

Major accounts (average balances)

(JPY bn, %)

	FY2009	FY2010	YoY change %
Loans and bills discounted	3,260.0	3,429.3	5.2
Corporate loans	1,866.9	1,969.5	5.5
[excl. spread loans]	[1,158.7]	[1,180.7]	[1.9]
[Spread loans]	[708.2]	[788.8]	[11.4]
Consumer loans	706.3	730.3	3.4
[Housing loans]	[645.6]	[673.7]	[4.4]
Loans for local governments	686.8	729.5	6.2
Securities	1,930.7	1,794.5	(7.1)
National government bonds	891.3	784.2	(12.0)
Local government bonds	89.4	106.3	18.9
Corporate bonds	598.1	573.8	(4.1)
Stocks	84.5	69.5	(17.8)
Others	267.4	260.7	(2.5)
Deposits and certificates of deposits	5,108.6	5,240.1	2.6
Retail deposits	3,535.4	3,632.3	2.7
Corporate deposits	1,202.6	1,226.1	2.0
Assets in custody (Term-end balance)	578.1	638.0	10.4

* Ref.

(Note) Figures of "Assets in custody" are total of investment trusts, public bonds, individual annuity insurance and foreign-currency deposits

Interest rates / interest margin

(%)

	FY2009	FY2010	YoY change % point
Loans and bills discounted interest rate	1.96	1.75	(0.21)
Corporate loans	1.90	1.68	(0.22)
[excl. spread loans]	[2.36]	[2.23]	[(0.13)]
[Spread loans]	[1.13]	[0.88]	[(0.25)]
Consumer loans	2.66	2.52	(0.14)
[Housing loans]	[2.32]	[2.22]	[(0.10)]
Loans for local governments	1.42	1.34	(0.08)
Securities interest rate	1.37	1.12	(0.25)
interest rate on deposits	0.25	0.15	(0.10)
Interest rate spread	1.40	1.30	(0.10)
Net interest margin	0.29	0.22	(0.07)

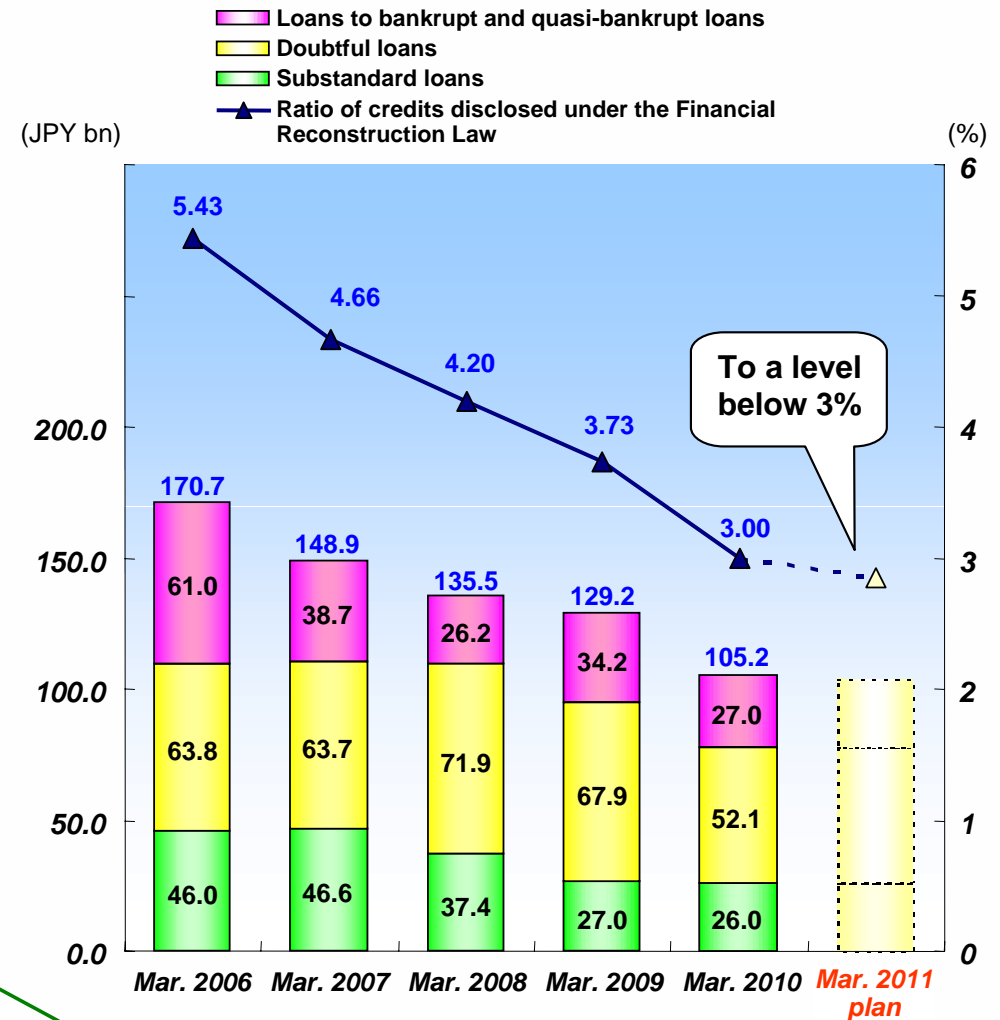
Credit-related expenses and credit disclosed under the Financial Reconstruction Law

■ Credit-related expenses

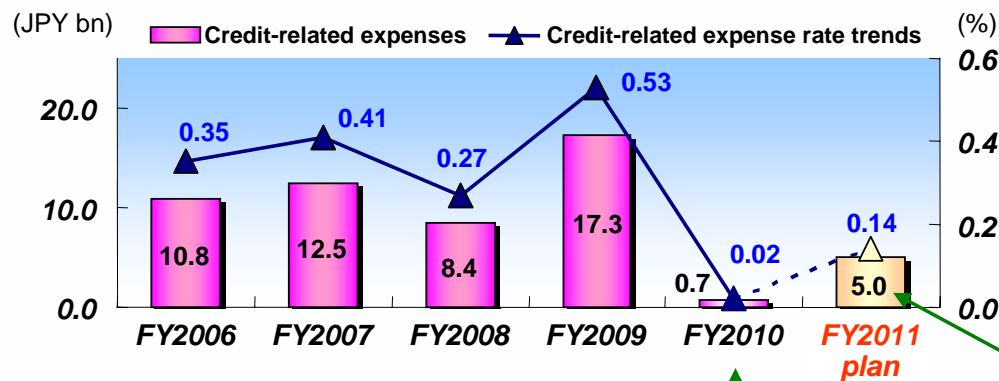
(JPY bn)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011 Plan
Provision of general reserve for possible loan losses	(2.2)	2.3	(1.8)	2.7	—	0.0
Loss on bad debt written-off	13.0	10.2	10.2	14.6	2.1	5.0
[Of which, loss on sale]	[2.9]	[4.1]	[4.9]	[4.6]	[1.8]	[N/A]
Gains (losses) on provision of reserve for possible loan losses	—	—	—	—	1.4	—
Total	10.8	12.5	8.4	17.3	0.7	5.0

Credits disclosed under the Financial Reconstruction Law



Credit-related expenses and credit-related expense rate trends



(Reference)

Number of management improvement support activities in FY2010: 663 cases
(Reclassified to better category: 96 cases)

- The recording of credit costs for large borrowers is largely complete
- Approx. JPY 5 bn in credit costs is estimated, mainly for small borrowers

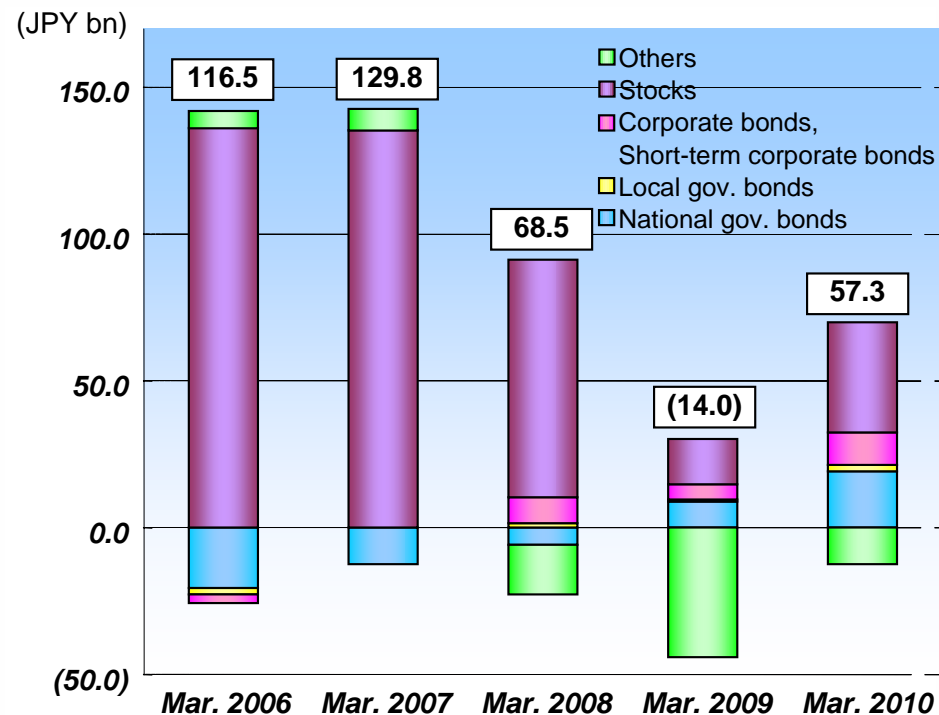
Securities (1)

Balance of securities

(JPY bn)

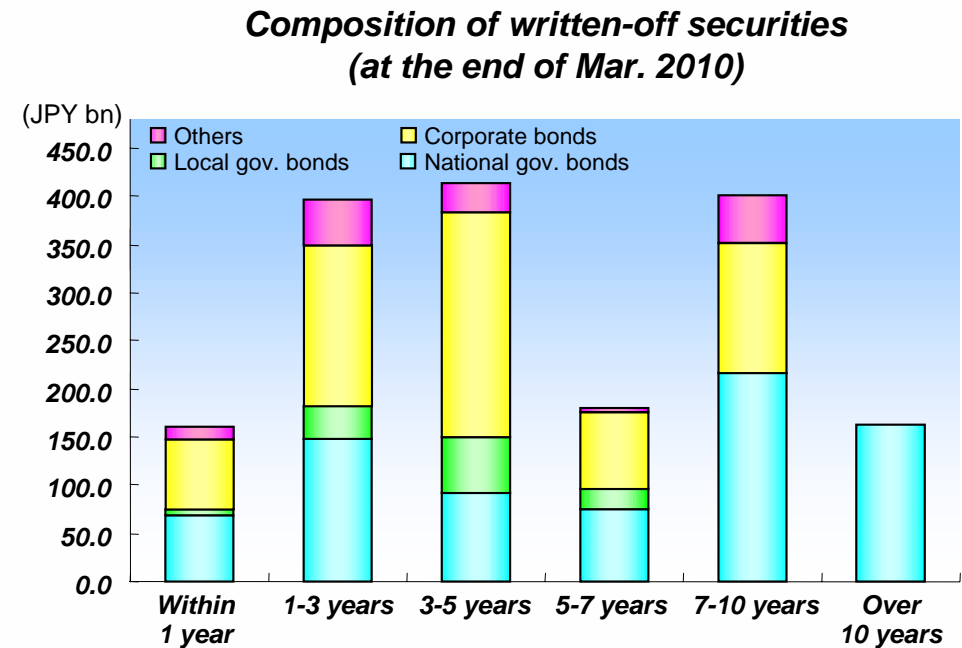
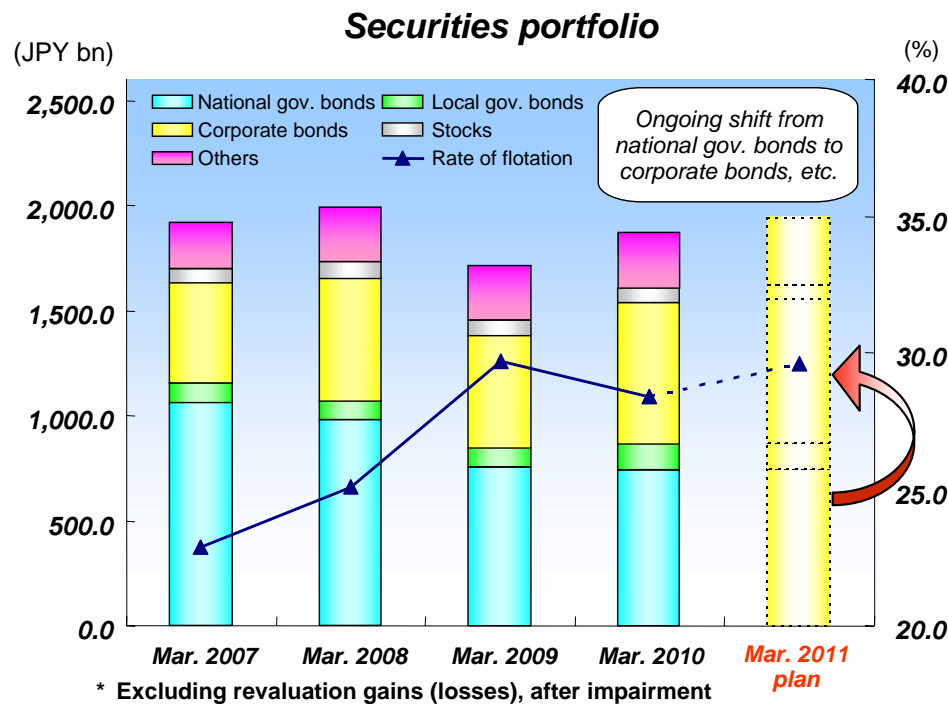
	End of Mar. 2010	Gains (losses) from revaluation	Change from the end of Mar. 2009
Securities	1,932.2	57.3	71.3
Bonds	1,825.2	19.7	49.4
National gov. bonds	763.5	18.9	9.9
Local gov. bonds	119.4	2.2	1.3
Corporate bonds	687.1	11.0	6.5
Others	255.2	(12.4)	31.7
Yen-denominated foreign bonds	54.9	0.3	4.1
Foreign-currency bonds	89.8	(2.2)	0.0
Investment trusts	110.5	(10.5)	27.6
Stocks	107.0	37.6	21.9

Gains (losses) from revaluation of securities

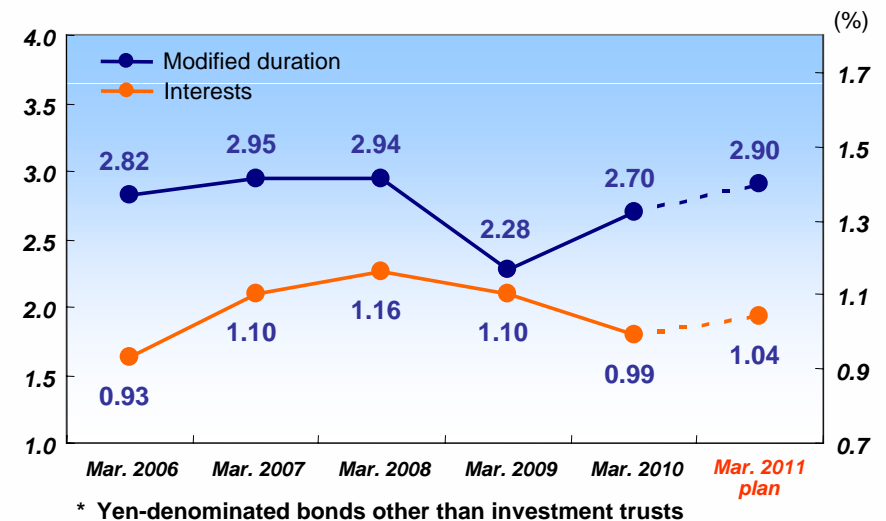


- ◆ Balance of floating-rate national government bonds at the end of March 2010: JPY 364.6 bn
(The valuation difference between the theoretical price and market price of floating-rate national government bonds was JPY 19.9 bn)
- ◆ Impairment loss of securities: JPY 0.3 bn

Securities (2)



Interests and modified duration of yen-denominated bonds



■ Improvement in profitability and financial health

◆ Improvement in profitability

- Extended duration through public bonds (Acquisition of stable, lasting revenue base by building a ladder portfolio)
- Ongoing shift to industrial bonds, foreign securities, etc.
- Replacement of stock names with emphasis on growth potential and profitability, and diversification of the investment asset classes

◆ Strengthening of ability to respond to changes in the investment environment, etc. by ensuring thorough ALM (asset liability management) and revenue management, and improvement in financial health

- Flexible transactions implemented in response to the investment environment, etc.

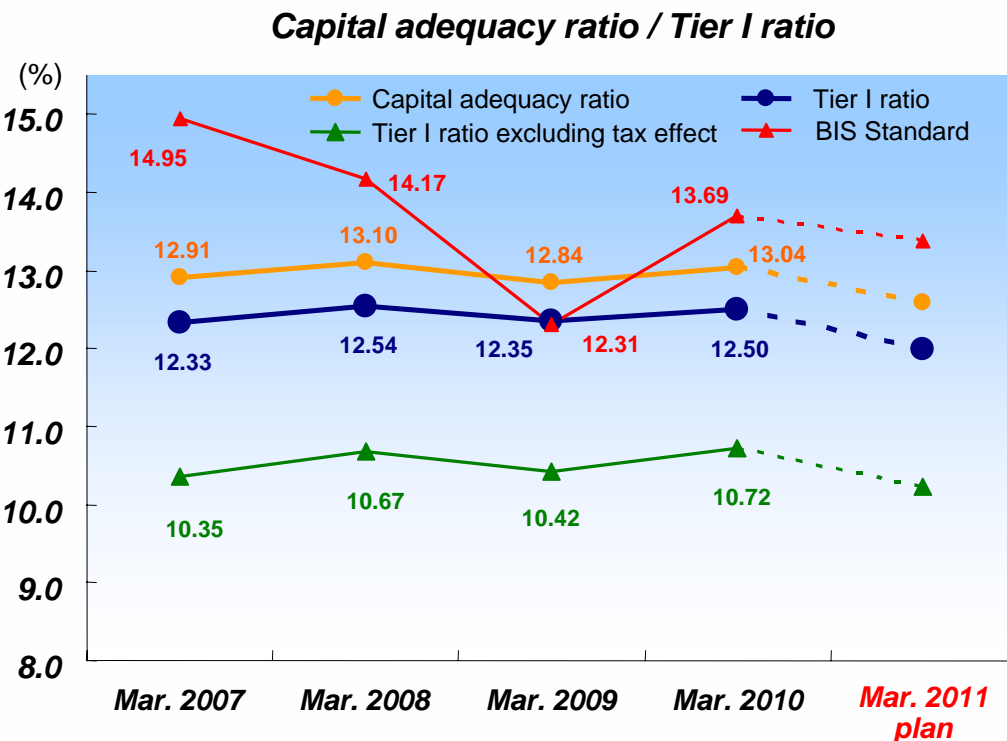
◆ Nurturing of experts in response to diversification and increased sophistication of investment targets and methods

Capital adequacy

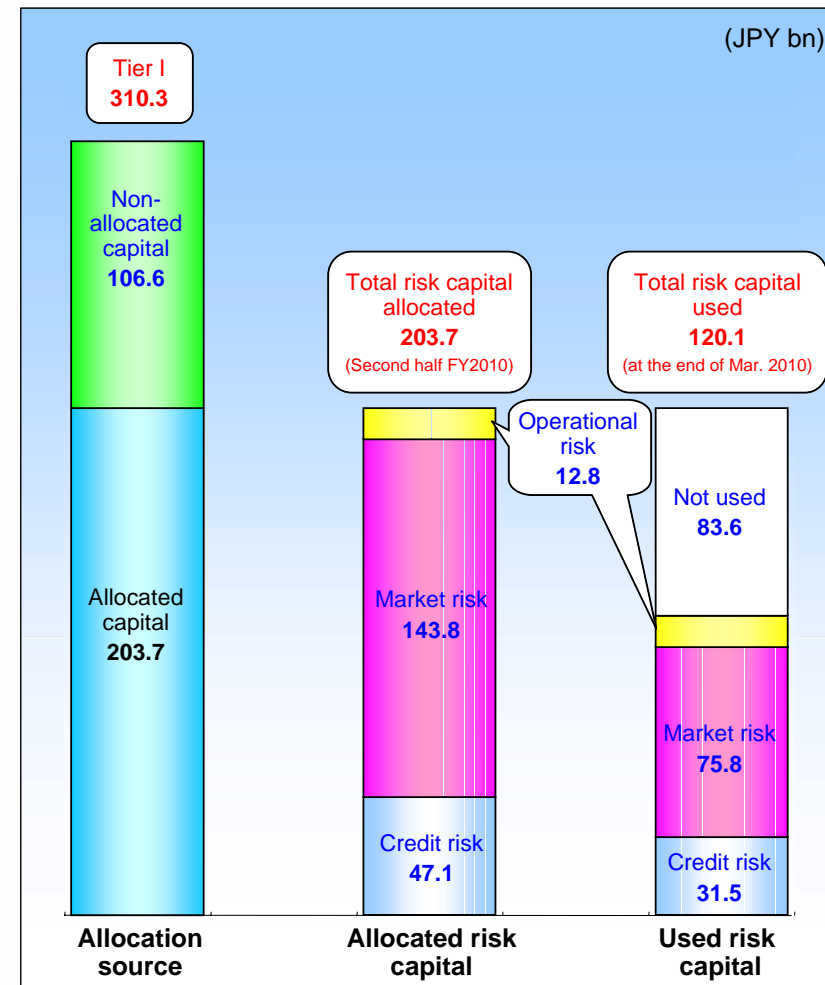
- At the end of Mar. 2010

Non-consolidated capital adequacy ratio	13.04% (YoY: +0.20)	} High enough
Tier I ratio	12.50% (YoY: +0.15)	
Tier I ratio excluding tax effect	10.72% (YoY: +0.30)	
Ratio of tax effect equivalent to Tier I	14.26% (YoY: -1.38)	
- Take steps to address the global trend to strengthen regulations on capital adequacy

Adoption of FIRB to enhance capital management is being considered



Management of risk capital (at the end of Mar. 2010)



Reference: Outlier ratio (at the end of Mar. 2010)

Amount of interest rate risk	Tier I + Tier II	Outlier ratio
JPY 14.5 bn	JPY 325.8 bn	4.46%

(Note) From the end of March 2010, our internal model is applied for the calculation of core deposits

Enhance operating capabilities

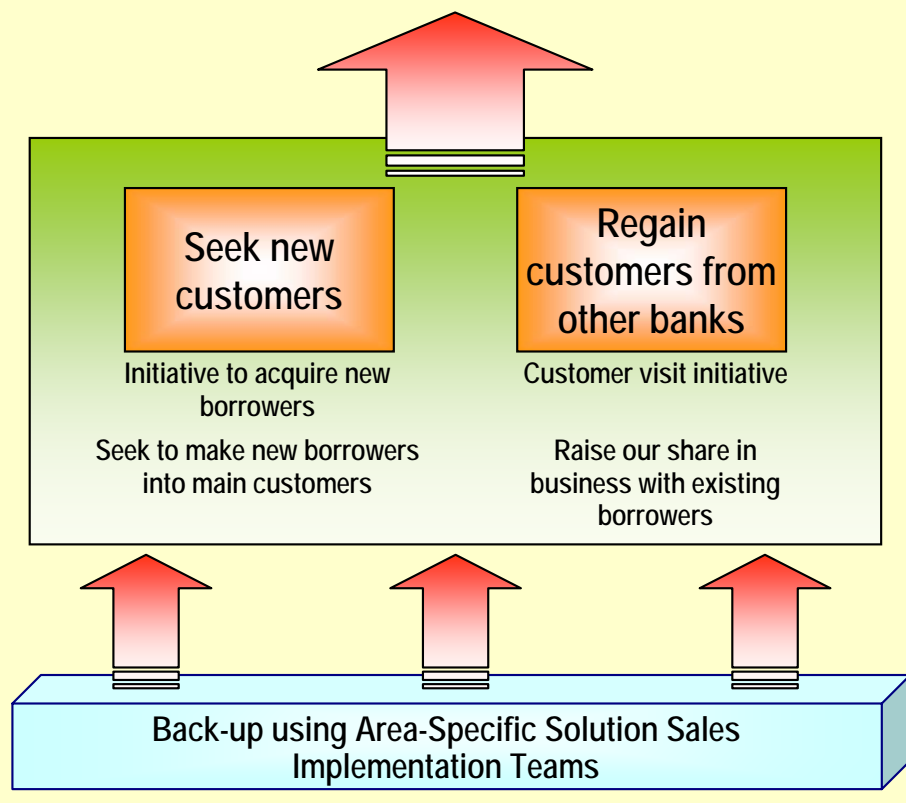
Further enhance total deposits, loans and assets in custody (1)

◆ Increase corporate loans

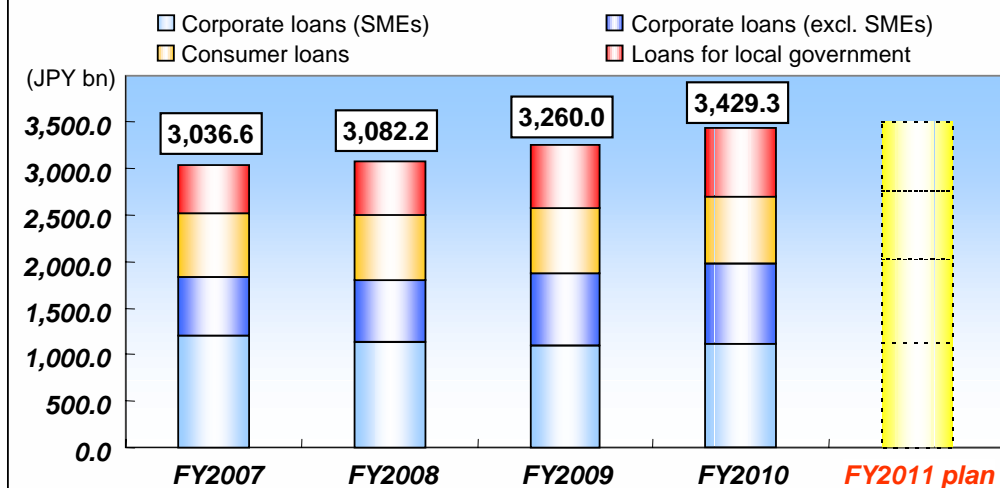
- ▣ Increase loans to small- and medium-sized enterprises (SMEs)

First year-on-year increase in the number of customers in 12 years and loan balance in 5 years

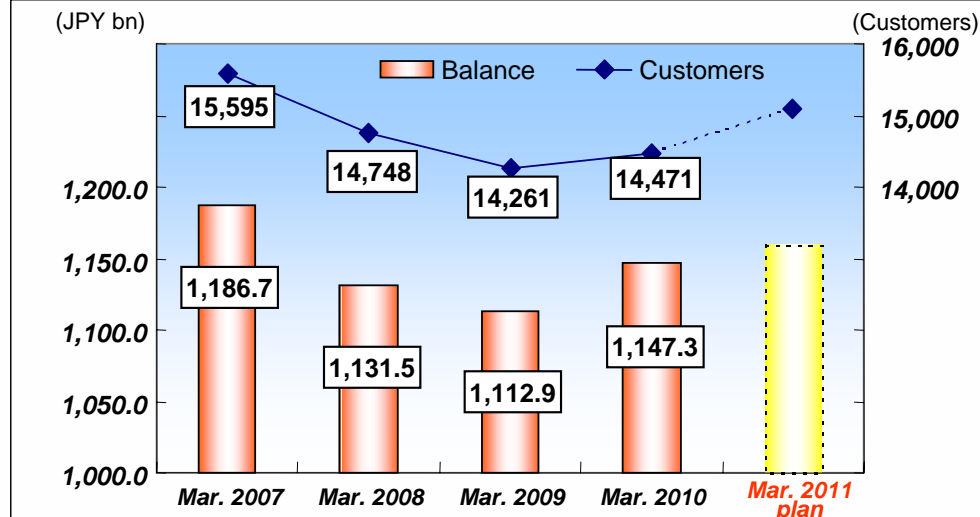
Rising trend still continuing in FY2011



Loans (average balances)



Number of customers and loan balances to SMEs



Enhance operating capabilities

Further enhance total deposits, loans and assets in custody (2)

◆ Increase housing loan balance

Measures for housing companies

Promote taking over other lenders' loans

Promote business for employees of new companies conducting business in Miyagi Pref.

Strengthen the activities outside Miyagi Pref.

- ❑ Expand the scope for targeted housing loan borrowers
Revise loan standards and review/revise loan guarantee standards into those commensurate with risks
- ❑ Continue the approach for housing companies by the Loan Center and heads of operation branches
- ❑ Strengthen PR activities by using housing loan campaigns and commercials

Housing loans

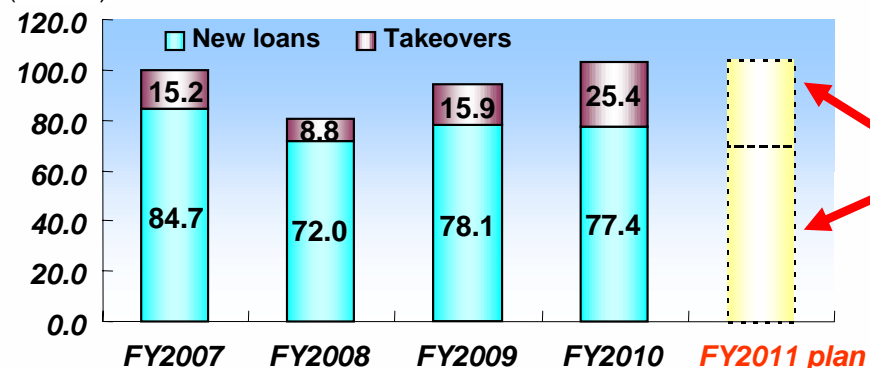
(Cases, JPY bn, %)

	FY2007	FY2008	FY2009	FY2010	YoY Change
Number of housing loans granted	5,310	4,317	4,899	5,567	13.6%
Of which, new houses built in Miyagi Pref. (1)	4,359	3,722	3,955	4,083	3.2%
Amount of housing loans granted	99.9	80.8	94.0	102.8	9.4%
Outstanding housing loans	631.6	637.6	661.9	694.3	4.9%
Housing starts in Miyagi Pref. (2)	10,927	9,443	8,868	6,548	(26.2)%
Estimated share of The 77 Bank (1)/(2)	39.9	39.4	44.6	62.4	17.8

(Note) Number of housing loans granted includes those for only a partial housing loan amount

Amount of housing loans granted

(JPY bn)



Despite the declining trend for housing starts, we will compensate by promoting the handling of new houses based on the strengthening of relationships with housing companies and by reinforcement of refinancing

◆ Strengthen unsecured consumer loans

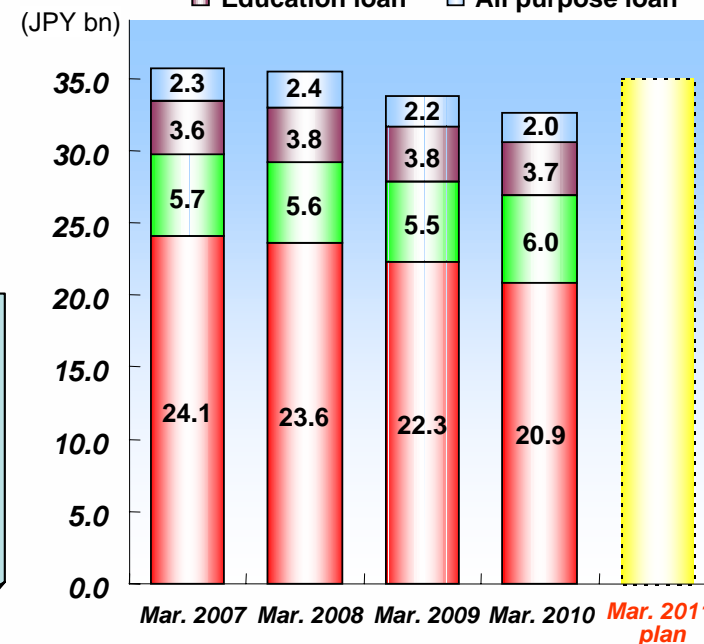
Review of products

- Promote loans for eco-friendly cars
- Strengthen the activities for acquiring education loan borrowers
- Introduce new education loan products
- Enhance convenience by offering a revolving line of credit-type education loans

Utilize the system for RM (relationship management) and customer information management

Balance of unsecured consumer loans

■ Bank card loan ■ Car financing loan
■ Education loan ■ All purpose loan



Enhance operating capabilities

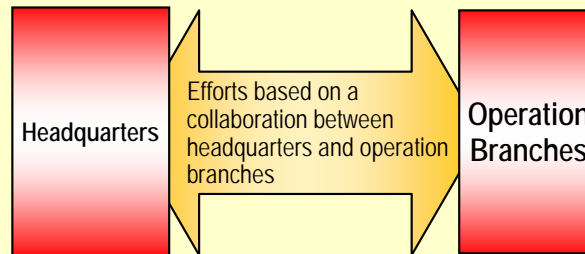
Further enhance total deposits, loans and assets in custody (3)

Expand assets in custody

Establish a sales system

Start cross-selling among branches and review product mix, etc.

- Strengthen guidance for poorly-performing operation branches by establishing a **Reinforcement Team for Assets in Custody Sales Support**



Expand contact points with customers

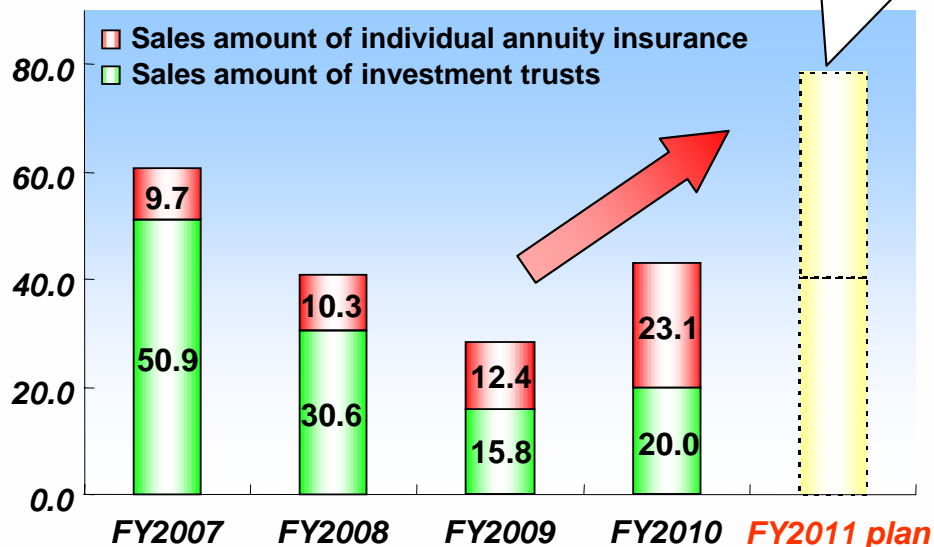
- Practice proposal-type sales based on after sales follow-ups
- Act to win business by targeting bond redemption money
- Utilize lobby attendants effectively
- Accumulate contact information

Identify asset investment needs according to age group

- Accumulation of educational funds
- Investing retirement benefits
- Take advantage of the Child Allowance

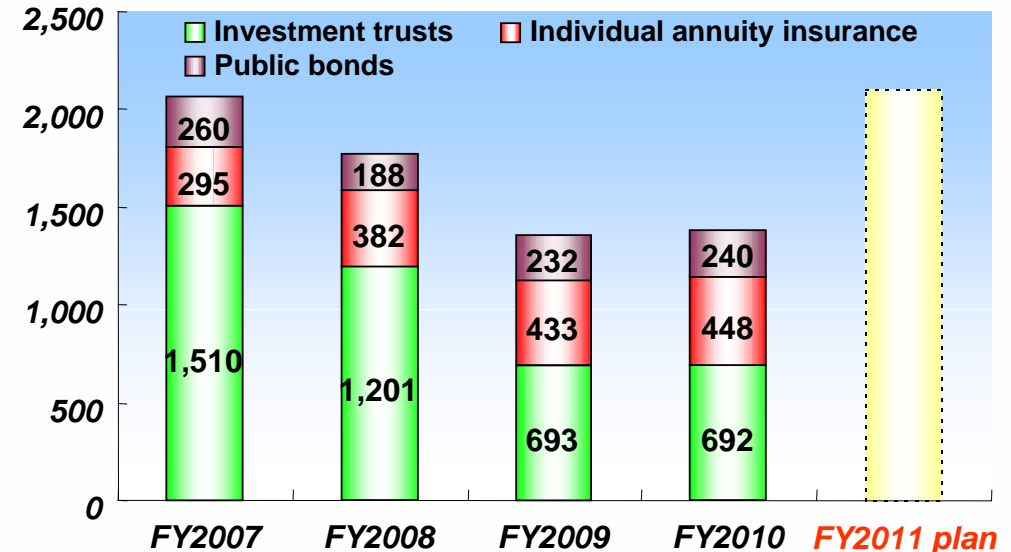
Change in sales amount of investment trusts and individual annuity insurance

(JPY bn)



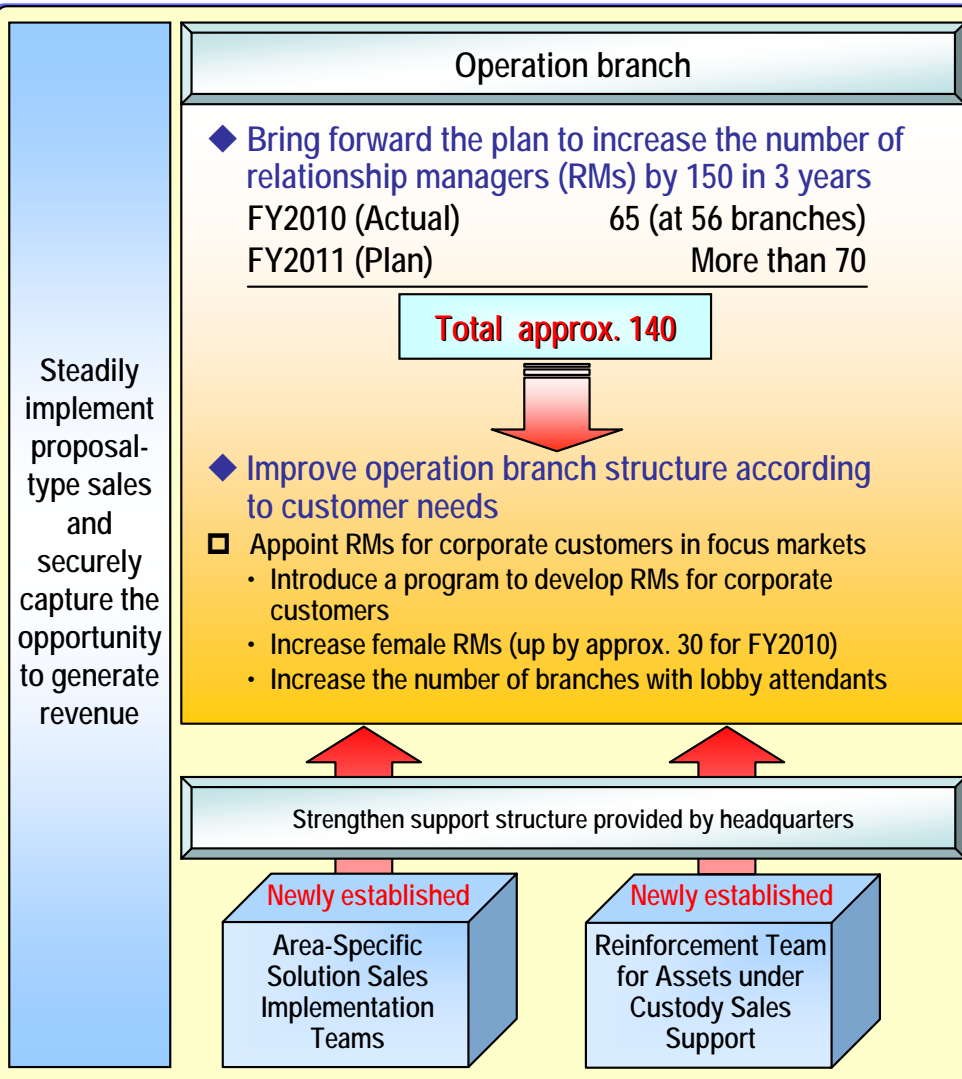
Change in sales commissions of assets in custody

(JPY mn)

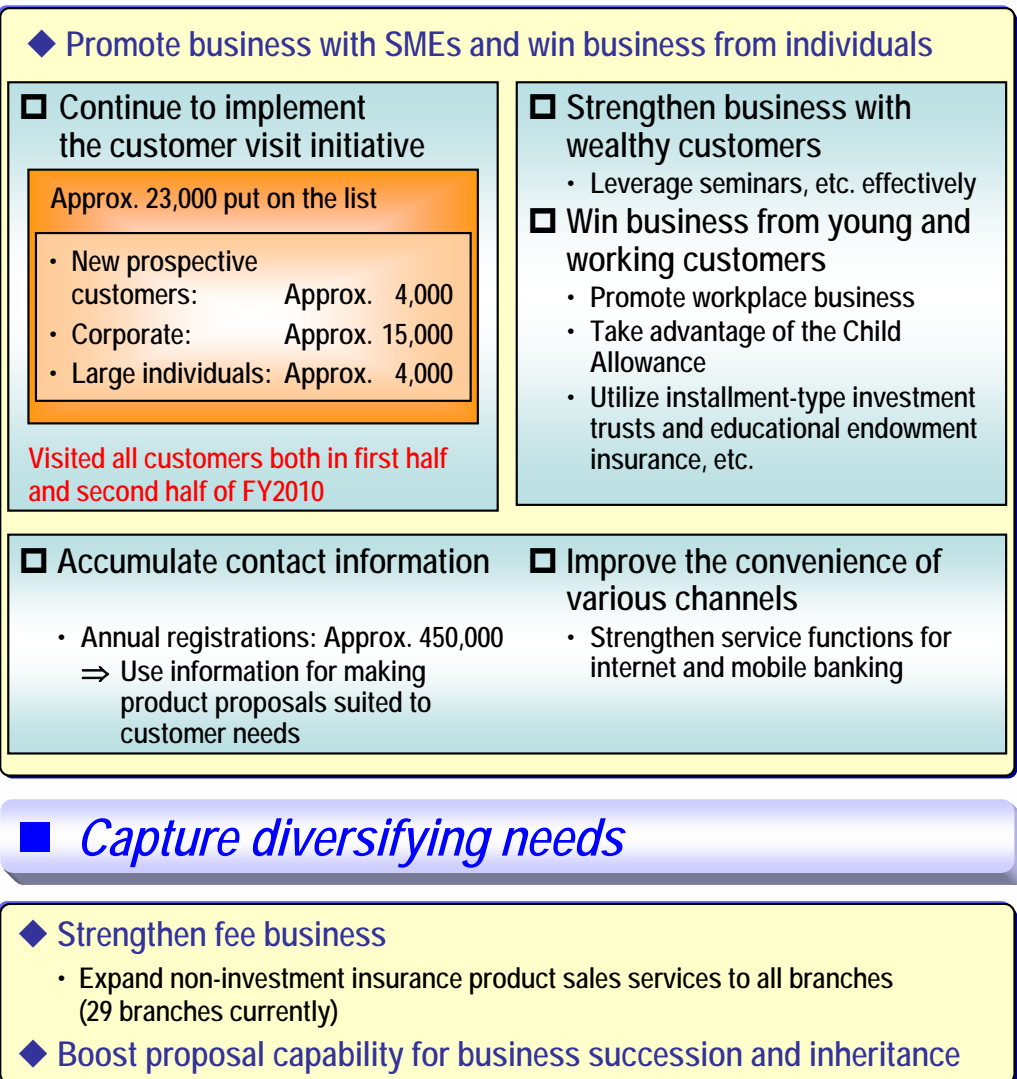


Enhance operating capabilities

Boost the promotion structure



Upgrade relationships



Capture diversifying needs

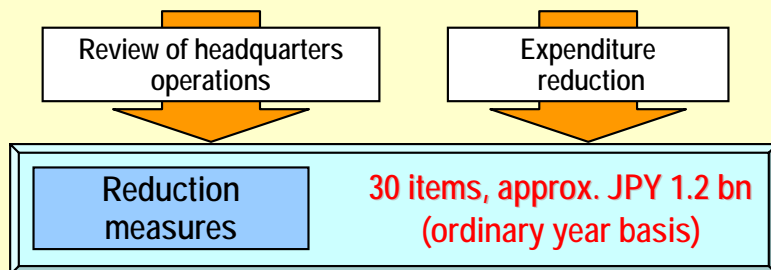
- ◆ Strengthen fee business
 - Expand non-investment insurance product sales services to all branches (29 branches currently)
- ◆ Boost proposal capability for business succession and inheritance

Improve productivity

Continue cost reduction

Activities of Expenditure Reduction Project Team

(From July 2009 to March 2010)

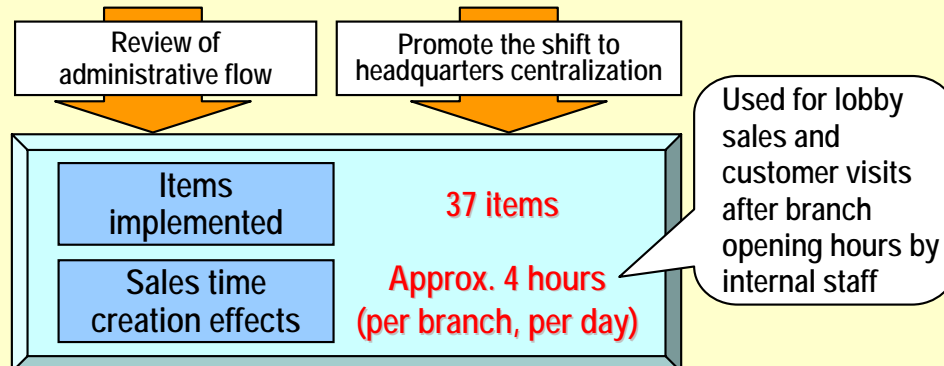


- Continue to review reduction measures
- Shift to a shared IT system is being considered

Create sales time and RMs

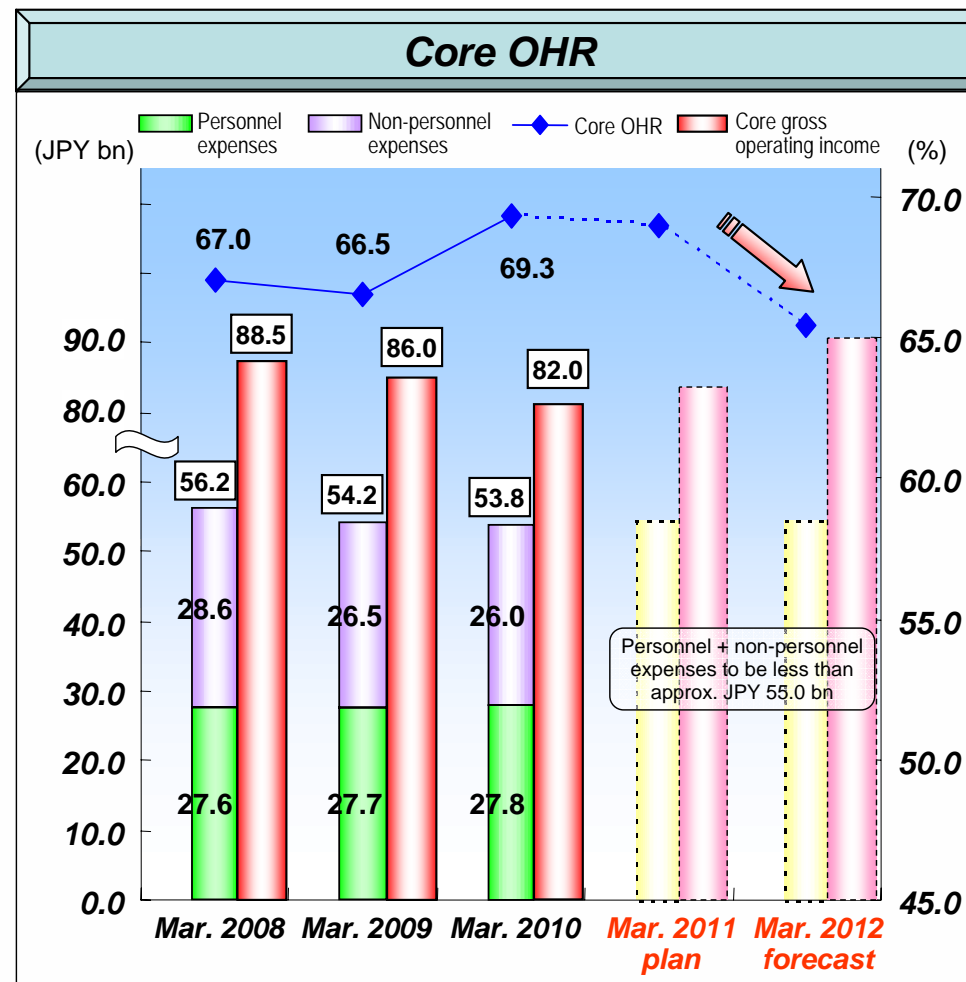
Activities undertaken by the Project Team for Operational Process Innovation in Operation Branches

(From July 2009 to March 2010)



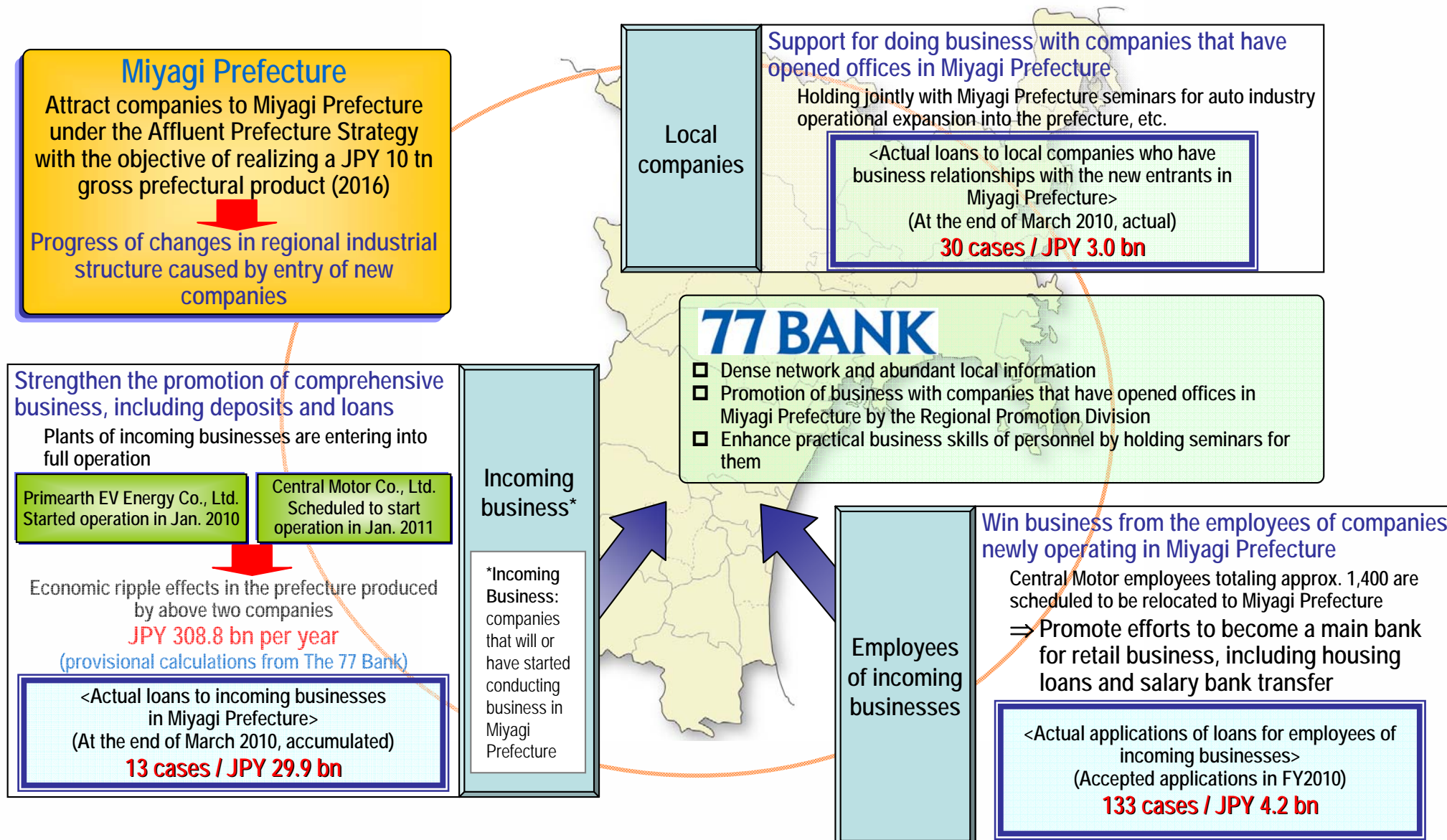
- Scheduled to implement **more than 50 items** in the current fiscal year onward

Total sales time creation effects
Approx. 9 hours (per branch, per day)



Contribute to stakeholders

■ Contribute to regional economic growth (1)



Contribute to stakeholders

■ *Contribute to regional economic growth (2)*

◆ Promote locally-focused financial services

■ Promotion plan for locally-focused financial services (FY2011)

1. Strengthen support for corporate customers, according to their life cycle

- ❑ Strengthen functions that support the starting of a company and of a new business

Target: Number of cases of supporting the starting up of a company or a new business = 50

- ❑ Strengthen functions to support businesses and business management improvement
- ❑ Aggressive efforts to meet needs for handling business succession and inheritance

Target: Number of proposals regarding business succession and inheritance = 100

2. Fully apply fund provision method, which is suited to SMEs

- ❑ Strengthen the efforts to diversify fund raising vehicles

Target: Execution amount for loans using financial covenants: JPY 10,000 mn

Target: Number of cases of handling ABL = 10

- ❑ Enhance practical business skills of personnel

3. Contribute to a sustainable local economy by leveraging the local information accumulated by the Company

- ❑ Hold business meetings

Target: Number of cases of providing business matching information = 1,500

◆ Increase efforts concerning agribusiness

- ❑ Qualified as Farm Management Advisors Total 6 personnel
- ❑ Introduction of the exclusive loan products "77 Agripartner 50" etc.
- ❑ Information provision through Food business meetings
- ❑ Held agribusiness seminars for personnel (attended by approx. 60)

■ *Contribute to local community*

◆ Provide eco-friendly financial products

- Preferential interest rates on loans for eco-friendly cars and homes
- Investment in eco-friendly funds through investment trusts distributed by the Company
- Underwriting private placement bonds that support social contribution and other activities

◆ Educational business

- Hosting the Economics Koshien Miyagi meeting

◆ Continue to conduct corporate blood donation

■ *Improve stockholder value*

◆ Increase stable high-quality shareholders by enhancing our IR activities

- Conduct IR activities targeting regions and individuals

Contribute to stakeholders

Promotion of financial facilitation

◆ Status of addressing loan restructuring, etc.

- Cumulative total as of the end of March 2010 after the SME Financial Facilitation Law came into force (Dec. 4, 2009)

<Sole proprietor and SMEs>

	Number of applications (Cases)	Amount (JPY mn)
Application	2,629	103,052
With guarantee by credit guarantee corporations	1,078	17,758
Execution	2,019	83,008
Rejection	57	1,016
Currently undergoing screening	457	17,005
Withdrawal	96	2,023

Includes 42 cases of "deemed rejection" (Note)

(Note) Deemed rejection: An application outstanding three months after its filing

- Number of consultations and applications filed
About 1.5 times more than before the law came into effect

Approx. half is accounted for by short-term fund refinancing, etc., a service which has been offered to date

<Housing loan borrowers>

	Number of applications (Cases)	Amount (JPY mn)
Application	476	5,468
Execution	293	3,382
Rejection	9	107
Currently undergoing screening	145	1,579
Withdrawal	29	399

Includes 9 cases of "deemed rejection" (Note)

- Number of consultations and applications filed
About 4 to 5 times more than before the law came into effect

Application amounts accounts for less than 1% of the total housing loan balance

Minimal impact on asset soundness and credit cost

◆ Status of improving the structure for financial facilitation

Implementation date	Contents
July 1, 2009	<ul style="list-style-type: none"> Set up a Consultation Counter Dealing with Housing Loan Repayment at eight Loan Centers in the prefecture
November 14, 2009	<ul style="list-style-type: none"> Set up a Holiday Consultation Counter to offer consultation services for SMEs and sole proprietors Set up a dedicated help line at the headquarters
December 1, 2009	<ul style="list-style-type: none"> Set up a Committee to Promote Financial Facilitation and put two dedicated officers in charge of handling financial facilitation Set up a Financial Facilitation Consultation Counter at all operation branches Extended the service period for the Holiday Consultation Counter and Consultation Counter Dealing with Housing Loan Repayment to the end of March 2011
December 4, 2009	<ul style="list-style-type: none"> The SME Financial Facilitation Law came into force
December 25, 2009	<ul style="list-style-type: none"> Published the Bank's Policy for Promoting Financial Facilitation
January 25, 2010	<ul style="list-style-type: none"> Introduced a Dedicated Toll Free Telephone Number for Complaints and Consultations

Going forward, we will address the issue sincerely and flexibly as well with due respect for the law

Profits and losses

(JPY bn)

	FY2010		FY2011	
	(Results)	YoY change	(Plan)	YoY change
Gross operating income	77.8	(0.2)	83.7	5.9
[Core gross operating income]	[82.0]	[(4.0)]	[83.8]	[1.8]
Interest income	71.7	(4.5)	73.1	1.4
Fees and commissions	9.7	0.4	10.4	0.7
Gains (losses) on bonds	(4.2)	3.8	(0.1)	4.1
Foreign exchange transaction income	0.4	0.2	0.3	(0.1)
Expenses	56.8	(0.4)	57.8	1.0
Operating income before provision of general reserve for possible loan losses	21.0	0.2	25.9	4.9
[Core operating income]	[25.2]	[(3.6)]	[26.0]	[0.8]
Provision of general reserve for possible loan losses	—	(2.7)	0.0	0.0
Operating income	21.0	2.9	25.9	4.9
Special income (losses)	(2.5)	2.9	(5.8)	(3.3)
Gains (losses) on stocks	1.4	(9.1)	1.0	(0.4)
Losses on bad debt written-off	2.1	(12.5)	5.0	2.9
Ordinary income	18.4	5.8	20.0	1.6
Net income	11.6	3.9	12.0	0.4
Credit-related expenses	0.7	(16.6)	5.0	4.3

Major accounts / interest rates / interest margin

(JPY bn, %)

		FY2010 (Results)	YoY change	FY2011 (Plan)	YoY change
Major accounts (average balances)	Loans and bills discounted	3,429.3	5.2	3,511.0	2.4
	Securities	1,794.5	(7.1)	1,931.0	7.6
	Deposits and certificates of deposits	5,240.1	2.6	5,305.0	1.2
Interest rates / interest margin	Loans and bills discounted interest rate	1.75	(0.21)	1.66	(0.09)
	Securities interest rate	1.12	(0.25)	1.14	0.02
	Interest rate on deposits	0.15	(0.10)	0.11	(0.04)
	Interest rate spread	1.30	(0.10)	1.31	0.01
	Net interest margin	0.22	(0.07)	0.23	0.01

Reference	Loans to SMEs (Term-end balance)	1,147.3	3.1	1,160.0	1.1
	Assets in custody (Term-end balance)	638.0	10.4	730.0	14.4
	Total deposits, loans and assets in custody (Term-end balance)	9,434.8	3.9	9,650.0	2.3

(Note) Figures in the "YoY change" column of major accounts ("Loans and bills discounted," "Securities" and "Deposits and certificates of deposits" accounts), "Loans to SMEs," "Assets in custody" and "Total deposits, loans and assets in custody" show the rate of changes, and figures in the "YoY change" column of interest rates / interest margin show percentage points

Progress of the Medium-term Management Plan (1) (Figures to be planned and reviewed annually)

I. Average balance of major accounts

(JPY bn)

	FY2009 Result	FY2010 Result	Change from FY2010 Plan	FY2011 Plan	FY2012 Forecast	Change from the forecast at the beginning of the plan
Loans and bills discounted	3,260.0	3,429.3	(18.7)	3,511.0	3,572.0	(53.0)
Corporate loans	1,866.9	1,969.5	(12.5)	2,022.0	2,067.0	(9.0)
Consumer loans	706.3	730.3	0.2	749.0	765.0	5.0
Actual deposits and certificates of deposits	5,102.3	5,234.5	25.7	5,298.0	5,385.0	71.5
Of which, retail deposits	3,535.4	3,632.3	5.4	3,732.0	3,822.0	40.0

II. Term-end balances

(JPY bn)

	FY2009 Result	FY2010 Result	Change from FY2010 Plan	FY2011 Plan	FY2012 Forecast	Change from the forecast at the beginning of the plan	
Loans and bills discounted	3,395.8	3,451.1	(68.9)	3,590.0	3,661.0	(49.0)	
Of which, loans to SMEs	1,112.9	1,147.3	22.3	1,160.0	More than JPY 1.2 tn	0.0	
Actual deposits and certificates of deposits	5,123.4	5,359.4	101.4	5,344.0	5,478.0	121.0	
Balance of assets in custody	578.1	638.0	(12.0)	730.0	850.0	0.0	
Total deposits, loans and assets in custody	9,084.6	9,434.8	19.8	9,650.0	More than JPY 10 tn	69.0	
Sales of investment trusts and individual annuity insurance	28.2	43.1	(1.3)	[121.6] 78.5	More than JPY 200 bn	[201.6] 80.0	[1.6] —

(Note) Figures in represent the target at the end of the Medium-term Management Plan. Figures in brackets represent the accumulated sales amount of investment trusts and individual annuity insurance

* Figures in "Change from FY2010 Plan" provide a comparison with those disclosed at the IR presentation (December 2009)

Progress of the Medium-term Management Plan (2) (Figures to be planned and reviewed annually)

III. Profits and losses

(JPY bn, %)

	FY2009 Result	FY2010 Result	Change from FY2010 Plan	FY2011 Plan	FY2012 Forecast		
					FY2012 Forecast	Change from the forecast at the beginning of the plan	
Core gross operating income	86.0	82.0	(0.1)	83.8	87.2	(3.1)	
Of which, interest income	76.2	71.7	(0.2)	73.1	76.7	(2.2)	
Of which, fees and commissions	9.3	9.7	(0.2)	10.4	10.6	(0.1)	
Expenses	57.2	56.8	(0.8)	57.8	57.7	(0.6)	
Core operating income	28.8	25.2	0.7	26.0	29.5	(2.5)	
Core OHR	66.5	69.3	(0.9)	69.0	65% or less	66.2	1.6
Capital adequacy ratio (Domestic standards)	12.8	13.0	0.6	12.6	12.6	0.5	

(Note) Figures in 65% or less represent the target at the end of the Medium-term Management Plan

[Forecast on the major interest rates (Annual average)]

(JPY, %)

	FY2009 Result	FY2010 Result	Change from FY2010 Plan	FY2011 Plan	FY2012 Forecast	
					FY2012 Forecast	Change from the forecast at the beginning of the plan
Unsecured call rate O/N	0.36	0.10	0.00	0.10	0.10	(0.15)
JPY TIBOR (3 months)	0.82	0.53	(0.03)	0.40	0.43	(0.32)
5-year JGBs	0.98	0.64	(0.09)	0.48	0.65	(0.60)
10-year JGBs	1.46	1.36	(0.05)	1.35	1.55	(0.20)
Nikkei Average (At the term-end)	8,109	11,089	89	12,000	13,000	0

* Figures in "Change from FY2010 Plan" provide a comparison with those disclosed at the IR presentation (December 2009)

This is a Japanese-English translation of the presentation material for your convenience. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

Please note that the projections described in this document do not guarantee future performance. Future performance projections may differ from actual results due to uncertainty caused by factors such as changes in the business environment.

七十七銀行