

IR Presentation

Results for the First Half of Fiscal Year Ending March 31, 2010

77 BANK

七十七銀行

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Summary of profits and losses

(JPN bn, %)

	First half FY2009	First half FY2010	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	42.8	39.9	(2.9)	(6.8)
[Core gross operating income]	[43.4]	[41.4]	[(2.0)]	[(4.7)]
Interest income	38.4	36.2	(2.2)	(5.8)
Fees and commissions	4.8	4.9	0.1	2.8
Gains (losses) on bonds	(0.6)	(1.5)	(0.9)	
Foreign exchange transaction income	0.0	0.2	0.2	
Expenses	28.9	28.7	(0.2)	(0.8)
Operating income before provision of reserve for possible loan losses	13.9	11.2	(2.7)	(19.5)
[Core operating income]	[14.5]	[12.7]	[(1.8)]	[(12.6)]
Provision of reserve for possible loan losses	2.5	1.4	(1.1)	
Operating income	11.4	9.8	(1.6)	(14.2)
Special income and losses	(5.2)	(2.8)	2.4	
Gains (losses) on stocks	0.7	0.5	(0.2)	
Losses on bad debt written-off	5.5	3.0	(2.5)	
Ordinary income	6.2	6.9	0.7	12.0
Extraordinary income	0.0	0.0	0.0	
Extraordinary loss	0.3	0.3	0.0	
Income taxes (incl. deferred taxes)	2.1	2.5	0.4	
Net income	3.8	4.1	0.3	6.6
Credit-related expenses	8.0	4.4	(3.6)	

Interest income

Decrease due to cuts in 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

Decrease in reclassification to lower categories, bankruptcies, etc.

Ordinary income

Increase due to decline in credit-related expenses

Net income

First profit increase in 2 years

Major accounts / interest rates / interest margin

■ Major accounts (average balances)

(JPN bn, %)

	First half FY2009	First half FY2010	YoY change %
Loans and bills discounted	3,167.7	3,407.0	7.6
Corporate loans	1,800.6	1,953.5	8.5
[excl. spread loans]	[1,151.5]	[1,169.6]	[1.6]
[Spread loans]	[649.1]	[783.9]	[20.8]
Consumer loans	700.3	723.2	3.3
[Housing loans]	[638.5]	[665.4]	[4.2]
Loans for local governments	666.8	730.3	9.5
Securities	2,018.5	1,753.7	(13.1)
National government bonds	959.2	801.4	(16.5)
Local government bonds	90.5	100.5	11.0
Corporate bonds	616.3	524.6	(14.9)
Stocks	87.7	70.3	(19.8)
Others	264.8	256.9	(3.0)
Deposits and certificates of deposits	5,105.3	5,234.3	2.5
Retail deposits	3,522.7	3,613.9	2.6
Corporate deposits	1,201.1	1,219.9	1.6
Assets in custody (Term-end balance)	574.1	615.4	7.2

■ Interest rates / interest margin

(%)

	First half FY2009	First half FY2010	YoY change
Loans and bills discounted interest rate	2.00	1.78	(0.22)
Corporate loans	1.95	1.73	(0.22)
[excl. spread loans]	[2.39]	[2.26]	[(0.13)]
[Spread loans]	[1.16]	[0.94]	[(0.22)]
Consumer loans	2.68	2.53	(0.15)
[Housing loans]	[2.33]	[2.23]	[(0.10)]
Loans for local governments	1.44	1.37	(0.07)
Securities interest rate	1.43	1.17	(0.26)
Deposits and certificates of deposit interest rate	0.27	0.17	(0.10)
Interest rate spread	1.41	1.31	(0.10)
Net interest margin	0.29	0.22	(0.07)

* Ref.

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

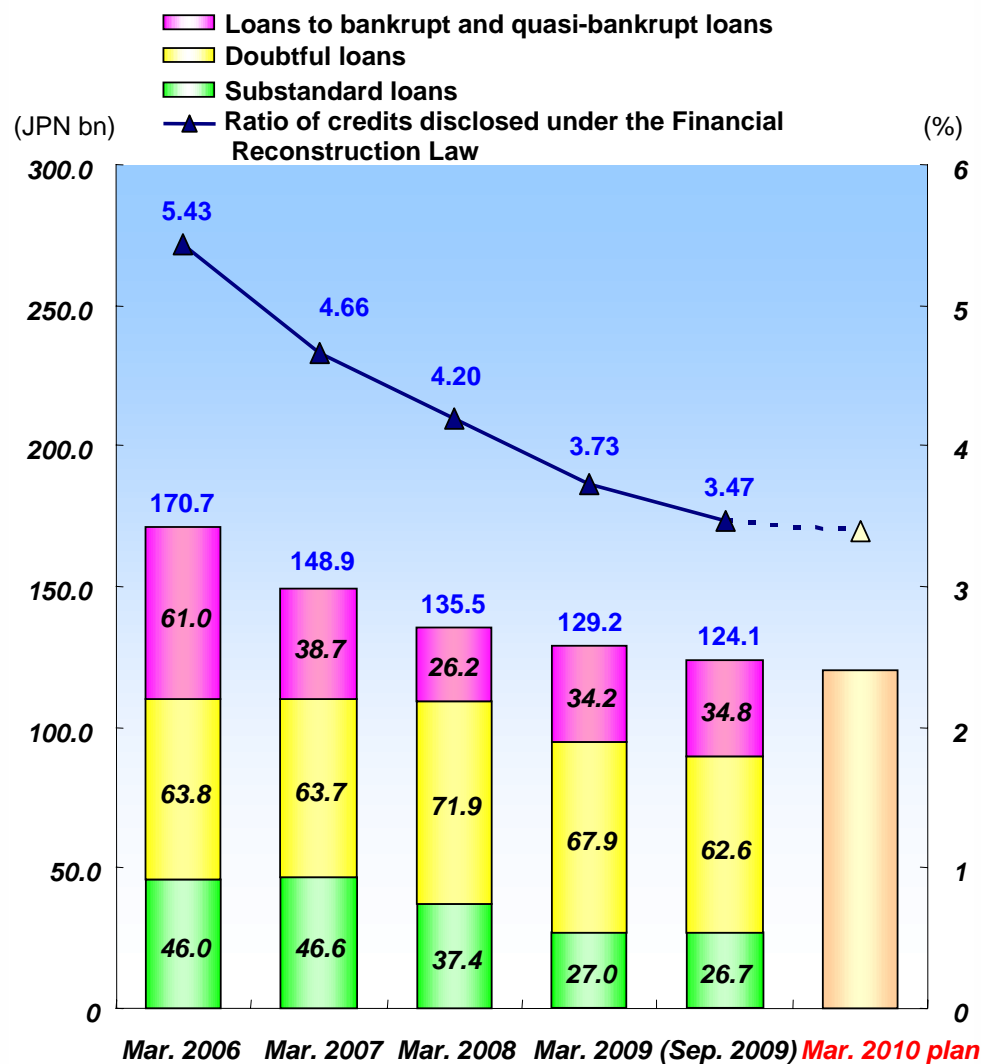
Credit-related expenses and credit disclosed under the Financial Reconstruction Law

■ Credit-related expenses

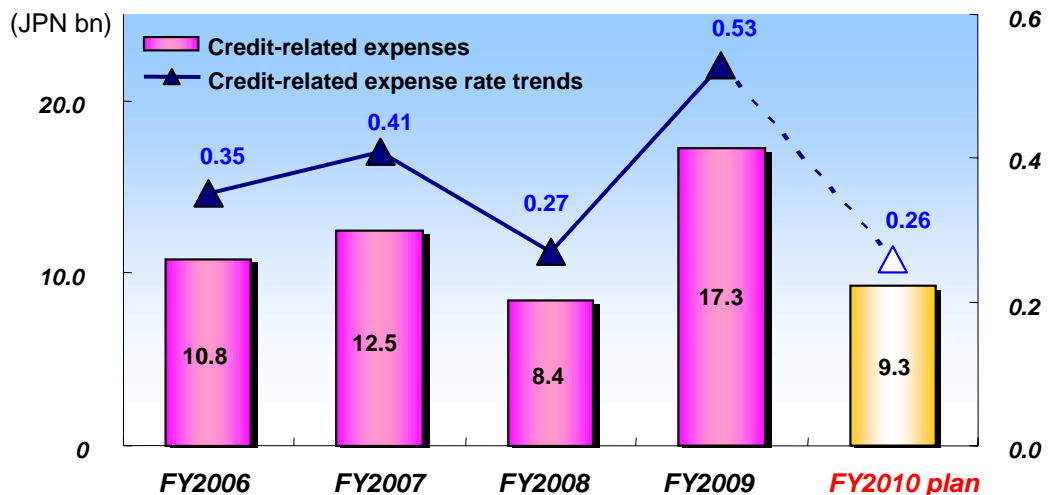
(JPN bn)

	FY2006	FY2007	FY2008	First half FY2009	FY2009	First half FY2010	FY2010 Plan
Provision of reserve for possible loan losses	(2.2)	2.3	(1.8)	2.5	2.7	1.4	1.8
Loss on bad debt written-off	13.0	10.2	10.2	5.5	14.6	3.0	7.5
[Of which, loss on sale]	[2.9]	[4.1]	[4.9]	[1.5]	[4.6]	[0.8]	[N/A]
Total	10.8	12.5	8.4	8.0	17.3	4.4	9.3

Credits disclosed under the Financial Reconstruction Law



Credit-related expenses and credit-related expense rate trends (%)

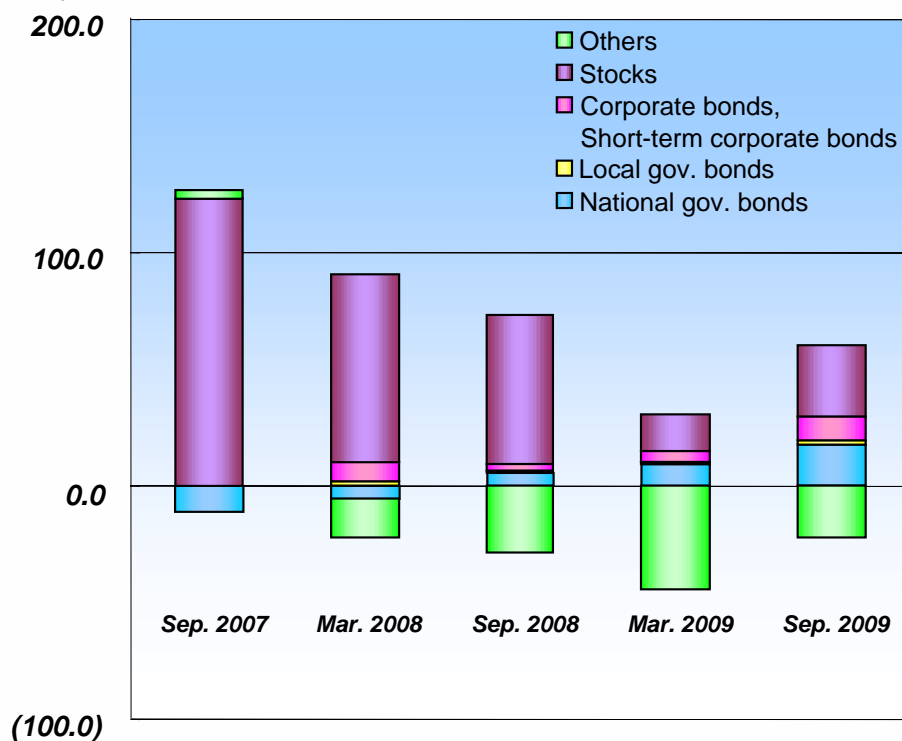


(Reference)

Number of management improvement support activities in the first half of FY2010 : 552 cases
(Reclassified to better category: 57 cases)

Securities (1)

(JPN bn) Gains (losses) from revaluation of securities



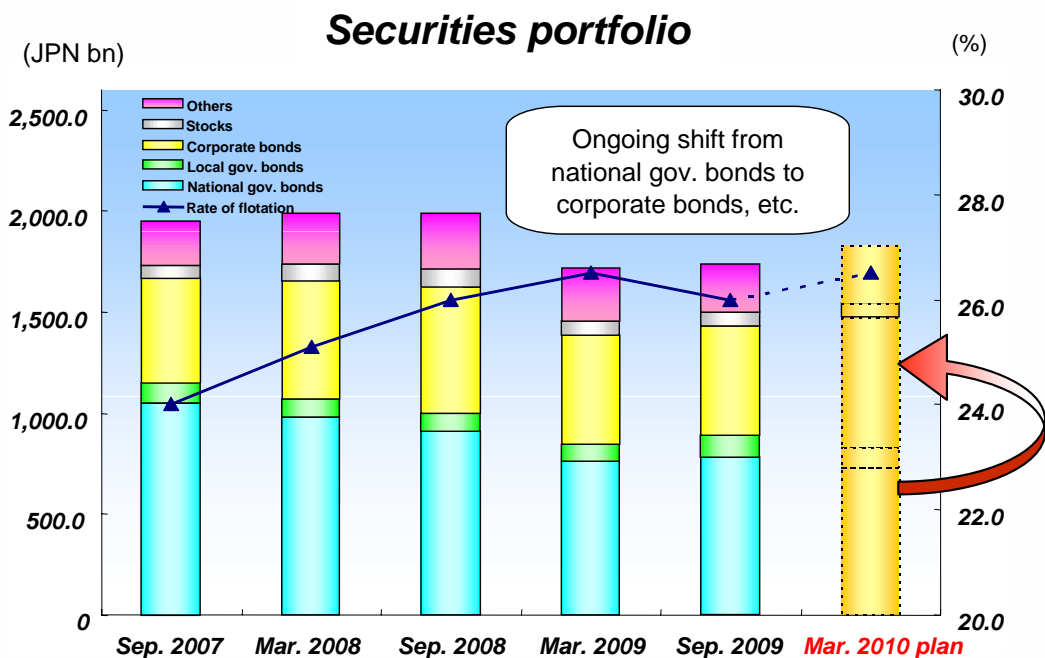
- ◆ Influence of theoretical price evaluation conducted with regard to floating-rate national government bonds: 19.0 billion yen (Balance of floating-rate national government bonds as of the end of September 2009: 362.4 billion yen)
- ◆ Impairment loss of securities: 0.4 billion yen

■ Balance of securities

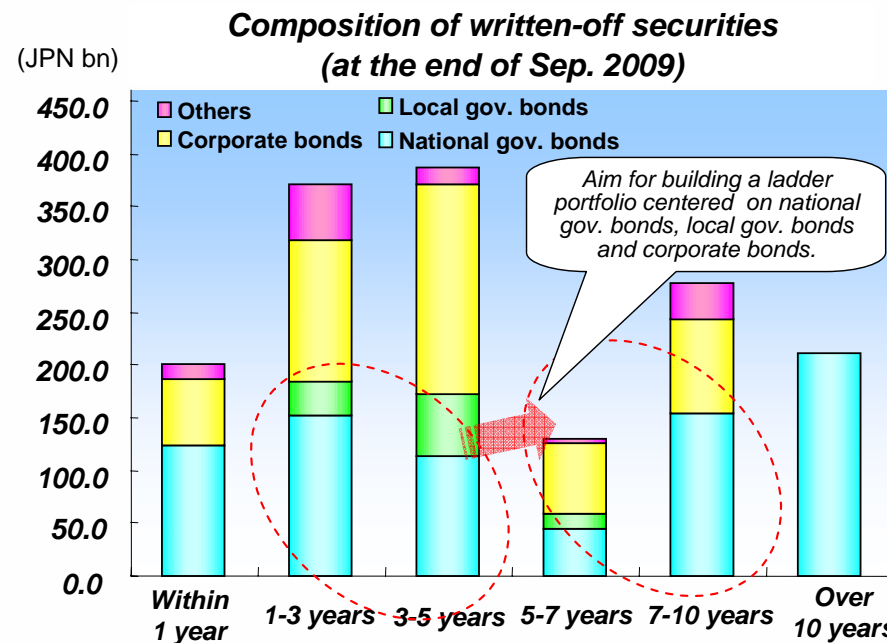
(JPN bn)

	End of Sep. 2009	Gains (losses) from revaluation	Change from Mar. 2009
Securities	1,778.6	38.3	52.3
Bonds	1,679.1	7.2	36.9
National gov. bonds	798.7	17.4	8.4
Local gov. bonds	107.4	2.1	1.2
Corporate bonds	551.7	10.1	5.6
Others	221.3	(22.4)	21.7
Yen-denominated foreign bonds	52.9	(0.5)	3.4
Foreign-currency bonds	66.8	(2.0)	0.2
Investment trusts	101.6	(19.9)	18.1
Stocks	99.5	31.1	15.4

Securities (2)



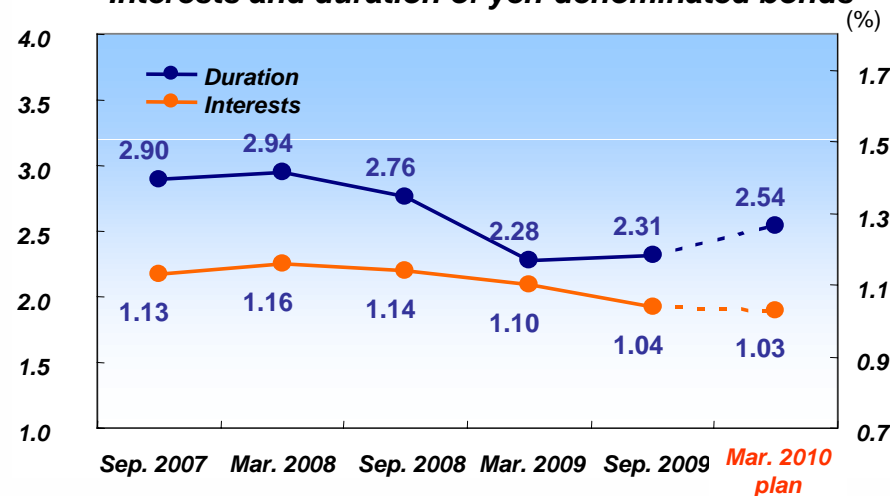
*Excluding revaluation gains (losses), after impairment.



■ Improvement in profitability and financial health

- ◆ Improvement in profitability
 - Ongoing shift to industrial bonds, foreign securities, etc.
 - Acquisition of stable, lasting revenue base by building a ladder portfolio - extended duration
 - Replacement of stock names with emphasis on growth potential and profitability
- ◆ Improvement in financial health and strengthening of ability to respond to changes in the investment environment, etc.
 - Flexible replacement transactions implemented in response to the investment environment
 - Nurturing of experts in response to diversification and increased sophistication of investment targets and methods

Interests and duration of yen-denominated bonds (%)

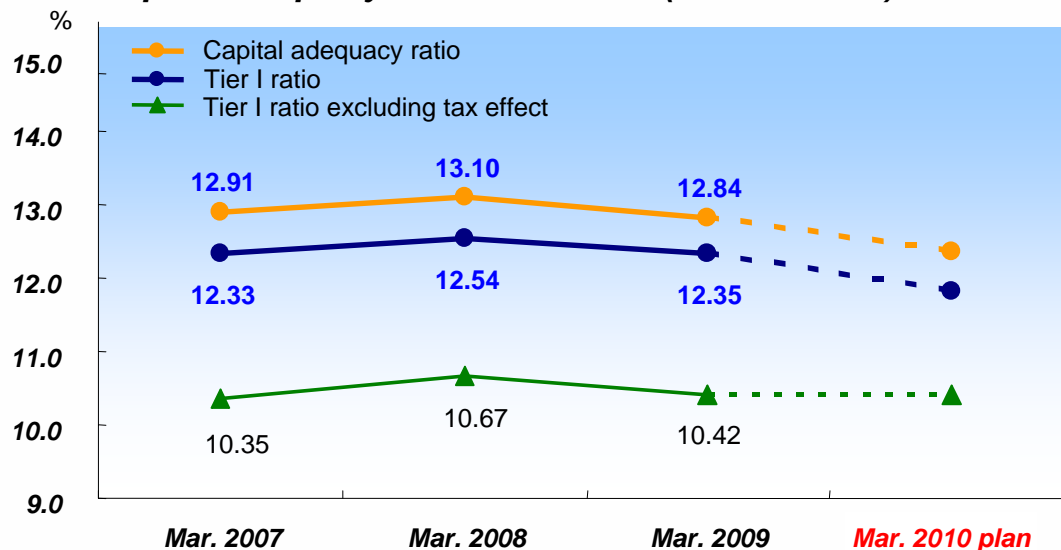


* Yen-denominated bonds other than investment trusts.

Capital adequacy

- Capital adequacy ratio (at the end of Sep. 2009): 12.84%
(change from the end of Mar. 2009: ±0.00)
- Tier I ratio (at the end of Sep. 2009): 12.30%
(change from the end of Mar. 2009: -0.05)
- ◆ Ratio of tax effect equivalent to Tier I (at the end of Sep. 2009):
→ 15.83% (change from the end of Mar. 2009: +0.19)
- ◆ Tier I ratio excluding tax effect (at the end of Sep. 2009):
→ 10.35% (change from the end of Mar. 2009: -0.07)

Capital adequacy ratio/ Tier I ratio (annual basis)

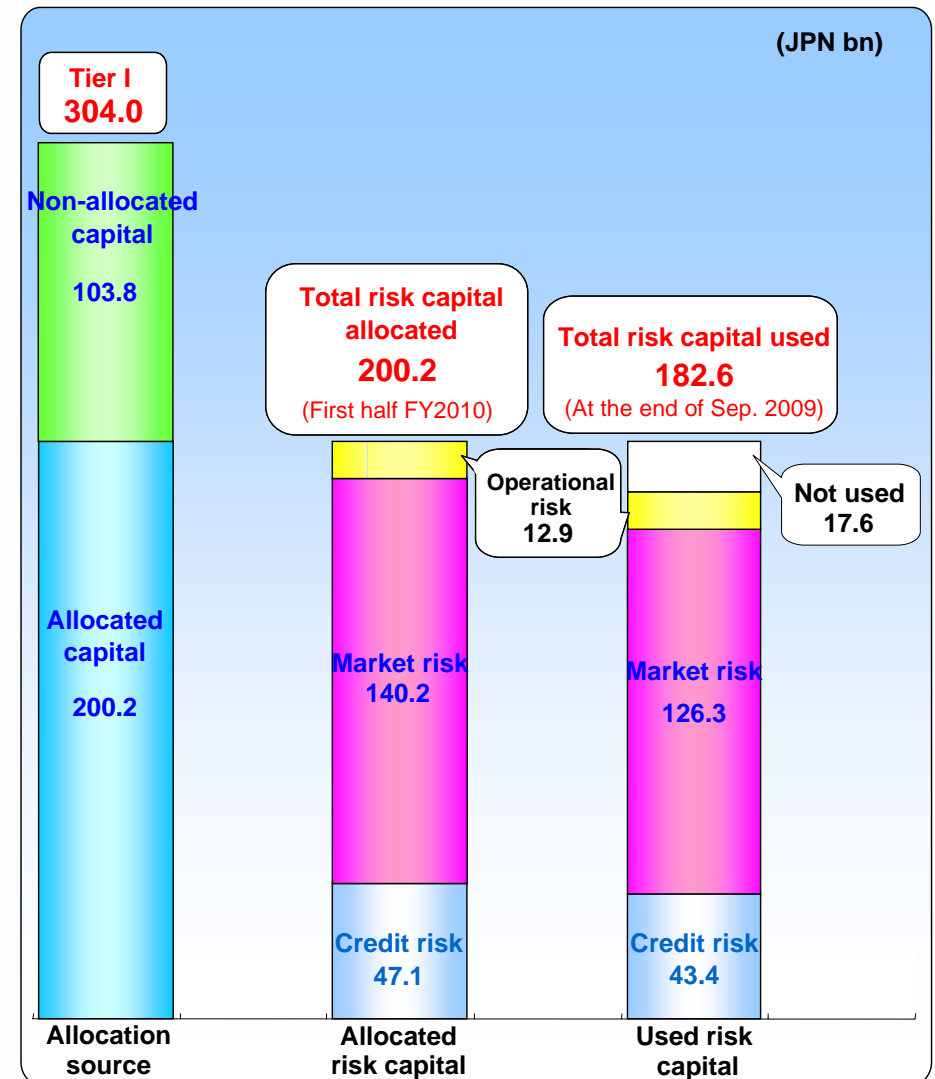


<Reference> Outlier ratio (at the end of Sep. 2009)

Amount of interest rate risk	Tier I + Tier II	Outlier ratio
JPY 59.4 bn	JPY 319.4 bn	18.6%

(Note) Based on 99 percentile method.

Management of risk capital (at the end of Sep. 2009)



Enhance operating capabilities

■ Enhance promotion system (1)

Effective reallocation of business resources

Increase number of staff members in charge of external affairs at operation branches

- ◆ Plan to increase number of staff members in charge of external affairs by 150

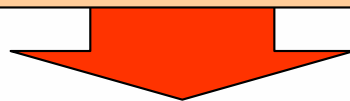
Progress:

First half of FY 2010:	46 people	➔	Assigned to operation branches in markets with high growth potential
FY 2011 (plan):	approx. 90 people		
FY 2012 (plan):	approx. 20 people		
Total:	approx. 150 people		

Personnel increase due to transfer of staff members in charge of back-office jobs at operation branches, relocation of staff members from head office to operation branches, increase in the number of people recruited, etc.

Enhance sales-force capabilities

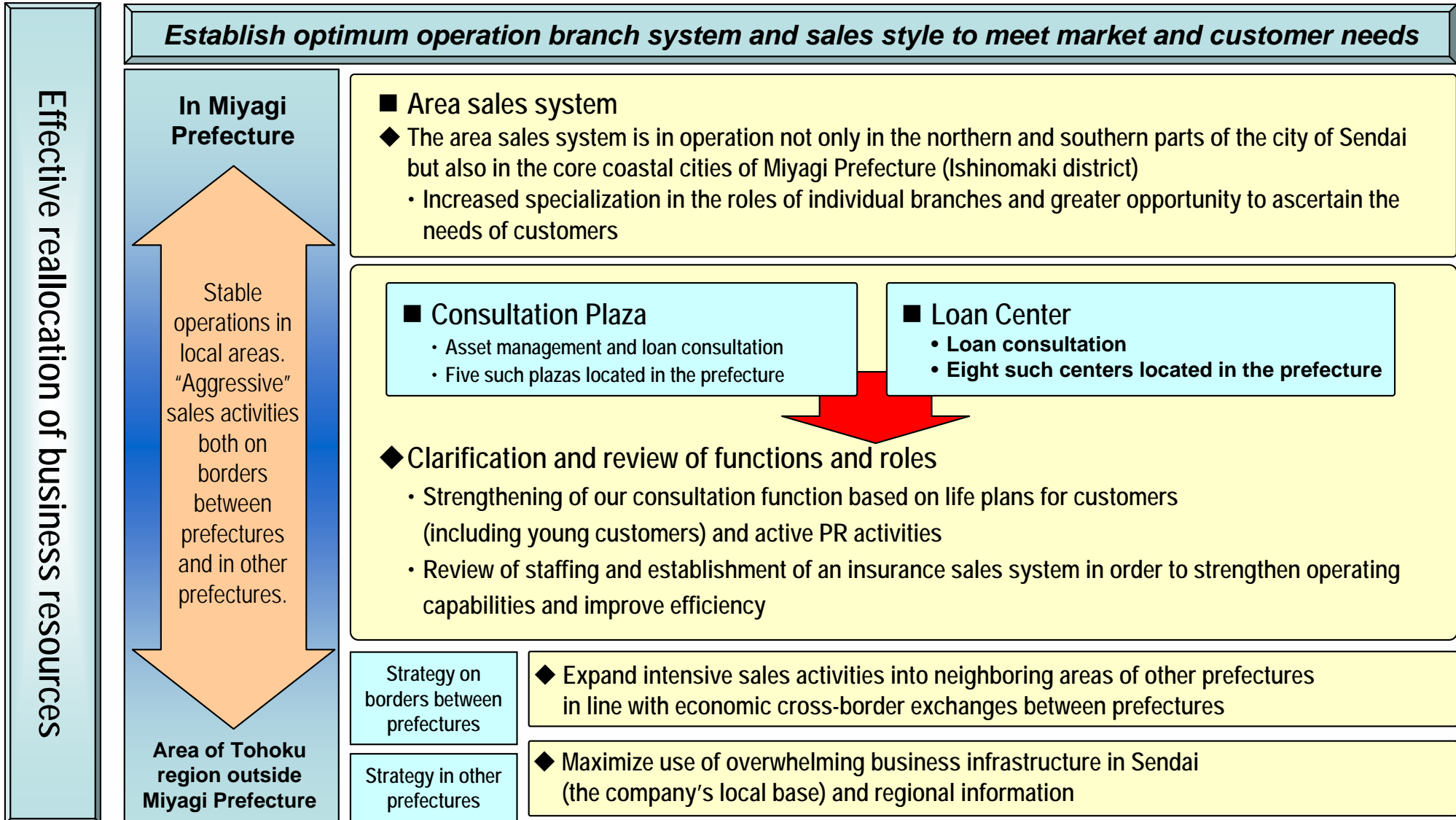
- ◆ Review layout at operation branches in order to strengthen consultation function (expand set-up of consultation booths)
- ◆ Expand staffing by lobby attendants and active utilization of staff members in charge of external affairs at head office
- ◆ Various kinds of training to enhance operating capabilities



Strengthen solution sales by utilizing human resources and time generated

Enhance operating capabilities

■ Enhance promotion system (2)



Enhance operating capabilities

■ Enhance total deposits, loans and assets in custody (1)

◆ Increase corporate loans

□ Increase loans to small- and medium-sized enterprises

- Continue visits to customers by heads of operation branches (target number of customers: 22,000)
- Promote acquisition of completely new customers
To be promoted by all branches at the same time with support from staff members of the head office in charge of external affairs. Priority visits will be made to quality companies throughout the prefecture that The 77 Bank has not yet engaged in business with.

◆ Respond to Act concerning Temporary Measures to Facilitate Financing for SMEs, etc.

□ Establish consultation counters

- Holiday consultation counters for small- and medium-sized enterprises (from November 2009)
- Consultation counters dealing with housing loan repayments (from July 2009)

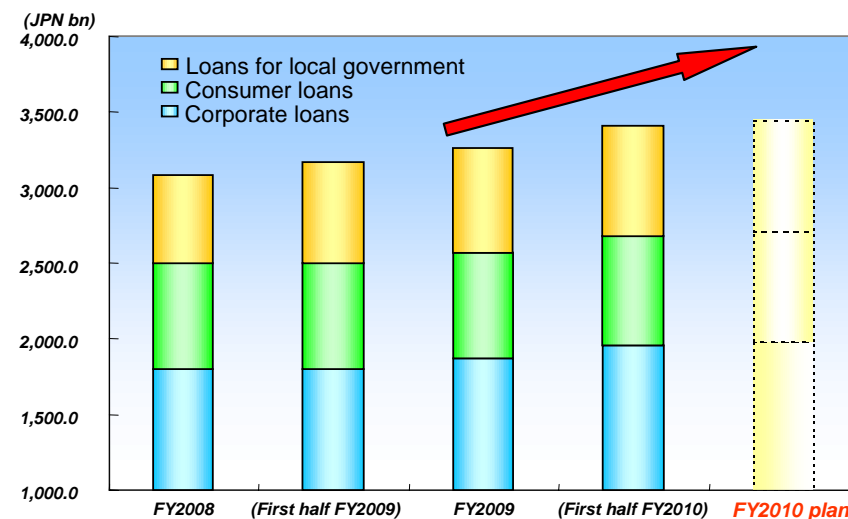
□ Establish Committee to Promote Financing Facilitation (from December 2009)

- Accelerate response by setting up professional teams in subordinate organs throughout the head office

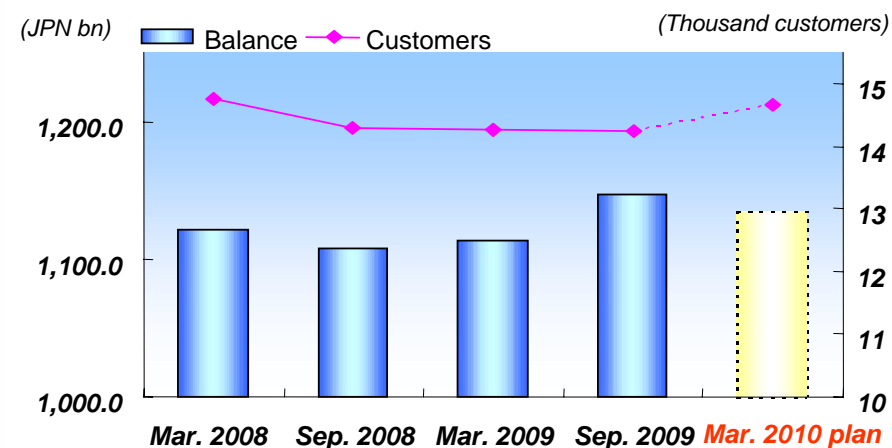
□ Improve and expand consultation acceptance system (from December 2009)

- Establish financing facilitation consultation counters at all operation branches
- Improve and expand toll-free consultation acceptance
- Extend deadline for setting up of consultation counters until March 2011

Loans (average balances)



SME loan balances / number of customers



Enhance operating capabilities

■ Enhance total deposits, loans and assets in custody (2)

◆ Redouble efforts regarding housing loans

- Hold presentation meetings for housing companies
- Promote housing loans for employees of new companies conducting business in Miyagi Prefecture
- Promote takeovers of other banks and start handling products exclusively for this purpose

◆ Strengthen promotion of assets in custody

- Sell investment trusts and public bonds at any branches
- Review product composition in investment trusts and individual annuity insurance
- Continue holding of seminars for wealthy and female clients
- Promote installment-type investment trusts and investment trusts via the Internet

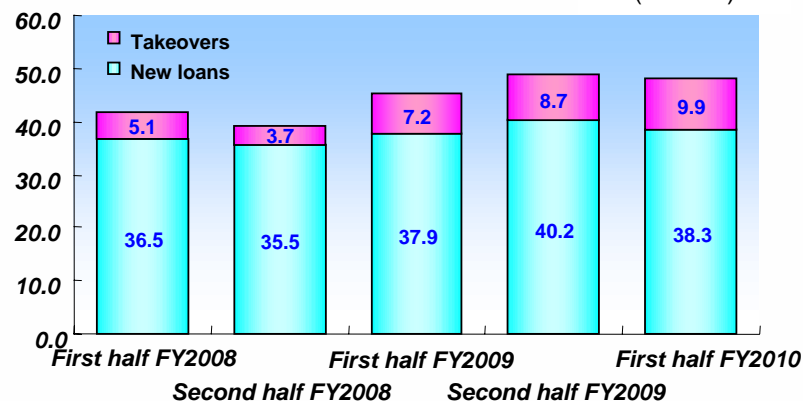
Housing loans in Miyagi Prefecture

(Cases, %)

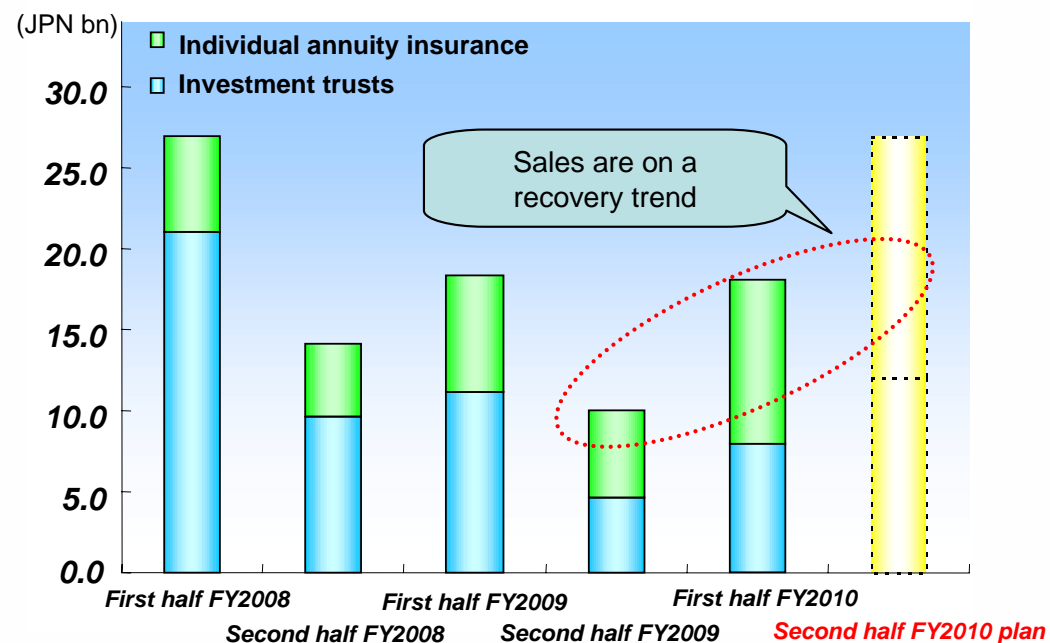
	Second half FY2008	First half FY2009	Second half FY2009	First half FY2010
Number of housing loans granted	2,042	2,367	2,532	2,668
Of which, houses built in Miyagi Pref.	1,789	1,941	2,014	2,050
Housing starts in Miyagi Pref.	4,241	4,827	4,041	3,105
Of which, owner occupied	2,534	3,032	2,384	2,424
Share of The 77 Bank	42.2	40.2	49.8	66.0

Amount of housing loans granted

(JPN bn)



Amount of sales of investment trusts and individual annuity insurance



Improve productivity

Review costs

- ◆ Activities of Expenditure Reduction Project Team
 - Review underway of approximately 40 selected items
- ◆ Optimization of IT investment and maximization of investment return
 - Examine system sharing and other issues
 - Optimize investment based on IT portfolio management

Review operational processes

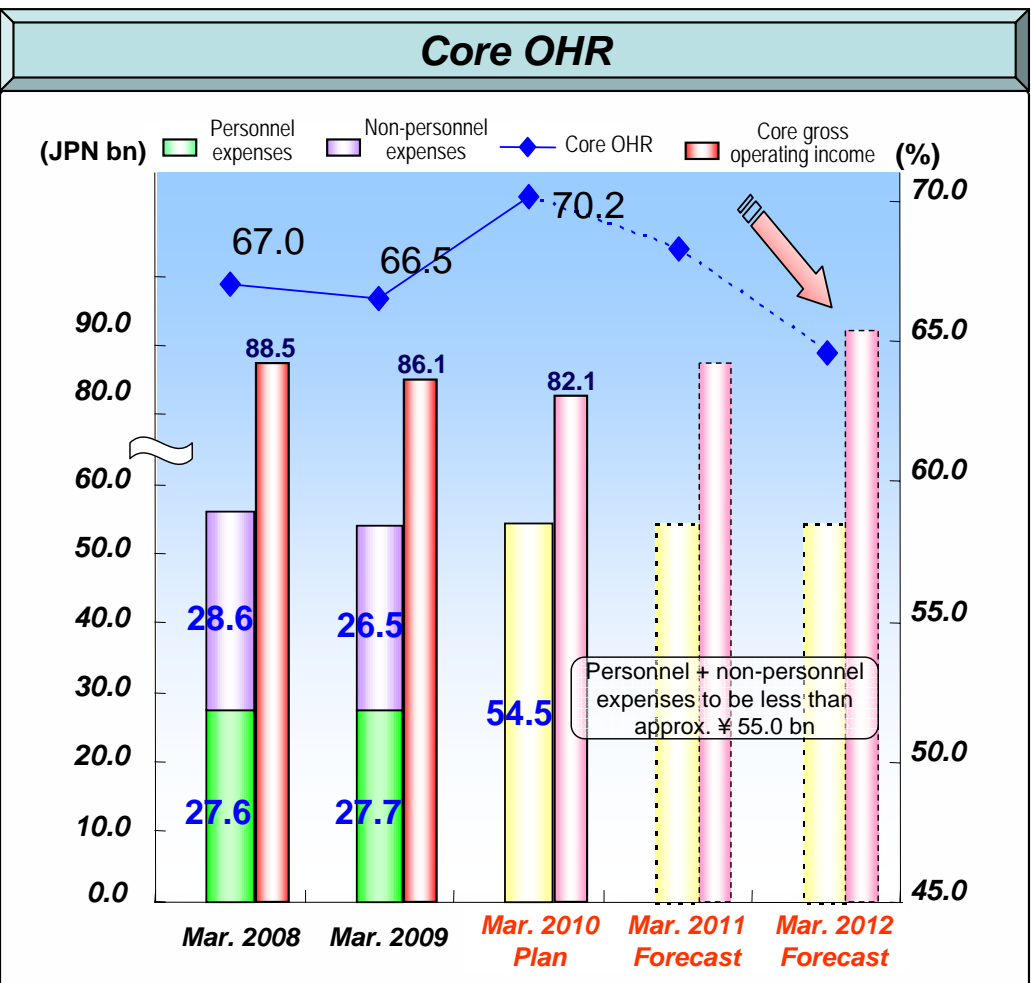
- ◆ Drastic reduction in clerical work at operation branches and improvement in efficiency
 - Activities undertaken by the Project Team for Operational Process Innovation in Operation Branches
 - Review underway of approximately 100 selected items

Activate human resources

- ◆ Introduction of new personnel system (April 2009)
 - Review wage system (discontinuation of seniority system and expansion of differences)
 - Introduce demotion / degradation system
 - Review personnel evaluation system
- ◆ Development of highly specialized staff members in charge of external affairs

Increase sophistication of internal control system

- ◆ Strengthening of compliance system
 - Strengthen compliance training and compliance awareness and break off all relations with antisocial forces



- ◆ Increase in sophistication of risk management and revenue management
 - Elaborate on credit rating (size of customers to whom credit is given and introduction of statistical models tailored to business categories)

Contribute to stakeholders

■ Contribute to regional economic growth (1)

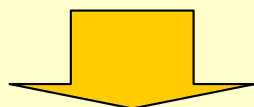
◆ Respond to changes in regional industrial structure caused by entry of new companies

□ Number of factory locations and people who will be employed in Miyagi Prefecture

⇒ Of the six prefectures in the Tohoku region, Miyagi Prefecture was the only one to record a year-on-year increase.

□ Economic ripple effects in the prefecture produced by two companies: Central Motor Co., Ltd. and Panasonic EV Energy Co., Ltd.

⇒ 308.8 billion yen per year (provisional calculations from The 77 Bank)



□ Promotion of action plans by Regional Promotion Division

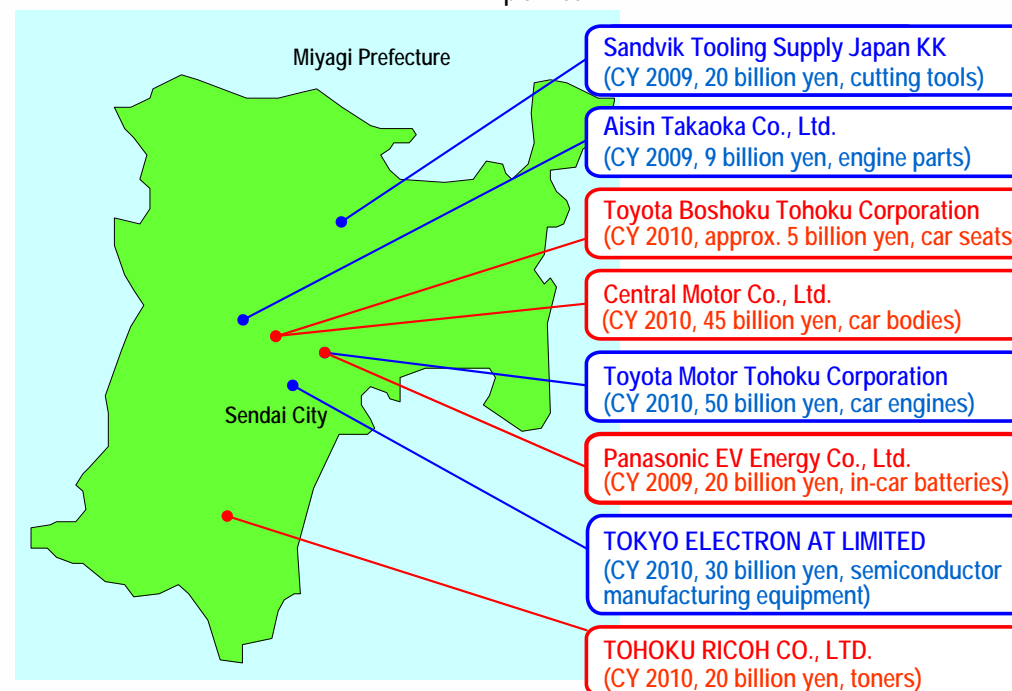
- Transactions with companies that have started conducting business in Miyagi Prefecture (loans for operations, purchasing equipment, etc.)
- Transactions with employees (salary transfer accounts, housing loans, etc.)
- Transactions with local companies (loans for operations, purchasing equipment, business matching, etc.)

□ Holding of seminars for bank employees

- On-site inspection tours to automobile-related companies that have started conducting business in Miyagi Prefecture, as well as lectures on information utilization, etc. (total number of participants: approx. 470)

□ Trends regarding the entry of major companies into Miyagi Prefecture

Major companies that are scheduled to begin operations are included. Information provided in parentheses is as follows: year in which operations were initially scheduled to start; amount of investment; and items produced. Details in red indicate projects underway as initially planned.



□ Transactions with companies that have started conducting business in Miyagi Prefecture and their employees (first half of FY 2010)

- Actual loans to companies that have started conducting business in Miyagi Prefecture 4 customers / approx. 1.9 billion yen
- Actual applications for loans for employees 19 customers / approx. 0.4 billion yen
- Actual loans to local companies who have business relationships with the new entrants in Miyagi Prefecture 16 customers / approx. 1.1 billion yen

Contribute to stakeholders

■ *Contribute to regional economic growth (2)*

◆ Increase efforts concerning agribusiness

□ Major activities (FY 2010)

- Joined the Miyagi Prefecture Branch of the Japan Agricultural Corporations Association as a supporting member.
- Staff members at head office qualified as Farm Management Advisors.
- Began offering "77 Agripartner 50," a loan product exclusively for farmers.

□ Future activities

- Strengthen approaches to agricultural production corporations by staff members in charge of external affairs at head office
- Hold seminars for customers and training for bank employees

◆ Increase efforts concerning business matching

□ Actual performance (FY 2010)

<In Japan>

- June: Miyagi Business Fair
- October: "Delicious Food in Yamagata and Miyagi, Kingdom of Food" Business Fair
- November: Regional Bank Food Selection 2009

<In overseas countries>

- July: Shanghai Manufacturing Trade Fair (Summer 2009)
- October: Japanese Food Fest in Shanghai

- ###### □ Total number of successful business negotiations conducted at business meetings in which The 77 Bank participated: More than 500

◆ Increased efforts toward ABL

- Actual performance for the first half of FY 2010:
5 cases / 0.63 billion yen (wine, frozen marine products, etc.)

■ *Improve customer satisfaction*

- ##### ◆ Introduce solution sales workshops
- Introduce training including on-site visits to customers, with the aim of improving consultation capabilities

- ##### ◆ Strengthen hospitality education
- Expand educational opportunities to part-time workers in addition to improving awareness of bank employees through stratified training

■ *Improve stockholder value*

- ##### ◆ Improve and expand IR
- IR activities in consideration of individuals and regions

- ##### ◆ Review disclosure tools

■ *Improve working conditions*

- ##### ◆ Introduce measures to balance work and private life
- Offer wider range of ways to take time off

- ##### ◆ Review dormitories for single employees
- Improve residential environment for single employees living in the dormitories

Profits and losses

(JPN bn)

	FY2009 Results		FY2010 Plan	
		YoY change		YoY change
Gross operating income	78.0	(9.2)	80.1	2.1
[Core gross operating income]	[86.0]	[(2.5)]	[82.1]	[(3.9)]
Interest income	76.2	(1.8)	71.9	(4.3)
Fees and commissions	9.3	(0.8)	9.9	0.6
Gains (losses) on bonds	(8.0)	(6.8)	(2.0)	6.0
Foreign exchange transaction income	0.2	0.3	0.3	0.1
Expenses	57.2	(2.1)	57.6	0.4
Operating income before provision of reserve for possible loan losses	20.8	(7.1)	22.5	1.7
[Core operating income]	[28.8]	[(0.3)]	[24.5]	[(4.3)]
Provision of reserve for possible loan losses	2.7	4.5	1.8	(0.9)
Operating income	18.1	(11.6)	20.7	2.6
Special income (losses)	(5.4)	4.4	(8.1)	(2.7)
Gains (losses) on stocks	10.5	10.1	1.2	(9.3)
Losses on bad debt written-off	14.6	4.4	7.5	(7.1)
Ordinary income	12.6	(7.2)	12.5	(0.1)
Net income	7.7	(4.5)	7.5	(0.2)
Credit-related expenses	17.3	8.9	9.3	(8.0)

Major accounts / interest rates / interest margin

(JPN bn, %)

		FY2009 Results		FY2010 Plan	
			YoY change		YoY change
Major accounts (average balances)	Loans and bills discounted	3,260.0	5.8	3,448.0	5.8
	Securities	1,930.7	(2.1)	1,785.7	(7.5)
	Deposits and certificates of deposits	5,108.6	2.7	5,213.9	2.1
Interest rates / interest margin	Loans and bills discounted interest rate	1.96	(0.08)	1.75	(0.21)
	Securities interest rate	1.37	(0.15)	1.14	(0.23)
	Interest rate on deposits	0.25	0.00	0.16	(0.09)
	Interest rate spread	1.40	(0.07)	1.31	(0.09)
	Net interest margin	0.29	0.00	0.20	(0.09)
Reference	Loans to SMEs (term-end balance)	1,112.9	(1.6)	1,125.0	1.1
	Assets in custody (term-end balance)	578.1	5.3	650.0	12.4
	Total deposits, loans and assets in custody (term-end balance)	9,084.6	3.6	9,415.0	3.6

(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

	FY2009 Result	FY2010 Plan	
		First half results	
Loans and bills discounted	3,260.0	3,407.0	3,448.0
Corporate loans	1,866.9	1,953.5	1,982.0
Consumer loans	706.3	723.2	730.1
Actual deposits and certificates of deposits	5,102.3	5,228.9	5,208.8
Of which, retail deposits	3,535.4	3,613.9	3,626.9

(JPN bn)

(Reference) Forecast at the beginning of the plan		
FY2010	FY2011	FY2012
3,474.0	3,555.0	3,625.0
2,001.0	2,040.0	2,076.0
720.0	738.0	760.0
5,157.5	5,233.0	5,313.5
3,616.0	3,702.0	3,782.0

II. Term-end balances

	FY2009 Result	FY2010 Plan	
		First half results	
Loans and bills discounted	3,395.8	3,514.9	3,520.0
Of which, loans to SMEs	1,112.9	1,147.2	1,125.0
Actual deposits and certificates of deposits	5,123.4	5,277.0	5,258.0

(JPN bn)

(Reference) Forecast at the beginning of the plan		
FY2010	FY2011	FY2012
3,567.0	3,623.0	3,710.0
1,125.0	1,150.0	More than JPY 1.2 trillion
5,197.0	5,277.5	5,357.0

Balance of assets in custody	578.1	615.4	650.0
Of which, investment trusts and individual annuity insurance	119.4	[18.1] 143.2	161.0

650.0	740.0	850.0
161.0	215.0	More than JPY 200 billion

Total deposits, loans and assets in custody	9,084.6	9,394.9	9,415.0
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9,403.0	9,629.0	More than JPY 10 trillion	9,905.0
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(Note) Figures in represent the target at the end of the Medium-term Management Plan. Figures in brackets represent the amount of sales of investment trusts and individual annuity insurance.

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

III. Profits and losses

(JPN bn, %)

	FY2009 Results	FY2010 Plan	
		First half results	
Core gross operating income	86.0	41.4	82.1
Of which, interest income	76.2	36.2	71.9
Of which, fees and commissions	9.3	4.9	9.9
Expenses	57.2	28.7	57.6
Core operating income	28.8	12.7	24.5
Core OHR	66.5	69.3	70.2
Capital adequacy ratio (Domestic standards)	12.8	12.8	12.4

(Reference) Forecast at the beginning of the plan		
FY2010	FY2011	FY2012
83.0	85.3	90.3
73.2	74.5	78.9
9.4	10.1	10.7
58.5	58.3	58.3
24.5	27.0	32.0
70.5	68.3	65% or less
12.1	12.0	12.1

(Note) Figure in represents the target at the end of the Medium-term Management Plan.

[Forecast on the major interest rates]

(JPN, %)

	FY2009 Results	FY2010 first half results	FY2010 Plan
Unsecured call rate O/N	0.36	0.10	0.10
JPY TIBOR (3 months)	0.82	0.57	0.56
5-year JGBs	0.98	0.73	0.73
10-year JGBs	1.46	1.40	1.41
Foreign exchange (¥ / \$)	101	95.46	97
Nikkei Average (at the term-end)	8,109	10,133	11,000

(Reference) Forecast at the beginning of the plan		
FY2010	FY2011	FY2012
0.10	0.10	0.25
0.70	0.70	0.75
0.80	1.05	1.25
1.30	1.55	1.75
92	103	110
9,000	11,000	13,000

Outline of the Medium-term Management Plan

■ Bank Image Sought by The 77 Bank

“Best creative bank” that creates a new era together with the region

■ Name

Medium-term Management Plan: “SSS Improvement Plan: For the Creation of a New Era”

“SSS” is the acronym for “Sales,” “Speed-up” and “Service” referred to in the basic policies.

It is also the Bank’s action guideline: “77 (Seventy-seven) Bank” “Sincerely” “Supports” customers.

■ Basic Policies

1. “Sales”: Enhance operating capabilities --- Reform the business model into one that adapts to changes in customers’ needs and the business environment.
2. “Speed-up”: Improve productivity ----- Boost results and effects generated by each unit of business resource (human resources, goods, time and money).
3. “Service”: Contribute to stakeholders ----- Increase enterprise value by building a win-win relationship.

■ Period

Three years from April 1, 2009 to March 31, 2012

■ Basic Objectives

- Total deposits, loans, and assets in custody (as of the end of FY 2012): ----- More than 10 trillion yen
- Balance of loans to small- and medium-sized enterprises (as of the end of FY 2012): ----- More than 1.2 trillion yen
- Amount of sales of investment trusts and individual annuity insurance during the period: ----- More than 200 billion yen
- Core Overhead Ratio (Core OHR = Ratio of expenses to core gross operating profit in FY 2012): ----- 65% or less

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.