Toward a Firmer Business Position

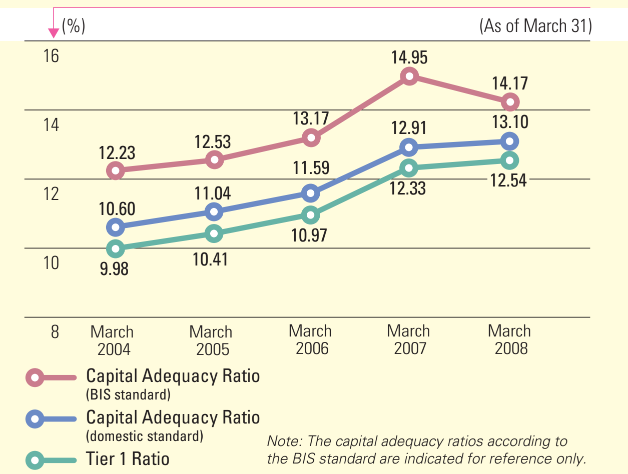
Tier 1 Capital Ratio

The Tier 1 capital ratio is based only on Tier 1. It excludes supplementary items, such as subordinated loans, from the current components that are used to determine the capital adequacy ratio, and therefore, better represents the financial status of a bank, compared with the capital adequacy ratio, which includes supplementary items.

The Tier 1 capital ratio for The 77 Bank reached 12.54% on a non-consolidated basis, at March 31, 2008, considerably higher than the average (8.13%, preliminary figure) for the 56 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.

As the ratio of the tax effects included in the capital to Tier 1 being 14.9%, and the Bank's capital adequacy ratio, excluding tax effects, being 11.24%, it can be said that the Bank is financially stable also in terms of the composition of total capital.

Capital Adequacy Ratio and Tier 1 Ratio *(Non-consolidated)*



Note: The capital adequacy ratios according to the BIS standard are indicated for reference only.

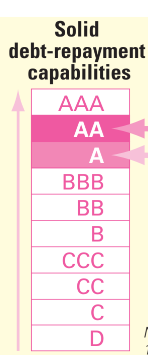
Ratings

Ratings are granted by rating agencies, which assume a third-party perspective in assessing the financial status of businesses. The results are disclosed to the market. Ratings include a long-term rating, which targets such instruments as deposits and bonds with maturity periods exceeding one year; a short-term rating, which targets such instruments as deposits and debentures with maturity periods under one year; and a financial position rating, which evaluates the fiscal status of a bank.

The 77 Bank has acquired ratings from three domestic and overseas rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank's Ratings

(As of June 30, 2008)



Rating Agency	Category	Rating	Definition
Japan Credit Rating Agency, Ltd. (JCR)	Long-term preferred debt rating	AA	Highest certainty of fulfillment of obligations
Rating and Investment Information, Inc. (R&I)	Issuer credit rating	A+	Higher credibility and partially superior performance
Standard & Poor's Corp. (S&P)	Issuer credit rating	A	Strong capacity to meet its financial commitments
Fitch Ratings Ltd.	Long-term credit rating	A*	

**Ratings granted by said agency, based on information disclosed by The 77 Bank.*

Notes:
1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies) are further qualified with the use of a + or – sign.

Risk-Management Structure

Sophisticated Techniques Based on Sound Principles

Rapidly changing conditions in the financial sector have significantly transformed the operating environment for financial institutions and caused the risk that surrounds financial institutions to become comparatively more complex than in the past. These conditions demand that financial institutions execute even more accurate identification and analysis of risks, and take appropriate control of such risks.

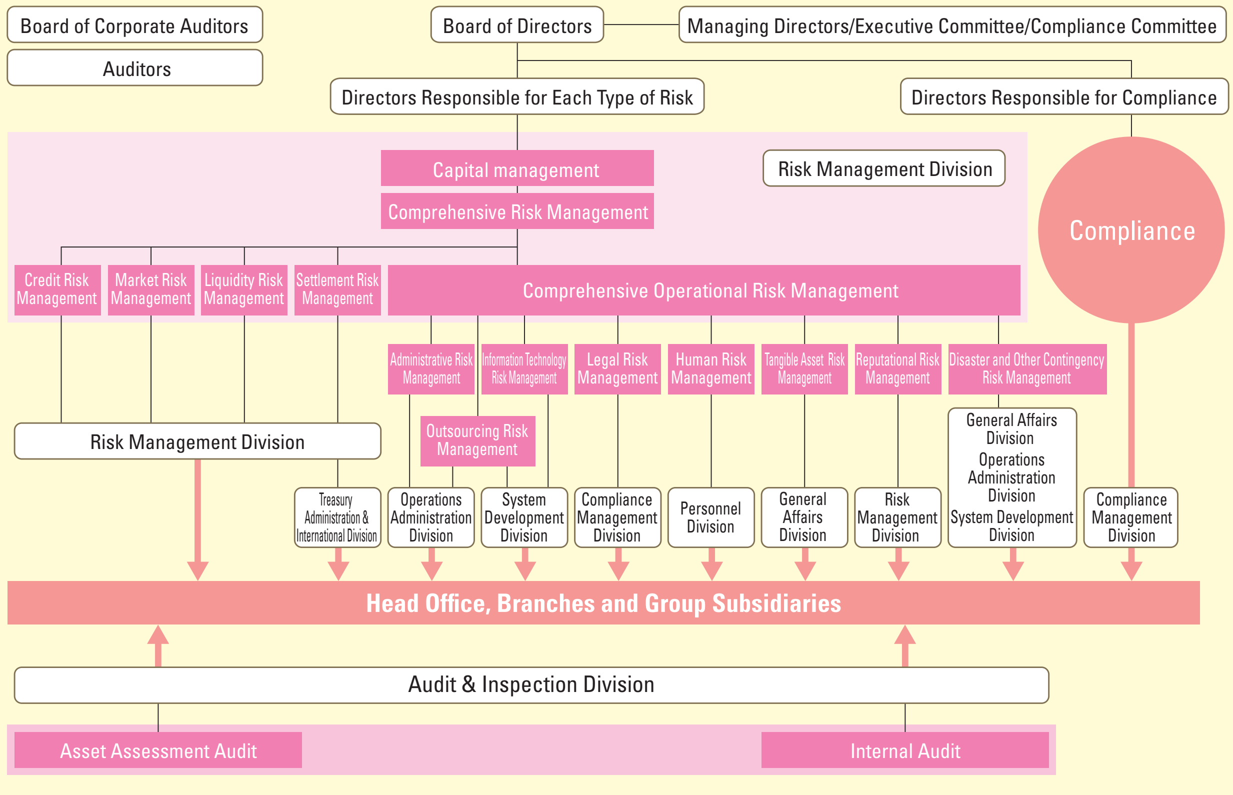
The 77 Bank works to reinforce comprehensive risk management with the improved soundness of business in mind. The risks the Bank faces are assessed by category and comprehensive risk management systems are established for self-control type risk management by taking an overall look at them, and comparing and contrasting with the Bank's capital. At the same time, efforts are being made to improve risk management methods by such means as the enhancement of risk measurement techniques.

We have implemented risk capital management as a specific framework for comprehensive risk management. Risk capital management is a management method where a risk capital budget, which is the risk tolerance, is allocated by risk category to each unit (domestic business units, funds and securities units, and another unit), and the measured risks of each unit are monitored to ensure that they do not exceed the respective budget. Risk capital management is also utilized to monitor whether expected profits suitable for the risks taken are being secured.

Roles of the Bank's Risk-Management Units

Various risks have been classified into five categories—credit risks, market risks, liquidity risks, settlement risks, and operational risks—and each risk category is overseen by dedicated divisions, in addi-

Flow of Risk Management and Compliance Responsibilities



tion to comprehensive risk management by the Risk Management Division. Credit risks, market risks and liquidity risks are managed by the Risk Management Division, settlement risks are managed by the Risk Management Division and the Treasury Administration & International Division, and Risk Management Division supervises the comprehensive operational risk management. Of the operational risks, administrative risks are managed by the Operations Administration Division, information technology risks by the System Development Division, legal risks by the Compliance Management Division, human risks by Personnel Division, tangible assets risks by the General Affairs Division, reputational risks by the Risk Management Division, and outsourcing risks by the Operations Administration Division and System Development Division, and disaster and other contingency risks by the General Affairs Division, Operational Administration Division, and System Development Division.

The Audit & Inspection Division is independent of the business promotion units and risk management units, as it is the evaluating unit for internal processes and asset status. The Audit & Inspection Division assesses the risk-management positions of each division and branch, as well as those of group companies. The Bank has classified audits into two categories: a comprehensive audit for internal management systems, including compliance, customer protection, governance and management, and risk control; and physical inspection of cash and cash equivalents for the prevention of illegality. In addition, the Bank undergoes external audits, performed by outside auditors, in order to further consolidate the internal management structure.

Compliance

The Bank formulated the Compliance Policies in order to clarify its stance on compliance and to ensure the effectiveness thereof. Further, the Bank established the Compliance Guidelines (Compliance Standards) to articulate specific guidelines and a code of conduct so that the executives and employees place importance on compliance, thereby ensuring the lawful conduct of business.

Compliance Guidelines

Basic Direction

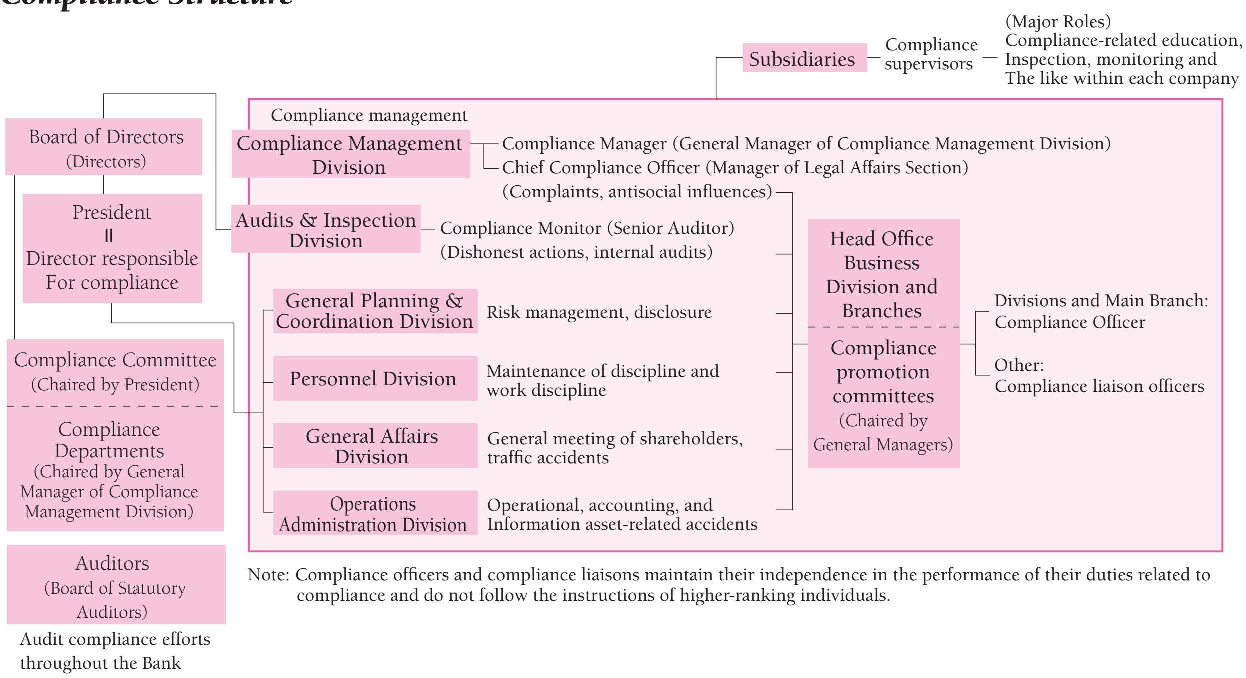
1. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to maintain smooth financing.
2. Comply with laws and the code of corporate ethics and maintain fair and honest practices.
3. Take a principled stand with regard to issues that threaten social order or public peace.
4. Provide financial services that the region, customers, and society broadly trust and endeavor to achieve sustainable development together with them as a good corporate citizen.
5. Foster a flexible and constructive working environment conducive to the well-being of all employees.

Code of Conduct

1. We will comply with laws, ordinances, the Articles of Incorporation, the Rules of Employment, and internal rules of the Bank.
2. We will not force unfair transaction on our customers.
3. We will not divulge confidential information of our customers or the Bank, or material information that has not been made public.
4. We will not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
5. We recognize the public nature and the large social responsibility of the Bank and will devote ourselves to our duties.

6. We will not follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
7. We will not engage in such conduct as will undermine the credibility or honor of the Bank.
8. We will not do favors for our customers in violation of law, ordinances, or internal rules of the Bank.
9. We will not seek to make unfair profits by taking advantage of our duties or position.
10. We will not borrow from or mediate for someone to borrow from our customers, other executives, or other employees without legitimate reason.
11. We will not engage in socially unacceptable entertaining or gift giving.
12. We will make efforts to maintain order in the workplace.

Compliance Structure



Note: Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Thorough compliance with laws and the code of corporate ethics is essential for a financial institution if it is to uphold its social responsibility and public duty and thus maintain the trust of the region in which it operates, customers and society at large. From this perspective, The 77 Bank established the Legal Affairs Office in 1998 to monitor legal compliance. Following subsequent organizational reforms, the authority of the Legal Affairs Office was superseded by the Legal Affairs Section of the Compliance Management Division, which now tracks the situation with respect to legal compliance.

The President is the director ultimately responsible for legal compliance. He is supported by the general manager of the Compliance Management Division, who supervises inspections, and the head of the Legal Affairs Section, who acts as a compliance officer. Each division and branch is assigned a compliance officer and other oversight personnel who undertake regular inspections to ascertain the situation with respect to compliance. The 77 Bank also advocates measures to preclude inappropriate behavior or legal errors. The Bank encourages greater awareness of laws and other compliance issues among executives and employees, and strives to foster a deeper understanding of pertinent laws.

To further strengthen the compliance structure, the Bank established the Compliance Committee chaired by the President and compliance departments as subcommittees of the Compliance Committee. Also, divisions and branches have compliance promotion committees.