

Interim Results for FY2008 and 10<sup>th</sup> Medium-term Business Plan

# ***Dream TEN—New challenges***

(FY2008-FY2010)

November 26, 2008

Katsunori Nakanishi

President

*Dream with you.*



静岡銀行

## I. Results for the First Half of FY2008

Results for the first half of FY2008	.....	2
Group companies	.....	3
Lending	.....	4
Credit costs	.....	5
Non-performing loans	.....	6
Loans to specially designated industries	.....	7
Securities (1)	.....	8
Securities (2)	.....	9
Deposits	.....	10
Customer assets	.....	11
Fee incomes	.....	12
Difference between loan and deposit interest rate	.....	13
Allocation of risk capital	.....	14
Capital adequacy ratio	.....	15
Shareholder returns	.....	16

## II. Initiatives in the Second Half of FY2008

Shizuoka Prefecture's economic trends	.....	17
Targets for the first year of the Tenth Medium-term Business Plan	.....	18
Corporate banking initiatives	.....	19
Approach to regional finance initiatives	.....	20
Retail banking initiatives	.....	21
Branches specialized in counter services	.....	22
Expenses, investment and manpower planning	.....	23
Projected performance for FY2008	.....	24

## Data Section

Advantages of economy of Shizuoka Prefecture	.....	25-26
--	-------	-------

# ***I. Results for the First Half of FY2008***

*Dream with you.*   
SHIZUOKA BANK

静岡銀行



# Results for the first half of FY2008

- **Although revenue decreased, gross operating profit continued to grow.**

[Ordinary revenue] First decrease in profits in 4 periods, [Gross operating profit] Continued growth for 5 periods, record high.

- **Core net operating profit, which expresses the profitability of core operations, grew for the fifth period in a row, marking a record high.**

[Net operating profit] First decrease in profits in 3 periods, [Core net operating profit] Continued growth for 5 periods.

[Ordinary profit] Continued decline for 2 periods, [Net income] First decrease in profits in 3 periods.

(JPY bn, %)

Shizuoka Bank, Non-Consolidated	First half FY2008	YoY change	
		Increase/ Decrease	Rate of change (%)
Ordinary revenue	101.5	-7.9	-7.2
Gross operating profit	☆ 73.4	+1.6	+2.2
Net interest income	☆ 64.1	+3.7	+6.2
Fees	8.4	-0.9	-
Commissions	0.9	-0.3	-
Other operating profit	-0.1	-1.0	-
(Bond-related income such as JGBs)	-1.0	-0.9	-
Expenses (-)	40.3	+0.8	+2.0
Core net operating profit *	☆ 34.1	+1.6	+5.1
General transfer to loan loss reserves (-)	2.7	+2.8	-
Net operating profit	30.4	-2.1	-6.4
Special profit and loss	-11.4	-11.8	-
Bad debt written-off (-)	4.5	-0.5	-
Gain on stocks	-7.6	-12.1	-
Ordinary profit	19.1	-13.8	-42.1
Extraordinary loss	-0.5	+1.1	-
Net income before taxes	18.5	-12.8	-40.8
Corporate taxes (-)	6.9	-5.3	-
Net income	11.6	-7.4	-39.1

\*Core NOP=NOP + General transfer to loan loss reserves - Bond-related income such as JGBs

☆Record high.

(JPY bn)

[Breakdown of net interest income]	First half FY2008	YoY change
Domestic operations division	59.3	+0.6
Of which, interest on loans	59.0	+3.3
Interest and dividends on securities	10.8	-0.3
Interest on deposits (-)	10.2	+2.4
Overseas operations division	4.8	+3.1

[Interest rate spread] (%)

[Interest rate spread]		(%)
Difference between loan and deposit interest rates	1.68	-0.02
Out of the above, loan rate	2.04	-0.06
Deposit rate	0.35	-0.05
Yield on securities	1.84	-0.22

(JPY bn)

[Breakdown of the devaluation of stocks and other]	Loss on devaluation	YoY change
Devaluation of stocks and other	7.8	+6.1
Out of the above, stock investment trusts	6.1	+5.1
Listed stocks	1.6	+1.0
Unlisted stocks	0.1	0.0



(JPY bn, %)

Consolidated	First half FY2008	YoY change	
		Increase/ Decrease	Rate of change (%)
Ordinary revenue	115.2	-10.8	-8.5
Ordinary expenses (-)	94.6	+3.9	+4.3
Ordinary profit	20.7	-14.7	-41.5
Net income	11.7	-7.7	-39.7

- **Shizugin Group's consolidated financial results decreased in both revenue and profits.**

[Consolidated ordinary revenue] First decrease in profits in 4 periods

[Consolidated ordinary profit] Continued decrease for 2 periods

[Consolidated net income] First decrease in profits in 3 periods

- **Group Companies decreased both revenue and profits: The total ordinary revenue of 11 consolidated subsidiaries declined to JPY 22.5 bn (a JPY 2.1 bn decrease year-on-year) and an ordinary profit of JPY1.9 bn (a JPY0.5 bn decrease year-on-year).**

(JPY bn)

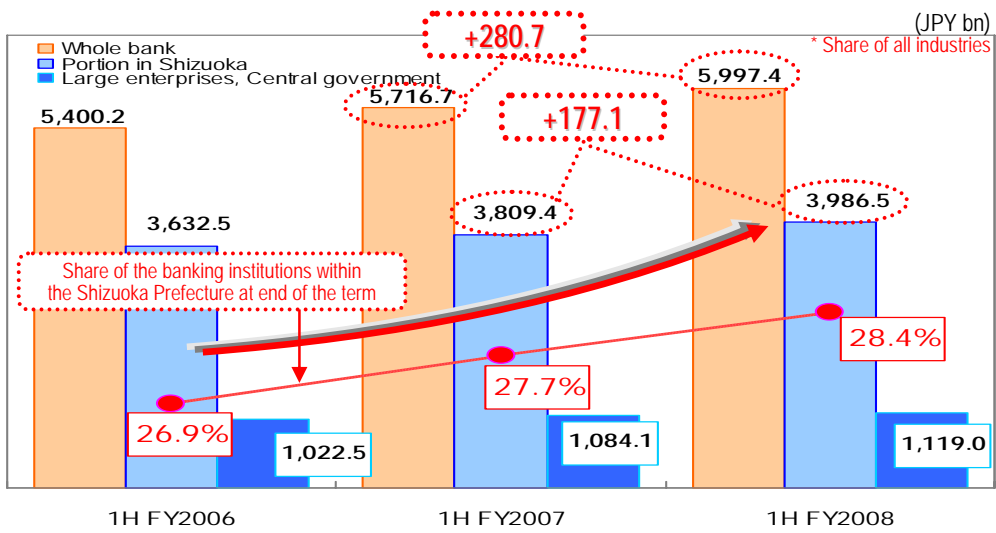
Company name	Business	Ordinary revenue	YoY change	Ordinary Profit	YoY change
Shizugin Lease	Leasing	10.1	-1.5	0.4	-0.3
Shizuoka Computer Service	Computer services, accounting	2.8	-0.2	0.1	0.0
Shizugin Credit Guaranty	Credit guarantee	0.6	0.0	0.4	0.0
Shizugin DC Card	Credit card services Credit guarantee	1.1	0.0	0.2	0.0
Shizuoka Capital	Listing consultancy SME support	0.4	0.1	0.1	0.0
Shizugin TM Securities	Securities	1.6	-0.6	0.4	-0.4
Shizuoka Bank (Europe)	Banking & securities	1.2	-0.4	0.1	0.0
Shizugin General Service	Staff dispatch	1.8	0.0	0.0	0.0
Shizuoka Mortgage Service	Bank valuation of real estate collateral survey services	0.4	0.0	0.0	0.0
Shizugin Business Create	Centralized processing of transactions such as transfer and collection, etc.	2.4	0.5	0.1	0.2
<b>Total (11 companies)</b>		<b>22.5</b>	<b>-2.1</b>	<b>1.9</b>	<b>-0.5</b>
Shizugin Saison Card*	Credit card services	0.1	0.1	-0.5	-0.2

\*A company to which the equity method of accounting is applicable. Operations commenced in April 2007.



# Lending

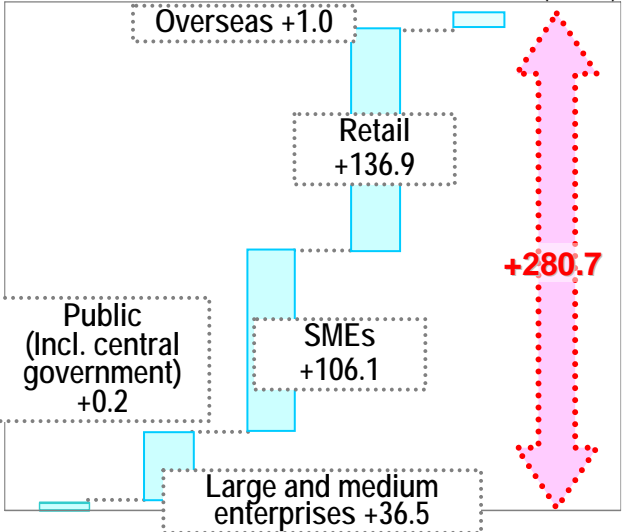
## Total loan balances (average balances)



- Total loan balances (average balances) in the first half of FY2008 increased to JPY 5,997.4 bn, up JPY 280.7 bn (+4.9%) year-on-year.
- SME loan balances increased to JPY 2,503.9 bn, up JPY 106.1 bn (+4.4%) year-on-year
- Retail loan balances increased to JPY 1,919.7 bn, up JPY 136.9 bn (+7.7%) year-on-year
- Institutional loan including central government balances increased to JPY 145.5 bn, up JPY 0.2 bn (+0.2%) year-on-year

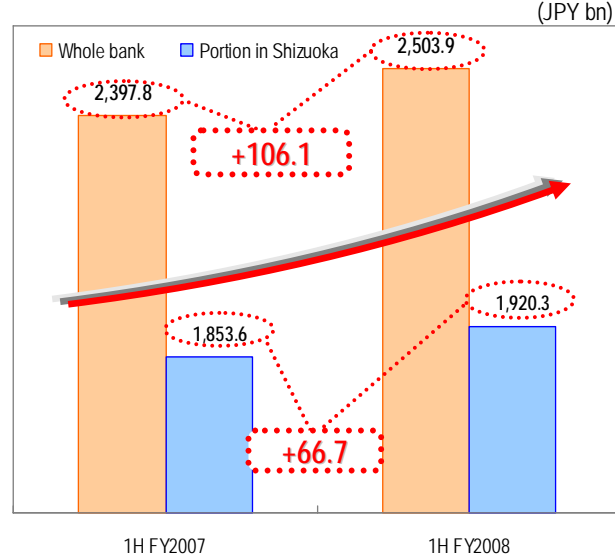
## Breakdown of changes in loan balances (average balances)

[Breakdown of year-on-year changes in loan balances] (JPY bn)



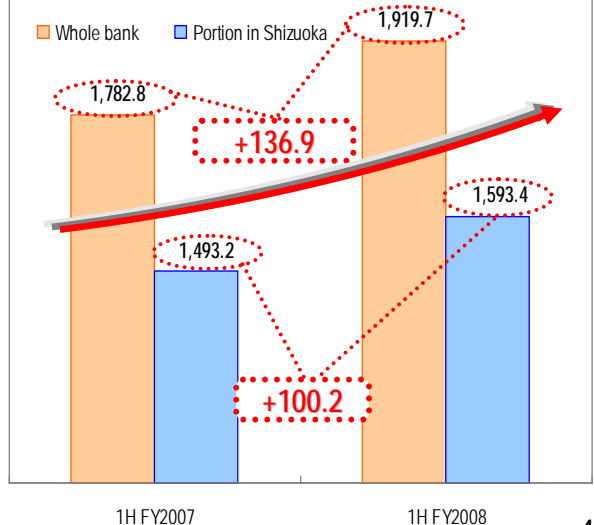
## SME loan balances (average balances)

\* Excluding regional government owned corporations (JPY bn)



## Retail loan balances (average balances)

(JPY bn)





# Credit costs

**Credit costs: First half of FY2008 JPY 7.2 bn (+ JPY 2.3 bn year-on-year)**



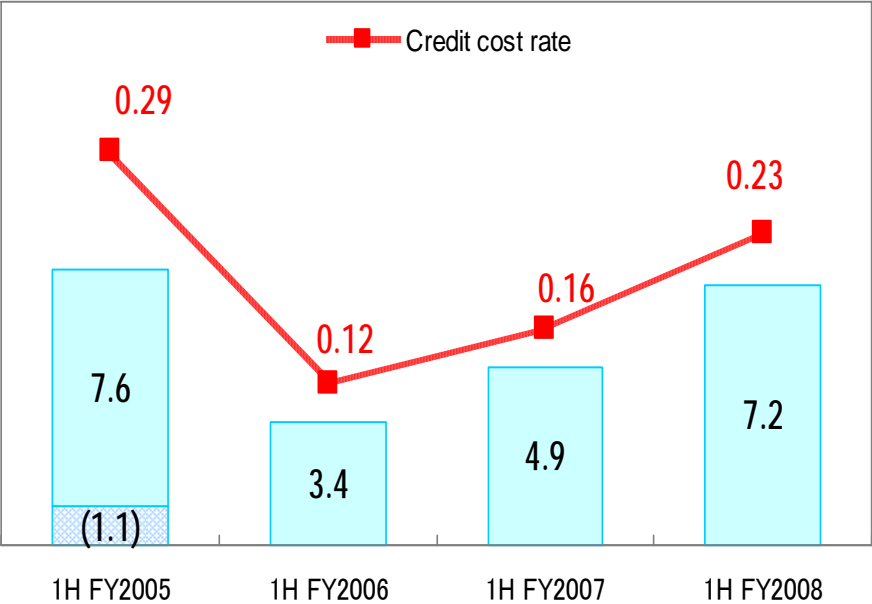
- General transfer to loan loss reserves: JPY 2.7 bn (+ JPY 2.8 bn YoY)
- NPL disposal: JPY 4.5 bn (- JPY 0.5 bn YoY)

(of which transfer to specific reserves JPY 3.9 bn)

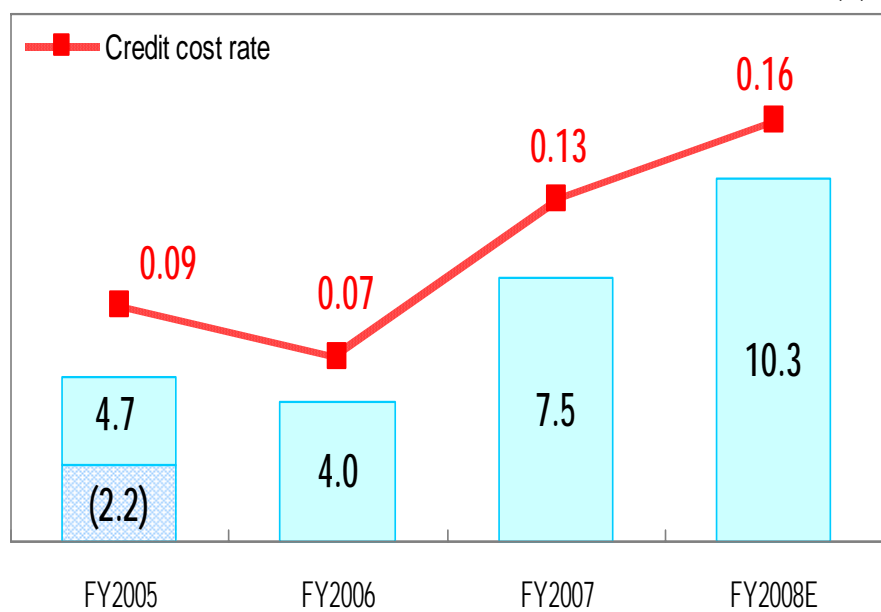
- Change in debtor classification: JPY 6.6 bn
- Decline of collateral value: JPY 0.5 bn
- Reversal of specific reserves due to improvement in rating and loan recovery: - JPY 3.2 bn
- Total: JPY 3.9 bn

## Credit cost and credit cost rate trends

(JPY bn) <First half of FY comparison> (%)



(JPY bn) <FY comparison> (%)



\*Credit costs = NPL disposals + General transfer to loan loss reserves - Reversal of loan loss reserves, Credit cost rate = Credit costs / Average loan balance  
 1H FY2005 and FY2005 figures in parenthesis exclude special factors from revision of computation period for write-off ratio



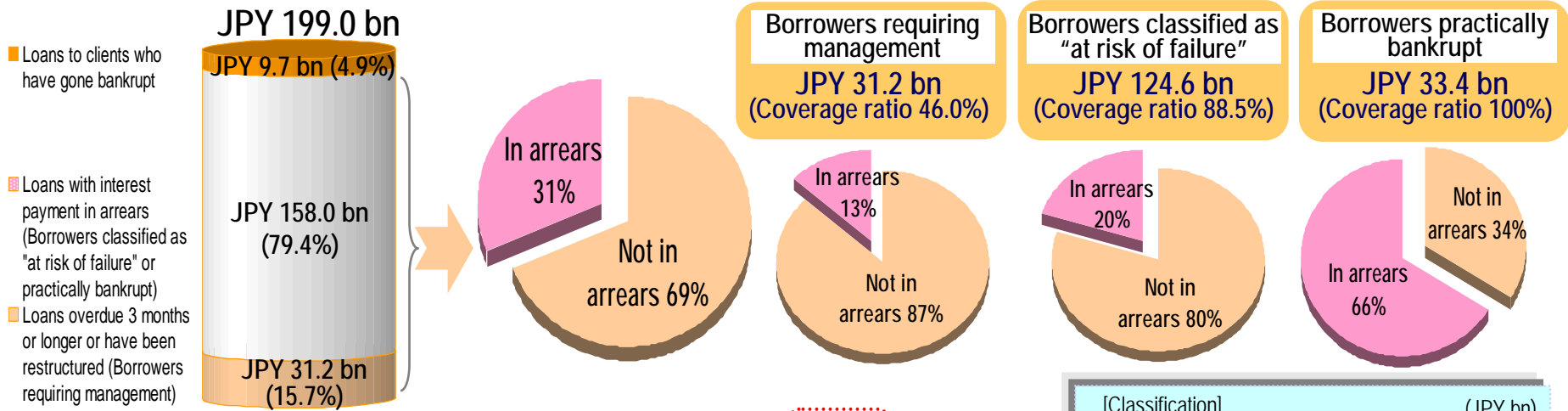
# Non-performing loans

• Loans to borrowers classified as "at risk of failure" or in riskier categories: + JPY 0.6 bn  
 • Restructured loans and loans overdue 3 months or longer: + JPY 2.8 bn

## Risk-management loans balance (Non-consolidated basis)

- **Total risk-management loans outstanding at the end of September 2008 amounted to JPY 199.0 bn (+ JPY 3.5 bn from the end of March 2008).**
- **The ratio of risk-management loans stood at 3.27% (-0.02 points from the end of March 2008).**
  - Total risk-management loans adjusted for JPY 13.6 bn in written-off loans and JPY 89.6 bn in loans guaranteed by credit guarantee corporations came to JPY 95.7bn; The risk-management ratio to total loans adjusted for that portion written-off came to 1.57% (+0.02 points from the end of March 2008)
  - Total risk-management loan ratio stood at 3.05% (-0.01 points from the end of March 2008) after partial direct write-off.
- **The coverage ratio stood at 84.32% (-1.58 points from the end of March 2008).**

## Risk-management loans at the end of September 2008



## NPL removal from the balance sheet

	FY2006	FY2007	1H FY2007	1H FY2008
New recognition of NPLs	+48.9	+69.3	+38.5	+35.1
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or in riskier categories)	-71.5 (-60.4)	-70.6 (-60.0)	-29.8 (-25.1)	-31.6 (-27.1)
Risk-management loans	196.8	195.5	205.5	199.0

**+3.5**

[Classification]	(JPY bn)
Borrowers requiring management	7.7
Borrowers classified as "at risk of failure"	21.8
Borrowers practically bankrupt or in bankruptcy	5.6

[Breakdown of JPY 27.1 bn]	(JPY bn)
Collected from borrower/set off against deposit account	6.0
Collateral disposal/subrogated to guarantor	11.6
Reclassified to better category	4.9
Loans sold-off	4.2
Written-off	0.4





# Loans to specially designated industries

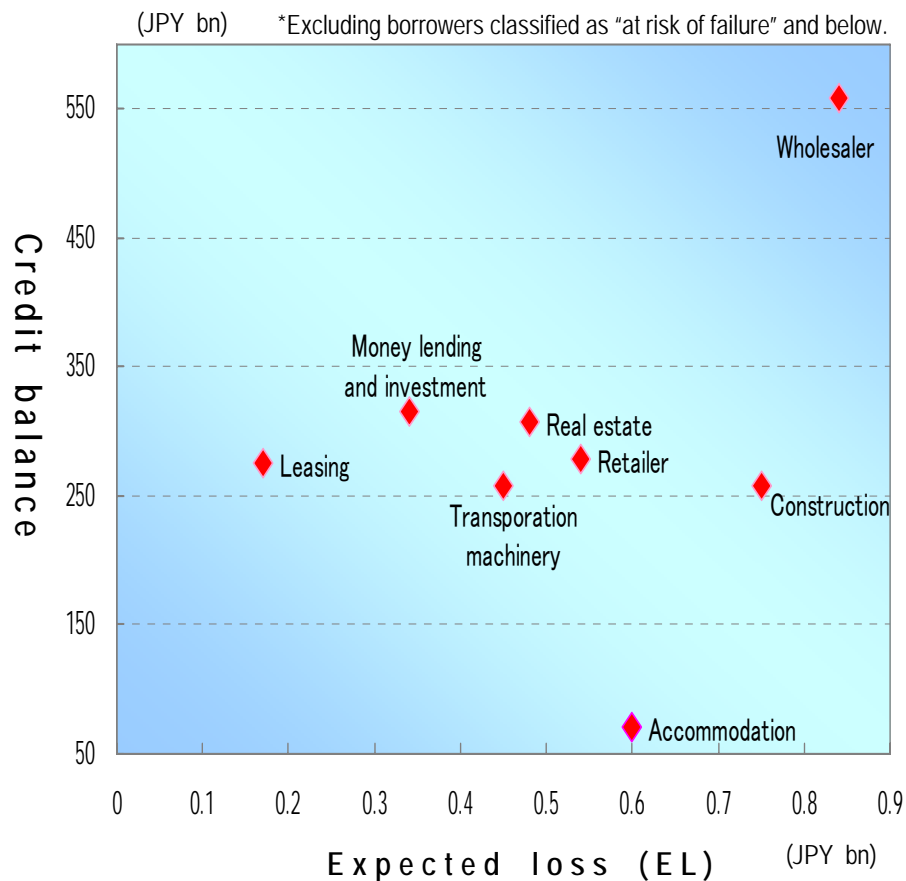
- Specially designated industries (construction, real estate, leasing, money lending and investment businesses) each account for less than 8% of lending. There is no concentrated exposure to any of these specially designated industries.
- Expected loss (EL) amounts to only JPY 7.3 bn for all loans, and less than JPY 800 mn for construction, the specially designated industry to which the bank has the largest loan exposure.

## Breakdown of business loans to the specially designated industries

[Credit balance (as end of September 2008)]

	Balance	Composition ratio	YoY change
Whole industries	4,486.6	100.0	+65.7
Wholesaler	573.9	12.8	+0.8
Real estate	326.6	7.3	-6.5
Money lending and investment	317.2	7.1	+31.1
Retailer	296.0	6.6	+24.2
Construction	284.0	6.3	-6.1
Leasing	276.3	6.2	+0.3
Transportation machinery	260.8	5.8	-11.7
Accommodation	80.8	1.8	-1.8

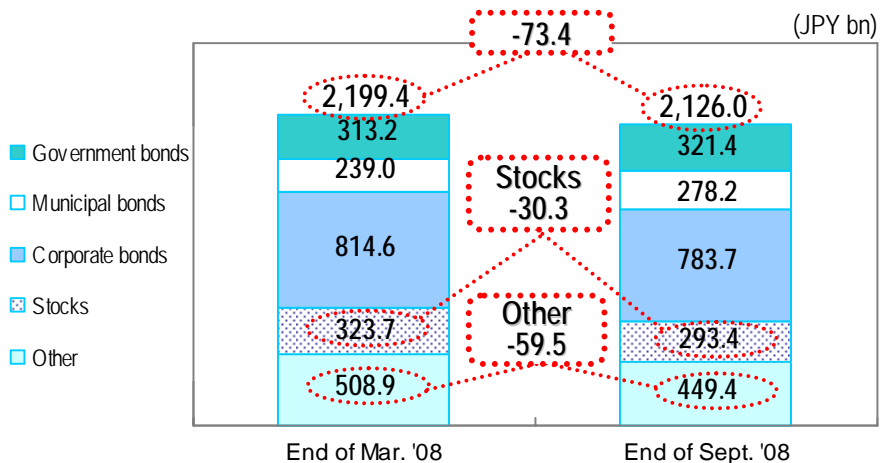
[Loan balance vs. expected loss]



# Securities (1)

- Balance of securities at the end of September 2008 was JPY 2,126.0 bn, down JPY 73.4 bn from March 2008.
- Gain on revaluation of securities such as stocks, bonds and investment trusts at the end of September 2008 was a profit of JPY 133.9 bn, down JPY 42.3 bn from March 2008, including a gain of JPY 144.8 bn from revaluation of stocks, down JPY 32.2 bn from March 2008.

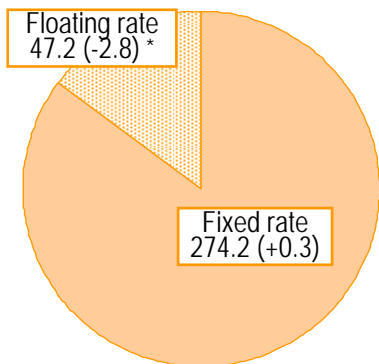
## Security portfolio



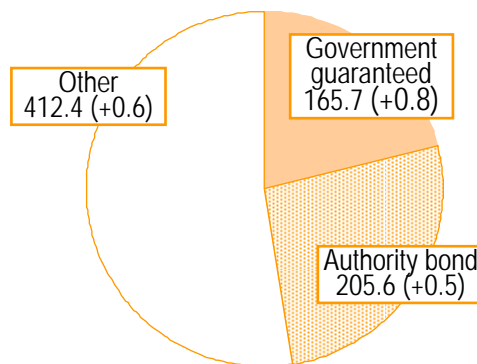
## Yield and average duration to maturity

	End of Mar. '08	End of Sep. '08
Average duration to maturity (yen denominated)	3.26 y	3.40 y
Average duration to maturity (foreign currency denominated)	1.39 y	2.18 y
Gains and losses from the revaluation of securities	JPY 176.2 bn	JPY 133.9 bn
Stocks	JPYP 177.0 bn	JPY 144.8 bn
Nikkei stock average	JPY 12,525.54	JPY 11,259.86

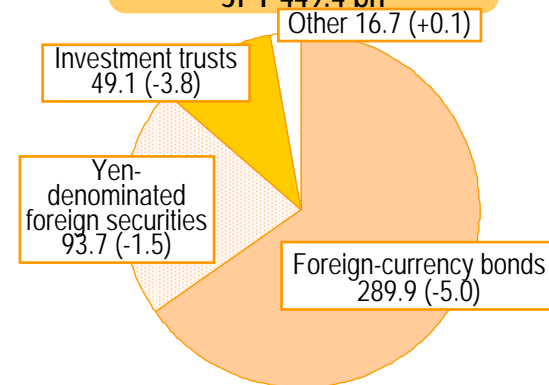
### Breakdown of "Government bonds" category JPY 321.4 bn



### Breakdown of "Corporate bonds" category JPY 783.7 bn



### Breakdown of "Other" category JPY 449.4 bn



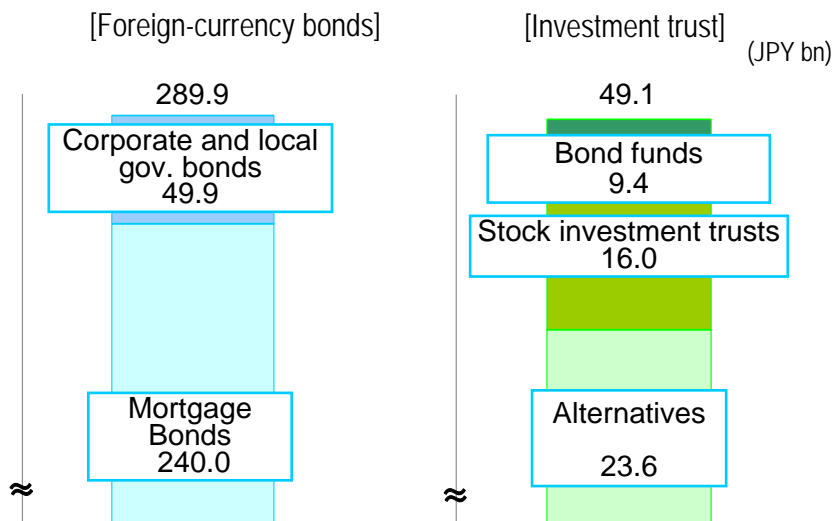
\* Figures in parenthesis are Profit or loss from valuation  
\* Fair value of floating-rate bonds is evaluated by market value as in the past.



# Securities (2)

- The balance of exposure to subprime loans and monoline insurers is zero.
- Our securities portfolio does not hold any financial instruments originated by failed U.S. and European financial institutions.

## Breakdown of “Foreign-currency bonds” and “Investment trust” categories



## Breakdown of securitized instruments

	(JPY bn)	
	End of Mar. '08	End of Sep. '08
RMBS	346.6	320.9
(Of which, yen denominated)	83.5	80.9
(Of which, Alt-A)	0.0	0.0
ABS	2.0	1.5
CDO • CLO	0.0	0.0
CMBS	0.0	0.0
Trust beneficiary rights*	11.6	10.6

\*Included in monetary claims purchased

## Breakdown of Mortgage bonds

(JPY bn)

	(Book value)	Change from End-Mar. '08	Profit or loss from valuation
Ginnie Mae	207.1	-22.0	-2.6
Fannie Mae	3.6	-0.2	-0.1
Freddie Mac	29.3	-0.9	-1.4

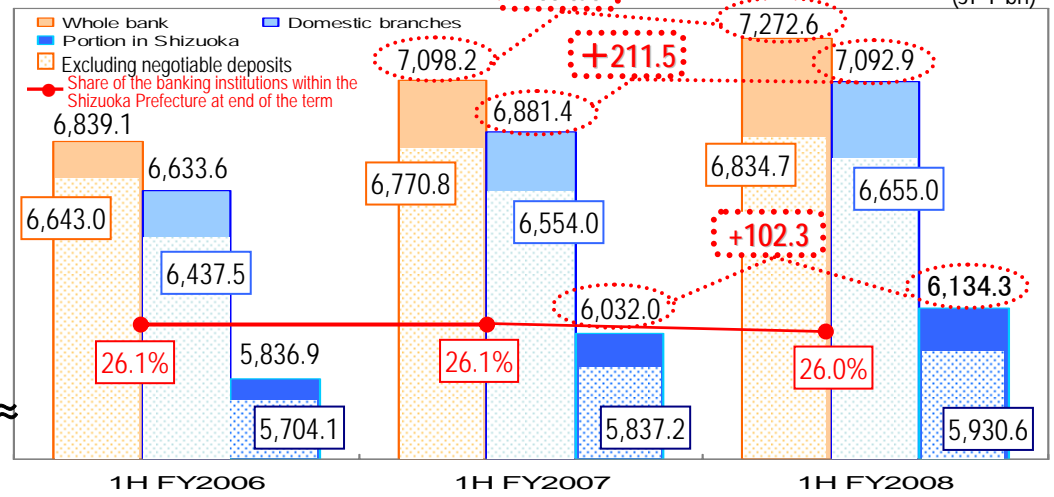
## Breakdown of Alternatives

(JPY bn)

	(Book value)	Change from End-Mar. '08	Profit or loss from valuation
Global Macro	15.0	-7.1	-1.7
Equity long/short	5.1	-7.0	-0.6
Bond arbitrage	3.5	-0.1	-0.5

## Total deposit balances (average balances)

\* Share of all industries exc. Japan Post bank

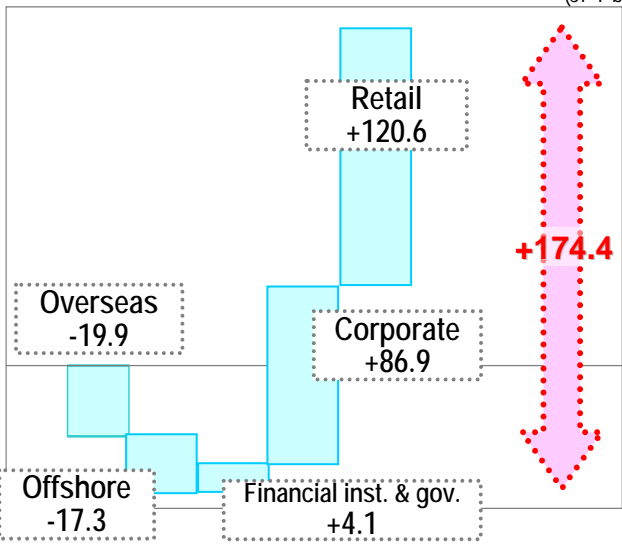


• Total deposit balances including negotiable deposits (average balances) in the first half of FY2008 increased to JPY 7,272.6 bn, up JPY 174.4 bn (+2.5%) year-on-year.

- Domestic branch deposit balances increased to JPY 7,092.9 bn, up JPY 211.5 bn (+3.1%) year-on-year.
- Deposit balances in Shizuoka Prefecture increased to JPY 6,134.3 bn, up JPY 102.3 bn (+1.7%) year-on-year.
- Retail deposit balances increased to JPY 5,020.9 bn, up JPY 120.6 bn (+2.5%) year-on-year.
- Corporate deposit balances increased to JPY 1,764.8 bn, up JPY 86.9 bn (+5.2%) year-on-year.
- Deposit-loan ratio 82.5%, marginal loan-deposit ratio 161.0%

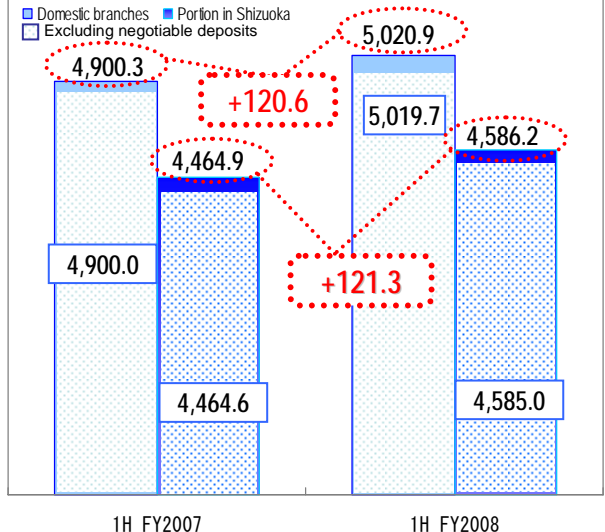
## Breakdown of changes in deposit balances (average balances)

[Breakdown of year-on-year changes in deposit balances] (JPY bn)



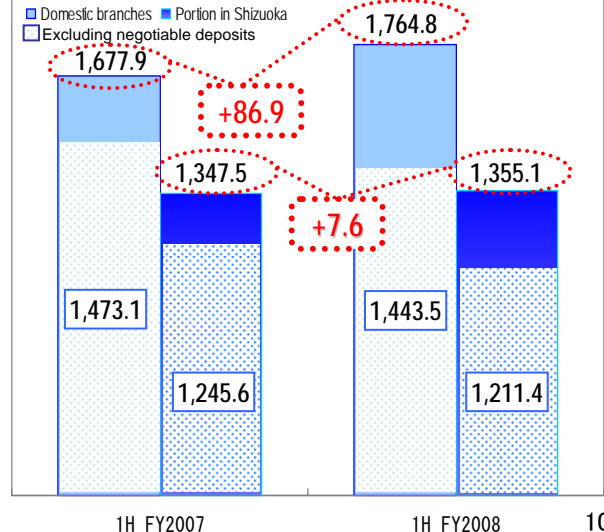
## Retail deposit balances (average balances)

(JPY bn)



## Corporate deposit balances (average balances)

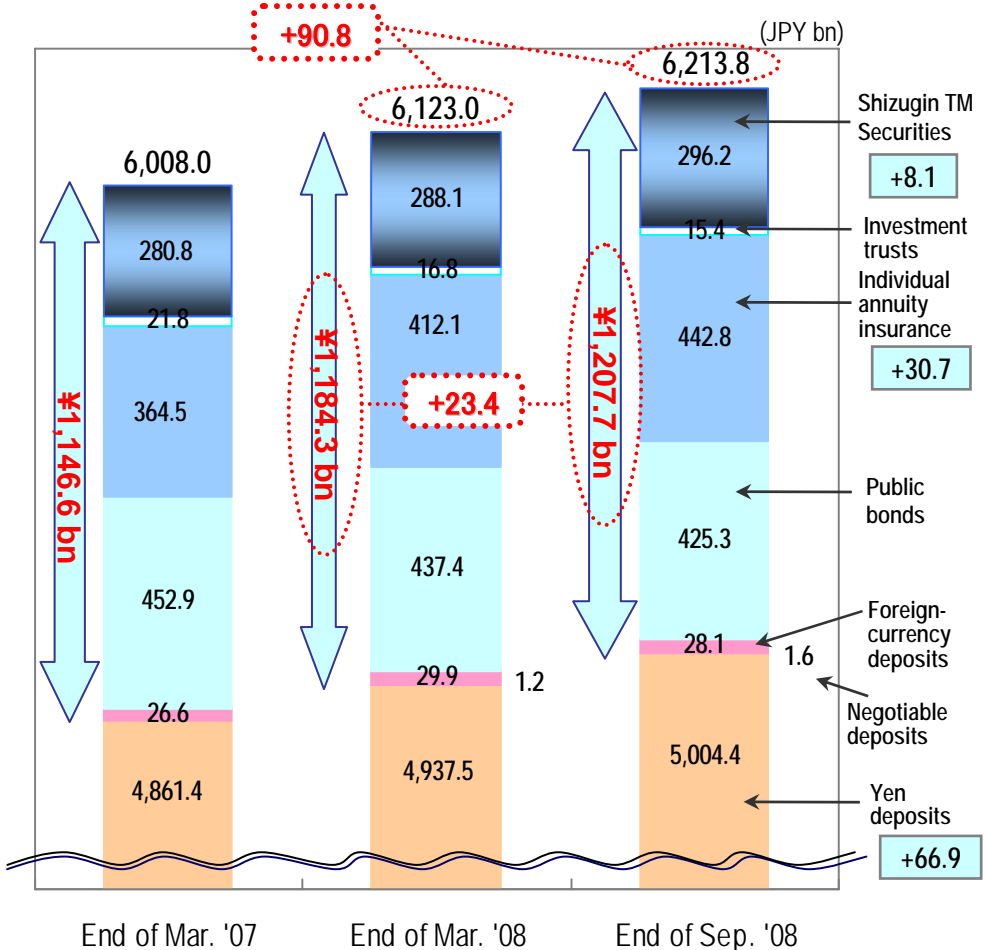
(JPY bn)



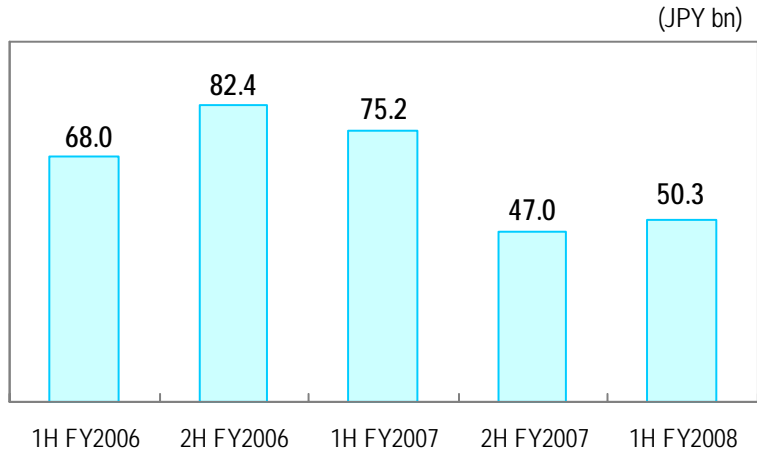
# Customer assets

- Customer assets at the end of September 2008 (including the balance of Shizugin TM Securities) increased to JPY 6,213.8 bn, up JPY 90.8 bn from the end of March 2008. With yen deposits and negotiable deposits factored out, customer assets increased to JPY 1,207.7 bn, up JPY 23.4 bn from the end of March 2008.
- Sales of investment trusts, sales declined owing to the deteriorated market environment.
- OTC sales of insurance products, continued to be robust thanks mainly to individual annuity insurance.

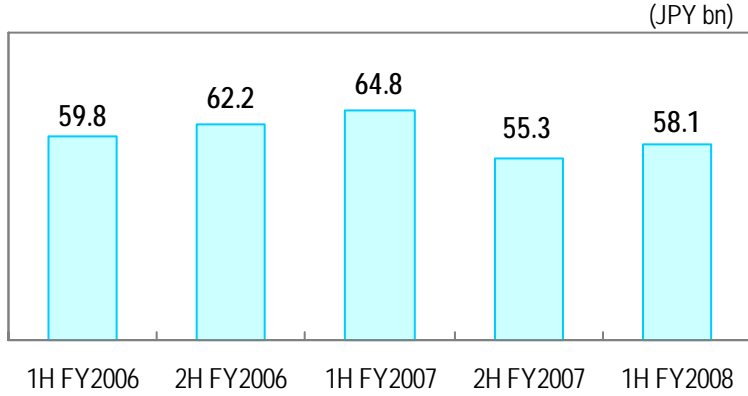
Retail customer assets under management (term-end balances)



OTC sales of investment trusts (including Shizugin TM Securities)



OTC sales of insurance products



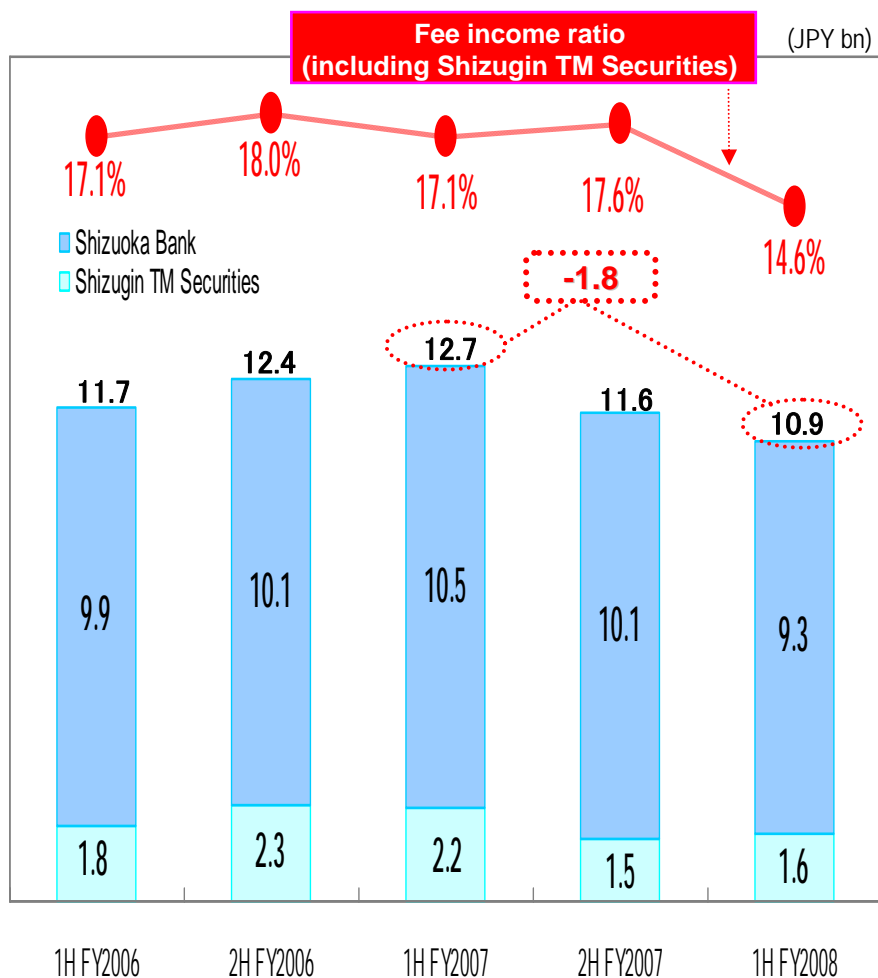
\*Figures of individual annuity insurance are the balance of remaining contracts.



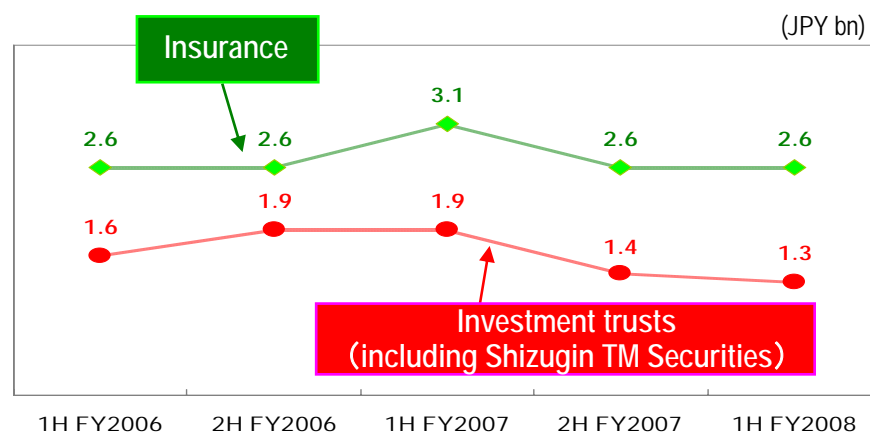
# Fee incomes

- Fee income decreased owing to sluggish OTC sales of investment trusts and insurance.
- Fee expenses increased owing mainly to credit card fees.

Fee income (Shizuoka Bank / Shizugin TM Securities)



Fee income from OTC sales of investment trusts and insurance products



Fee income and expenses

Non-consolidated	1H FY2008	Year-on-year change
Fee income	JPY13.2 bn	- JPY1.1 bn
Agents' fees (OTC insurance sales commission, etc.)	JPY2.9 bn	- JPY0.6 bn
Misc. fees received	JPY4.4 bn	JPY0.0 bn
Fee expenses	JPY3.9 bn	+ JPY0.1 bn
Misc. fees paid	JPY1.5 bn	+ JPY0.1 bn



# Difference between loan and deposit interest rate

- Difference between loan and deposit interest rate in September 2008 dropped 0.03 points from the end of March 2008.

## Changes in yen-denominated loans and deposit structure (Mar. 08/Sep. 08 comparison)

	March 2008		September 2008 (JPY tn, %)	
	Average balance (% of total)	Interest rate	Average balance (% of total)	Interest rate
<b>Loans</b>	5.8 (100.0)	2.04	5.9 (100.0)	2.02
<b>Variable interest</b>	4.2 (71.8)	2.07	4.2 (71.1)	2.03
Short-term/new long-term prime rate standard	2.6 (44.8)	2.52	2.6 (43.6)	2.50
<b>Market-linked</b>	1.5 (25.3)	1.20	1.5 (25.8)	1.18
<b>Fixed interest</b>	1.6 (28.2)	1.96	1.7 (28.9)	1.99

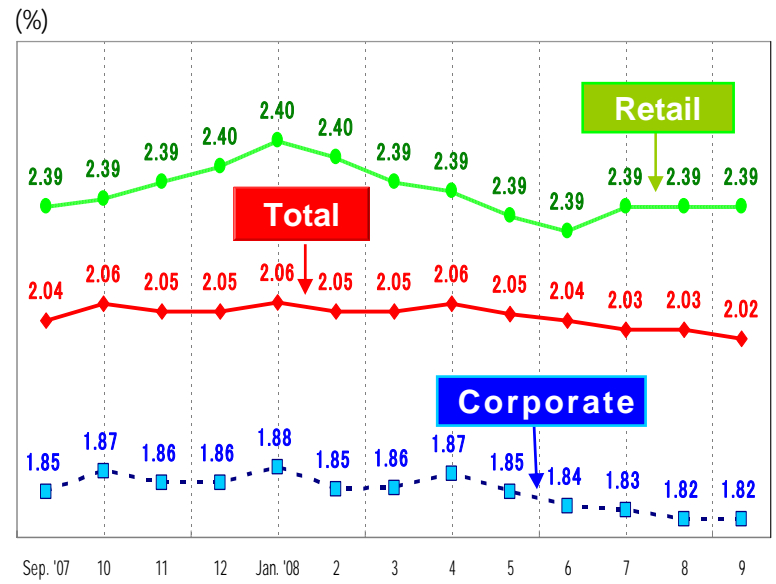
Difference between loan and deposit interest rate



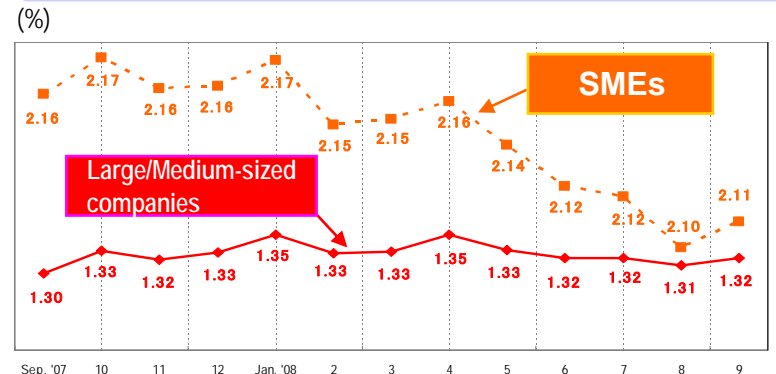
<b>Deposits</b>	7.1 (100.0)	0.27	6.9 (100.0)	0.28
<b>Liquid deposits</b>	4.0 (56.3)	0.17	3.8 (55.4)	0.17
<b>Term deposits</b>	2.7 (38.7)	0.39	2.8 (41.1)	0.41

\* Deposits include NCDs

## Loan interest rates (monthly average)



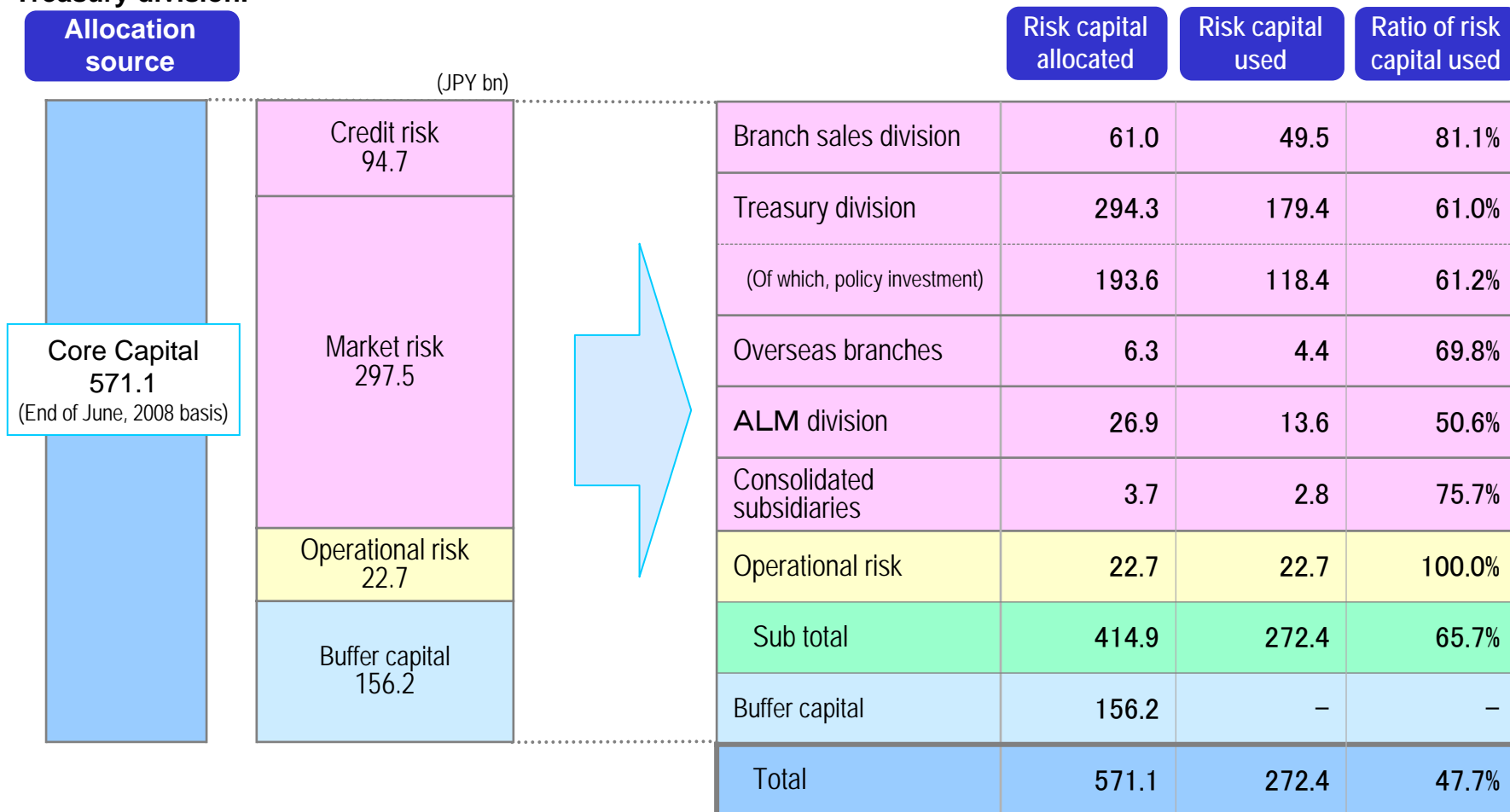
## Trends in corporate loan interest rates by company size





# Allocation of risk capital

- Allocation of risk capital for the first half of FY 2008 amounted to JPY 571.1 bn, of which JPY 94.7 bn was allocated to credit risk, JPY 297.5 bn to market risk, JPY 22.7 bn to operational risk, and JPY 156.2 bn to buffer capital.
- For the first half of FY 2008, JPY 49.5 bn was used by the branch sales division, and JPY 179.4 bn by the Treasury division.



\* Risk capital used = VaR

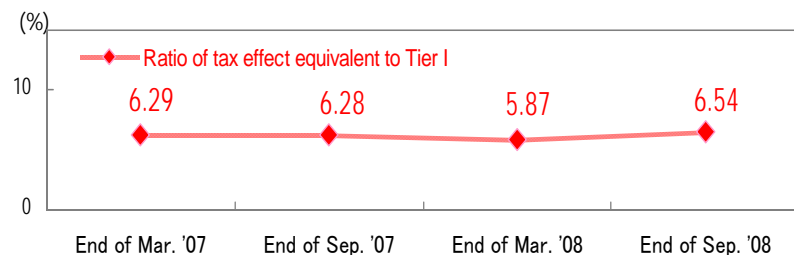
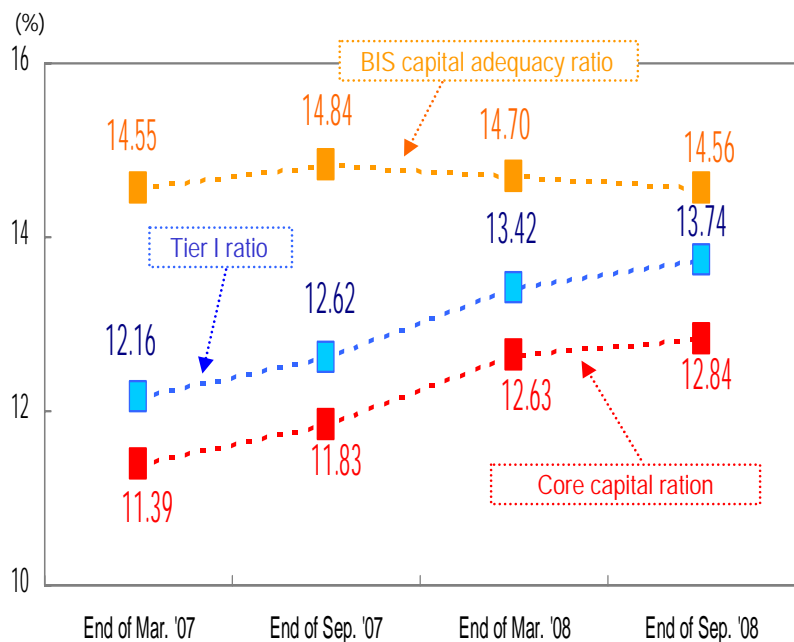
\* Buffer capital is kept aside for emergencies such as the anticipated Great Tokai Earthquake and other unquantifiable risks.



# Capital adequacy ratio

- The Basel II capital adequacy ratio (provisional) at the end of September 2008, decreased by 0.14 percentage points from the level at the end of March 2008, to 14.56% due to a decline of unrealized gains on marketable securities.
- Risk-adjusted assets declined by JPY 57.8 bn from the end of March 2008 owing mainly to the decline in total credit-risk-adjusted assets, chiefly with regard to stocks and investment trusts with a high risk weighting.

BIS capital adequacy ratio (Consolidated basis)



Changes in capital and risk-adjusted assets

	(JPY bn)				
	End of Mar. '07	End of Sep. '07	End of Mar. '08	End of Sep. '08	Change from end of Mar. '08
Capital	691.9	700.2	650.4	635.9	-14.5
Tier I	578.5	595.3	593.8	600.1	+6.3
Amount corresponding to tax effect	36.4	37.4	34.9	39.3	+4.4
Risk-adjusted assets	4,754.9	4,715.9	4,423.2	4,365.4	-57.8
Total credit-risk-adjusted assets	4,462.0	4,373.0	4,089.5	4,051.9	-37.6
Amount corresponding to market risk	22.0	24.1	22.0	22.5	+0.5
Amount corresponding to operational risk	270.9	278.6	283.7	291.1	+7.4

Note: The calculation methods in Basel II employs the FIRB for credit risk and the Standardized approaches for operational risk.

Outlier ratio (Non-consolidated basis)

Size of maximum risk	Tier I + Tier II	Outlier ratio
JPY 69.7 bn	JPY 636.7 bn	10.9%



# Shareholder returns

- The interim dividend per share for FY 2008 is JPY 7.
- We are aiming to maintain a dividend payout ratio of approx. 25%, the highest dividend level for a major regional bank," Total dividend per share for FY2008 is expected to be JPY 14 as announced in this May. The decision will be made with consideration to market trends and business results.

## Dividend trends

	FY2004	FY2005	FY2006	FY2007	FY2008 (Forecast)
Dividend per share (annual)	JPY 8.50	JPY 10.00	JPY 13.00	JPY 13.00	JPY 14.00 (7.00)
Dividend yield (Dividend/share price at end of FY)	0.78%	0.84%	1.03%	1.10%	-

(Interim dividend)

## Profit distribution to shareholders

	FY2005	FY2006	FY2007	FY2008 (Forecast)	FY '98 – '07 (10 years)
Annual dividend (1)	7.1	9.2	9.1	9.8	Accumulated total 60.1
Purchase of treasury stock (2)	-	-	12.6	-	Accumulated total 94.1
Shareholder returns (3)=(1)+(2)	7.1	9.2	21.8	9.8	Accumulated total 154.2
Net income (4)	31.4	36.3	35.2	25.0	Accumulated total 245.8
Dividend payout ratio (1)/(4)x100	22.57 %	25.39 %	25.96 %	39.08	Average 24.44 %
Shareholder return ratio (3)/(4)x100	22.57 %	25.39 %	61.82 %	39.08	Average 62.73 %

(JPY bn, %)



## ***II. Initiatives in the Second Half of FY2008***

*Dream with you.*



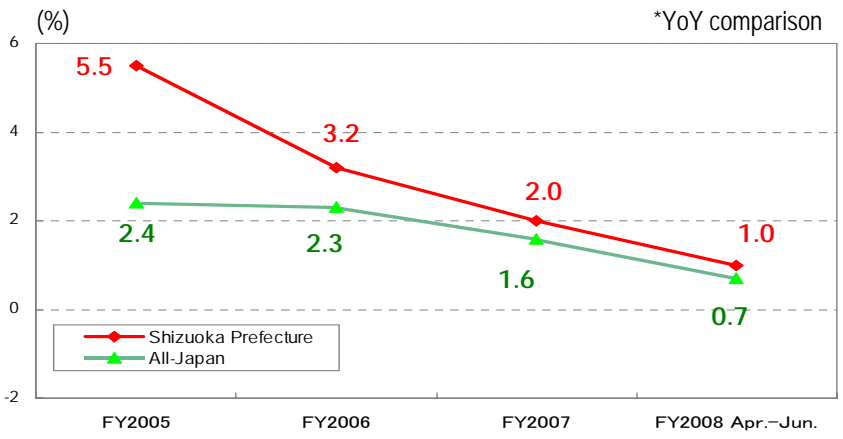
SHIZUOKA BANK

静岡銀行

# Shizuoka Prefecture's economic trends

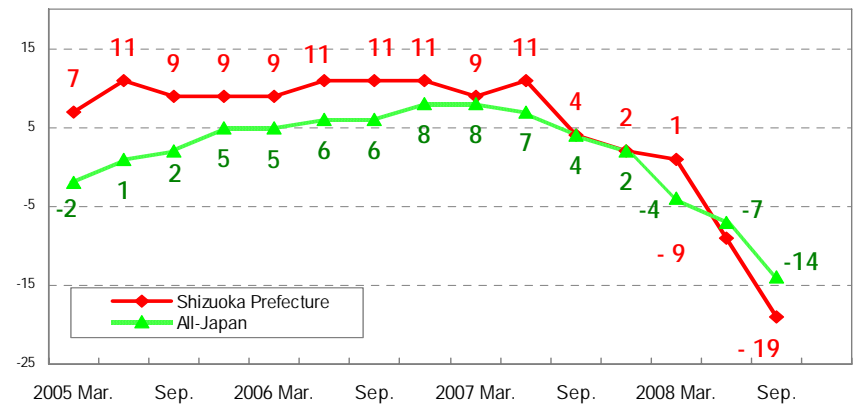
- Owing to the global economic downturn, the economy in Shizuoka Prefecture is slowing down.
- The number of bankruptcies is increasing mainly among small and medium-sized companies.

Shizuoka Prefecture real economic growth rate



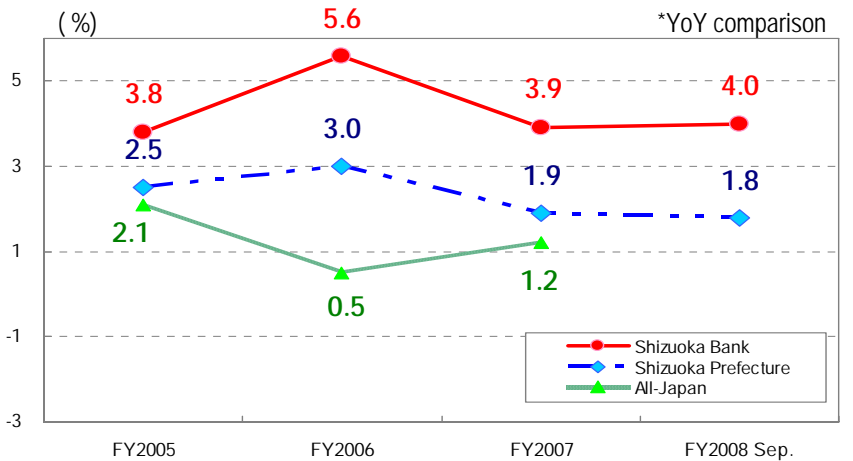
Source: Shizuoka Prefecture Planning Division

Shizuoka Prefecture business conditions diffusion index



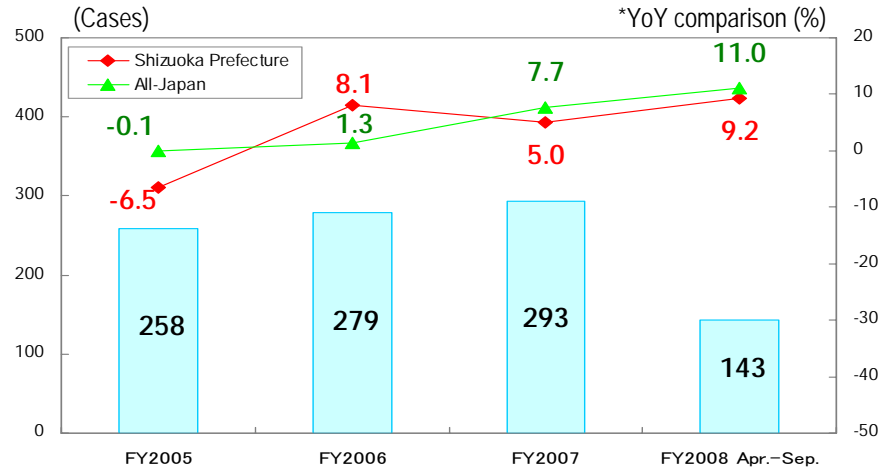
Source: Bank of Japan

Shizuoka Prefecture loans and discounts (term-end balance)



Source: Bank of Japan

Number of bankruptcies in Shizuoka Prefecture



Source: TOKYO SHOKO RESEARCH, LTD.



# Targets for the first year of the Tenth Medium-term Business Plan

## Group indicators and targets

		[Initial plan]	[Change to initial plan]	[Revised plan]
Earnings Targets	Consolidated ordinary profit	JPY 69.0 bn	- JPY 24.5 bn	<b>JPY 44.5 bn</b>
	Non-consolidated core operating profit	JPY 67.0 bn	- JPY 1.0 bn	<b>JPY 66.0 bn</b>
	Consolidated net income	JPY 40.0 bn	- JPY 14.8 bn	<b>JPY 25.2 bn</b>
Efficiency Index	Consolidated ROE (Net income/Tier I)	6.5% or greater	-0.6%	<b>5.9% or greater</b>
	Consolidated ROA (Net income)	0.47% or greater	-0.05%	<b>0.42% or greater</b>
	Consolidated OHR	Approx. 55%	-	<b>Approx. 55%</b>
Soundness Index	Consolidated BIS capital adequacy ratio (Tier I ratio)	Approx. 13.0%	-	<b>Approx. 13.0%</b>

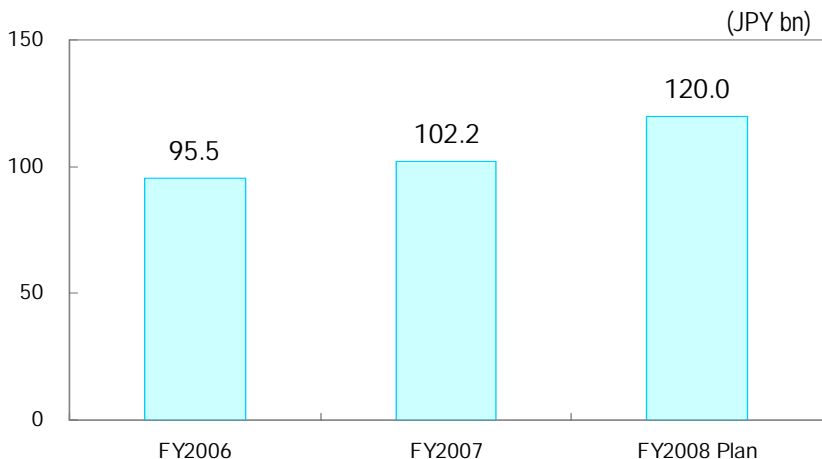
\*Indices of Efficiency Index are based on the second half FY2008 operating plan prepared on September 2008.



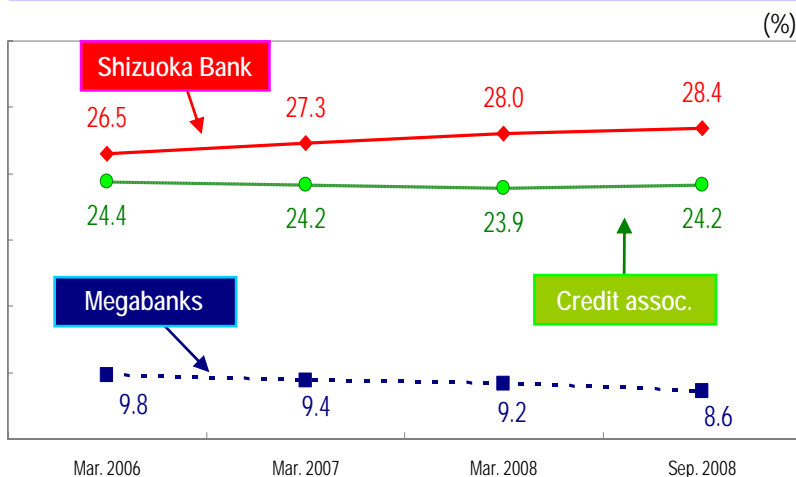
# Corporate banking initiatives

- Discover, in accordance with the life-cycle of clients, management issues and needs, and provide high added-value solutions
- Acquire new client transactions and build up loans to SMEs amidst economic downturn.

## New client transactions earned



## Share of loans in Shizuoka Prefecture



## FY2008 revised plan

- Average lending balance : up JPY 129.1 bn
- Yen lending interest income : up JPY 1.7 bn
- Fee income earned: JPY 3.1 bn

### Main operations

### 1st half (actual results)

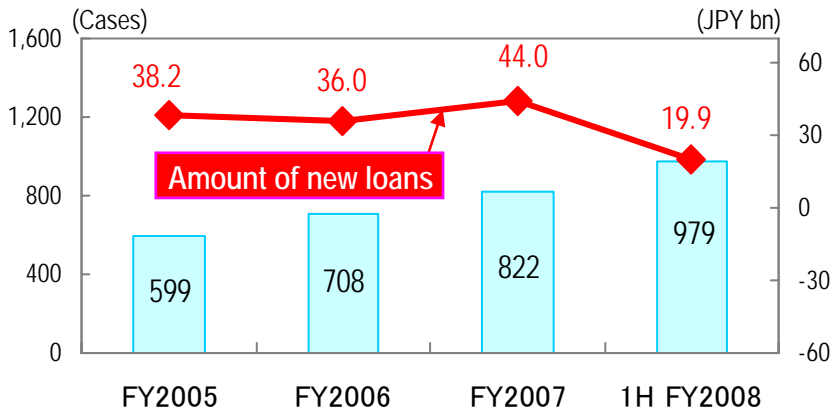
### 2nd half (plan)

Main operations	1st half (actual results)	2nd half (plan)
Increase in average balance of loans to SMEs	+ JPY 29.3 bn	+ JPY 45.5 bn
Loans to newly acquired clients (Excluding Tokyo, Nagoya and Osaka)	JPY 46.0 bn	JPY 74.0 bn
Fees for derivatives for clients	JPY 0.9 bn	JPY 1.2 bn
Corporate yen deposits (increase in average balance)	+ JPY 6.9 bn	+ JPY 7.3 bn
Foreign-exchange balance	JPY 1.7 bn	JPY 2.0 bn
No. of business matching cases	979	(Annually) 1,200

# Approach to regional finance initiatives

- We will promote business matching services and “Shizuginship,” which has the aim of nurturing next-generation entrepreneurs, and contribute to the expansion of customers’ business and training of successors.
- We will apply various methods of revitalization, especially to companies that have a large impact on the local economy, and support their efforts for quick and smooth revitalization.

Number of successful business matching deals and the amount of new loans



- [Main Conferences]
- Shizugin@gricom
  - Tokyo Business Summit 2008 (Shizuoka Yume Kaido)
  - Shanghai Business Matching Conference 2008, etc.

“Shizuginship” – training the next generation of entrepreneurs

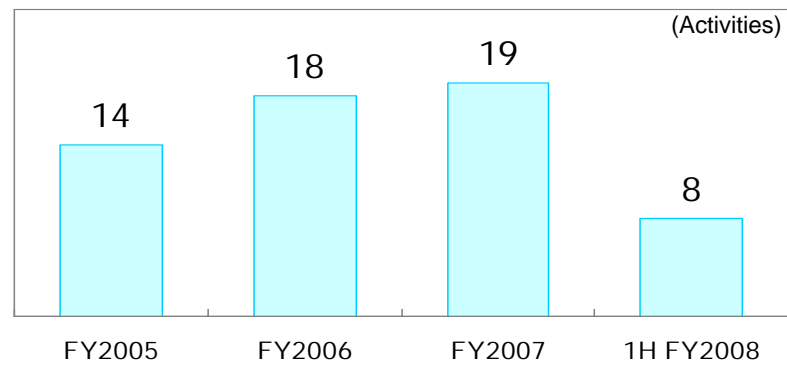
## Shizuginship

- No. of members  
(As of end of September 2008)  
739 companies ; 1,132 members
- No. of seminars and visits  
(During 1H FY2008)  
Regional forum: 2  
Seminars: 7  
Lecture courses: 8  
Visits: 2  
Total participants: 1,399



Business regeneration activities

[Number of business regeneration activities completed]



[Techniques used for business regeneration]

[Techniques used for business regeneration]		1H FY2008
Total	(Cases)	8
Shizuoka SME support funds "Scram"		2
Regenerative bulk sale		2
Sale of assets		2
Business transfers and M&A		1
Civil rehabilitation		1

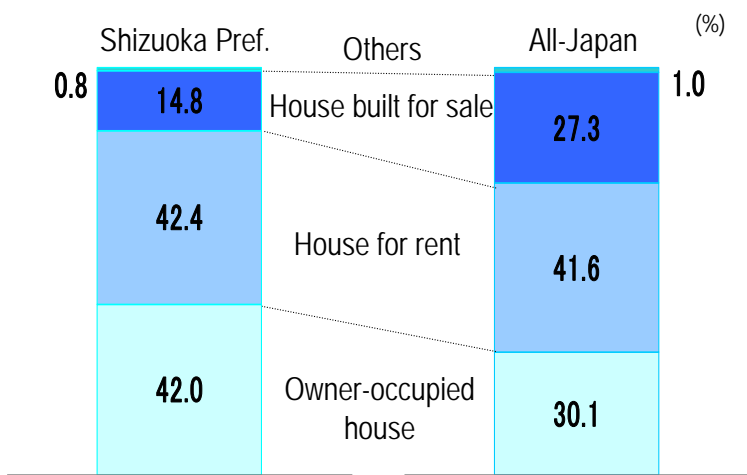




# Retail banking initiatives

- Based on a core of housing loans the Retail Division will increase income by promoting consumer loans.
- Aim to increase earnings by strengthening relations with affluent individuals.

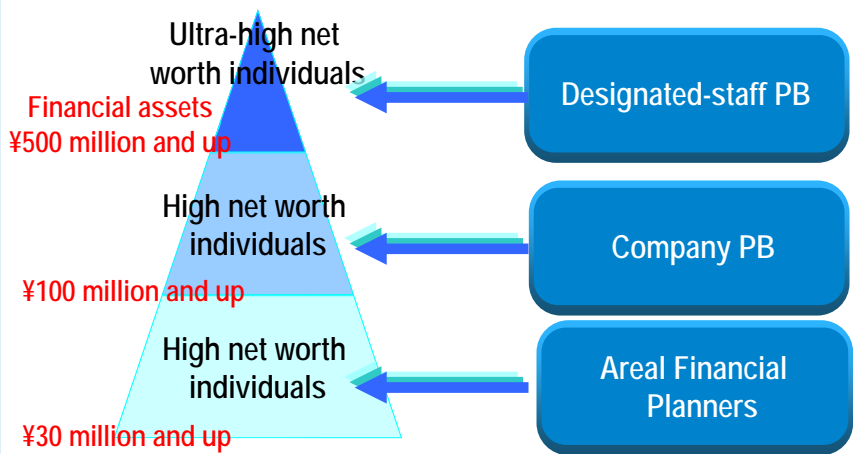
Breakdown of new housing starts by purpose (FY 2007)



FY2008 revised plan

- Average lending balance: up JPY 128.6 bn
- Yen lending interest income: up JPY 3.1 bn
- Income earned from sales of assets in custody: JPY 7.2 bn

Promotion structure by customer segment



Main operations	1st half (actual results)	2nd half (plan)
Growth in consumer loans (increase in term-end balance)	+ JPY 59.9 bn	+ JPY 62.5 bn
Housing loans	JPY 83.0 bn	JPY 85.0 bn
Sale of Group equity investment trusts	JPY 50.3 bn	JPY 67.4 bn
Sale of Individuals' insurance annuities	JPY 58.1 bn	JPY 63.0 bn
Retail yen deposits (increase in average balance)	+ JPY 67.8 bn	+ JPY 61.8 bn
Preferential-rate time deposits for the elderly	JPY 66.3 bn (Initial plan: JPY 40.0 bn)	JPY 40.0 bn
Acquisition of new "joyca" card members	+ 52,344	(Annually) + 100,000

# Branches specialized in counter services

- Long-planned branches that specialize in counter services and a mini-branch run by a small number of staff, “Shizugin My Plaza,” have opened.
- “S-navi,” a new loan system which provides comprehensive support from the marketing to the administration of loans, has started operating in all branches.



▲ Banner signs of corporate color, noble red, are installed at exterior and interior.



▲ The general reception placed at the entrance to the lobby helps direct all customers to the appropriate counter.

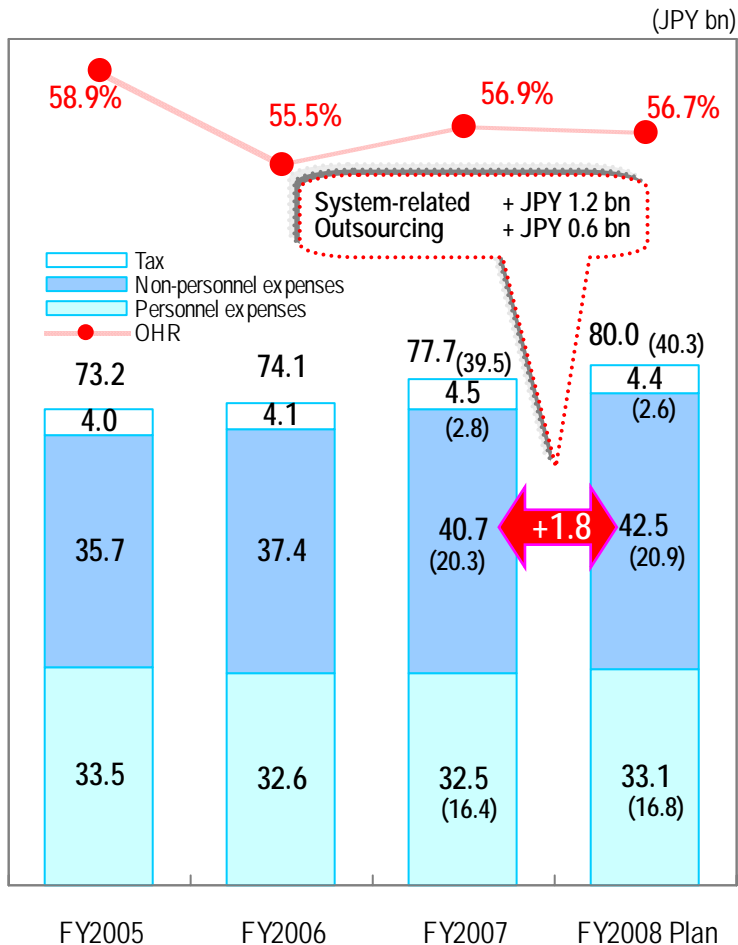


▲ Teller counters exclusively dedicated for utility bill payment, etc. are installed. To respect customers' privacy, the counters are set up so that the separators block the view of adjacent people.

# Expenses, investment and manpower planning

- FY2008 expenses are expected to rise due to increases in operational efficiency in order to raise branch productivity, and by introducing measures to promote operations.
- OHR will be controlled as appropriate, aiming for 55%.

## Expenses and OHR



\* Figures in parentheses are expenses in the first half of fiscal years.

## Investment amount

\*Cash-out basis (JPY bn)

Main investments	FY2006	FY2007	1H FY2008	FY2008 Plan
System-related	5.3	12.7	3.7	8.6
Branch-related	4.1	2.3	2.5	9.5
Total	9.4	15.0	6.2	18.1

## Expenses

System-related	10.9	12.4	6.2	13.6
----------------	------	------	-----	------

## Change in the number of personnel

Employees

	End of Mar. 2008	End of Sep. 2008	Change	End of Mar. 2011 Plan
Shizuoka Bank	5,164	5,365	+201	4,680
Of which bank employees	2,851	2,914	+63	2,720
Branches	4,104	4,320	+216	3,715
Front office	2,411	2,662	+251	2,890
Back office/assisting	1,693	1,658	-35	825
HQ and other	1,060	1,045	-15	965



# Projected performance for FY2008

- **Although revenue decreases, gross operating profit is expected to grow.**

[Ordinary revenue] First decrease in 5 periods, [Gross operating profit] Continues to grow for 5 periods, record high.

- **Core net operating profit expected to grow for 8 period in a row, marking a record high.**

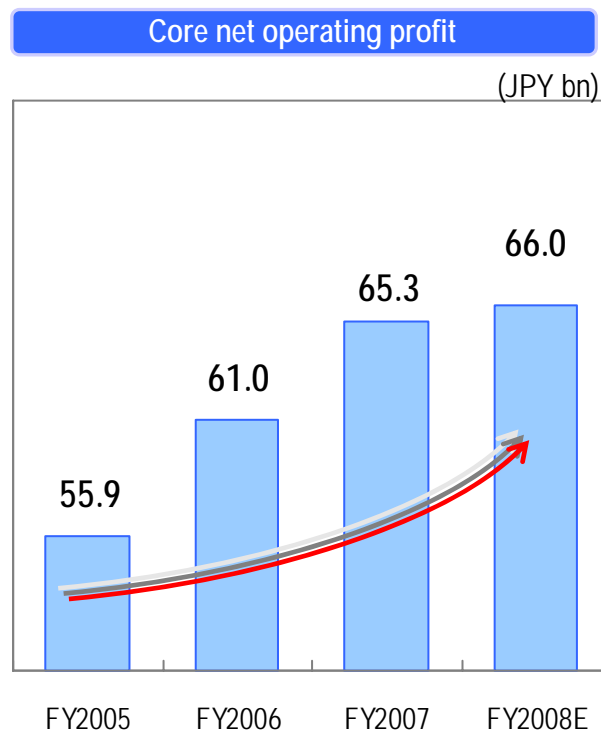
[Net operating profit] Same as the last period, [Core net operating profit] Continues to grow for 8 periods.

[Ordinary profit] Continues to decline for 2 periods, [Net income] Continues to decline for 2 periods.

<b>Consolidated</b> (JPY bn)	FY2007	FY2008E	YoY change
Ordinary revenue	245.1	225.0	- 20.1
Ordinary profit	65.1	44.5	- 20.6
Net income	34.8	25.2	- 9.6

<b>Shizuoka Bank, Non-Consolidated</b>	FY2007	FY2008E	YoY change
Ordinary revenue	213.5	198.0	-15.5
Gross operating profit	136.5	141.0	+4.5
Expenses (-)	77.7	80.0	+2.3
Core net operating profit	65.3	66.0	+0.7
General transfer to loan loss reserves (-)	-0.2	2.0	+2.2
Net operating profit	59.0	59.0	-0.0
Bad debt written-off (-)	7.8	8.3	+0.5
Gain on stocks	10.3	-9.2	-19.5
Ordinary profit	61.7	41.5	-20.2
Net income	35.2	25.0	-10.2

Credit costs (-)	7.5	10.3	+2.8
------------------	-----	------	------



**The Record Profit**



# Data Section

*Dream with you.*



SHIZUOKA BANK

静岡銀行

## Advantages of economy of Shizuoka Prefecture (1)

<Size of economy> Shizuoka's economy is called a "3%, 10th-ranked economy," as on many indicators it comprises 3% of the national economy and ranks around 10th among the prefectures. The economy is strong by national standards. (JPY bn)

	FY2005	FY2006	FY2007
Prefectural GDP	16,415.0	-	-
National GDP	503,844.7	511,877.0	-
Ranking in prefectural GDP	10 <sup>th</sup> /47	-	-
Prefectural manufactured goods shipments (MGS)	17,322.7	18,234.7	*19,364.6
National MGS	295,800.3	314,834.6	*335,854.2
Ranking in prefectural MGS	3 <sup>rd</sup> /47	3 <sup>rd</sup> /47	* 3 <sup>rd</sup> /47

Note: Manufactured goods shipments (MGS) is based on calendar-year data.

\* Based on preliminary data.

<Health of economy> Shizuoka's business failure rate remains at low levels, as many businesses located there are financially healthier and stronger. Municipal government finances are sound, too, in national comparisons.

	FY2005	FY2006	FY2007	1H FY2008
Business failure rate (Shizuoka)	0.169%	0.254%	0.230%	-
Business failure rate (Nationwide)	0.252%	0.285%	0.317%	-
Ranking (The lower the rate, the higher the ranking)	8 <sup>th</sup> /47	21 <sup>th</sup> /47	7 <sup>th</sup> /47	-
The rate of loan claims subrogated to credit guarantee corporations (Shizuoka)	1.57%	1.87%	1.83%	2.24%
The rate of loan claims subrogated to credit guarantee corporations (Nationwide)	2.38%	2.37%	2.70%	3.37%
Ranking (The lower the rate, the higher the ranking)	7 <sup>th</sup> /47	10 <sup>th</sup> /47	3 <sup>rd</sup> /47	9 <sup>th</sup> /47
Fiscal solvency index (Shizuoka)	65.3	69.6	72.9	-
Fiscal solvency index (Nationwide)	42.8	46.4	49.7	-
Ranking	6 <sup>th</sup> /47	6 <sup>th</sup> /47	7 <sup>th</sup> /47	-

Note: The failure rates are based on calendar-year data; all others fiscal-year data.



## Advantages of economy of Shizuoka Prefecture (2)

<Growth potential> Shizuoka sees new industries burgeoning as it hosts many enterprises exploring new business fields.

	FY2005	FY2006	FY2007	1H FY2008
No. of firms approved for business innovation plan (*) (Shizuoka)	194	233	262	130
No. of firms approved for business innovation plan (Nationwide)	4,421	5,258	4,736	1,796
Ranking	7 <sup>th</sup> /47	7 <sup>th</sup> /47	5 <sup>th</sup> /47	3 <sup>rd</sup> /47
No. of firms authorized for new collaboration plan (*) (Shizuoka)	6	5	10	1
No. of firms authorized for new collaboration plan (Nationwide)	162	158	142	44
No. of new facility locations (Shizuoka)	85	102	124	89
No. of new facility locations (Nationwide)	1,544	1,782	1,791	826
Ranking	3 <sup>rd</sup> /47	3 <sup>rd</sup> /47	1 <sup>st</sup> /47	1 <sup>st</sup> /47

\* Approved/authorized under the SMB New Business Operation Promotion Law.

Note: The numbers of new facility locations are based on calendar-year data; all others on fiscal-year data.

<Regional employment & corporate earnings>

	FY2005	FY2006	FY2007	1H FY2008
Effective job opening to applicant ratio (Shizuoka) (times)	1.14	1.25	1.21	1.00
Effective job opening to applicant ratio (Nationwide) (times)	0.95	1.06	1.04	0.84
Monthly average wages (Shizuoka) (JPY thousand)	333	330	-	-
Monthly average wages (Nationwide) (JPY thousand)	335	336	-	-
Ranking	6 <sup>th</sup> /47	8 <sup>th</sup> /47	-	-
Corporate earnings (compared year-on-year) (Shizuoka)	- 0.5 %	+12.2 %	-5.6 %	*-18.3 %
Corporate earnings (compared year-on-year) (Nationwide)	+12.3 %	+10.1 %	-1.0 %	*-8.1%

Note: The ratios are based on fiscal-years end, monthly data; the wages calendar-year data; the earnings fiscal-year data.

\*FY2008 Plan

This document includes statements concerning future business results.

These statements do not guarantee future business results, but contain risks and uncertainties.

Please note that future business results may differ from targets for reasons such as changes in the business environment.