

# Investor Relations Meeting

## Presentation material



**The San-in Godo Bank, Ltd.**

**December 2011**

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## Management Policy

**Work to continually improve the quality of financial services for customers**

**Adopt a proactive role and risk-taking stance to stimulate the local economy**

**Build a robust business base that reassures customers**

## Key Strategy

### Continue to build on existing initiatives

**Invest in bonds using an aggressive interest rate risk-taking strategy**

**Stimulate the local economy and create earnings opportunities**

**Credit card business**

**Business matching**

### Growth strategy

**Rebuild the operating base in Shimane and Tottori**

**Expand the operating base in Sanyo region and Hyogo**

# 1-1. Summary of Earnings for the First Half of FY2011

(Billion yen)	First half FY2009	First half FY2010	First half FY2011	Change over First half FY2010	
Gross core banking profit	29.5	29.6	29.8	0.1	<p>Although interest income declined due to deterioration in the loan-deposit spread and securities-deposit spread, interim net income increased owing to a decline in credit costs.</p> <p>Interest on loans and discounts: (1.0) billion yen                      Interest and dividends on securities: (0.1) billion yen                      Interest on deposits: (0.4) billion yen</p>
Interest income	27.2	27.9	27.1	(0.7)	
Fees and commissions	2.3	2.4	2.4	0.0	
Expenses	19.1	19.6	19.4	(0.1)	
<b>Net core banking profit</b>	<b>10.3</b>	<b>10.0</b>	<b>10.4</b>	<b>0.3</b>	<ul style="list-style-type: none"> <li>Option costs related to buy/write operations: (0.4) billion yen</li> <li>Allowance for investment loss: (0.3) billion yen</li> </ul>
Gains (losses) on securities	0.7	0.2	(1.1)	(1.4)	
Gains (losses) on bonds	0.8	1.1	0.2	(0.8)	
Gains (losses) on stocks	(0.0)	(0.8)	(1.4)	(0.5)	
Credit costs	2.4	1.1	(1.1)	(2.3)	Decline in the reserve ratio was the main reason for the drop in credit costs
Interim net income	4.1	4.5	4.8	0.3	

## 2-1. Earning Forecast for FY2011

(Billion yen)

	FY2010 Result	FY2011 Forecast	Change over FY2010	Change over previous IR meeting forecast
<b>Gross core banking profit</b>	<b>60.0</b>	<b>59.7</b>	<b>(0.3)</b>	<b>(2.4)</b>
Interest income	55.4	54.2	(1.2)	(2.0)
Fees and commissions	4.8	4.9	0.1	(0.5)
<b>Expenses</b>	<b>38.4</b>	<b>38.6</b>	<b>0.2</b>	<b>0.0</b>
<b>Net core banking profit</b>	<b>21.6</b>	<b>21.0</b>	<b>(0.6)</b>	<b>(2.4)</b>
Gains (losses) on securities	2.2	(1.1)	(3.4)	(1.1)
Credit costs	8.6	2.3	(6.3)	(4.7)
<b>Net income</b>	<b>8.4</b>	<b>9.1</b>	<b>0.6</b>	<b>0.0</b>

### Comparison with medium-term management plan

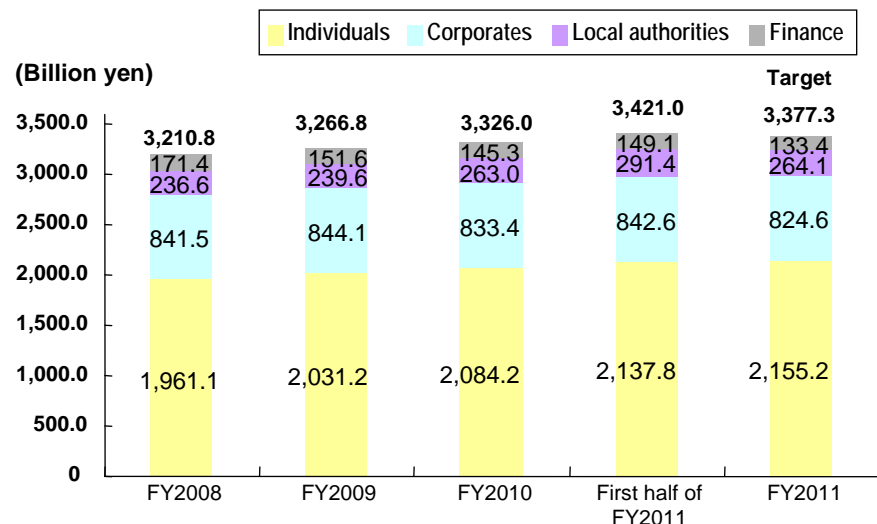
	Estimates (FY2011)	Medium-term target (FY2011)
Average balance of deposits	¥3,377.3 billion	¥3,340.0 billion
Average balance of individual deposits	¥2,155.2 billion	¥2,200.0 billion
Average balance of loans	¥2,178.3 billion	¥2,170.0 billion
Net core banking profit	¥21.0 billion	¥26.5 billion
Net income	¥9.1 billion	¥9.0 billion
OHR	64.77%	Less than 60%
Ratio of fee income (Coupon swap included)	15.15%	More than 19%
Ratio of NPL	2.99%	Less than 3.0%
Capital adequacy ratio	16.58%	More than 15%
Number of employees at term-end	2,023	Approx. 1,950

# 3-1. Deposits and Loans in Shimane and Tottori

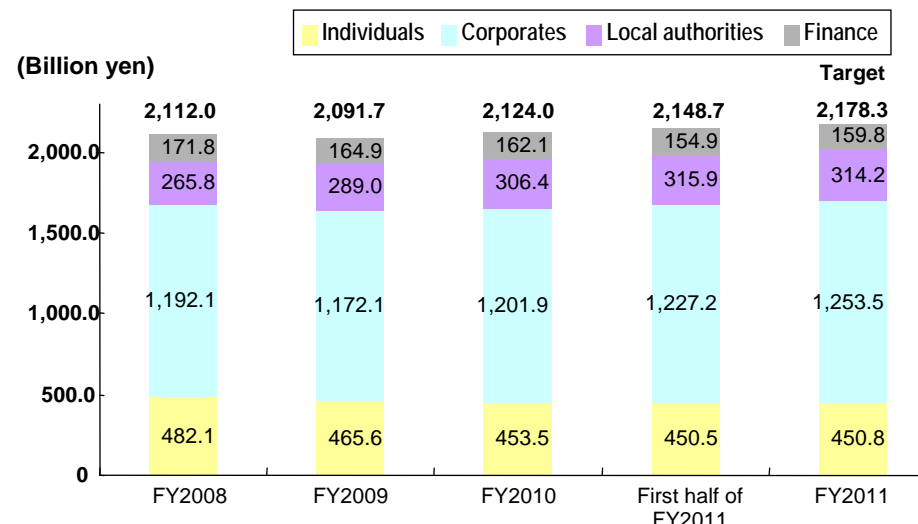


## Change in balance of deposits and loans and the share in Shimane and Tottori

Changes in total deposits (Average balance)



Changes in total loans (Average balance)



Changes in balance of deposits and share by financial institution in Shimane and Tottori

Deposits	End-Mar. 2009		End-Mar. 2010		End-Mar. 2011		End-Sep. 2011	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share
City banks and trust banks	95.2	1.5%	94.9	1.5%	95.5	1.5%	100.8	1.5%
Regional banks	3,438.5	54.2%	3,622.4	55.8%	3,634.2	55.9%	3,763.5	57.0%
San-in Godo Bank	2,726.9	43.0%	2,882.0	44.4%	2,899.7	44.6%	2,983.5	45.2%
Secondary regional banks	294.4	4.6%	307.7	4.7%	303.7	4.7%	307.7	4.7%
Credit associations	756.6	11.9%	750.4	11.6%	764.9	11.8%	763.5	11.6%
Credit cooperatives	22.7	0.4%	21.2	0.3%	24.4	0.4%	24.4	0.4%
Japan Post Bank	1,736.2	27.4%	1,700.1	26.2%	1,680.9	25.8%	1,641.4	24.9%
<b>Total</b>	<b>6,343.9</b>	-	<b>6,496.8</b>	-	<b>6,503.8</b>	-	<b>6,601.6</b>	-

Changes in balance of loans and share by financial institution in Shimane and Tottori

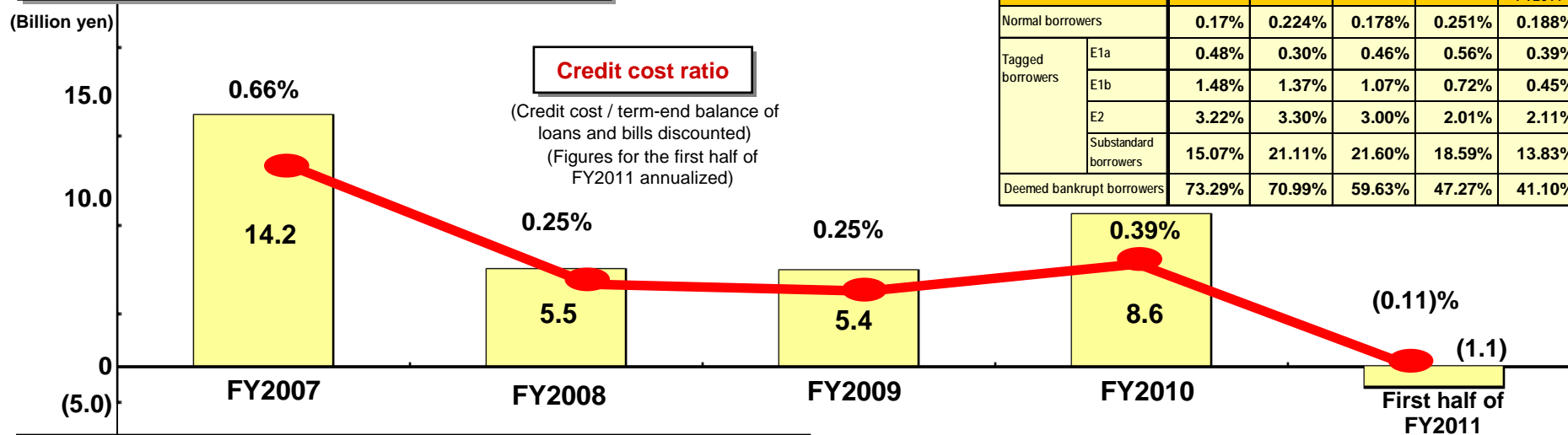
Deposits	End-Mar. 2009		End-Mar. 2010		End-Mar. 2011		End-Sep. 2011	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share
City banks and trust banks	29.8	1.2%	33.2	1.3%	36.6	1.5%	34.7	1.4%
Regional banks	1,796.3	71.8%	1,802.0	72.0%	1,791.5	72.3%	1,780.7	72.5%
San-in Godo Bank	1,301.5	52.0%	1,298.6	51.9%	1,287.3	51.9%	1,284.8	52.3%
Secondary regional banks	206.9	8.3%	200.8	8.0%	198.9	8.0%	196.0	8.0%
Credit associations	452.9	18.1%	449.8	18.0%	435.8	17.6%	428.2	17.4%
Credit cooperatives	16.6	0.7%	16.0	0.6%	16.3	0.7%	16.1	0.7%
<b>Total</b>	<b>2,502.8</b>	-	<b>2,502.0</b>	-	<b>2,479.2</b>	-	<b>2,456.0</b>	-

Source: The Japan Financial News, Japan Post Bank Co., Ltd. Website

Source: The Japan Financial News

# 4-1. Changes in Credit Costs and Coverage Ratios

## Changes in credit costs and credit cost ratio

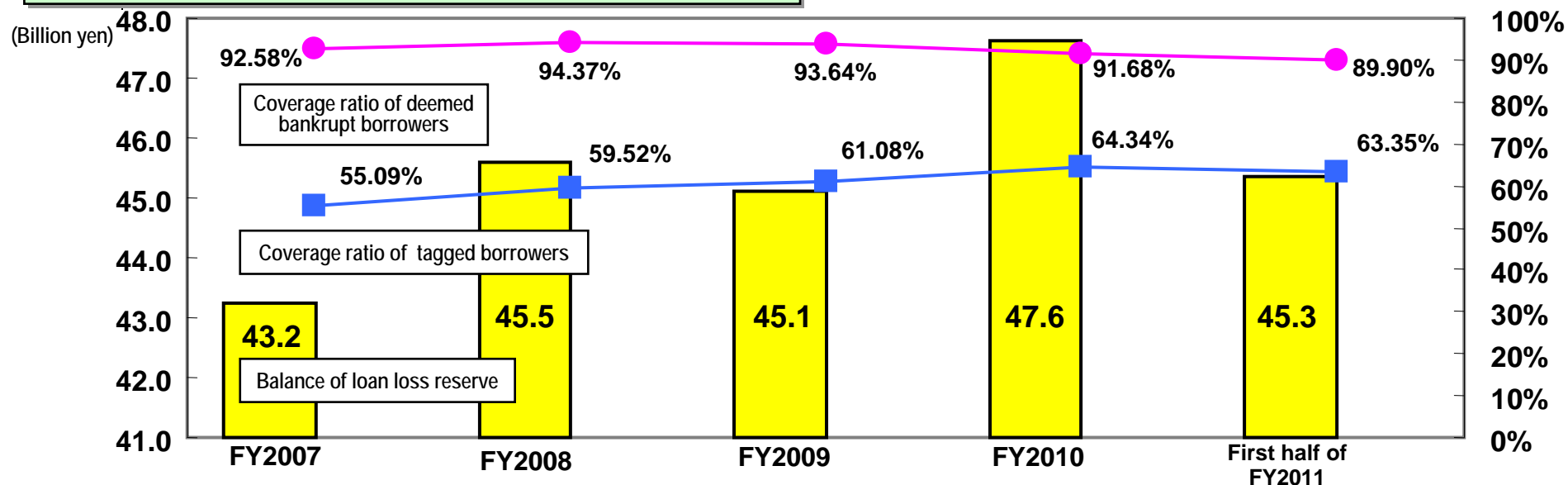


■ Changes in estimated loss rate (general loan loss reserve and specific loan loss reserve)

	FY2007	FY2008	FY2009	FY2010	First half of FY2011	
Normal borrowers	0.17%	0.224%	0.178%	0.251%	0.188%	
Tagged borrowers	E1a	0.48%	0.30%	0.46%	0.56%	0.39%
	E1b	1.48%	1.37%	1.07%	0.72%	0.45%
	E2	3.22%	3.30%	3.00%	2.01%	2.11%
Substandard borrowers	15.07%	21.11%	21.60%	18.59%	13.83%	
Deemed bankrupt borrowers	73.29%	70.99%	59.63%	47.27%	41.10%	

## Changes in balance of loan loss reserve and coverage ratio

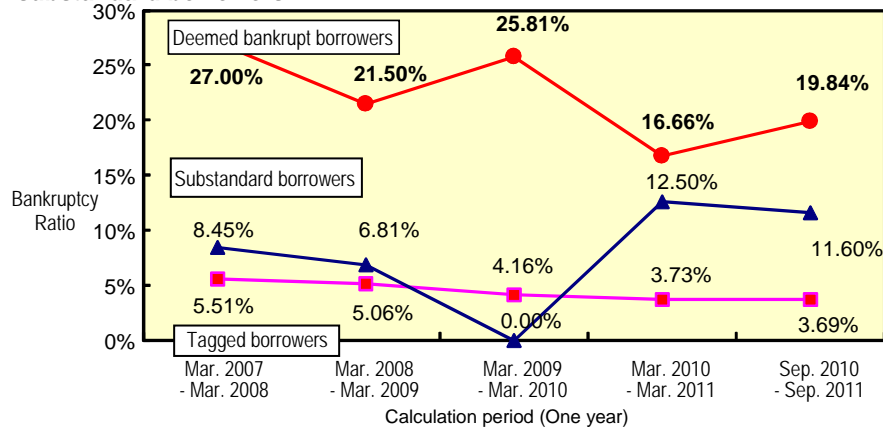
\*Coverage ratio = (Collateral & guarantees + loan loss reserve) / Balance of lending



# 4-2. Changes in the Reserve Ratio for Deemed Bankrupt Borrowers

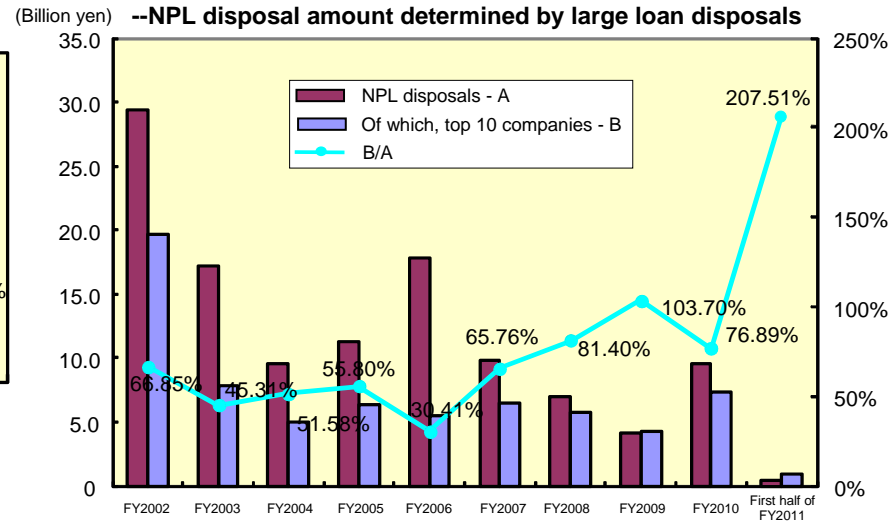
## Bankruptcy probability by borrower category

--Deemed bankrupt borrowers more likely to go bankrupt than tagged and substandard borrowers



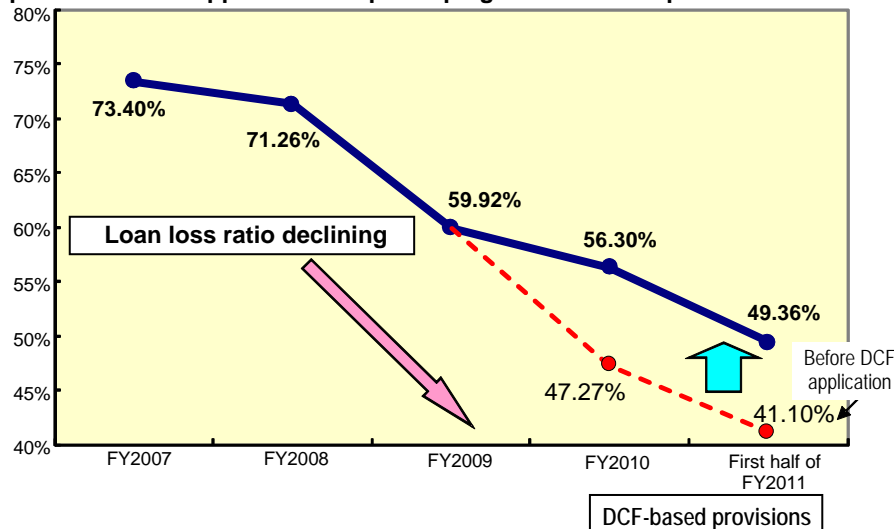
\*Bankruptcy ratios for tagged borrowers and substandard borrowers are updated each fiscal year.

## Resolution of large loans (NPL disposals: top 10 companies)



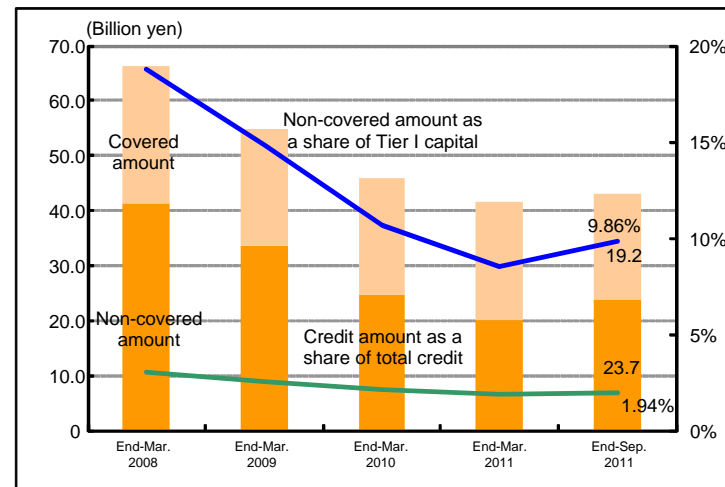
## Reserve Ratio for deemed bankrupt borrowers

--Expansion of DCF application scope keeping reserve ratio up



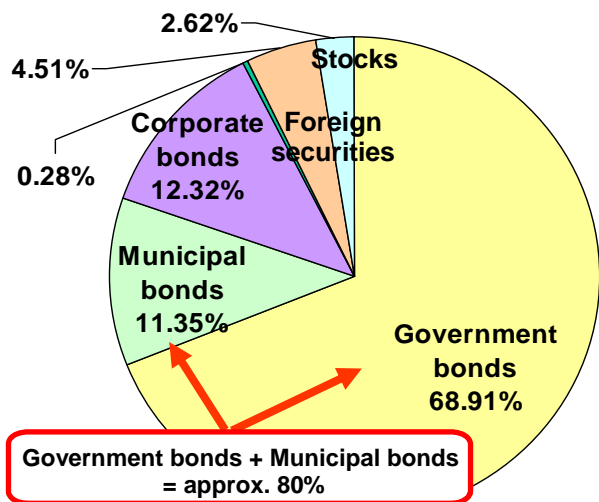
## Top 10 borrowers over time (Tagged borrowers and deemed bankrupt borrowers)

--Volume of large borrowers among tagged and deemed bankrupt borrowers declining.



# 5-1. Securities Holdings

## Composition ratio (as of end-Sep. 2011)



- Government bonds
- Municipal bonds
- Corporate bonds
- Other securities
- Foreign securities
- Stocks

\*Balance of book value of securities  
 1,500.8 billion yen (Based on fair market value)  
 1,447.0 billion yen (Based on amortized cost)

## Overseas exposure (as of end-Sep. 2011)

(Billion yen)

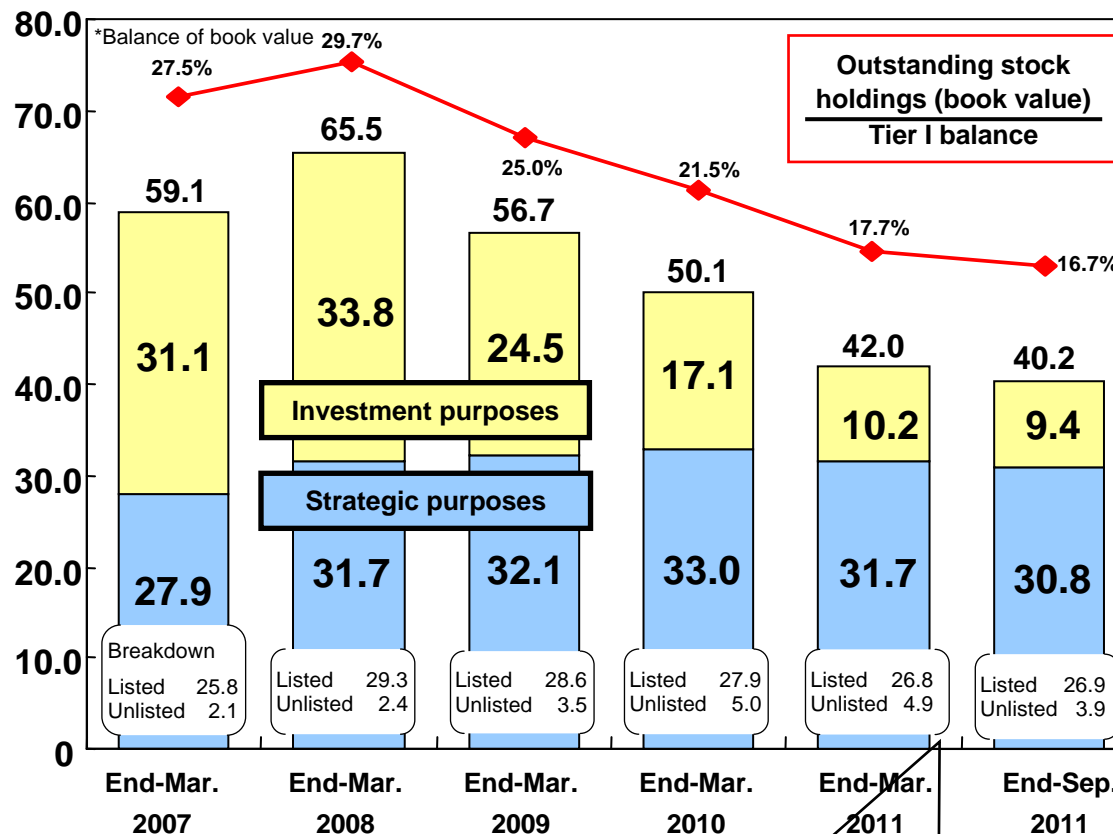
	Securities + Lending	
		Financial institutions
U.S.	55.5	1.9
Europe	5.6	3.9
Germany	2.4	0.9
U.K.	3.0	2.9
Australia	0.1	-

\*Exposure to individual countries exceeding 0.1 billion yen.

## Stock holdings

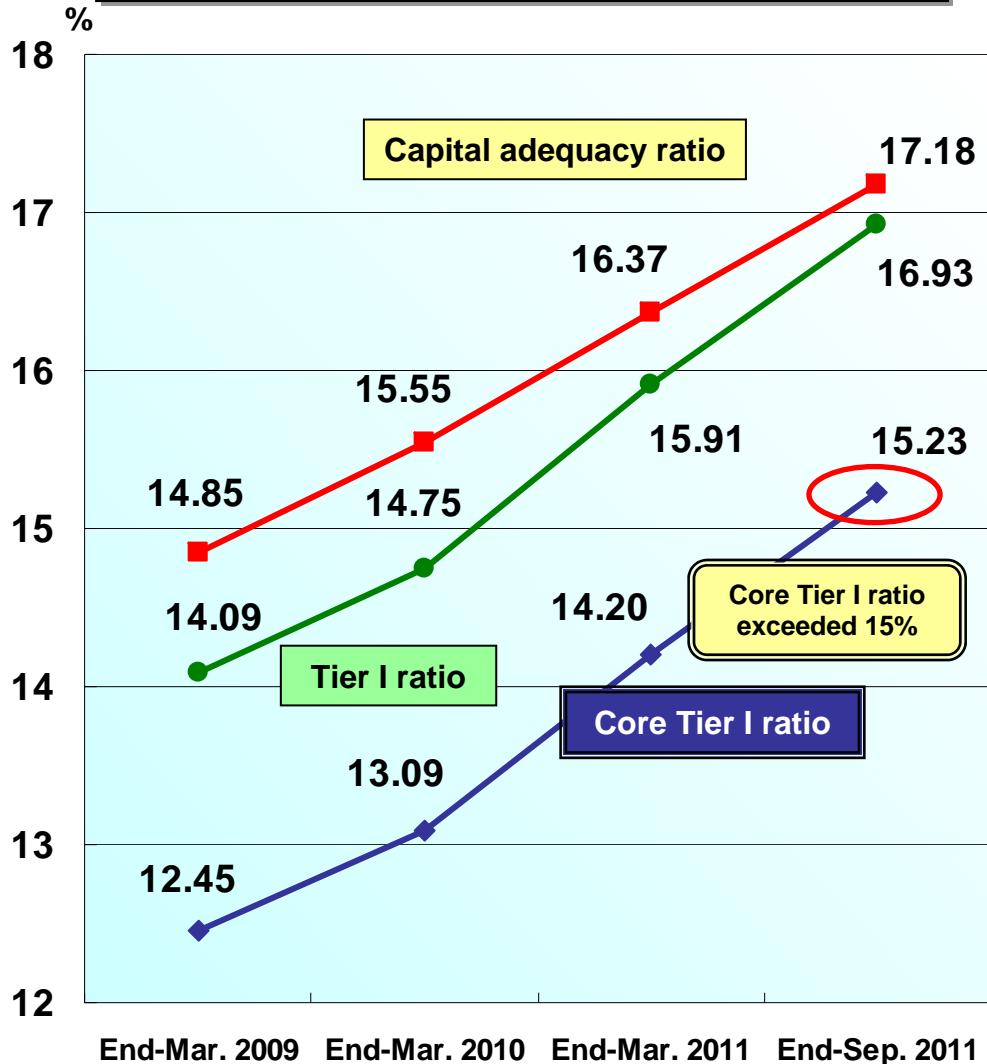
Will continue policy of curbing investment equities  
 (Stocks held purely for investment purposes are all listed shares.)

(Billion yen)



# 6-1. Capital Adequacy Ratio

Changes in capital adequacy ratio on a non-consolidated basis (domestic standard)



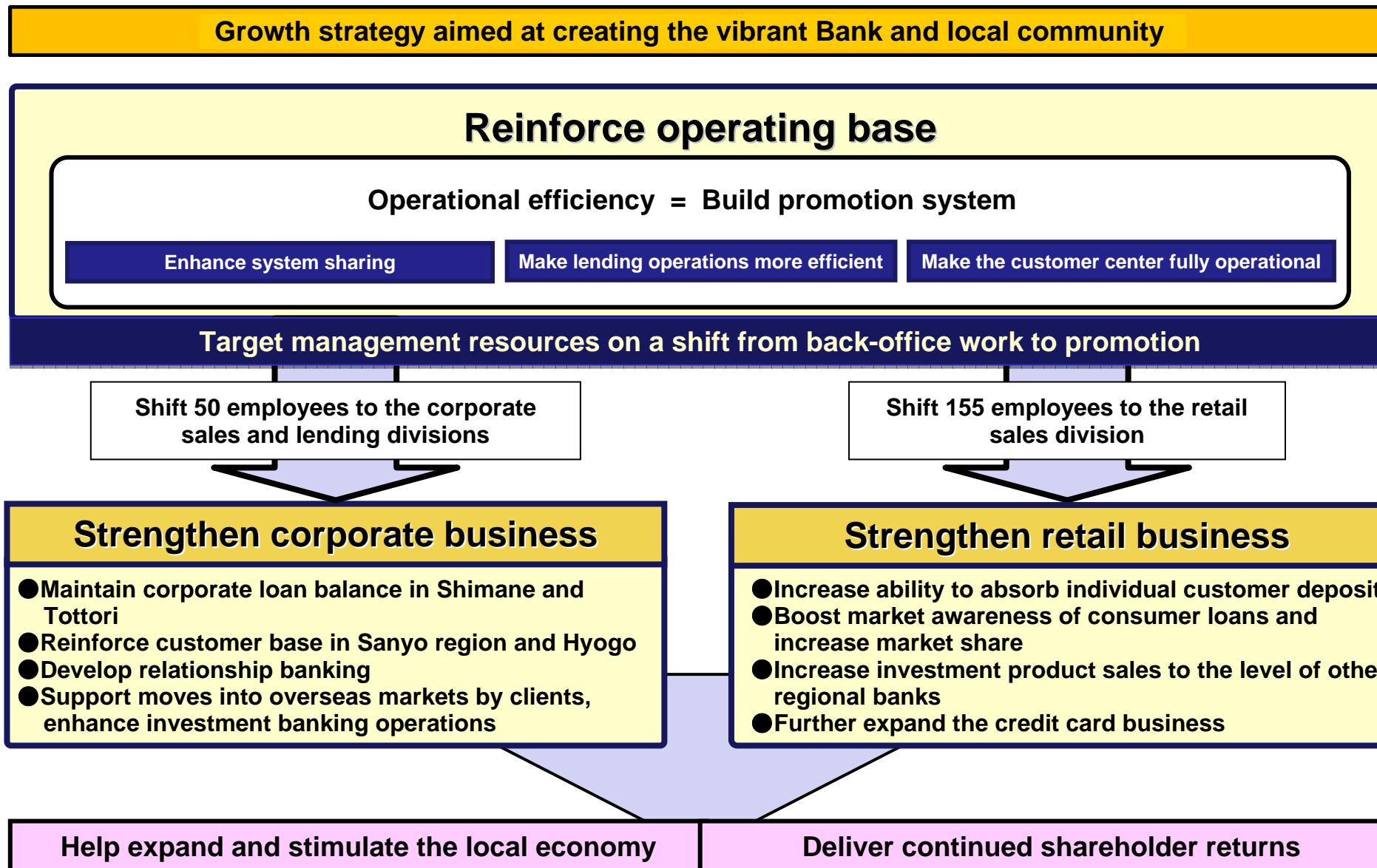
Composition of total capital

Steadily accumulating on the back of net income

(Billion yen)	End-Mar. 2011	End-Sep. 2011	Change over End-Mar. 2011
Capital adequacy ratio	16.37%	17.18%	0.81%
Tier I ratio	15.91%	16.93%	1.02%
Core Tier I ratio (Note)	14.20%	15.23%	1.03%
Equity capital	244.1	244.0	(0.1)
Of which, Tier I	237.2	240.6	3.4
Risk assets	1,490.9	1,420.6	(70.3)
Credit risk	1,375.2	1,305.7	(69.5)
Operational risk	115.7	114.9	(0.8)
Preferred stocks and preferred investment securities	-	-	-
Tax effect equivalent to Tier I	25.3	24.2	(1.1)

(Note) Core Tier I = Tier I – Preferred stocks and preferred investment securities – Tax effect equivalent to Tier I

# 7-1. Summary of Management Strategy

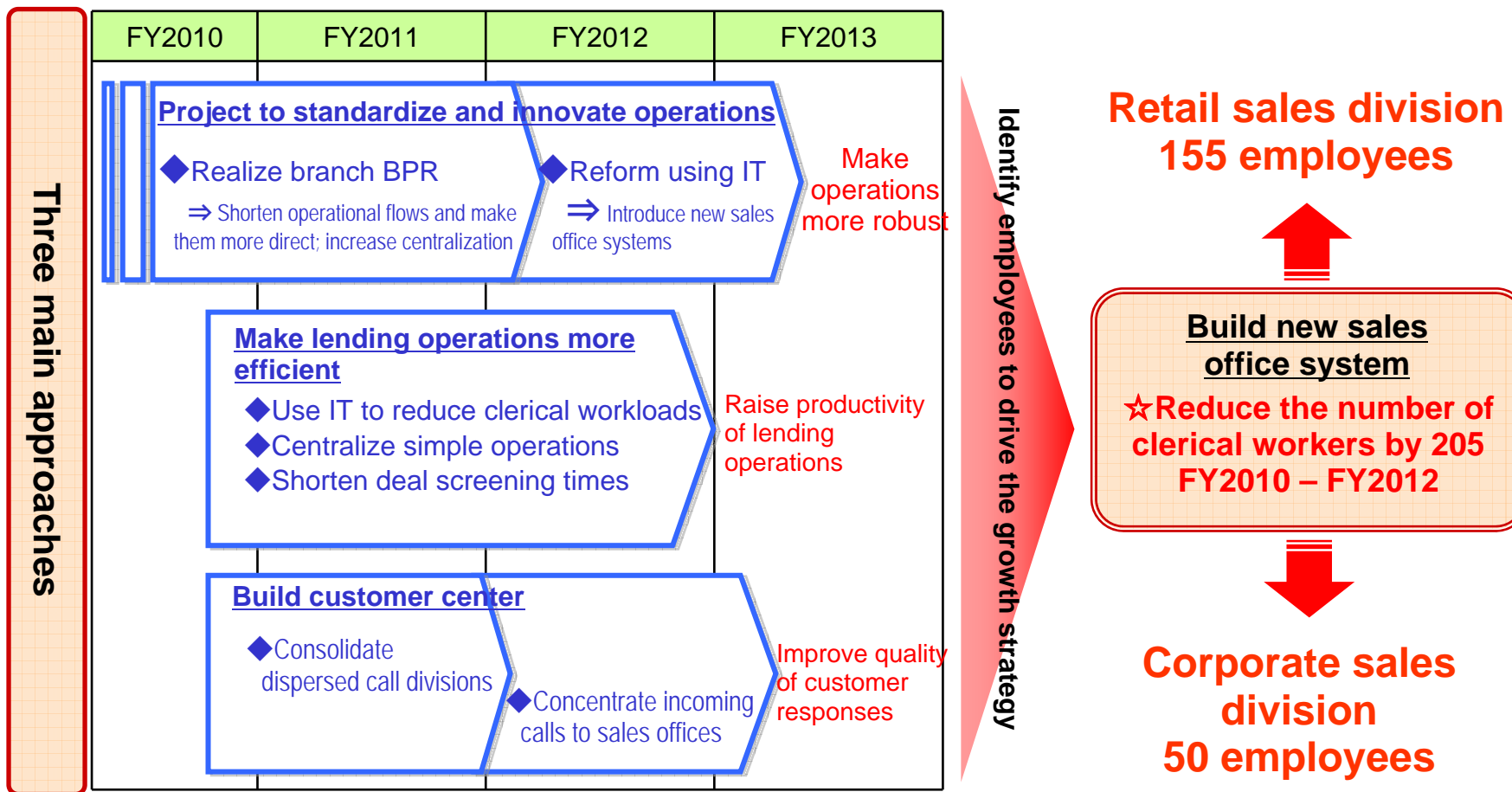


# 8-1. Building the Foundations for Our Growth Strategy

Redeploy clerical workers to business promotion divisions by improving efficiency and realizing low-cost management

■ Promote greater operational efficiency, computerization and centralization focused on deposit / lending and exchange operations.

⇒ Enhance productivity by cutting operational costs (reinforce marketing strengths)



# 9-1. Improving Service Quality and Convenience

## Build customer center

Aggregate all calls to sales offices

Integrate with head office call divisions

### Customer center

#### Inbound

Aggregate calls

**New business**

Respond to toll-free calls and emails

#### Outbound

Sales calls

Provide information to customers

#### Quality control

Call monitoring and training

Analyze customer complaints, demands and feedback

- ✓ Integrate dispersed call operations and create a dedicated team of fully trained operators capable of **responding to customers appropriately and with care**
- ✓ Decline in calls to sales offices will allow staff to focus on in-branch work and **reduce customer waiting times**
- ✓ Gradually expand the volume of business that can be handled over the phone for customers who do not want to come into branches
- ✓ Extend the service hours for toll-free calls

## Introduce new terminals at sales offices

Install ID terminals

Enhance system functionality

[Current system]

Personal seals used to ID customers

Offer more ID options

[Future system]

PIN ID

Biometric ID



Install new ID terminals

Biometric and PIN ID to be added to the current method of personal seals

In-branch service guide

Reduce in-branch response time by speeding up services

Systemize customer ID records

Reduce time needed to copy customer ID documents

Integrate bank transfer services

Reduce time spent in branch depositing funds by integrating bank transfers

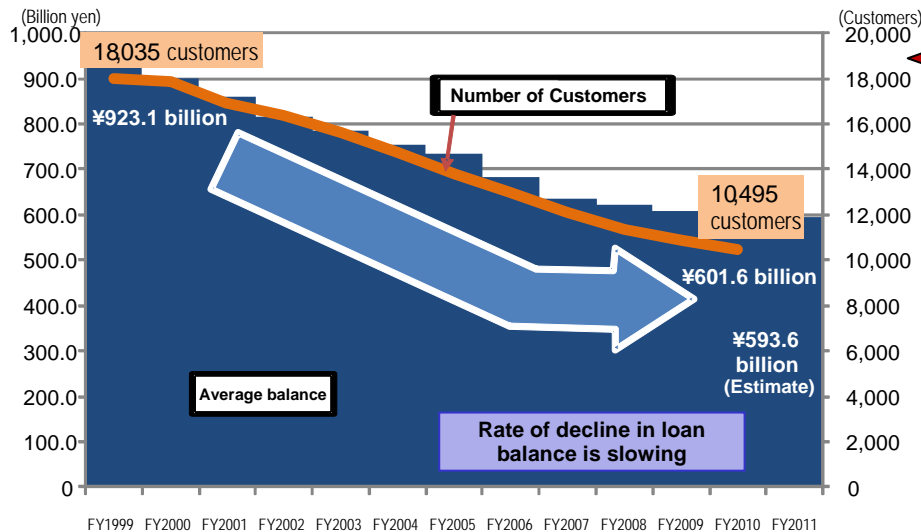
Personal seals no longer needed for certain forms such as lost items and change of details

Reduce in-branch waiting times

Provision of services that satisfy customers

# 10-1. Corporate Lending Strategy for Shimane and Tottori SAN-IN GODO BANK

## 1. Average corporate loan balance and number of customers in Shimane and Tottori



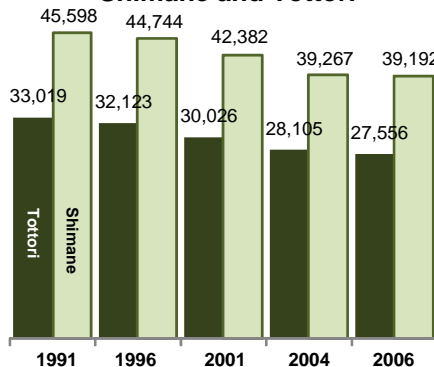
## 2. Size of Shimane and Tottori market

### Prefectural GDP

Rank	Pref.	Results (Billion yen)	Share
1st	Tokyo	95,946.4	17.25%
2nd	Osaka	40,550.1	7.29%
3rd	Aichi	38,006.8	6.83%
7th	Hyogo	21,243.9	3.82%
12th	Hiroshima	12,708.7	2.29%
22nd	Okayama	7,946.1	1.43%
45th	Shimane	2,668.4	0.48%
47th	Tottori	2,320.9	0.42%
-	Total	556,096.0	100.00%

Source: FY2008 Annual Report on Prefectural Accounts

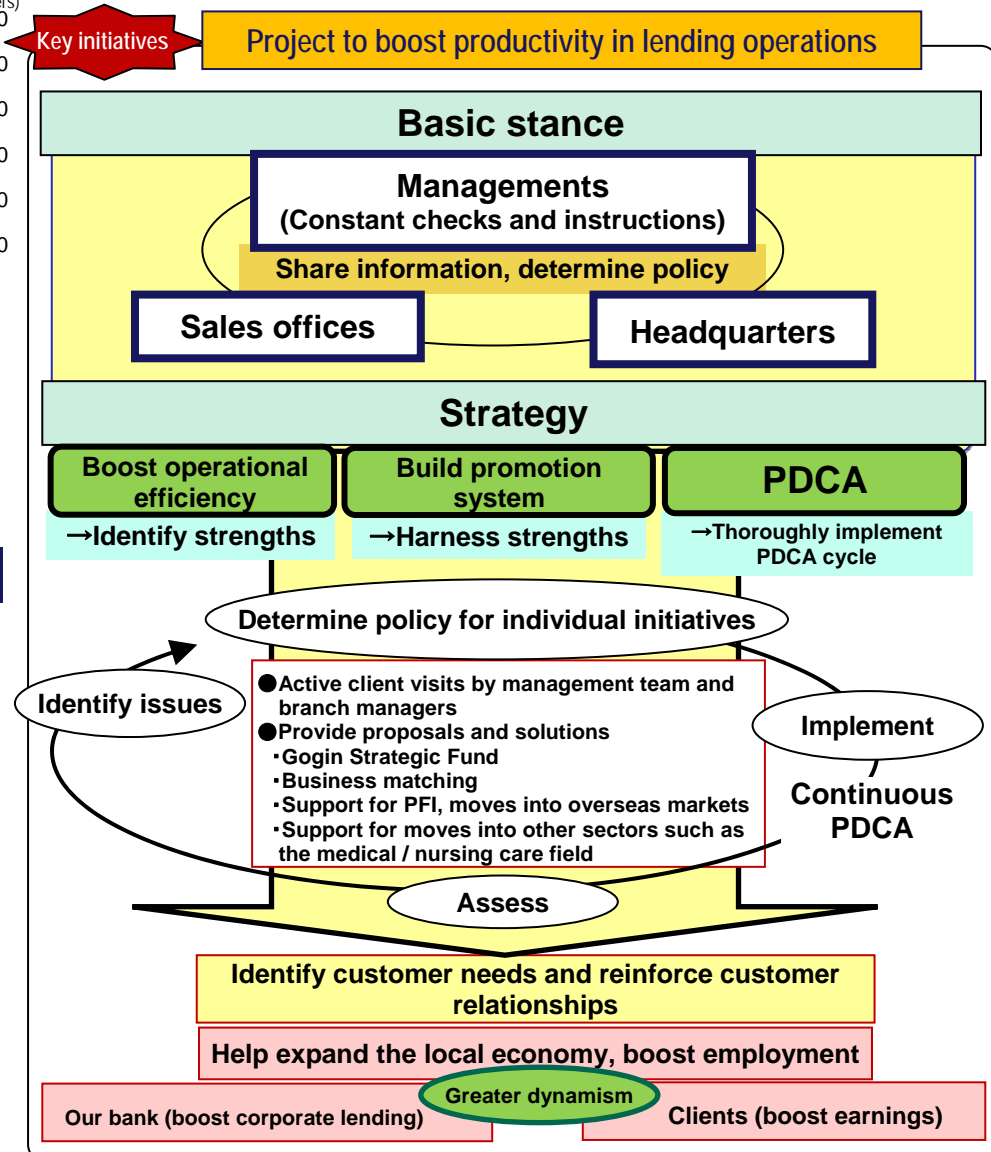
### Number of private businesses in Shimane and Tottori



Establishment and Enterprise Census

Data underscores tough operating environment

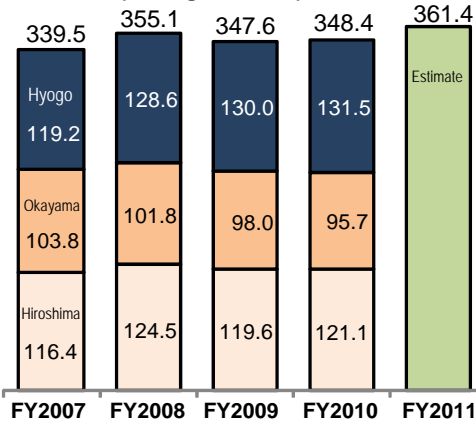
## 3. Corporate lending strategy for Shimane and Tottori



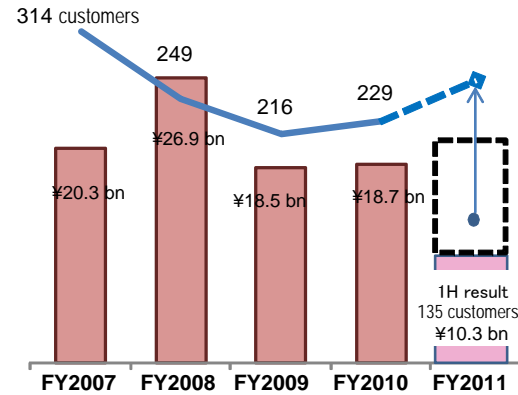
# 10-2. Strategy to Strengthen Corporate Lending for Sanyo Region and Hyogo

## 1. Corporate lending track record in Sanyo region and Hyogo

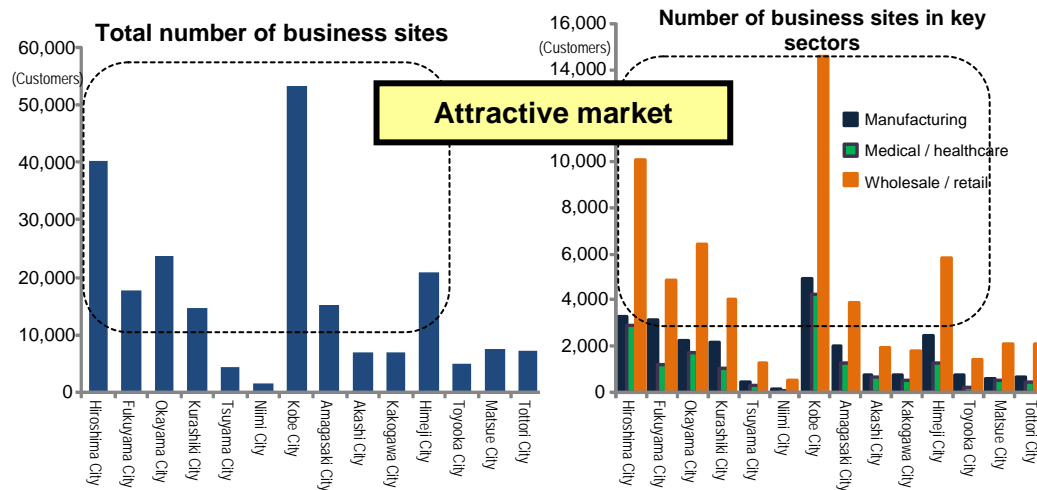
Change in corporate loans  
(Average balance) (Billion yen)



Loans for new customers



## 2. Corporate markets in cities where sales offices are located

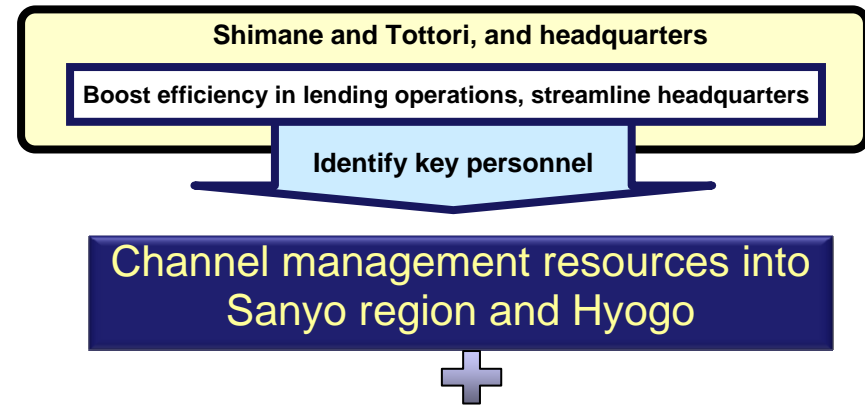


\*Based on FY2008 Economic Census  
\*Number of business sites is the total for standalone and head office sites (sites assumed to have financial functions)

Opportunities to reinforce business in Sanyo region and Hyogo

Key pillar of growth strategy

## 3. Growth strategy driven by stepped up operations in Sanyo region and Hyogo



### Systems

Analyze markets for each branch, clearly identify targets

Companies (wholesale, retail)  
Business individuals (building and condominium loans, etc.)

Position personnel with strong skills in financing field

Establish a system focused on promotion efforts by boosting operational efficiency

Step up promotion efforts by increasing headcount

### Promotion tools

Develop and offer competitive products and services

Gogin Strategic Fund, utilize medical / nursing care business specialists, our unique business matching service, support for overseas business expansion, PFI, loan syndication, etc.

Offer solutions using external networks

# 10-3. Initiatives in the Medical and Nursing Care Field

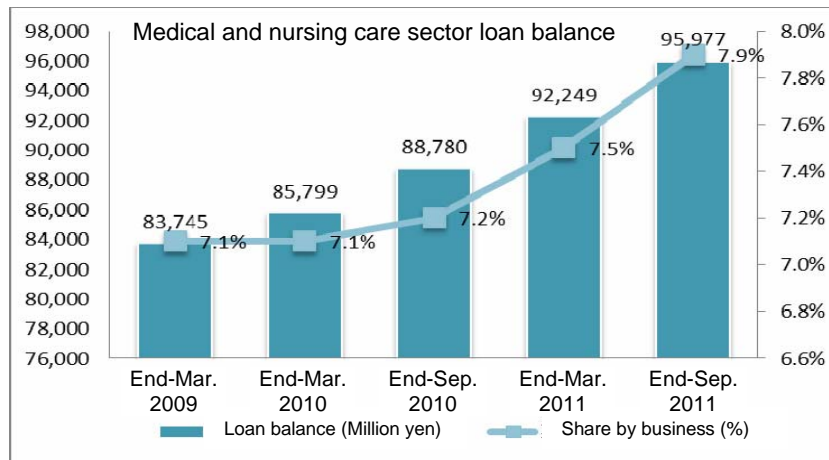
Reinforce links between sales offices, Regional Development Promotion Dept., and external networks, and generate needs for upgrades to regional healthcare

## 1. Background to initiatives in medical and nursing care field

### Medical and nursing care positioned as a target sector

- ◆ Aging society is a nationwide trend but is particularly advanced in Shimane and Tottori
- ◆ A core industry in the region
- ◆ Serious shortage of doctors and nurses
- ◆ Growing needs for hospital rebuilding and housing for the elderly

## 2. Medical and nursing care sector loan balance and number of loans



Loan book (including loans not yet finalized)

FY2011 lending target	22.0 billion yen	7.0 billion yen to target
End-Sep. 2011 lending balance	15.0 billion yen	
Lending business until FY2011	16.2 billion yen	Stable lending business
Lending business from FY2012	14.1 billion yen	

## 3. Initiatives aimed at the medical and nursing care field – a growth market

### ◆ Position staff responsible for the medical and nursing care field in the Regional Development Promotion Dept.

- Provide up-to-date information on industry trends and regulatory revisions

### ◆ Build a lending promotion system

- Step up active and strategic lending using the Gogin Strategic Fund (from October 2011)  
Reference: Gogin Growth Strategy Fund investments: 86.5 billion yen  
Including investments in medical and nursing care field: 12.3 billion yen (14% of total)  
(Fund operated between July 2010 and September 2011)
- Identify important and high-quality lending projects through close cooperation between the Credit Screening Dept. and staff responsible for medical and nursing care field
- Build a system capable of responding to diverse funding needs, such as syndicated loans and securitization of medical fee receivables

### ◆ Provide sales office support tools

- Gogin Medical Report: a monthly magazine providing information to hospitals and clinics

### ◆ Strengthen links with industry specialists, particularly medical and nursing care consulting firms

### ◆ Boost the expertise and capabilities of bank staff through training provided by outside specialists

## 4. Examples of concrete initiatives (project to build housing for the elderly and clinic)

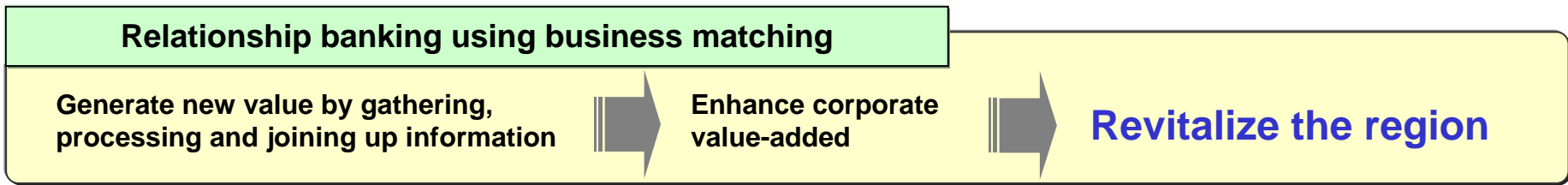
[Overview] An area where elderly care facilities are lacking; Nursing care home operators and doctors concerned about the situation envisaged an ideal setup comprising housing for the elderly and a clinic

[Process] Following a request for support from the local sales office, the employee responsible for the medical and nursing care field in the Regional Development Promotion Dept. provided full support for the project

- ◆ Involved in business plan discussions with the client from an early stage
- ◆ Explored funding options for construction costs through a syndicated loan with other regional financial institutions to support the local project; cooperated with the client screening section early on in the project
- ◆ Close cooperation with relevant authorities, including meetings with prefectural officials in charge of nursing care

Syndicated loan arranged by San-in Godo Bank (involving four banks and credit associations)  
[Project met local needs and generated commission income]

## Business matching using our broad regional base and networks



### Basic steps

- ◆ Build information database
- ◆ Train human resources and deploy staff strategically
- ◆ Sanyo region and Hyogo branch network and customer base
- ◆ Tie-ups with external networks
- ◆ Build headquarters promotion system

### Concrete strategy

- ◆ Help manufacturers to shift to high added-value business by using networks outside the region
- ◆ Support brand and sales channel development for local primary commodities
- ◆ Provide business matching services to key customers as a management support tool
- ◆ Provide support for moves into overseas markets

### Result and target of commission income

(Million yen)

	FY2009 Result	FY2010 Result	First half of FY2011	FY2011 Plan
Business matching commission	21	26	22	75

### Unrivaled networks

#### □ Intra-regional network

A network to enhance the value-added of local companies by identifying the management resources within the region and tying together the information

**[Cooperation with local governments] (2 prefectures, 5 cities and 2 towns)**

Tottori and Shimane Prefectures, Hamada, Unnan, Masuda, Sakai-Minato and Tottori cities, Yoshika and Tsuwano towns

**[Cooperation with Japan Agricultural Cooperatives (JA)] (5 JAs)**

JA Tottori Inaba, JA Izumo, JA Iwami Chuo, JA Unnan, JA Nishi-Iwami

#### □ Networks outside the region and overseas

Networks to enhance the value-added of local companies by expanding sales routes outside the region and incorporating sophisticated technologies

**[Cooperation with the universities]**

Tottori University, Shimane University, Innovation Promoting Firm for Kobe University, LLC

**[Cooperation with networks outside Shimane and Tottori]**

MITSUI & CO. Chugoku office, Ota City Industrial Promotion Organization of Tokyo Japan, Japan Space Forum, SME Support, JAPAN, Chugoku branch

**[Cooperation with overseas network]**

Songjiang District Foreign Economic Committee, Shanghai (China)  
 Dalian City (China), Industrial and Commercial Bank of China Limited (China)  
 Dalian Bank (Dalian City, China)

# 10-5. Helping Clients Expand Overseas

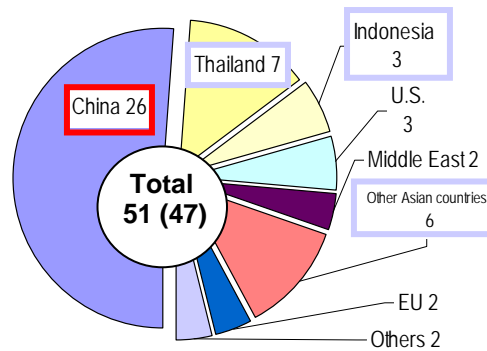
## Overseas expansion needs at clients

[Current overseas expansion by clients]

Advanced markets	Sites	Share
China	237	52%
U.S.	38	8%
Thailand	35	7%
Indonesia	10	2%
Vietnam	9	1%
Others	123	27%
<b>Total</b>	<b>452</b>	<b>100%</b>

(San-in Godo Bank Survey, Sep. 2011)

[Future target markets]



## Robust support framework for China business

### Dalian / Shanghai offices

- Dalian representative office
- Strong links with local government and financial institutions thanks to 14-year track record

- Business cooperation agreements with local governments and financial institutions

Dalian city government, Songjiang district government, Shanghai Dalian Bank, Industrial and Commercial Bank of China

### • Holding business meetings

All-out support by Dalian city government, Shanghai Dalian Bank, Industrial and Commercial Bank of China

### Strong lineup of products and capabilities

- Started offering Chinese yuan-denominated products
- Fund transfers (Sep. 2010)
- Savings accounts (Apr. 2011)

- Business tie-ups with accounting consultants
- Helping clients avoid tax risk arising from differences in accounting standards

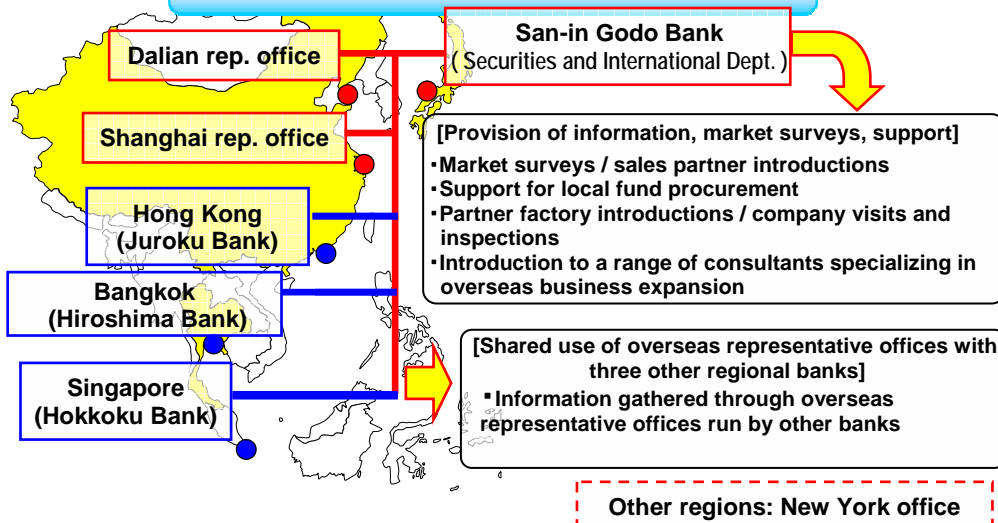
### Training employees to handle China business

- Language and business training in China
- ⇒ Dispatched almost every year since 1987

Complete support framework of clients' Chinese businesses

## Support framework for our clients

### Building a support framework across Asia



## Support system for our clients

### China

- Enhancing ability to find Chinese partners (sales, procurement) for our clients in Japan
- Promoting business tie-ups with Chinese financial institutions and a range of business consultants

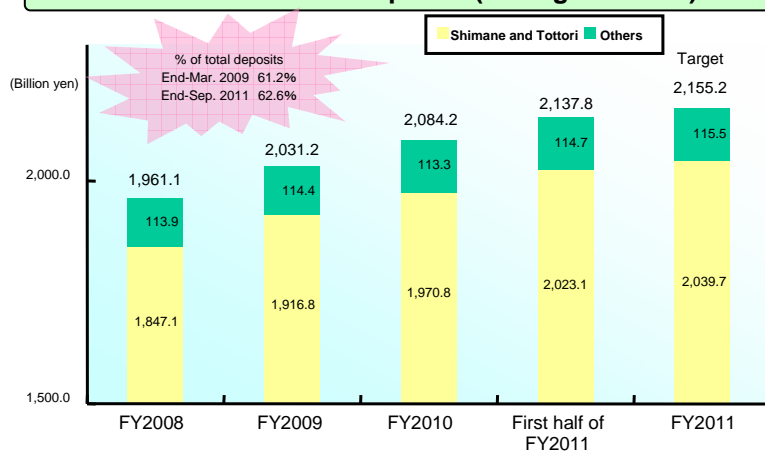
### Southeast Asia

- Forming business tie-ups with financial institutions in Thailand, a market that many of our clients are targeting
- Planning to dispatch employees for business training to financial institutions in Southeast Asia
- Forming business tie-ups with financial institutions across Southeast Asia → Providing local financial support to our clients through standby credit

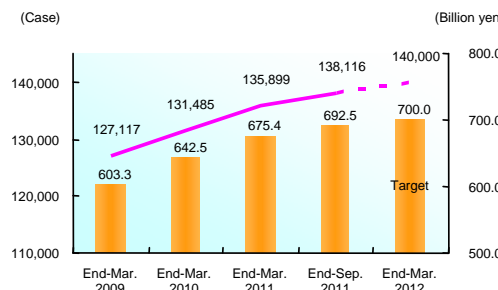
# 11-1. Measures to Boost Individual Deposits

With a focus on deposits—which show the confidence customers have in us—we are aiming to provide high-quality financial services and increase convenience for customers by boosting individual customer deposits, mainly in Shimane and Tottori

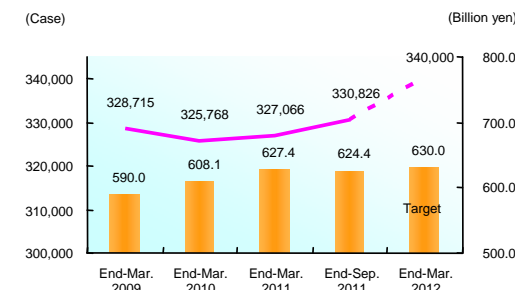
## Individual customer deposits (average balance)



## Number of client pensions paid into San-in Godo Bank



## Number of client salaries paid into San-in Godo Bank

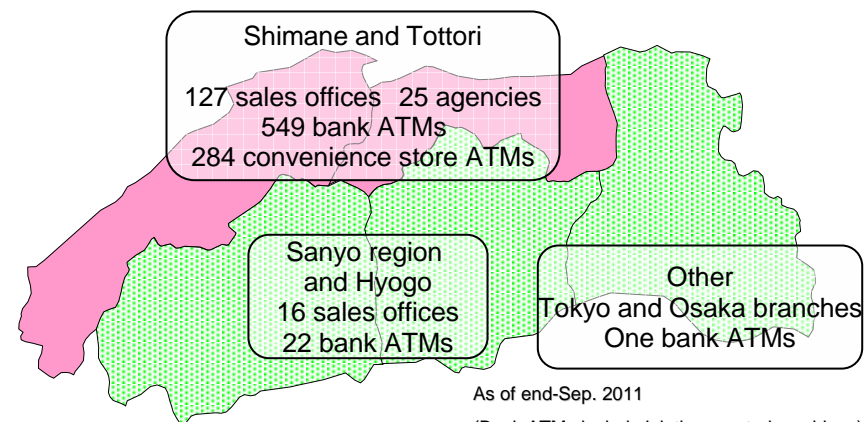


\*Dotted lines: number of accounts Bars: deposit balance

### <Concrete measures to increase balance>

- (1) Strengthen inflow base by securing pension accounts
  - A. Locking in customers who have yet to receive their pension with our pension income deposit service
  - B. Services for clients who chose San-in Godo Bank for their pension income deposits
    - Quality services such as discounted entry to facilities and free health consultations after becoming a member of our pensioners' club
    - Promotion of preferential products for pension customers such as Gold Time Deposits
    - More opportunities to take part in pension seminars and receive pension advice
- (2) Attract clients who choose San-in Godo Bank for their salary deposits, leading to other business
  - A. Preferential interest rates and commissions depending on level of transactions
  - B. Strong ATM network, including convenience store ATMs
- (3) Attract new funds such as retirement benefits and bonuses
  - Offer attractive products

## Extensive branch and ATM networks



As of end-Sep. 2011

(Bank ATMs include jointly operated machines)

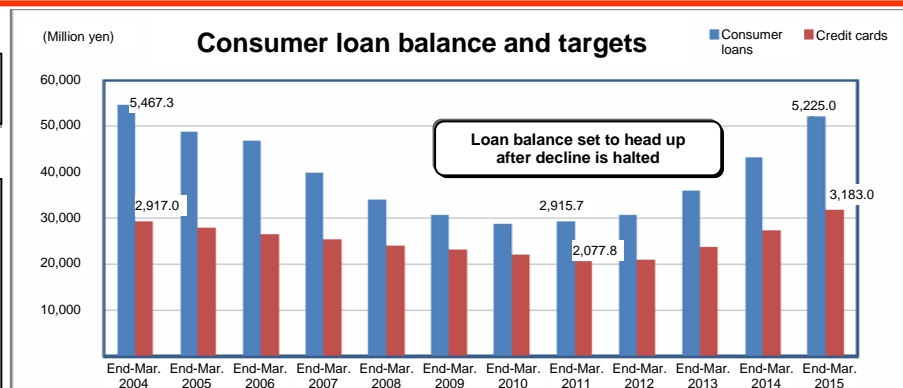
# 11-2. Boosting Consumer Loans

## 1. Targets

○ Boost consumer lending by 1.0 billion yen by end-March 2015 through additional use of management resources

## 2. Background

- Following revisions to the Money Lending Business Law, our mission is to support the healthy development of the local consumer financing market
- Interest income continues to decline, especially in the corporate lending division, due to low interest rates
- Our share of the local consumer loan market is much lower than our share of the local loan-deposit market
- Since 2H FY2010, stepped up initiatives in the consumer loan business have halted the decline in the loan balance



Targeting recovery in loan balance to end-March 2004 level of 84.0 billion yen by March 2015

## 3. Initiatives

Initiatives	Concrete measures
Step up promotion efforts through sales offices	Promotion focused on non-face-to-face channels → step up promotion by maximizing face-to-face channels (branch network) ○ Sharply expand team responsible for individual loans ○ Set up loan advice corners, conduct in-branch sales, carry out PR activities, presentations and advice seminars targeting at client companies, send out large-scale mail shots, and visit and call potential customers identified through marketing activities
Promotion support	○ Introduce tablet PCs, train up bank personnel
Increase customer convenience	○ Develop new products and services (Offer products with complete ATM or online application and contract processing and improve approval rates and speeds for other products in pursuit of providing more convenient products and services)
Lock in customers	○ Expand business among employees at client companies and among customer families

## 4. Projected growth in market share (consumer loan market in Shimane and Tottori)



- Consumer loan market in Shimane and Tottori is worth roughly 300.0 billion yen
- Our share is only around 15%  
Based on our loan-deposit market share, we see significant room for growth
- We forecast revenues would rise 1.0 billion yen if the loan balance increased by 34.0 billion yen  
Based on this loan balance, we estimate our market share would rise to 26%

# 11-3. Stepping Up Sales of Investment Products

**We plan to invest more management resources in investment products to boost revenues by 1.0 billion yen, making these products a key source of earnings**

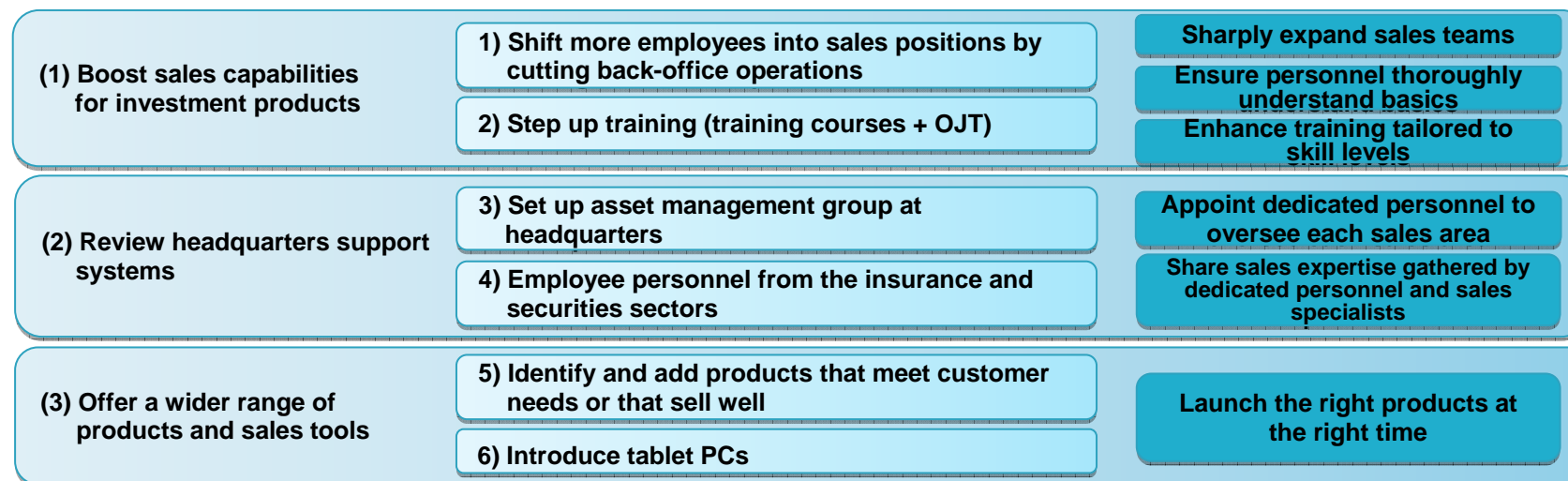
## 1. Background to stepped up investment product sales



Reference: sales at other regional banks (As of end-March 2011; billion yen)

	(1) Individual customer deposits	Estimated profits from investment product sales (FY2010)		
		(2) Insurance and investment trust sales	As a percentage of individual customer deposits (2) / (1)	Estimated profits (including investment trust fees)
Average for Chugoku and Shikoku regions	2,413.8	63.4	2.625%	2.19
San-in Godo Bank	2,267.0	37.0	1.632%	1.43

## 2. Initiatives

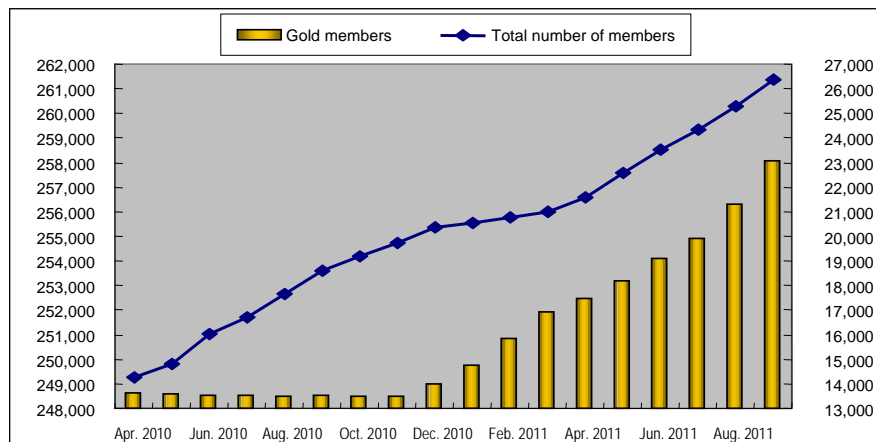


## 3. Target

	FY2011	FY2012	FY2013	FY2014
Investment trust sales commissions	¥ 0.5 billion	¥0.7 billion	¥0.8 billion	¥1.2 billion
Insurance product sales commissions	¥ 0.9 billion	¥1.0 billion	¥1.1 billion	¥1.2 billion
Total fee and commission income	¥1.4 billion	¥1.7 billion	¥1.9 billion	¥2.4 billion

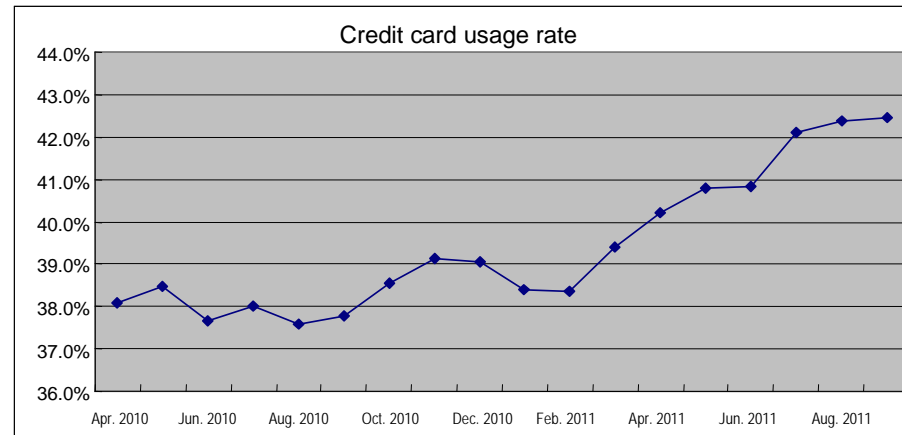
# 11-4. Credit Card Earnings

## 1. Changes in the numbers of credit card members



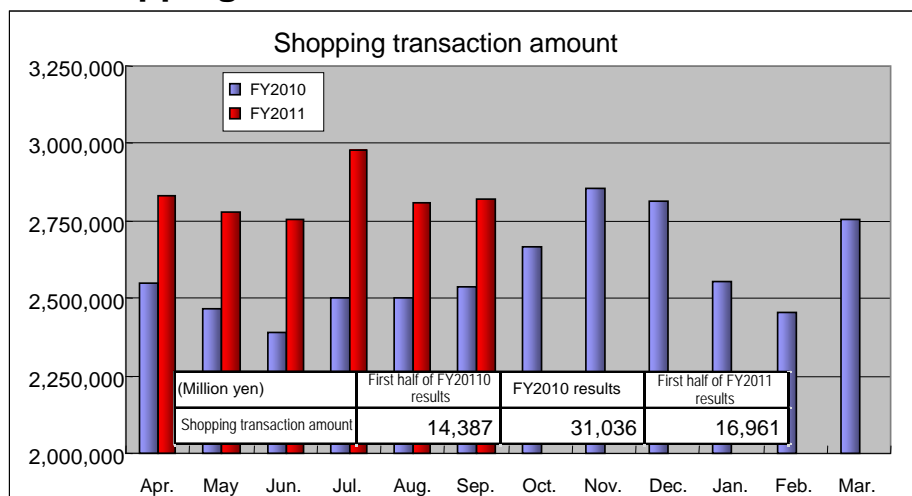
	First half of FY2010 result	FY2010 result	First half of FY2011 result
Total number of members	253,581	255,976	261,376
Of which, gold members	13,525	16,699	23,073

## 2. Changes in credit card usage rate



	First half of FY2010 result	FY2010 result	First half of FY2011 result
Usage rate	37.9%	38.4%	41.5%
Monthly charges	¥27.4 thousand	¥28.0 thousand	¥27.6 thousand

## 3. Shopping transaction amount



(Million yen)	First half of FY2010 results	FY2010 results	First half of FY2011 results
Shopping transaction amount	14,387	31,036	16,961

## 4. Actual and Planned Earnings

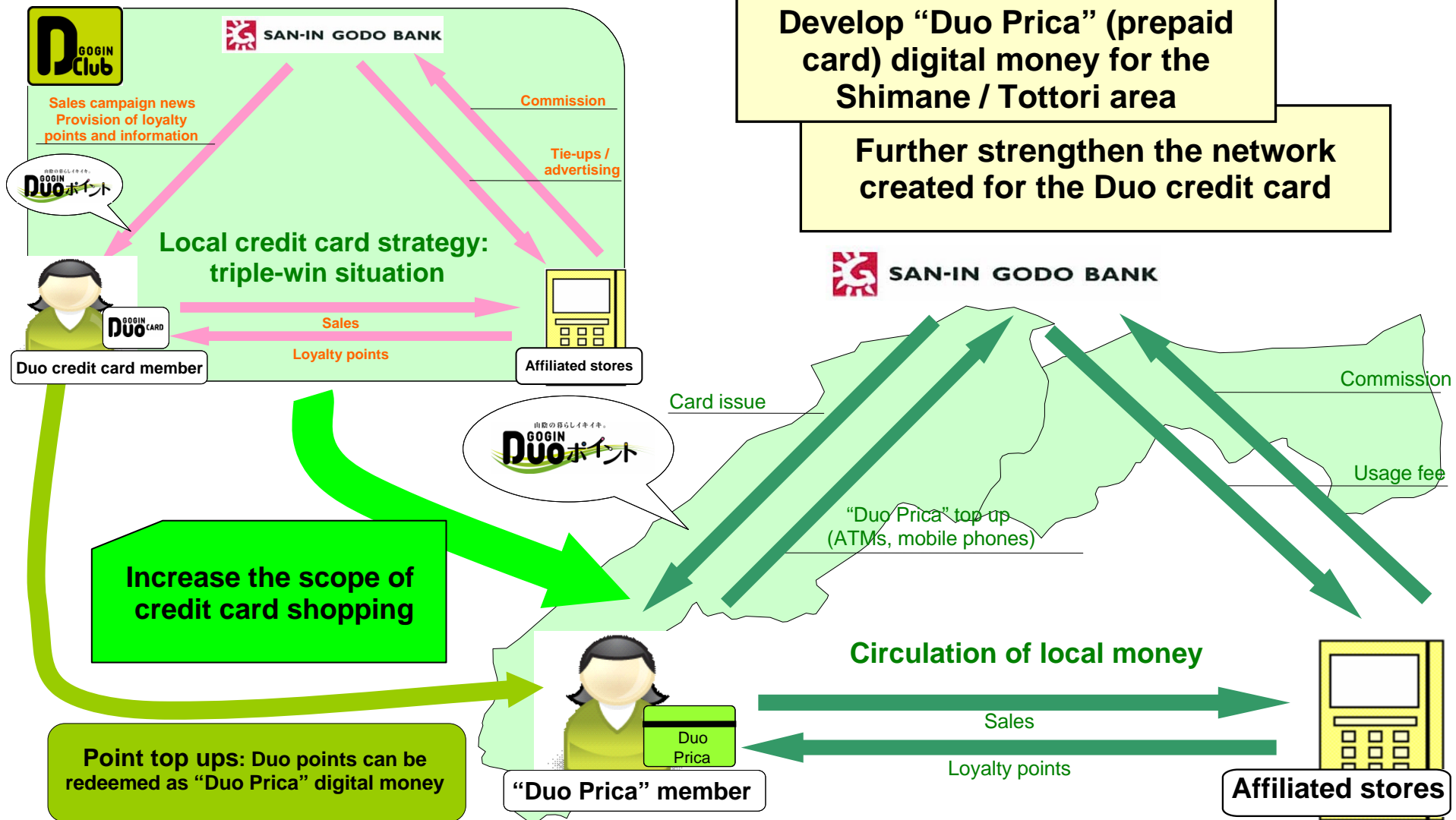
(Million yen)

	First half of FY2010 results	FY2010 results	First half of FY2011 results	FY2011 plan
<b>Income</b>	<b>642</b>	<b>1,381</b>	<b>695</b>	<b>1,683</b>
Shopping commission	235	489	262	642
Membership fee revenues	119	313	149	388
Interest on cashing loans	288	579	284	653
<b>Expenses</b>	<b>345</b>	<b>670</b>	<b>364</b>	<b>781</b>
Premium, etc.	125	245	129	279
Operations consignment expenses	220	425	235	502
<b>Card revenue</b>	<b>297</b>	<b>711</b>	<b>331</b>	<b>902</b>
Other expenses*1	253	429	278	604
<b>Gains (losses) on business</b>	<b>44</b>	<b>282</b>	<b>53</b>	<b>298</b>

\*1 Main items of other expenses are marketing materials cost and postal cost.

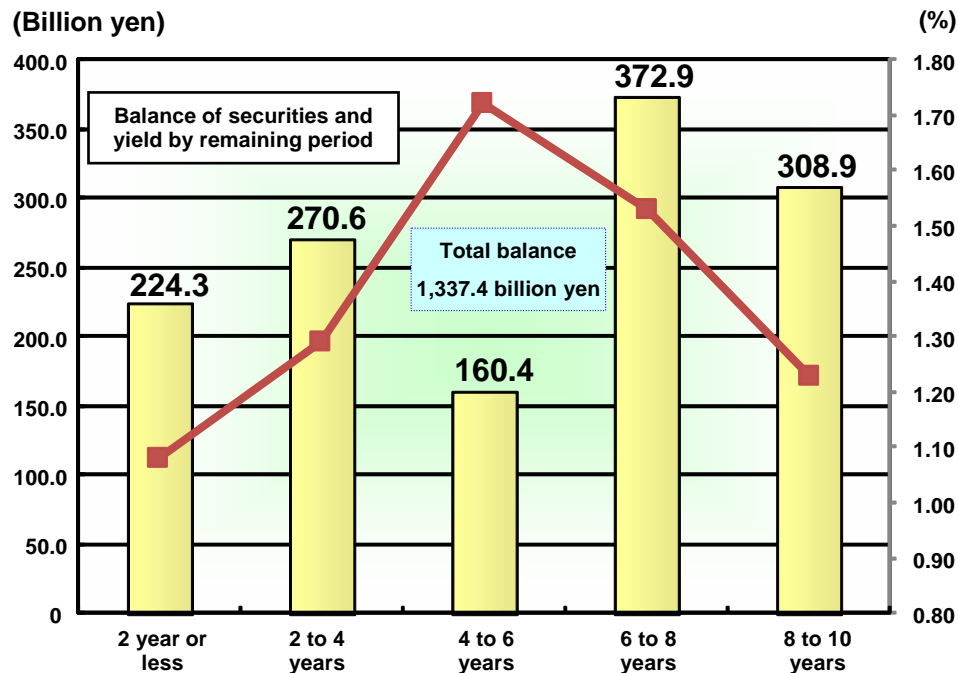
# 11-5. Future Credit Card Strategy

Build on image as a local credit card for use as local money



# 12-1. Interest Rate Risk Taking

**Yen-denominated bond portfolio (End-Sep. 2011)**



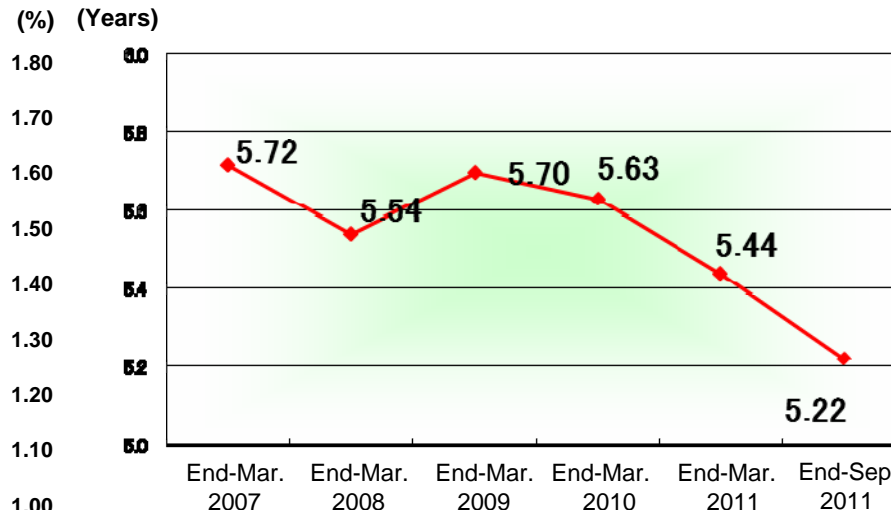
(Billion yen)	2 year or less	2 to 4 years	4 to 6 years	6 to 8 years	8 to 10 years
Valuation	2.8	7.3	10.1	22.0	7.5
Yield	1.09%	1.29%	1.72%	1.53%	1.23%
10BPV ↑	(0. 3)	(0. 7)	(0.8)	(2.5)	(2.8)
Yield spread	+94 bp	+101 bp	+119 bp	+85 bp	+26 bp

(Note 1) Yield is amortized book value.

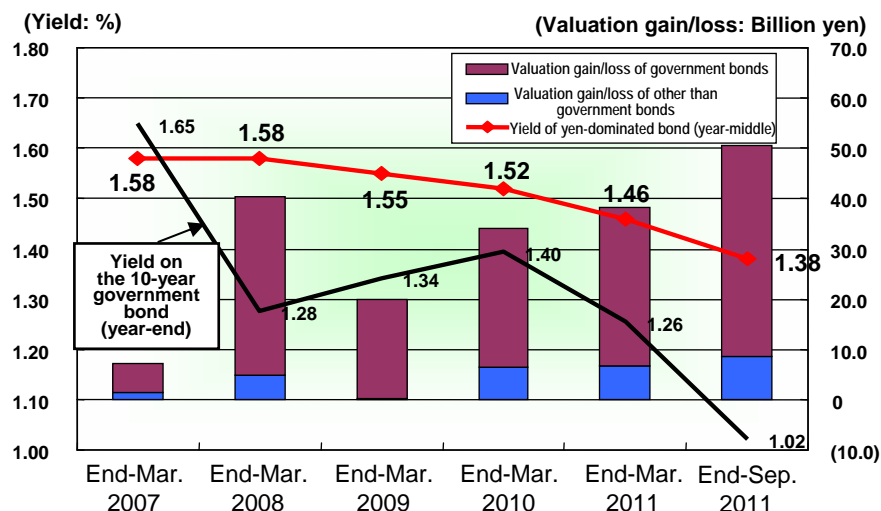
(Note 2) Yield spread is the number of basis points above face rate.

(Note 3) Excluding Japan Housing Finance Agency RMBS

**Duration in yen-denominated bonds**



**Yield of yen-dominated bonds and changes of valuation gain/loss**



# 12-2. Bond Portfolio Simulation

## Assumptions (timeframe: three years)

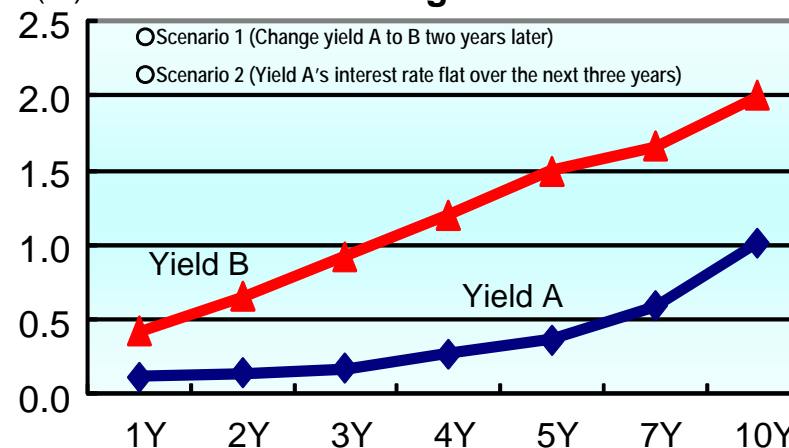
### <Interest rate scenarios>

- Scenario 1: Interest rates flat in first two years (10-year JGBs: 1%)  
Subsequent sharp rise in rates (10-year JGBs: 1%→2%)
- Scenario 2: Interest rates flat over the next three years  
**Prolonged zero interest rate policy → risk that rates will not rise**

### <Purchase assumptions>

- Scenario 1  
First two years: Reinvest bond repayments in 10-year JGBs  
Third year: As interest rates rise, reinvest bond repayments in 10-year JGBs and invest an additional 80.0 billion yen
- Scenario 2  
Reinvest three years of bond repayments in 10-year JGBs

## <Yield curve of government bond>



## Purchases amounts for each scenario

	Scenario 1 (interest rates rise)		Scenario 2 (interest rates remain low)	
	Interest rate	Purchase amount (bn yen)	Interest rate	Purchase amount (bn yen)
- Sep. 2012	1.0%	80.3	1.0%	80.3
- Sep. 2013	1.0%	144.0	1.0%	144.0
- Sep. 2014	1.5%	217.0	1.0%	217.0
	2.0%	80.0		
<b>Total</b>		<b>521.3</b>		<b>441.3</b>

- Actively invest in bonds when interest rates rise
- Only reinvest bond repayments if interest rates remain low

## Simulation results (reinvestment of repayments)

	Sep. 2011	Sep. 2014	
	Current status	Scenario 1 (Interest rates rise)	Scenario 2 (interest rates remain low)
Book yield (%)	1.36	1.40	1.29
Annual int. rev. (billion yen) (*1)	18.2	19.9	17.2
Duration (Year)	5.22	5.67	5.49
Valuation gain/loss (billion yen)	53.7	(21.1)	44.4
Equity ratio (%) (*2)	17.18	16.28	17.18

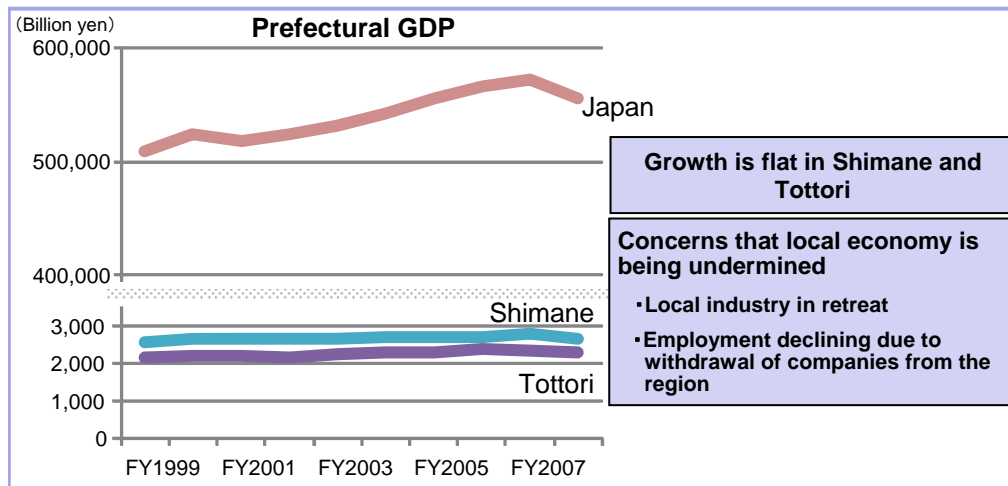
(\*1) Book yield applied to fiscal year-end book value (bonds)

(\*2) Not including increases to retained earnings

Limited impact on equity ratio even if interest rates rise  
→ opportunity to increase yields

Annual profit impact of 1.0 billion yen even if interest rates remain low → a level that could be covered by profits from other sources (leasing, fee and commission income, etc.)

# 13-1. Initiatives to Revitalize the Local Economy



**Initiatives to revitalize the entire region**  
Resolve regional issues faced by Shimane and Tottori one by one

**◆ Regenerate local industry**

- Revive company towns  
Turn round SMEs that had relied on major manufacturers but are now struggling due to a drop in orders / exit of these manufacturers

**◆ Cultivate new growth fields and create new businesses**

- Pass on traditional skills – support for integration of specialty steel technology
- Smart city concept – create an electric vehicle industry
- Cooperate on major tourist attraction projects

**◆ Examples: reviving the offshore trawling industry at Hamada fishing port**

**Current situation around Hamada fishing port: Shimane prefecture's largest fishing base**

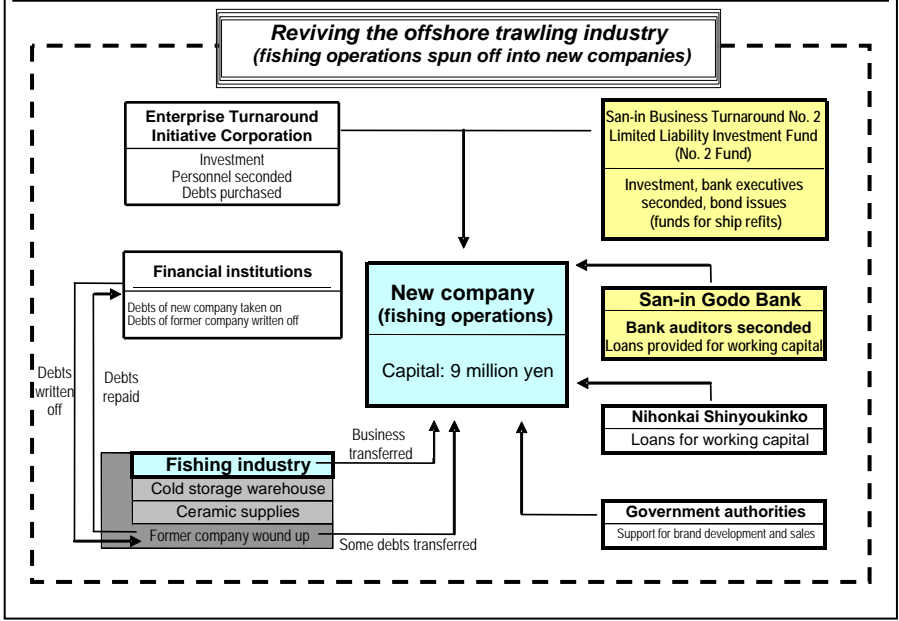
- Fishing industry and marine product processing supports the local economy
- At its peak, Hamada had a fleet of nearly 40 offshore trawlers, but this has declined to just five due to difficult operating conditions

**Issues faced by fishing companies**

- Significant liabilities due to deteriorating conditions in other businesses
- Aging fishing boats mean companies may halt operations in the near future

**Our initiatives**

- Revitalized businesses using the Enterprise Turnaround Initiative Corporation and set up new companies to continue fishing operations
- The new companies will carry out major refits to tackle the problem of aging ships and continue operations
- Maintaining stable catches will contribute to the development of the local economy



# 14-1. Measures to Return Profits to Stockholders

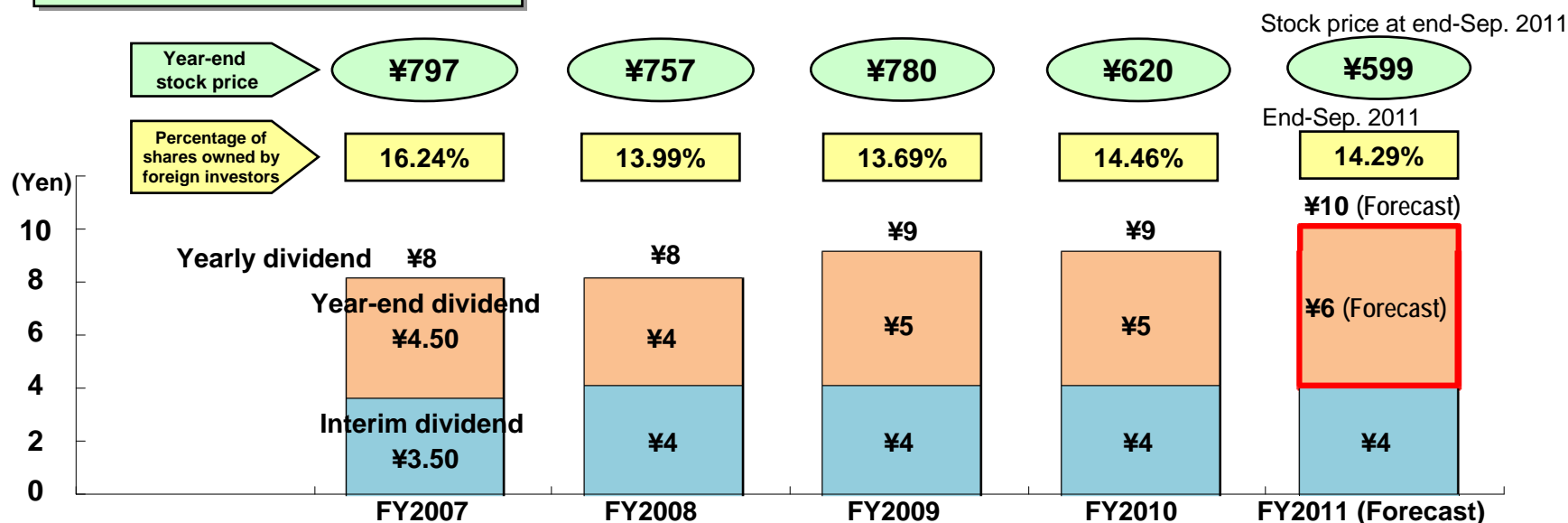
## Dividend policy

- ◆ Introduced performance-linked dividend scheme from FY2008
- ◆ Stable annual dividend of 8.00 yen per stock
- ◆ When net income exceeds 8.0 billion yen, the bank pays a performance-linked dividend

## Stock price and dividend

<Dividend payment>

Net income (non-consolidated)	Dividend per share
More than 10 billion yen	¥11
9 billion - 10 billion yen	¥10
8 billion - 9 billion yen	¥9
Less than 8 billion yen	¥8



Net income per share	¥43.45	¥44.64	¥50.71	¥50.50	¥55.32
Dividend per share	¥8	¥8	¥9	¥9	¥10
Payout ratio	18.3%	17.9%	17.6%	17.7%	18.0%
Total dividend paid	¥1,366 million	¥1,365 million	¥1,528 million	¥1,499 million	¥1,644 million
Purchase amount of treasury shares Number of treasury shares purchased	¥163 million 179 thousand	—	¥1,003 million 1,423 thousand	¥2,199 million 3,247 thousand	¥886 million* 1,500 thousand
Profit return ratio	20.5%	17.9%	29.2%	43.7%	27.8%*

\*Assuming no share buybacks in 2H FY2011

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**Forward-looking statements are included in this material. These statements do not provide a guarantee of the San-in Godo's future performance, and actual results are subject to risks and uncertainties. Please note that future performance may differ from the views presented herein owing to changes in the operating environment and other factors.**

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