

Financial Review (consolidated basis)

The Shiga Bank, Ltd. and Consolidated Subsidiaries

Consolidated Five-Year Summary

March 31, 2008, 2007, 2006, 2005 and 2004

	Millions of yen				
	2008	2007	2006	2005	2004
As of March 31					
Total assets	¥4,115,109	¥4,179,335	¥4,082,911	¥4,006,137	¥3,881,599
Securities	1,225,131	1,355,021	1,426,683	1,403,630	1,309,334
Loans and bills discounted	2,551,368	2,473,464	2,378,949	2,318,503	2,242,745
Deposits	3,695,055	3,705,751	3,624,279	3,579,204	3,503,759
Total net assets	256,868	283,997	247,333	221,701	207,687
Years ended March 31					
Total income	116,258	99,356	99,914	90,974	85,385
Total expenses	106,138	83,956	77,892	71,544	74,345
Net income before income taxes and minority interests	10,120	15,399	22,021	19,429	11,039
Net income	3,597	8,839	10,209	11,483	6,191
Per share data (in yen)					
Cash dividends	¥ 6.00	¥ 6.00	¥ 5.50	¥ 5.00	¥ 5.00
Net income	13.60	33.41	38.43	43.05	23.72
Net assets	887.14	987.98	934.66	837.29	785.85
Ratio					
Capital ratio	11.16%	12.20%	11.25%	11.18%	10.99%
ROE	1.45%	3.47%	4.35%	5.34%	3.26%

In fiscal 2007, despite temporary fears of a downturn due to the decline in housing investment and the high prices of raw materials, the Japanese economy continued to expand at a moderate pace throughout the year as a whole.

In the financial sector, the worldwide credit contraction sparked off by the U.S. subprime loan crisis led to turmoil on capital markets, and as a result the movement of interest rates back up to a more normal level came to a halt. New developments on the Japanese financial scene included the enforcement of the new Financial Products and Exchange Law, the start of operations of the newly privatized Japan Post Bank, and the complete liberalization of over-the-counter sales of insurance plans by banks.

Against the backdrop of these changes in the Bank's operating environment, in line with the Third Long-Term Management Plan, the management and staff of the Shiga Bank Group worked to raise the efficiency of fund investment and procurement and to ensure the soundness of Group's financial asset portfolio. Below, we report on the business performance of the Bank, on a consolidated basis, for the fiscal 2007 term.

Balance Sheets

The year-end balance of deposits, including negotiable certificates of deposit, stood at ¥3,695,055 million (US\$36,880 million), for a decrease of ¥10,696 million from the previous term-end.

The balance of loans and bills discounted increased by ¥77,904 million to ¥2,551,368 million (US\$25,465 million) as a result of a rise in loans to individuals, principally mortgage loans, as well as steady growth in business loans. Securities holdings decreased by ¥129,890 million to ¥1,225,131 million (US\$12,228 million), mainly owing to the sale of Japanese government bonds.

Regarding nonperforming loans on the Bank's books, risk-monitored loans under the Banking Law amounted to ¥82,087 million for an increase of ¥21,026 million over the previous term-end. This accounted for 3.21% of total loans outstanding, a deterioration of 0.75 of a percentage point from the previous term.

The balance of bad debt (almost all consisting of nonperforming loans) subject to mandatory disclosure under the Financial Reconstruction Law (non-consolidated basis) stood at ¥82,692 million, up ¥21,620 million over the previous term-end. This accounted for 3.17% of total credit outstanding, a year-on-year deterioration of 0.76 points.

The above-described deterioration of these two nonperforming loan ratios is the result of the stricter application by the Bank of borrower rating standards.

Total assets at fiscal year-end stood at ¥4,115,109 (US\$41,073 million), for a year-on-year decline of ¥64,226 million, while net assets came to ¥256,868 million (US\$2,564 million), down ¥27,129 from the previous term-end.

In line with the Basel II capital accord, the Bank's capital ratio on a nonconsolidated basis at the reporting term-end stood at 11.14%, down by 1.06 points from the end of the previous term (March 2007). The Tier I capital ratio, on the other hand, rose by 0.31 points to 9.84%.

The capital ratio on a consolidated basis declined by 1.04 points to 11.16%, while the Tier I ratio rose 0.31 points to 9.91%.

Thus, the Bank has already achieved the 11.0% target for capital ratios on both a consolidated and nonconsolidated basis under its 3rd Medium-Term Business Plan for the 21st Century (April 2007-March 2010).

Statements of Income

In spite of a fall in income from fees and commissions, total income for the reporting term came to ¥116,258 million (US\$1,160 million), an increase of ¥16,902 million over the previous term, thanks to an increase in interest income and other operating income.

Expenses rose by ¥22,181 million to ¥106,138 million (US\$1,059 million) as a result of higher fund procurement costs, notably interest on deposits, as well as an increase in provisions for possible loan losses, which constitute a sub-category of credit costs.

As a result of the above, income before income taxes and minority interests posted a decrease of ¥5,279 million from the previous term, to ¥10,120 million (US\$101 million). Net income declined by ¥5,242 million to ¥3,957 million (US\$36 million).

Cash Flows

Cash and cash equivalents at the reporting term-end, on a consolidated basis, amounted to ¥40,435 million (US\$404 million), down by ¥7,984 million from the previous term-end.

■ Cash flow from operating activities

Net cash used in operating activities during the term amounted to ¥58,185 million (US\$581 million), for a decrease of ¥19,915 million from the previous term. This is mainly attributable to an increase in the reserve for possible loan losses.

■ Cash flow from investing activities

Net cash provided by investing activities decreased by ¥15,644 million to ¥58,561 million (US\$585 million), mainly as a result of increased expenditure for the acquisition of securities and a decrease in the redemption of securities.

■ Cash flow from financing activities

Net cash used in financing activities came to ¥8,327 million (US\$83 million), mainly as a result of the repayment of subordinated loans.

